

YouTube Title: "Inflation or Deflation?" <http://www.youtube.com/watch?v=2fq2ga4HkGY>

Video Length: 2:24 minutes

Chapter 7: Inflation, p. 132

Topic: Redistribution Effects of Inflation, p. 133

Key Terms: Inflation, deflation, John Maynard Keynes, Zimbabwe, Federal Reserve, money supply, monetary policy, monetary stimulus

Learning Objective 2: Why inflation is a socioeconomic problem.

Summary

A song sung by "Merle Hazzard and Bretton Wood."

Economic Application

This parody song highlights inflationary and deflationary fears, and why increases to the money supply by the Federal Reserve might not produce the desired result. The clip also alludes to the risks inherent in monetary stimulus, i.e., the dangers of doing too little (deflation) or too much (inflation).

Multiple-Choice Question

During periods of inflation all but which ONE of the following is true?

- a) Substantial differences in the price changes of specific goods and services are concealed by the average rate of inflation.
- b) There is an increase in the average level of prices of goods and services.
- c) Inflation acts like a tax, taking income from some people and giving to others.
- d) All prices rise at the same rate during an inflation.
- e) Inflation makes some people worse off, and it makes others better off.

Discussion Question

Why are we concerned about inflation?