

# Inflation

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## Introduction



The Econ Practicum 3411, or The FED Challenge, at UConn, is a collaborative exploration of the United States economy relating to the monetary policy of the Federal Reserve, FED, and Federal Open Market Committee (FOMC). The practicum assigns students to identify and research the relevant factors that are considered when the FOMC makes monetary policy decisions. Our practicum for the Spring 2024 consisted of 11 students and the wonderful professor Dr. Natalia Smirnova. Who is an expert in the economics field in her own right both before and during her time at UConn in the economics department. Her guidance pushes the students who work with her to refine

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their ideas and work towards more well-established conclusions that strengthen their understanding of economics.

## **My Experience**

The Practicum was an amazing experience and thanks to Professor Smirnovas who puts an emphasis on all students to relate their work to the outside working world and how to find a career after graduation. She genuinely cares about each student's success inside and outside the classroom after they graduate. Each class practicum and the research for the class at home brought me closer to being a better student and therefore a better prospective employee. Looking at the UConn Center for Career and Development, we can see how the class fits into the eight core career competence skills that employers seek.

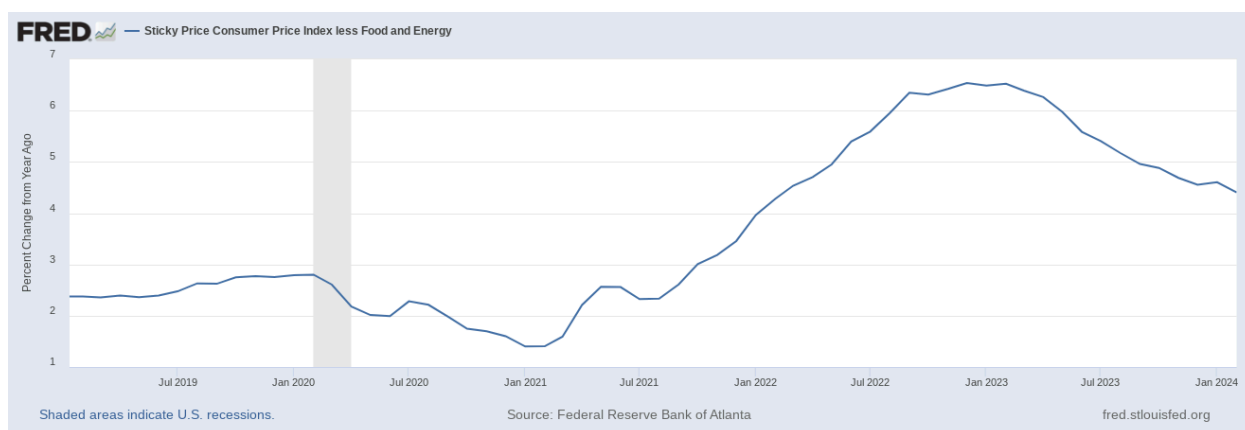
The first competence skill is **career and self-development**, which emphasizes the student to focus on developing their self-awareness, display curiosity to develop skills, make plans for future career opportunities, leverage relationships, and advocate for the needs and rights of those inside the workplace. This competence skill was demonstrated throughout the practicum, as members we developed our self-awareness of our strengths and weaknesses through the inherent collaborative design. All students are responsible for contributing and connecting their research to the cohesive policy position held by the group on the FED's monetary policy. We also each pursue our own curiosities and have the flexibility to pursue ideas we want to know more about. Along the way, I formed relationships with very smart and intriguing students that I will keep in contact for years to come. Therefore building my network and opening up more doors professionally for me in my career.

Another one of Uconns core competence skill met by the practicum was **Communication**. The practicum is fantastic at developing communication between students and our professor as we came to class each week prepared to connect our research to one another and defend our ideas on how monetary policy should change in reflection of our analysis on the current economic conditions and the predicted outlook of specific variables. This requires the ability to display what you know and back that up with your knowledge and research. The research of these economics ideas and the associated data helped me personally to develop the proper language necessary to convey my ideas in

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an accurate and intelligent manor. As in the economics field certain key words carry certain weight and in the context of economics have slightly different meanings than they do outside of the field. For example when presenting the Federal Funds Rate many would say that they would like to set the rate at, X value. But this is in accurate and the the FED itself would not present this to the public. They would say they are setting a target range. Which is quite different as a learned because the FFR is balanced below the Interest on Reserves rate (IOR) and the Overnight Reserve Repurchase rate (ON RRP). Thus it is import to not imply a rate is being but rather a target range is created by employing the necessary changes in monetary policy.

In practicum throughout the semester I was able to enhance my **critical thinking** core competency skill, which according to UConn is the ability to Identify and respond to needs based upon an understanding of situational context and logical analysis of relevant information. Which is the essence of what took place over this past Spring of 2024. As our professor would not hand us our research or tell us what we needed to go find. But rather her ability to ask us the right questions and push us to rationalizing our thoughts guided our research in the right direction. It developed our ability o critical think and unstane the economic situation and respond with the right ideas based on the needs we identified. At times it can be discouraging to realize old research or an idea you thought was so profound is closer to irrelevant for what was needed. But ultimately it made me grow as a student and I think this feeling was shared among my peers who participated in this research with me.



