# Consumer Price Index

Visit the following websites below and answer the questions pertaining to each website on a separate sheet of paper.

**CPI Overview**

Click on the following website: <http://www.bls.gov/cpi/cpifaq.htm>

Answer the following questions:

|  |  |
| --- | --- |
| 1. What is the CPI?
 |  |
| 1. What are the three major functions of the CPI?
 |  |
| 1. What percentage of the US population do urban consumers represent?
 |  |
| 1. What urban consumers are included?
 |  |
| 1. Which individuals are not included?
 |  |
| 1. How is the CPI market basket determined?
 |  |
| 1. What are the most current years the market basket was updated?
 |  |
| 1. How did the BLS gather the expenditures of the average urban consumers?
 |  |
| 1. Out of the current goods and services covered, which goods do you spend your money on currently?
 |  |
| 1. Summarize how the BLS data collectors get their information.
 |  |
| 1. How are taxes treated in the CPI
 |  |
| 1. What is the range of base years that the CPI is pegged to?
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| 1. What would an index of 110 represent (from the base year)?
 |  |
| 1. If the CPI in year 1 was 115 and the CPI in year 2 was 213, what would be the percentage change in prices?
 |  |
| 1. Out of the other measures of inflation, which have we discussed in class?
 |  |
| 1. Which index is officially reported in the media?
 |  |
| 1. What does “core inflation” indicate?
 |  |
| 1. What are some of the limitations of the CPI?
 |  |

Click on the following website: ftp://ftp.bls.gov/pub/special.requests/cpi/cpiai.txt

Answer the following questions:

|  |  |
| --- | --- |
| What is the first year officially reported in the CPI? |  |
| From 1982 to the present, which year saw the most inflation? |  |
| What was the average inflation rate over the 2000’s decade? |  |
| When did the inflation go negative? |  |

Click on the following website: <http://www.bls.gov/data/inflation_calculator.htm>

Compare the following years and indicate the change in the purchasing power of the dollar to 2012

|  |  |
| --- | --- |
| Year | 2012 purchasing power |
| 1920 |  |
| 1930 |  |
| 1940 |  |
| 1950 |  |
| 1960 |  |
| 1970 |  |
| 1980 |  |
| 1990 |  |
| 2000 |  |
| 2010 |  |

 “The Good ‘Ole Days” – compare the last 50+ years based on the categories listed below
Search for the following prices over the years. Then determine the buying power today, 2000’s price and then the difference in price. Finally, determine if we have lost purchasing power or gained in the past 50 years.

<http://www.thepeoplehistory.com/70yearsofpricechange.html>

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Category  | 1950’s | Buying power today | 2000’s Price | Difference in Price | Have we lost or gained purchasing power? |
| Gallon of Gasoline |  |  |  |  |  |
| Average Price of a Car |  |  |  |  |  |
| New Home |  |  |  |  |  |
| Loaf of Bread |  |  |  |  |  |
| Gallon of Milk |  |  |  |  |  |
| First Class Postage Stamp |  |  |  |  |  |
| Price of a pack of cigarettes |  |  |  |  |  |
| Cost of a movie ticket |  |  |  |  |  |
| Cost of a McDonald’s Big Mac (first introduced in 1967) |  |  |  |  |  |
| Cost of a dozen eggs |  |  |  |  |  |
| Newspaper |  |  |  |  |  |