<http://www.minneapolisfed.org/community_education/teacher/calc/hist1800.cfm>

The price level starts at 50 in 1800. Thus, as long as the price level trends back to 50 over time that means that inflation in the economy was cancelled in a future year by deflation. (Inflation represents a basket of increase prices while deflation represents a basket of decreasing prices).

Look at 1800. Then, look at 1943. Notice that the index is still at around 50. Thus, we can say that prices trended up and down some but a basket of goods that cost $50 in 1800 still only cost $51.80 in 1943. Did it surprise you that prices were the same 143 years later?

Look at the prices from 1800 to 1943 again and notice how we had years where prices actually dropped (deflation)? Could that happen again and why or why not?

Look at the period from 1943 until today. Prices moved from 51.8 to 657. Thus, we can say that a house that cost say $20,000 in 1943 would cost $20,000 times 657/51.8 or ~ $254,000 today if the house went up at the same rate as inflation.

Thus, can we say that the above house did not really go up at all in real terms? Why? Can what we think are returns or nothing more than changes in prices due to inflation? Since the index dropped before does that show that houses can drop in price as well as go up in price?

**What is $1 in 1850 worth in 2010?**

2010 Price = 1850 Price x (2010 CPI / 1850 CPI)  
2010 Price = $1 x (657.8 / 25)  
2010 Price = $26.31

$1 in 1850 is worth $26.31 in 2010.

