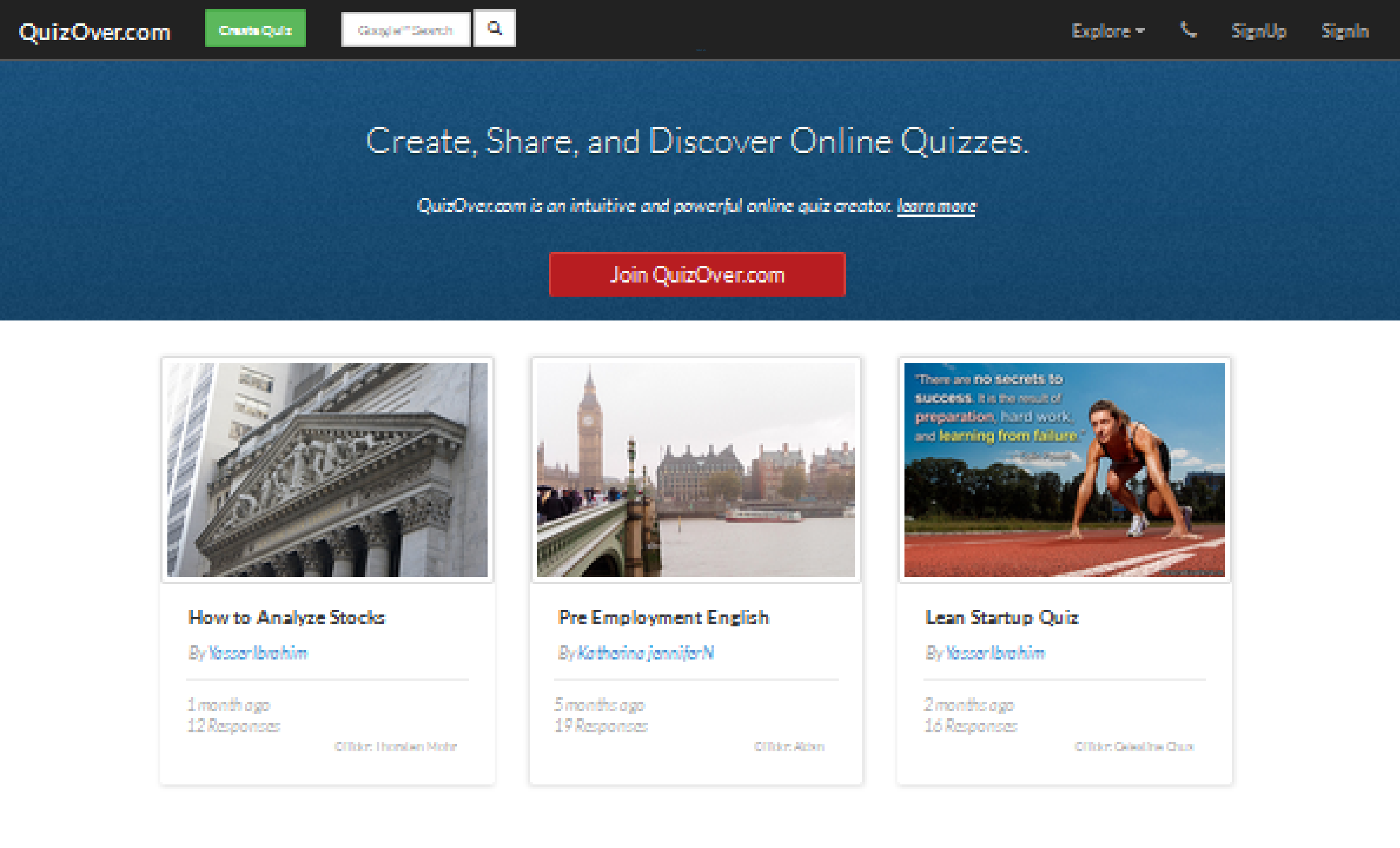
Interventionism Economy Lesson 21: Inflation

Author: Robert Murphy

Associated Scholar @Mises Institute

Published 2014



Powered by QuizOver.com

The Leading Online Quiz & Exam Creator

Create, Share and Discover Quizzes & Exams

http://www.quizover.com

Disclaimer

All services and content of QuizOver.com are provided under QuizOver.com terms of use on an "as is" basis, without warranty of any kind, either expressed or implied, including, without limitation, warranties that the provided services and content are free of defects, merchantable, fit for a particular purpose or non-infringing.

The entire risk as to the quality and performance of the provided services and content is with you.

In no event shall QuizOver.com be liable for any damages whatsoever arising out of or in connection with the use or performance of the services.