Elaborating further on the development of critical thinking skills. One example would be this chart of the Sticky Price Core CPI. Which shows the percent change of a

basket of goods from one year less the more volatile items, food and energy. This data shows a more accurate trend of price increases on the consumer side due to inflationary pressures, than just CPI alone. As headline CPI would include food and energy prices which are known to fluctuate month to month and year to year and are not as useful when predicting macro economic trends.

Thus I took this sticky CPI and broke it down further in order to find the main drivers of inflation pressures for consumers in the U.S. That data is reflected in the table to the right which shows us that in the 12 months between March 2023 and March 2024, shelter prices increased 5.7%. Shelter prices in the context of CPI are defined as rent of primary residence and owners' equivalent rent (OER). The other major increase we saw is in, transportation services which according the BLS includes

CPI (item)	Un-adjusted 12 month March 2024
Shelter	5.7
Transportation Services	10.7
Cost of eating outside of the home	4.5

<b>Transportation services</b>	10.7%
<b>Motor vehicle maintenance and repair</b>	8.2%
<b>Motor vehicle insurance</b>	22.2%
<b>Airline fare</b>	-7.1%

motorvehicles maintenance/repair costs, vehicle insurance and airline fare costs. This altogether were weighted into the CPI average as increasing 10.7% in the 12 months between March 2023 and 2024.

This why I found Practicum so enjoyable as you get to be hands on and explore data the way you want to and answer your own questions enhancing your ability to think critically about data and about the U.S. economy as a whole. This has a ton of tangible usability outside the classroom and within for future careers and future class I take at UConn.

Another unique aspect of our practicum is the **diversity** of people within our group of 13. Our professor, Dr. Smirnova is from Russia and with that brings her own unique style of thinking and ideas regarding either economics or life in general. Additionally, we

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members like Felix Brito-Velazquez who comes from Venezuela. Thus he brings another unique personality and range of ideas and philosophies that pertain to his culture and where he comes from. Further more without being able to name the exact ethnicity of all members it is still quite true that we are all unique and our diverse life experiences help us all bring new perspectives to the table. There are numerous members in our group who are no U.S. born and many more who have culture ties else where in their family, many even having the unique ability to speak more than one language allowing them to share economic theory and data with people outside the U.S. and those who don't speak english. This inclusion of many diverse personalities is an amazing part of practicum and the lack of culture homogeneity was a bonus in my eyes. This is consistent with UConn's core competency skill of equity and inclusion. The practicum was successful at soliciting and using feedback from multiple cultural perspectives to make inclusive and equity-minded decisions.

Additionally, practicum has helped me work on further competency skills in **leadership** and to **professionalism**. During my time this past spring semester I was able to improve my ability to a collaborative member of the group. This was thanks not only to the welcoming environment fostered by our great Professor, Dr. Smirnova, but also from the amazing personalities I got to work with. I was encouraged to initiate, plan, manage, complete, and evaluate projects. Also to motivate myself and inspire others to work towards a shared vision. The group's environment cultivated my want to act professional and be an accountable member. Which according to UConn is the ability to prepare appropriately for meetings, projects, and other work responsibilities. While also being able to demonstrate dependability by being present at work and completing assigned tasks. Which is done through having a high level of dedication towards doing a good job.

Those competency skills run very parallel towards another competency skill, being **teamwork**. Which as aforementioned was the essence of practicum for spring 2024. With 13 students we had a larger group than the years prior here at UConn. Thus being able to build and maintain collaborative relationships between members and work effectively toward our goals, while appreciating each other's diverse viewpoints and shared responsibilities was the overarching theme of this past semester. This idea of teamwork has really meant something to me personally and as such some other members of the previous practicum have asked me to be the president of a new economics club next semester. Thus I without this ability to understand your team and work with them, a group

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project like is not going to be effective and successful. Practicum has taught me that when working in a team it is vital to employ personal strengths and knowledge while using talents to complement those of others in the group and to listen carefully to others. Taking the time to understand and ask clarifying questions. So that everyone is on the same page and can come to a greater understanding as a group.

The final core competency of the Spring 2024 Practicum is **technology**. Which was developed as I used online data bases and research to sort the data relevant to me and my goals. This came from sorting BLS data tables, interactive charts and using search engines to find the information pertaining to my interests in this case inflation pressures.

## Conclusion

This was my first semester being a part of the Fed Challenge here at UConn. I can confidently say it was a unique experience for me as this was the most involved I've been with students on campus, especially in regards to pursuing an academic agenda. I count this experience as a blessing in my career as a student here at UConn. It has strengthened my commitment to pursuing an economics degree to the very best of my ability. I've also gained wonderful relationships amongst my peers who participated in this practicum along side me. These relationships along side with my strengthening relationship with Professor, Dr. Smirnova give me an optimistic hope for my future semesters next year here at the UConn Stamford campus. I look forward to being a part of the practicum in the fall semester where me and my colleagues will piece together our final presentation and film our video presentation that will be sent to the Federal Reserve team. I also look forward to expanding my economic knowledge, gaining the skills curated by the practicum. Skills that are necessary for establish profound economic ideas and gaining insight to the United States economy. These skills not only satisfy my academic goals but also satisfy my itch to learn and be curious about the meaning of economic data. I believe this practicum is a valuable asset for students seeking to expand their economic expertise. Thus I recommend all students take this course. I also must thank my wonderful professor Dr. Smirnova and my peers for a wonderful semester!