

# 4.2 Inflation & the Consumer Price Index

- ▶ Use a consumer price index.
- ▶ Use a graph to interpret a consumer price index.
- ▶ Compare inflation to the value of the dollar.

### Reading a Consumer Price Index

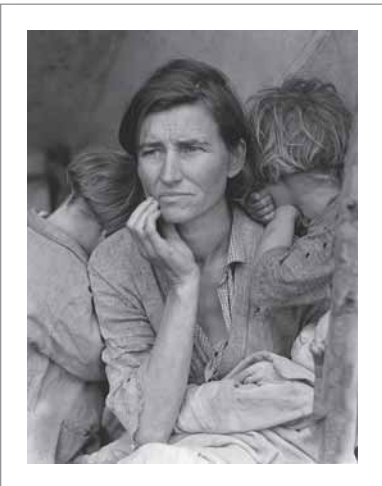
**Inflation** is a rise in the general level of prices for goods and services. A **consumer price index** (CPI) is used as a measure of inflation.

The U.S. Bureau of Labor Statistics defines a CPI as “a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.” The Bureau of Labor Statistics lists many different CPIs. Here is one for *all* goods and services.

(Note: The base year is 1983.)



UNITED STATES BUREAU OF LABOR STATISTICS							
Year	CPI	Year	CPI	Year	CPI	Year	CPI
1931	15.2	1951	26.0	1971	40.5	1991	136.2
1932	13.7	1952	26.5	1972	41.8	1992	140.3
1933	13.0	1953	26.7	1973	44.4	1993	144.5
1934	13.4	1954	26.9	1974	49.3	1994	148.2
1935	13.7	1955	26.8	1975	53.8	1995	152.4
1936	13.9	1956	27.2	1976	56.9	1996	156.9
1937	14.4	1957	28.1	1977	60.6	1997	160.5
1938	14.1	1958	28.9	1978	65.2	1998	163.0
1939	13.9	1959	29.1	1979	72.6	1999	166.6
1940	14.0	1960	29.6	1980	82.4	2000	172.2
1941	14.7	1961	29.9	1981	90.9	2001	177.1
1942	16.3	1962	30.2	1982	96.5	2002	179.9
1943	17.3	1963	30.6	1983	99.6	2003	184.0
1944	17.6	1964	31.0	1984	103.9	2004	188.9
1945	18.0	1965	31.5	1985	107.6	2005	195.3
1946	19.5	1966	32.4	1986	109.6	2006	201.6
1947	22.3	1967	33.4	1987	113.6	2007	207.3
1948	24.1	1968	34.8	1988	118.3	2008	215.3
1949	23.8	1969	36.7	1989	124.0	2009	214.5
1950	24.1	1970	38.8	1990	130.7	2010	218.1



This famous photograph came to represent the hardship of the Great Depression in America. It was taken by Dorothea Lange in 1936. The photograph is of a migrant worker, Florence Thompson, and three of her seven children. Florence was 32 years old at the time the photo was taken.

### EXAMPLE 1 Reading a Consumer Price Index

Was the Great Depression (1930s) a time of inflation?

#### SOLUTION

Using the CPI, you can see that the prices of consumer goods and services did not rise during the 1930s. In fact, from 1931 through 1939, prices fell slightly. So, the Great Depression was not a time of inflation.

#### ✔ Checkpoint

Help at [Math.andYOU.com](http://Math.andYOU.com)

During which of the eight decades shown in the CPI did prices increase by the greatest percent? Explain your reasoning.