Divide the class into six groups and have each group complete a market basket worksheet. On a large post-it note, we will have a variety of options for the students to choose from to put in their market baskets. These items will also have correlating estimated annual expenditures.

Each group will write the goods or services they plan on buying each year and we will allow each group to pick 5-6 items to go in their market basket. At the bottom of the worksheet they will write the total estimated annual expenditures.

Then we will reveal a new post it note with significantly higher prices (to emphasize the inflation point). The students will again do the same worksheet with 5-6 choices, totaling the expense at the bottom.

Then ask a few questions to the class about what happened? If they were put on a budget of “x” amount of dollars each year, would they be able to buy the same goods or services? What needs to happen in order for them to buy the same amount? (Increase in wages)

The students can then calculate the inflation rate using the CPI equation (they should have learned it by this point, if not simply introduce it at the time). The equation is:

\[
\text{Inflation Rate in Year 2} = \frac{\text{CPI in Year 2} - \text{CPI in Year 1}}{\text{CPI in Year 1}} \times 100
\]

The students can substitute “CPI in Year 2” with the price of the market basket in year two and the same with year one. This will give the students an idea of the inflation rate.

At this point we will talk about inflation in the economy and what that means. Ask the students what they think an acceptable rate of inflation is? What is the most current inflation rate? Seeing how they choose different market baskets, ask them how that affects inflation (depends on what you’re purchasing, the elasticity of the goods, etc.)

At this point we can also discuss how market baskets change over time. What goods do you purchase more as a teenager and less as an adult?