

How do I check that in fact \$64,000 in Boston has the same buying power as \$32,000 in Kansas?

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$$\text{Real Salary} = \frac{\text{Nominal Salary}}{\text{Price Index}} \times 100$$

$$\text{Real Salary}_{\text{Kansas}} = \frac{32,000}{125} \times 100$$

$$\text{Real Salary}_{\text{Boston}} = \frac{64,000}{250} \times 100$$

= 25,600

= 25,600



Same Real Value

Same buying power

CPI = 125

CPI = 250

Kansas City



Boston

To calculate "buying power" we calculate **Real** Values:

How do I check that in fact \$64,000 in Boston has the same **buying power** as \$32,000 in Kansas?

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CPI = 125

Kansas City

CPI = 250

Boston

$$\begin{aligned} \text{Real Salary}_{\text{Kansas}} &= \frac{32,000}{125} \times 100 = 25,600 \\ \text{Real Salary}_{\text{Boston}} &= \frac{64,000}{250} \times 100 = 25,600 \end{aligned}$$

Same **Real** Value
Same **buying power**

Year	CPI	Inflation Rate %
2013	230	1.6
2014		60
2015		6
2016		0.6
2017		160
2018		1,000
2019		-70
2020		2.5
2021		1.4
2022		7.5
2023		6.4
2024		3.1

How to calculate CPI using the Inflation Rate