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# Bad Gov't Brings Bad Inflation

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Segment Length: 5:13 minutes

## **Lesson Description:**

Inflation is rising rapidly in America and citizens are upset. Is inflation caused by corporate greed or bad government policies? This video highlights how government spending causes inflation and explains that price controls hurt rather than help the economy.

## **Objectives:**

Students will be able to:

- Define inflation
- Identify some causes and consequences of inflation
- Explain the relationship between government spending, money supply, and inflation
- Evaluate the potential impacts of government interventions, such as price controls and government spending, on the economy and consumers

## **Concepts & Key Terms:**

**Inflation:** The sustained increase in general prices of goods and services in an economy over time, resulting in a decrease in the purchasing power of money

**Price Controls:** Government-imposed restrictions that limit prices of goods or services.

**Price Gouging:** Increasing prices on goods or services during times of emergency or crisis, often exploiting the increased demand and limited supply

**Purchasing Power:** The ability of money to buy goods and services. Inflation reduces purchasing power, making money worth less.

**Transitory:** Temporary or short-lived

## **Preview Activity and Questions:**

Distribute copies of the K-W-L worksheet to the class. Have students fill in the K and W sections. After showing the video, have students complete the L section and answer the question at the bottom of the worksheet.

## **Viewing Guide:**

We recommend that teachers show the video segment twice: first to allow students to view the video and focus on the issues presented, and second to allow them time to complete the viewing guide. After they complete the viewing guide, allow students a few minutes to work in pairs to share and verify answers.

## **Answers to Viewing Guide**

1. eclipsed
2. greed
3. more
4. less
5. spends
6. information
7. produce
8. stop

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## Viewing Guide

Name \_\_\_\_\_

Date \_\_\_\_\_

Class \_\_\_\_\_

Teacher \_\_\_\_\_

**Directions:** As you watch the video, fill in the blanks with the correct words.

1. Inflation has \_\_\_\_\_ the Coronavirus as their number one concern.
2. If it's \_\_\_\_\_, how do we explain when prices fall?
3. Government *is* spending \_\_\_\_\_ money.
4. That makes the money we have \_\_\_\_\_ valuable.
5. There's no economic theory that says when the government \_\_\_\_\_ a huge amount more money, prices fall.
6. Because prices are not just money, they are \_\_\_\_\_.
7. Flexible pricing gets suppliers to \_\_\_\_\_ what people really need.
8. People in Venezuela experienced that, and the price controls didn't \_\_\_\_\_ inflation.

**Now, take a few moments to reflect on the video and answer the questions below:**

Why is too much government spending bad for Americans? \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Why is inflation bad for consumers? \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

What happens when price controls are put in place? \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

### **Discussion and Analysis:**

1. What is inflation?
2. How has inflation affected everyday expenses such as groceries and gas prices?
3. In what ways are you and your family currently impacted by inflation?
4. What is the significance of inflation surpassing concerns related to the Coronavirus?
5. Why were government experts using the term *transitory* to describe inflation and why did they change their position on it?
6. Why do some politicians attribute rising prices to corporate greed, and what are the potential flaws in this argument?
7. How does supply and demand impact prices, and how does this relate to the claim of price gouging?
8. How does the video explain the relationship between government spending, inflation, and the concept of "too much money chasing too few goods"?
9. How does inflation impact the value of money and its consequences for both spending and saving?
10. What is the concern with implementing price controls and what unintended consequences might result from such measures?
11. How do price changes serve as signals and information in the economy, and why is it important to maintain flexible pricing?

### **Discuss These Lines from the Video:**

1. Inflation has eclipsed the Coronavirus as their number one concern.
2. I'm ready to retire the word transitory.
3. If it's greed, how do we explain when prices fall? Do oil companies just decide, "I'm gonna be less greedy"?
4. The Federal Reserve essentially is doing the same thing [as a counterfeiter].
5. That's why the price gouging claim is silly. Prices change because of supply and demand.
6. But because government has no money of its own, extra spending means politicians must borrow more, tax more, or create money out of thin air by printing it.
7. That makes the money we have less valuable. So not only do I need more of these to buy something, but also people who save money lose what they saved.

8. Price controls are like saying it's really cold and I'm gonna solve that by breaking the thermometer.
9. When the price of face masks rose two years ago, that inspired producers to make more.

