

ECO102  
Winter 2023  
Assignment 5: Second Writing Assignment

In Lecture 7 we discussed how prices change in the short-run, and introduced the concept of “sticky prices”. The goal of this assignment is to explore which prices are sticky and which ones are flexible, and how these prices change when there is high inflation. Here are some sources you can use in addition to the book:

- Podcast “Some kinds of inflation are stickier than others” (with transcription) <https://www.marketplace.org/2022/08/15/some-kinds-of-inflation-are-stickier-than-others/>
- “The ‘Sticky’ High Prices Unlikely to Come Down Any Time Soon, Wall Street Journal, September 29, 2022.
- The Inflation Project, by the Atlanta Fed measures inflation of sticky prices and of flexible prices. <https://www.atlantafed.org/research/inflationproject/stickyprice>
- Bryan, Michael and Brent Meyer (2010). Are Some Prices in the CPI More Forward Looking than Others? We Think So. Atlanta Fed. *Note: this article gives background to the website above. Only read the first three pages, after page 3 it gets technical.*

Please discuss in essay form the following:

0. Go to the <https://tutors.com> website of the Atlanta Fed, and download the graph for the period 1990:1 – 2023:1 (scroll the bar below the graph). Keep the series 12-month sticky CPI and 12-month flexible CPI.
1. What sort of goods and services have sticky prices? Which ones have flexible prices? Use the first three pages of Bryan and Meyer (2010).
2. Why are some prices sticky and other prices flexible?
3. If you look at the four recessions in the graph, what pattern do you see for sticky inflation? For flexible inflation? Explain in light of Lecture 7.
4. Once there is (high) inflation, why is it unlikely that sticky prices come down soon? What do you think is likely to happen to inflation next year because of this?

Please answer in an essay format, not bullets. You may use other references, but you don’t have to. If you use other references, please add a literature list to the end (the literature list does not count for the word count). You don’t have to add the sources mentioned above in the literature list.

**For the submission:** Your review is limited to 500 words (plus/minus 10%). Put the word count at the bottom of the essay. The assignment should be written in one document and submitted in two ways: through the Crowdmark link that was sent to the student AND through Quercus assignments for the plagiarism check. The document has to be in a .pdf format to be submitted; thus if it is written in Word, please convert it into pdf format.

Deadline is 11:59 ET on Monday March 13, 2023 (extended deadline).

The assignment is individual: you may discuss the questions with other students, but the answers need to be formulated and written by you.

Assignment Project Exam Help

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