



Economic Research Southern Africa

Working Paper Series Request for Proposals

Back to inflation

In the wake of the global financial crisis (GFC), European sovereign debt crisis (ESDC), and the Covid19 pandemic, it has become clear that debates amongst macroeconomists about the drivers of inflation are more than an academic exercise. Inflation once again features in the list of top economic concerns of households and policymakers, while numerous academic conferences centre on the topic.

After the GFC and ESDC, substantial effort was devoted to investigating the 'missing disinflation' and then 'missing inflation'. Debates that Phillips curves were flattening were widespread globally (Miles, 2017). When the Covid19 pandemic emerged, the Federal Reserve Bank and most other central banks across the world loosened monetary policy, firmly and swiftly. The early signs of inflation were judged by many leading central bankers to be temporary, and policy was kept accommodative for an extended period. However, when it became clear that inflation was rising strongly and likely to remain high for some time, monetary policymakers across the world eventually started tightening, despite the remaining economic pain inflicted by Covid19, and the emergence of the Russia-Ukraine war.

These recent events have raised many questions that go to the heart of macroeconomic theory and policy. Often they involve revisiting ideas that have been debated for many years. We offer a non-exclusive set of few possible queries:

- 1) How should we distinguish between pure and persistent inflation in the recent period?
- 2) What are the drivers of inflation in sectors with persistently higher inflation (excluding oil and electricity) and how can we reduce inflationary pressures in these sectors?
- 3) In the past few years, we have seen supply shortages related to Covid disruptions, war and load-shedding. There have also been precipitous

depreciations in the Rand. All of this is happening within the context of extensive market power across all sectors of the economy, as well as at a time when government coffers are running low.

- a) Is it possible to disentangle these effects and assign weights to their inflation contributions?
 - b) Is public debt having an impact on inflation in SA?
 - c) What is the pass through of food price shocks on inflation in SA and has it changed over time?
 - d) What role does the commodity sector and external factors play in the dynamics of inflation in South Africa?
- 4) The Phillips curve has represented a common approach to examining inflation, although its popularity has ebbed and flowed over the years.
- a) Is the Phillips curve non-linear and what does this mean for monetary policy?
 - b) What are the micro-foundations to support the view that the Phillips curve is alive, flat, shifting, non-linear or kinked.
- 5) With the economy not performing well, that also raises questions about consumers, their earning and spending power and possible feedback effects.
- a) How are labour conditions in South Africa affecting inflation?
 - b) Does firm behaviour in the banking sector, and the lack of access to fixed rate mortgages, for example, hurt both inflation and the economy?
 - c) Does union/bargaining power have an impact on inflation rates, worker productivity and employment rates? Are there any further feedback loops associated with labour market power?
- 6) It is well understood that South Africa is heterogenous and highly unequal. So either of those matter for inflation rates?
- a) Does a more unequal income distribution lead to larger or smaller increases in inflation? Are there feedback loops from inflation to the income distribution?
 - b) Does inflation rise faster or slower, in the case of relatively myopic as opposed to forward-looking consumers?

Call for Working Papers

ERSA seeks up to 10 working papers offering deeper insight into understanding the dynamics of inflation in South Africa. While this call obviously fits directly within ERSA's two macroeconomic themes, we encourage inflation proposals that also with the other

ERSA themes (Growth, development and structural constraints, public finance and climate change).

Proposals should either be submitted by academics employed full-time by South African academic institutions or include South African academics/students as partners in the research. It is hoped that the proposals will be underscored by collaborations, and, if possible, contain a training opportunity, most likely focused on PhD or postdoctoral researchers.

Process

Proposals should be submitted by 15 January 2024. Proposals will be evaluated by ERSA's Research Committee, which might seek feedback from other researchers in the field, while committee participants are not allowed to comment on proposals from their own colleagues. Decisions and feedback will be provided by 15 March 2024.

Authors of accepted proposals will become ERSA Research Fellows, if not currently a fellow. Completed working papers should be submitted to the Economic Research Southern Africa Working Paper Series by 31 October 2024. It is further expected that at least one policy brief related to the research will be submitted by the same date. Authors are encouraged to present their findings, either completed or as work in progress.

The research, itself, is to be owned by the researcher, although ERSA reserves the right to market and communicate results from the research to the broader academic and policy community. ERSA, through the research committee reserves the right to request brief progress reports during this period.

Funding up to R150 000, to be paid for an accepted working paper and policy brief, is available for each approved project.

Rubric

The scientific component of the proposals should contain a brief introduction describing what is to be done in the project (the research question), and how it fits within the call. Proposals should clearly describe the state of the art, placing the proposed research into context and highlighting the potential academic contribution of the project. It should also highlight the research methodology and expected academic outputs (e.g. papers, data etc) arising from the research. Proposals should also offer a clear and concise discussion related to the potential policy relevance (direct and or indirect) of the research. Proposals should briefly describe the collaboration arising from the proposal, and/or the training that will occur during the research process. Finally, proposals should not exceed five double-spaced pages, including references (single-spaced).

- 70% - Academic contribution
- 20% - Policy potential
- 10% - Collaboration/training component