### **Quotes for Discussion:**

Increased government spending can provide a temporary stimulus to demand and output but in the longer run higher levels of government spending crowd out private investment or require higher taxes that weaken growth by reducing incentives to save, invest, innovate, and work. - Martin Feldstein

We know inflation is being driven in part by price gouging. How do corporations get away with it? Market consolidation. One in four retail sales is made by Walmart & Amazon. Prices aren't being dictated by 'supply and demand.' They're being dictated by CEOs. - Alexandria Ocasio-Cortez

Inflation is as violent as a mugger, as frightening as an armed robber, and as deadly as a hitman. - Ronald Reagan

Inflation is taxation without legislation. - Milton Friedman

In a world where millions of people make complex economic decisions, often what 'feels right' makes for bad policy. - John Stossel

Inflation is the erosion of purchasing power. The purchasing power of money is its value in exchange for goods and services. - Paul Volcker

Price controls are a cure worse than the disease they are intended to treat. - Paul Samuelson

Inflation is as cruel as the grave, and the relentless enemy of the elderly and others on fixed incomes. - Herbert Hoover

Price controls stifle the incentives and innovation that are critical to a vibrant market economy. - George P. Shultz

Inflation is the greatest enemy of prosperity. It confiscates the wealth of citizens, dilutes the value of savings, and distorts economic decision-making. - Margaret Thatcher

Lenin is said to have declared that the best way to destroy the Capitalist System was to debauch its currency...Lenin was certainly right. There is no subtler, no surer means of overturning the existing basis of society than to debauch the currency. The process engages all hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose. - John Maynard Keynes

## **Activities:**

1. Have students complete the K-W-L chart in class or for homework. (Recall that the K and W sections are to be completed before watching the video and the L section after watching the video.)
2. Have students complete the Venn Diagram after viewing the video.
3. Have students complete the political cartoon activity after viewing the video.
4. Have students create their own political cartoon or meme that relates to inflation and what they learned from this video.
5. Research and create a slideshow about the specific causes that created the inflation discussed in the video. What were the government programs trying to accomplish? What other factors contributed to inflation? Knowing what you know now, if you oversaw government, what would you have done differently? What would you do in the future to control inflation?
6. Watch this video from Both Sides: Inflation Revisited: [https://www.youtube.com/watch?v=XzY\\_SHNxWXQ](https://www.youtube.com/watch?v=XzY_SHNxWXQ). Conduct your own research regarding the two videos based on economic reports, profit reports, and government spending. Create a report or PowerPoint presentation and explain which video you agree with more. Could there be parts from both videos that are true? Explain your thinking. Did your thinking change after watching both videos as opposed to just watching the first video?
7. Produce a "man-on-the-street" video in which you ask friends, family, and others: How have they seen the impact of government spending and inflation recently? Ask what the specific benefits of government spending were to them. Ask what the negative impact of inflation was on them, too.
8. Have students write an opinion piece discussing their concerns about rising inflation and its impact on their families and communities.
9. Pair students and have them debate opposing sides: one arguing for increased government spending to stimulate the economy (in the form of stimulus checks or rebates), and the other advocating for fiscal responsibility. Have them include how their program will impact inflation/and or pay for itself. When done, ask why politicians in both major parties often increase spending.
10. Research how the cost of student school supplies, a Thanksgiving meal, fuel (for car or home), and staple groceries have increased over the last three years. Present your findings to the class and discuss the impact on someone who is on a fixed income. (Who is considered to be on a fixed income? Aren't most people on a fixed income? How do people increase their incomes?) How might price controls affect that person? How would price controls affect the overall economy?

11. Research contributing factors to specific price increases. Egg prices, for example, have seen large increases, followed by decreases, followed again by increases in prices over the last several years. What factors (recalling how supply and demand impact price) may have created these wide price swings? Was government involved? If so, how? (Other topics to investigate could include beef prices, used car prices, energy prices, lumber prices, and airline ticket prices.)
12. Research the concept of price controls, historically, in the U.S. and other countries named in the video. Present your findings to the class, in the form of a presentation, explaining the expected outcomes and the unintended consequences. Explain whether price controls would work to ward off inflation in the U.S.
13. Ask students to research the role of the Federal Reserve in managing inflation. Have them create a timeline of key actions taken by the Federal Reserve to control inflation. Have them research some reasons the Federal Reserve was hesitant to raise rates under the last 2 administrations, and whether they think the Federal Reserve could have helped with it.

Name \_\_\_\_\_  
Class \_\_\_\_\_ Period \_\_\_\_\_

Date \_\_\_\_\_  
Teacher \_\_\_\_\_

## **Bad Government Brings Bad Inflation** **K-W-L Chart**

**Directions:** Complete the **K** and **W** sections prior to watching the video. After you have seen the video, complete the **L** section and answer the questions below the K-W-L chart.

| <b>K</b>  | <b>W</b>  | <b>L</b>   |
|---|---|--|
| What I know about government spending and inflation...        | What I want to know about government spending and inflation...                    | What I learned about government spending and its effects on inflation... |
| How did government experts originally explain away inflation? | Why might politicians blame corporations' price gouging as reasons for inflation? | How does inflation affect our everyday lives?                            |