**CPI-U  
1967 = 100**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | |  |  |  | | --- | --- | --- | | **Year** | **Annual Average** | **Annual Percent Change (rate of inflation)** | | 1800 | 51 | -- | | 1801 | 50 | -2.0 | | 1802 | 43 | -14.0 | | 1803 | 45 | 4.7 | | 1804 | 45 | 0.0 | | 1805 | 45 | 0.0 | | 1806 | 47 | 4.4 | | 1807 | 44 | -6.4 | | 1808 | 48 | 9.1 | | 1809 | 47 | -2.1 | | 1810 | 47 | 0.0 | | 1811 | 50 | 6.4 | | 1812 | 51 | 2.0 | | 1813 | 58 | 13.7 | | 1814 | 63 | 8.6 | | 1815 | 55 | -12.7 | | 1816 | 51 | -7.3 | | 1817 | 48 | -5.9 | | 1818 | 46 | -4.2 | | 1819 | 46 | 0.0 | | 1820 | 42 | -8.7 | | 1821 | 40 | -4.8 | | 1822 | 40 | 0.0 | | 1823 | 36 | -10.0 | | 1824 | 33 | -8.3 | | 1825 | 34 | 3.0 | | 1826 | 34 | 0.0 | | 1827 | 34 | 0.0 | | 1828 | 33 | -2.9 | | 1829 | 32 | -3.0 | | 1830 | 32 | 0.0 | | 1831 | 32 | 0.0 | | 1832 | 30 | -6.3 | | 1833 | 29 | -3.3 | | 1834 | 30 | 3.4 | | 1835 | 31 | 3.3 | | 1836 | 33 | 6.5 | | 1837 | 34 | 3.0 | | 1838 | 32 | -5.9 | | 1839 | 32 | 0.0 | | 1840 | 30 | -6.3 | | 1841 | 31 | 3.3 | | 1842 | 29 | -6.5 | | 1843 | 28 | -3.4 | | 1844 | 28 | 0.0 | | 1845 | 28 | 0.0 | | 1846 | 27 | -3.6 | | 1847 | 28 | 3.7 | | 1848 | 26 | -7.1 | | 1849 | 25 | -3.8 | | 1850 | 25 | 0.0 | | 1851 | 25 | 0.0 | | 1852 | 25 | 0.0 | | 1853 | 25 | 0.0 | | 1854 | 27 | 8.0 | | 1855 | 28 | 3.7 | | 1856 | 27 | -3.6 | | 1857 | 28 | 3.7 | | 1858 | 26 | -7.1 | | 1859 | 27 | 3.8 | | 1860 | 27 | 0.0 | | 1861 | 27 | 0.0 | | 1862 | 30 | 11.1 | | 1863 | 37 | 23.3 | | 1864 | 47 | 27.0 | | 1865 | 46 | -2.1 | | 1866 | 44 | -4.3 | | 1867 | 42 | -4.5 | | 1868 | 40 | -4.8 | | 1869 | 40 | 0.0 | | 1870 | 38 | -5.0 | | 1871 | 36 | -5.3 | | 1872 | 36 | 0.0 | | 1873 | 36 | 0.0 | | 1874 | 34 | -5.6 | | 1875 | 33 | -2.9 | | 1876 | 32 | -3.0 | | 1877 | 32 | 0.0 | | 1878 | 29 | -9.4 | | 1879 | 28 | -3.4 | | 1880 | 29 | 3.6 | | 1881 | 29 | 0.0 | | 1882 | 29 | 0.0 | | 1883 | 28 | -3.4 | | 1884 | 27 | -3.6 | | 1885 | 27 | 0.0 | | 1886 | 27 | 0.0 | | 1887 | 27 | 0.0 | | 1888 | 27 | 0.0 | | 1889 | 27 | 0.0 | | 1890 | 27 | 0.0 | | 1891 | 27 | 0.0 | | 1892 | 27 | 0.0 | | 1893 | 27 | 0.0 | | 1894 | 26 | -3.7 | | 1895 | 25 | -3.8 | | 1896 | 25 | 0.0 | | 1897 | 25 | 0.0 | | 1898 | 25 | 0.0 | | 1899 | 25 | 0.0 | | 1900 | 25 | 0.0 | | 1901 | 25 | 0.0 | | 1902 | 26 | 4.0 | | 1903 | 27 | 3.8 | | 1904 | 27 | 0.0 | | 1905 | 27 | 0.0 | | 1906 | 27 | 0.0 | | 1907 | 28 | 3.7 | | 1908 | 27 | -3.6 | | 1909 | 27 | 0.0 | | 1910 | 28 | 3.7 | | 1911 | 28 | 0.0 | | 1912 | 29 | 3.6 | | 1913 | 29.7 | 2.4 | | 1914 | 30.1 | 1.3 | | 1915 | 30.4 | 1.0 | | 1916 | 32.7 | 7.6 | | 1917 | 38.4 | 17.4 | | 1918 | 45.1 | 17.4 | | 1919 | 51.8 | 14.9 | | 1920 | 60.0 | 15.8 | | 1921 | 53.6 | -10.7 | | 1922 | 50.2 | -6.3 | | 1923 | 51.1 | 1.8 | | 1924 | 51.2 | 0.2 | | 1925 | 52.5 | 2.5 | | 1926 | 53.0 | 1.0 | | 1927 | 52.0 | -1.9 | | 1928 | 51.3 | -1.3 | | 1929 | 51.3 | 0.0 | | 1930 | 50.0 | -2.5 | | 1931 | 45.6 | -8.8 | | 1932 | 40.9 | -10.3 | | 1933 | 38.8 | -5.1 | | 1934 | 40.1 | 3.4 | | 1935 | 41.1 | 2.5 | | 1936 | 41.5 | 1.0 | | 1937 | 43.0 | 3.6 | | 1938 | 42.2 | -1.9 | | 1939 | 41.6 | -1.4 | | 1940 | 42.0 | 1.0 | | 1941 | 44.1 | 5.0 | | 1942 | 48.8 | 10.7 | | 1943 | 51.8 | 6.1 | | 1944 | 52.7 | 1.7 | | 1945 | 53.9 | 2.3 | | 1946 | 58.5 | 8.5 | | 1947 | 66.9 | 14.4 | | 1948 | 72.1 | 7.8 | | 1949 | 71.4 | -1.0 | | 1950 | 72.1 | 1.0 | | 1951 | 77.8 | 7.9 | | 1952 | 79.5 | 2.2 | | 1953 | 80.1 | 0.8 | | 1954 | 80.5 | 0.5 | | 1955 | 80.2 | -0.4 | | 1956 | 81.4 | 1.5 | | 1957 | 84.3 | 3.6 | | 1958 | 86.6 | 2.7 | | 1959 | 87.3 | 0.8 | | 1960 | 88.7 | 1.6 | | 1961 | 89.6 | 1.0 | | 1962 | 90.6 | 1.1 | | 1963 | 91.7 | 1.2 | | 1964 | 92.9 | 1.3 | | 1965 | 94.5 | 1.7 | | 1966 | 97.2 | 2.9 | | 1967 | 100.0 | 2.9 | | 1968 | 104.2 | 4.2 | | 1969 | 109.8 | 5.4 | | 1970 | 116.3 | 5.9 | | 1971 | 121.3 | 4.3 | | 1972 | 125.3 | 3.3 | | 1973 | 133.1 | 6.2 | | 1974 | 147.7 | 11.0 | | 1975 | 161.2 | 9.1 | | 1976 | 170.5 | 5.8 | | 1977 | 181.5 | 6.5 | | 1978 | 195.4 | 7.7 | | 1979 | 217.4 | 11.3 | | 1980 | 246.8 | 13.5 | | 1981 | 272.4 | 10.4 | | 1982 | 289.1 | 6.1 | | 1983 | 298.4 | 3.2 | | 1984 | 311.1 | 4.3 | | 1985 | 322.2 | 3.6 | | 1986 | 328.4 | 1.8 | | 1987 | 340.4 | 3.6 | | 1988 | 354.3 | 4.1 | | 1989 | 371.3 | 4.8 | | 1990 | 391.4 | 5.4 | | 1991 | 408.0 | 4.2 | | 1992 | 420.3 | 3.0 | | 1993 | 432.7 | 3.0 | | 1994 | 444.0 | 2.2 | | 1995 | 456.5 | 2.8 | | 1996 | 469.9 | 2.9 | | 1997 | 480.8 | 2.3 | | 1998 | 488.3 | 1.6 | | 1999 | 499.1 | 2.2 | | 2000 | 515.8 | 3.4 | | 2001 | 530.1 | 2.8 | | 2002 | 538.8 | 1.6 | | 2003 | 551.0 | 2.3 | | 2004 | 565.7 | 2.7 | | 2005 | 584.8 | 3.4 | | 2006 | 603.5 | 3.2 | | 2007 | 620.7 | 2.9 | | 2008 | 644.4 | 3.8 | | 2009 | 642.2 | -0.3 | | 2010\* | 657.8 | 2.4 | |  |

\*An estimate for 2010 is based on the change in the CPI from first quarter 2009 to first quarter 2010.

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