To accurately compare income over time, users should adjust the summary measures (medians, means, etc.) for changes in cost of living (prices). The Census Bureau uses the Bureau of Labor Statistics' (BLS) Consumer Price Index Research Series (CPI-U-RS) to adjust for changes in the cost of living. For more information on the CPI-U-RS, see <www.bls.gov/cpi/cpiurs.htm>.

The Census Bureau uses the Bureau of Labor Statistics' CPI-U-RS for 1977 through 2017. The Census Bureau derived the CPI-U-RS for years before 1977 by applying the 1977 CPI-U-RS-to-CPI-U ratio to the 1947-to-1976 CPI-U. Note: Based on revised historical estimates provided by BLS in 2018.

Example: To use the CPI-U-RS to inflation adjust an income estimate from 1995 dollars to 2018 dollars, multiply the 1995 estimate by the CPI-U-RS from 2018 (369.8) divided by the CPI-U-RS from 1995 (225.3).

Inflation-adjusted estimate = 1995 estimate * (2018 CPI-U-RS / 1995 CPI-U-RS)

= 1995 estimate * (369.8 / 225.3)

Current dollars is a term describing income in the year in which a person, household, or family receives it. For example, the income someone received in 1989 unadjusted for inflation is in current dollars.

Constant or **real dollars** are terms describing income after adjustment for inflation. The *Dictionary of Business and Economics* defines constant dollar values and real income as shown below.

Constant-dollar value (also called **real-dollar value**) is a value expressed in dollars adjusted for purchasing power. Constant-dollar values represent an effort to remove the effects of price changes from statistical series reported in dollar terms. The result is a series as it would presumably exist if prices were the same throughout as they were in the base year-in other words, as if the dollar had constant purchasing power.

Real income. The purchasing power of the income of an individual, group, or nation, computed by adjusting money income to price changes. A comparison between incomes earned during 1970 and 1980, for example, would be pointless unless 1970 and 1980 price levels were identical. Using a price index showing, for example, that average consumer prices increased by 50 percent between those

years, it becomes clear that $1,000 in 1980 bought what $667 bought in 1970. Thus, even if total income actually doubled, real income would double only if prices remained constant.

Last Revised: August 16, 2019