

might hit the Earth. If they discover an object that will hit the Earth, then we will need to find a way to deflect it to prevent the impact.

BY THE

way...

Gasoline prices in Europe and Japan are typically \$4 to \$5 dollars per gallon, primarily because gasoline taxes are much higher than in the United States and Canada.

Unadjusted Economic Data

How much are you paying for gasoline? The lower curve in Figure 3.43 shows actual U.S. gasoline prices over many decades. This curve gives the impression that gasoline was much more expensive in the late-1990s than it was a few decades earlier. However, the actual prices do not take into account the effects of inflation. The upper curve gives a much more honest depiction of gasoline prices because these prices have been adjusted for inflation. (To adjust a 1980 price to 1999 dollars, we divide the 1999 CPI by the 1980 CPI and then multiply the result by the 1980 price; see Section 2.4 for a description of the CPI.) Economists say that the upper curve reflects the *real cost* of gasoline. We now see that the *real cost* of gasoline in the late-1990s was almost as low as it had ever been. This example points out the fact that price comparisons over time are virtually meaningless unless the prices are adjusted for inflation.



Graph shows data only at 10-year intervals prior to 1960.

FIGURE 3.43. SOURCE: American Petroleum Institute.