Should any provided services and content prove defective in any respect, you (not the initial developer, author or any other contributor) assume the cost of any necessary servicing, repair or correction.

This disclaimer of warranty constitutes an essential part of these "terms of use".

No use of any services and content of QuizOver.com is authorized hereunder except under this disclaimer.

The detailed and up to date "terms of use" of QuizOver.com can be found under:

http://www.QuizOver.com/public/termsOfUse.xhtml

eBook Content License

Dr. Robert P. Murphy, Lessons for the Young Economist. (Mises Institute), http://mises.org/document/6215/Lessons-for-the-Young-Economist (Accessed 04 April, 2014). License: Creative Commons BY

Table of Contents

Quiz Permalink: http://www.quizover.com/question/lesson-21-inflation

Author Profile: http://www.quizover.com/user/profile/robert.murphy

4. Chapter: Lesson 21: Inflation

1. Lesson 21: Inflation Questions

4.1.1. What are the two meanings of the term inflation?

Author: Robert Murphy

What are the two meanings of the term inflation?

- Monetary inflation refers to the increase in the amount of money (and possibly the amount of credit), whereas price inflation refers to a general increase in (most) prices.

Check the answer of this question online at QuizOver.com:
Question: What are the two meanings of the term inflation by Dr. Robert Murphy

Flashcards:
http://www.quizover.com/flashcards/what-are-the-two-meanings-of-the-term-inflation-by-dr-robert-murphy?pdf=3044

Interactive Question:
http://www.quizover.com/question/what-are-the-two-meanings-of-the-term-inflation-by-dr-robert-murphy?pdf=3044

4.1.2. Is there a strict connection between money growth and price increases?

Author: Robert Murphy

Is there a strict connection between money growth and price increases?

- No. All large-scale price inflations have been preceded by a large-scale monetary inflation, but there is no strict formula connecting the two. Especially over short time spans, the two can even move in opposite directions.

Check the answer of this question online at QuizOver.com:
Question: Is there a strict connection between money by Dr. Robert Murphy

Flashcards:
http://www.quizover.com/flashcards/is-there-a-strict-connection-between-money-by-dr-robert-murphy?pdf=3044

Interactive Question:
http://www.quizover.com/question/is-there-a-strict-connection-between-money-by-dr-robert-murphy?pdf=3044

4.1.3. Why do workers sell their labor hours in exchange for intrinsically...

Author: Robert Murphy

Why do workers sell their labor hours in exchange for intrinsically useless pieces of fiat money?

- People accept money in their exchanges because they expect other people to do the same in the future. (In other words, money has purchasing power now because people expect it to have purchasing power in the future.) This can be true even for fiat currency.

Check the answer of this question online at QuizOver.com:
Question: Why do workers sell their labor hours in by Dr. Robert Murphy @Mises

Flashcards:
http://www.quizover.com/flashcards/why-do-workers-sell-their-labor-hours-in-by-dr-robert-murphy-mises?pdf=3044

Interactive Question:
http://www.quizover.com/question/why-do-workers-sell-their-labor-hours-in-by-dr-robert-murphy-mises?pdf=3044

4.1.4. If the stock of money increases, what happens to the "price of mone...

Author: Robert Murphy

If the stock of money increases, what happens to the "price of money," other things equal? What does this imply for the prices of goods and services?

- As the stock of money increases, the price of money decreases, holding the demand for money constant. But a falling "price of money" translates into rising prices for other goods and services, i.e., price inflation.

Check the answer of this question online at QuizOver.com:
Question: If the stock of money increases what happens by Dr. Robert Murphy

Flashcards:
http://www.quizover.com/flashcards/if-the-stock-of-money-increases-what-happens-by-dr-robert-murphy?pdf=3044

Interactive Question:
http://www.quizover.com/question/if-the-stock-of-money-increases-what-happens-by-dr-robert-murphy?pdf=3044

4.1.5. What is the harm of government price inflation?

Author: Robert Murphy

What is the harm of government price inflation?

- Price inflation reduces the effectiveness of a medium of exchange.
  It becomes more difficult for people to make longterm financial decisions when the market value of the currency itself becomes volatile.

Check the answer of this question online at QuizOver.com:
Question: What is the harm of government price inflation by Dr. Robert Murphy

Flashcards:
http://www.quizover.com/flashcards/what-is-the-harm-of-government-price-inflation-by-dr-robert-murphy?pdf=3044

Interactive Question:
http://www.quizover.com/question/what-is-the-harm-of-government-price-inflation-by-dr-robert-murphy?pdf=3044

4.1.6. Explain how the Caesars quite literally debased their currency, and...

Author: Robert Murphy

Explain how the Caesars quite literally debased their currency, and discuss the consequences.

