

Inflation

Unit 5 - Macroeconomics

Top 10 Highest Grossing Movies

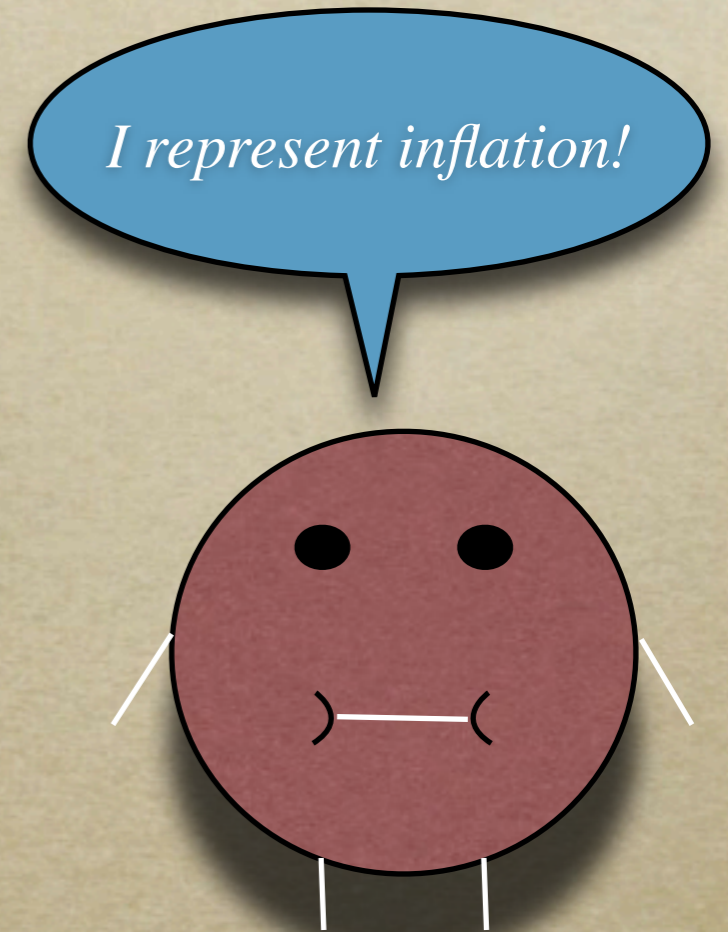
<i>Rank</i>	<i>Movie</i>	<i>Gross</i>	<i>Year</i>
<i>1</i>	<i>Avatar</i>	<i>\$2,782,275,172</i>	<i>2009</i>
<i>2</i>	<i>Titanic</i>	<i>\$2,185,372,302</i>	<i>1997</i>
<i>3</i>	<i>Avengers</i>	<i>\$1,511,757,910</i>	<i>2012</i>
<i>4</i>	<i>Harry Potter and the Deathly Hallows - Part 2</i>	<i>\$1,328,111,219</i>	<i>2011</i>
<i>5</i>	<i>Transformers - Dark of the Moon</i>	<i>\$1,123,746,996</i>	<i>2011</i>
<i>6</i>	<i>The Lord of the Rings - Return of the King</i>	<i>\$1,119,929,521</i>	<i>2003</i>
<i>7</i>	<i>Skyfall</i>	<i>\$1,108,561,013</i>	<i>2012</i>
<i>8</i>	<i>The Dark Knight Rises</i>	<i>\$1,081,041,287</i>	<i>2012</i>
<i>9</i>	<i>Pirates of the Caribbean: Dead Man's Chest</i>	<i>\$1,066,179,725</i>	<i>2006</i>
<i>10</i>	<i>Toy Story 3</i>	<i>\$1,063,171,911</i>	<i>2010</i>

Top 10 Highest Grossing Movies: Adjusted for Inflation

<i>Rank</i>	<i>Movie</i>	<i>Gross</i>	<i>Year</i>
<i>1</i>	<i>Gone With the Wind</i>	<i>\$3,301,400,000</i>	<i>1939</i>
<i>2</i>	<i>Avatar</i>	<i>\$2,782,300,000</i>	<i>2009</i>
<i>3</i>	<i>Star Wars</i>	<i>\$2,710,800,000</i>	<i>1977</i>
<i>4</i>	<i>Titanic</i>	<i>\$2,413,800,000</i>	<i>1997</i>
<i>5</i>	<i>The Sound of Music</i>	<i>\$2,269,800,000</i>	<i>1965</i>
<i>6</i>	<i>E.T.</i>	<i>\$2,216,800,000</i>	<i>1982</i>
<i>7</i>	<i>The Ten Commandments</i>	<i>\$2,098,600,000</i>	<i>1956</i>
<i>8</i>	<i>Doctor Zhivago</i>	<i>\$1,988,600,000</i>	<i>1965</i>
<i>9</i>	<i>Jaws</i>	<i>\$1,945,100,000</i>	<i>1975</i>
<i>10</i>	<i>Snow White and the Seven Dwarfs</i>	<i>\$1,746,100,000</i>	<i>1937</i>

INFLATION

- *Inflation is a gradual rising of prices*
 - *Your money buys less*
- *Economists calculate inflation by using a price level*
 - *CPI, PPI, GDP deflator*



You need to know this!

$$\text{Inflation} = \frac{\text{change in price level} \times 100}{\text{beginning price level}}$$

