Assignment on Inflation  
(due Lab Thursday Oct 28th)


2. Calculate the inflation rate for both series between 1994 and today using the formula on p. 631, with \( \text{year}_2 = \text{September 2010} \) and \( \text{year}_1 = \text{September 1994} \).

3. Southwestern’s tuition in September 1994 was $11,850 and it is $31,630 today. Convert the 2010 tuition to 1994 dollars by dividing the 1994 CPI by the 2010 CPI to get the ratio of the two (which is <1), and multiply the current tuition by this ratio. This is the 2010 tuition expressed in 1994 dollars. What has been the “real” increase in tuition since 1994 in dollar terms? in percentage terms (\( \text{\$increase/1994\$tuition} \))? How does this increase compare to overall inflation for the period calculated above?

4. Gasoline prices were $1.13 per gallon in 1980. What would the price be in current (2010) dollars? Create a ratio of the 2010 Core Inflation Rate to the 1980 Core Inflation Rate (which is >1). Multiply this ratio times the 1980 gas price. If a gallon of gas costs $2.70 today, how much have “real” gas prices risen or fallen since 1980?

5. Use the formula \( \left( \frac{\text{CPI} \text{ Period}_2 - \text{CPI} \text{ Period}_1}{\text{CPI} \text{ Period}_1} \right) \times 100 \) to calculate the inflation rate during the month of September for the years 1980 to 1981, 1990 to 1991, 2000 to 2001 and 2009 to 2010. How has the inflation rate changed over these periods?