STATA + PLATYPUS ECONOMICS
WITH JUSTIN WOLFERS

Inflation rates and inflation variability

Work through each step in Stata. Run the command, then fill in what you find — and notice the pattern that emerges.

STEP 1 Get the data

Download the monthly Consumer Price Index from FRED:

```
import fred CPIAUCSL, clear†
```

How many monthly observations did you download? _____

STEP 2 Keep the end-of-year price level

Build a year and month, then keep December — the cost of living at each year's close:

```
gen year = year(daten)
gen month = month(daten)
keep if month == 12
```

STEP 3 Compute year-ended inflation

Inflation is the percent change in prices from one December to the next:

```
sort year
gen inflation = 100 * (CPIAUCSL - CPIAUCSL[_n-1]) / CPIAUCSL[_n-1]
keep if year >= 1950
```

Inflation in 1979? _____ In 2009? _____ In 2022? _____

STEP 4 Tag each year with its decade

```
gen decade = 10 * floor(year/10)
```

STEP 5 Summarise by decade, then fill in the table

```
tabstat inflation, by(decade) statistics(mean sd) format(%4.1f)
```

Decade	Mean inflation (%)	Std. dev. (%)
1950s		
1960s		
1970s		
1980s		
1990s		
2000s		
2010s		
2020s		

What do you notice?

1. Which decade had the highest average inflation?

2. Which decade had the most variable inflation (largest standard deviation)?

3. Across the decades, does inflation become more variable as its average rises?

4. Do your numbers support calling 1985–2019 the “Great Moderation”?

5. The 2020s row rests on fewer years — why trust it less than the others?

† Step 1 needs a free FRED API key (set up once): get a key at fredaccount.stlouisfed.org/apikeys, then type in Stata:
`set fredkey YOUR_KEY, permanently` (import fred requires Stata 15.1 or later.)