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# Stimulus and Inflation

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## **Videos:**

“Why not everyone in the US likes stimulus checks”

<https://www.youtube.com/watch?v=ixULmgsTHWk> (8:02 minutes)

“Why the US doesn’t want inflation, explained”

<https://www.youtube.com/watch?v=vorsLECHzno> (7:19 minutes)

## **Guide:**

The questions below will help students achieve a better understanding of the arguments made on both sides of a contentious topic. Because these questions often touch upon statements made briefly in the videos, we recommend reading the questions before watching each video.

Students are encouraged to take notes during the videos, and it may be helpful for students to break into groups, each taking responsibility for only a few questions, before coming together for discussion.

## **Analysis Questions:**

1. What would you say is the topic discussed in these two videos?
2. What are the opposing ideas presented in these videos?
3. Did the fish tank analogy in the Vox video help you understand their point? Please explain how it did or did not help you understand.
4. What do you know about the economy of Venezuela? The Vox video says that inflation got so high in Venezuela that money was used to make purses. What do they mean by this?
5. In the Learn Liberty video, what does Antony Davies say is the definition of inflation? What does he say is the problem with inflation?
6. Vox mentions three ways the government tries to stimulate the economy: investing in infrastructure, unemployment benefits, and giving stimulus checks directly to individuals. What are some pros and cons of each method?
7. Do you think the government printing money to give to people can lead to inflation? Why/Why not?
8. Antony Davies says, “It’s the value of the goods and services that gives money value.” What does he mean?
9. Vox says that if too much money is put into the economy, businesses can raise their prices drastically. Why is this?
10. The Learn Liberty video says that “money illusion” affects low-income people the most. What is money illusion? Why does it affect low-income people the most?

11. Please explain the Alabama versus New York example Antony Davies uses to explain “money illusion.”
12. Vox says, “But economists actually want a little inflation each year. Spending is a sign of a growing economy.” What did they mean by this? Does spending cause inflation?
13. If spending money is good, why doesn’t the government just keep printing money to give to people to spend?
14. Antony Davies says that politicians don’t recognize a recession until after it’s already begun, and that by the time they try to stimulate the economy, we might already be coming out of the recession. If this is true, how does it impact the analysis in the Vox video?
15. The Vox video shows a graph of the U.S. economy and points out “a recession almost always comes with a substantial dip in inflation,” because people don’t spend as much during a recession, so businesses can’t raise their prices like they usually would. Vox concludes that inflation is the sign of a healthy economy. Does this argument work, or is this a case of “correlation is not causation”? Why/Why not?
16. When Antony Davies refers to the “knowledge problem,” the name “Hayek” appears onscreen. Hayek argued that the “knowledge problem” exists in society, because knowledge is naturally dispersed throughout society in such a way that attempts to concentrate it into a single planner or planning board are, at best, inefficient and, at worst, impossible. Does Hayek make sense? Why do we think that people in government actually know how to run an economy?
17. In the Vox video, Claudia Sahm says that “falling prices is a sign of an economy in crisis.” Are falling prices and a lack of inflation the same thing? Please explain.
18. The Vox video says that some economists prefer stimulus checks to other forms of stimulus because it gives money directly to the people. Does giving money directly to the people solve “the knowledge problem” that Antony Davies describes in the Learn Liberty video? Why/Why not?
19. In the Vox video, Claudia Sahm says “the risk right now is doing too little.” What did she mean by this?
20. The Vox video says that many economists want stimulus checks to go out automatically whenever the economy shows certain signs of recession. What would be the benefits of the checks going automatically? What would be some of the disadvantages?
21. How might government printing money and giving it to people affect the purchasing power of dollars? How might that relate to rising prices?
22. How might rising prices lead to higher labor costs? How might higher labor costs lead to rising prices?

23. While government may want some inflation, too much inflation caused by government stimulus is an example of an unintended consequence. What are some other examples of unintended consequences caused by government policies?
24. Before watching these videos, did you have an opinion on inflation and stimulus checks? Have these videos changed your views?
25. What role do you think Vox's and Learn Liberty's political views played in the positions they took in their videos?
26. What else would you like to learn about how stimulus and inflation impact the economy?
27. Should one of the arguments we heard carry more weight than the other? If so, which one? Why?