Name \_\_\_\_\_

Date \_\_\_\_\_

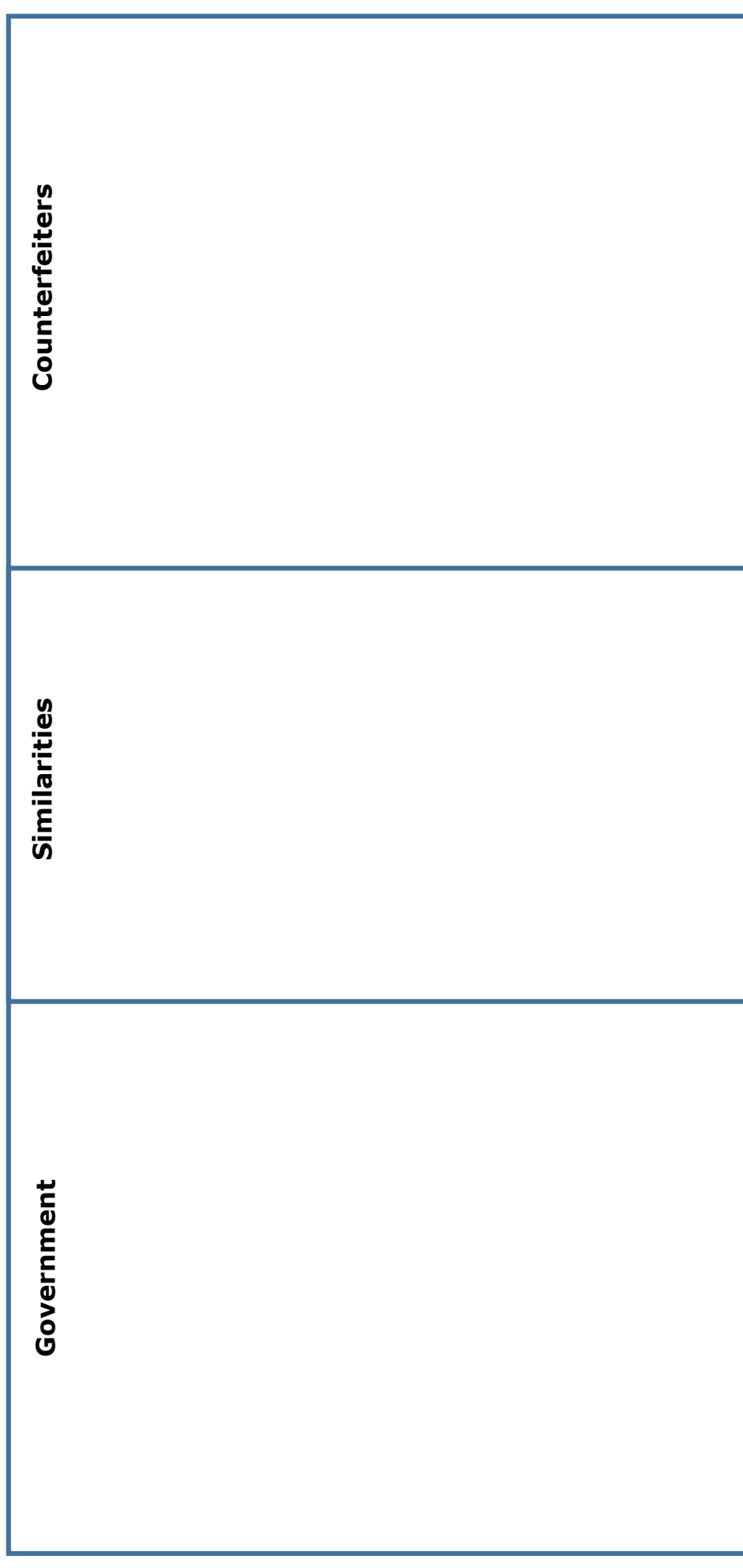
Class \_\_\_\_\_ Per \_\_\_\_\_

Teacher \_\_\_\_\_

## **Bad Govt Brings Bad Inflation**

### **Government vs Counterfeiters Venn Diagram**

**Directions:** Complete the Venn Diagram below.





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# Bad Govt Brings Bad Inflation

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## Political Cartoon Activity

Name \_\_\_\_\_

Date \_\_\_\_\_

Class \_\_\_\_\_ Period \_\_\_\_\_

Teacher \_\_\_\_\_

**Directions:** Use the political cartoon to answer the questions below.



Briefly describe what is happening in the political cartoon. \_\_\_\_\_

\_\_\_\_\_

What is "Uncle Sam" doing and how does it correlate to the video? \_\_\_\_\_

\_\_\_\_\_

What is implied by "pay dirt" and "blue skies?" \_\_\_\_\_

\_\_\_\_\_

When he really gets to the bottom, what will happen and how does it relate to the video? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_