CPI: Consumer Price Index

- *The Bureau of Labor Statistics establishes the CPI using a sample of 400 commonly purchased consumer goods*
- *These goods are known as the market basket*

Market Basket Components

- *Food and Beverages*
- *Housing*
- *Apparel*
- *Transportation*
- *Medical Care*
- *Recreation*
- *Education and Communication*
- *Other G&S*

PPI: Producer Price Index

- *The PPI measures the price changes paid by domestic producers for their inputs*
- *Includes commodities, farm products, fuels, chemicals, rubber, pulp and paper, and processed foods.*

GDP Price Deflator

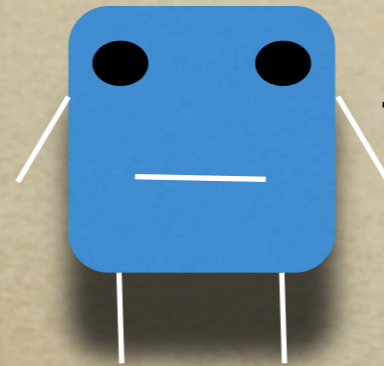
- *An index of average levels of prices for all G&S in the economy*
- *Computed quarterly*
- *Has a base year of 1996*

Degrees of Inflation

- *There are different types of inflation*

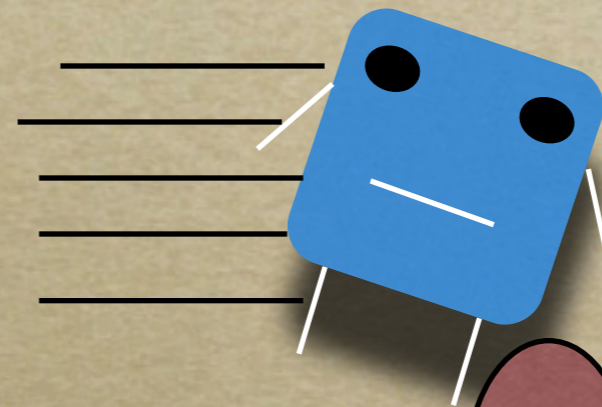
- *Creeping inflation*

- *1-3% a year*



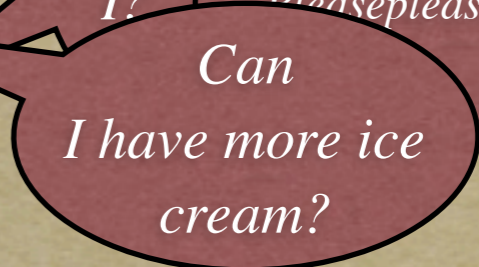
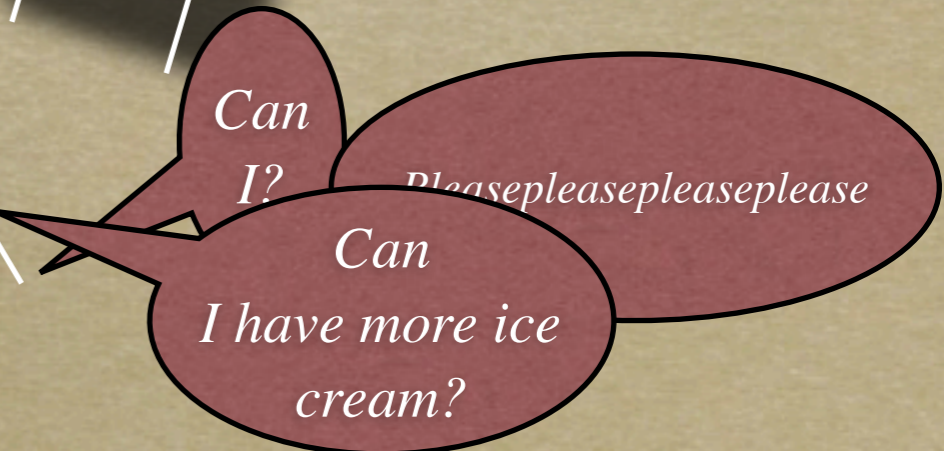
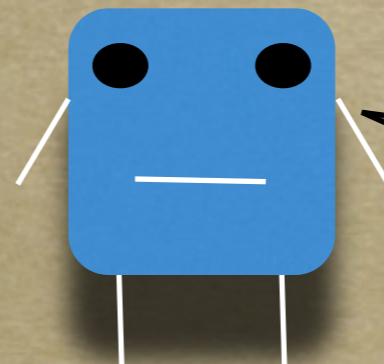
- *Galloping Inflation*

- *100-300% a year*



- *Hyper Inflation*

- *500% or more*



Causes of Inflation

- *1. Demand pull theory:*
 - *As demand increases so do prices*
- *2. Federal Government spends more than it earns*
- *3. Rising costs of inputs cause goods to cost more*
 - *I.E. if you get paid more they charge more*
- *4. Too much money*
 - *If the Federal Reserve prints too much money then some groups have more purchasing power*

Consequences of Inflation

- *Decreased purchasing power*
 - *You can buy less*
- *Change in spending habits*
 - *You buy different things*
- *Speculation takes place*
 - *People gamble with investments*
- *Lenders stop lending money*
 - *Capital creation slows*

