

Instructions: the following assignment is optional. It can increase, at the maximum, your total course score by 5%. In order to receive the additional credits, you will have to submit the paper copies of your assignments to your TA before your last discussion session. Assignments attached to emails will not be accepted.

Optional Assignment: Student Price Index

Create a personalized student price index.

1. Choose five (or more) different products. Please be specific: for example, unleaded gasoline or Budweiser beer.
2. Pick a quantity for each product. This will be your *monthly* market basket. For example, 15 gallons gasoline, 12 pack of Budweiser
3. Find the actual price for each product for January, February and March.
4. Calculate the total cost of buying these products for January, February and March.
5. Taking January as the base month, calculate your SPI for January, February and March as well as the reflected inflation rate from January to February, and that from February to March.

You should pick real transaction prices for goods they actually purchase. Please do not use prices from catalogs because such prices will not be subject to much change over the semester. You need to write a statement describing how you pick the products, choose the corresponding quantities, and record the prices. Please attach necessary receipts by pasting them on a page. Show all the calculations in the statement and briefly discuss the following question – does this student price index you have created well reflect your cost of living? Why or why not?