- The Caesars would collect coins containing precious metals (gold and silver), melt them down, add in a "baser" metal to the mix,
  and then re-coin a larger number, while trying to pass them off as the same coin. Merchants and others adapted by raising their prices (in terms of coins).
  Sample Partial Credit Answer
  They inflated the money supply.

Check the answer of this question online at QuizOver.com:
Question: Explain how the Caesars quite literally by Dr. Robert Murphy @Mises

Flashcards:
http://www.quizover.com/flashcards/explain-how-the-caesars-quite-literally-by-dr-robert-murphy-mises?pdf=3044

Interactive Question:
http://www.quizover.com/question/explain-how-the-caesars-quite-literally-by-dr-robert-murphy-mises?pdf=3044

4.1.7. If U.S. paper money is really intrinsically worthless, why do peopl...

Author: Robert Murphy

If U.S. paper money is really intrinsically worthless, why do people work, steal, and kill for it?

- U.S. paper money (currently) has an exchange value; people can use it to obtain other goods and services. Because of this, people are willing to work, steal, etc., to obtain U.S. dollars.
  Sample Partial Credit Answer
  You can buy things with it.

4.1.8. Does fiat money have whatever value the government assigns to it?

Author: Robert Murphy

Does fiat money have whatever value the government assigns to it?

- No. The value or "price" of money is set by supply and demand.
  The government can use various measures to influence the supply and demand for money, but the government's control isn't absolute.
  Sample Partial Credit Answer
  No because the government can't stop inflation.

Check the answer of this question online at QuizOver.com:
Question: Does fiat money have whatever value the by Dr. Robert Murphy @Mises

Flashcards:
http://www.quizover.com/flashcards/does-fiat-money-have-whatever-value-the-by-dr-robert-murphy-mises?pdf=3044

Interactive Question:
http://www.quizover.com/question/does-fiat-money-have-whatever-value-the-by-dr-robert-murphy-mises?pdf=3044

4.1.9. How does a gold standard place a limit on inflation?

Author: Robert Murphy

How does a gold standard place a limit on inflation?

- Under a genuine gold standard, the government must redeem currency for gold at a fixed conversion rate. If the government
  is reckless and prints too much paper money, it runs the risk of running out of gold reserves. So a government on a gold standard
  must exercise restraint in how much currency it creates.
  Sample Partial Credit Answer
  Governments can't print gold.

Check the answer of this question online at QuizOver.com:
Question: How does a gold standard place a limit on by Dr. Robert Murphy @Mises

Flashcards:
http://www.quizover.com/flashcards/how-does-a-gold-standard-place-a-limit-on-by-dr-robert-murphy-mises?pdf=3044

Interactive Question:
http://www.quizover.com/question/how-does-a-gold-standard-place-a-limit-on-by-dr-robert-murphy-mises?pdf=3044

4.1.10. When prices of most goods and services, measured in dollars, go up,...

Author: Robert Murphy

When prices of most goods and services, measured in dollars, go up, what is happening to the market value of the dollar? Explain.

- The market value of the dollar is dropping, because you need more dollars to buy the same amount of goods and services.
  Sample Partial Credit Answer
  Dropping.

Check the answer of this question online at QuizOver.com:
Question: When prices of most goods and services measured by Dr. Robert Murphy

Flashcards:
http://www.quizover.com/flashcards/when-prices-of-most-goods-and-services-measured-by-dr-robert-murphy?pdf=3044

Interactive Question:
http://www.quizover.com/question/when-prices-of-most-goods-and-services-measured-by-dr-robert-murphy?pdf=3044

4.1.11. Explain how large and variable price inflation partially defeats th...

Author: Robert Murphy

Explain how large and variable price inflation partially defeats the purpose of using money in the first place.

- People use money to coordinate complicated exchanges involving multiple people, and they also use it to reduce items to a common
  denominator. If people aren't confident about the purchasing power of money in the future, they won't be able to plan as well.
  Because people will try to hold more of their wealth in the form of "real" goods, society will effectively move in the direction of barter.
  Sample Partial Credit Answer
  Money isn't as valuable if people don't know how much it will be able to buy.

Check the answer of this question online at QuizOver.com:
Question: Explain how large and variable price inflation by Dr. Robert Murphy

Flashcards:
http://www.quizover.com/flashcards/explain-how-large-and-variable-price-inflation-by-dr-robert-murphy?pdf=3044

Interactive Question:
http://www.quizover.com/question/explain-how-large-and-variable-price-inflation-by-dr-robert-murphy?pdf=3044