

Why is a product I want  
now more expensive?

Class 22: Inflation  
Wrap-Up and  
Financial Board  
Games





# Financial Board Games Banker Expectations

1. Know the board game rules
2. Reference the game instructions as needed
3. Facilitate the game for players
4. Collect and distribute cash and other assets based on the game rules
5. Maintain fair play



*Who wants to  
be a banker?  
We need 4  
people to  
accept the  
job offer.*



# NITWOM

## News In The World Of Money

01/26/2023: U.S. Gross Domestic Product (“GDP”), one of the measures of economic activity, rose 2.9% in the Q4’2022, more than expected, even with recession fears. Consumer spending weakened from the prior period but remained positive. A sharp drop in housing pulled down GDP, while increases in government spending and private investment propped up GDP. [[Source](#)]



# What about wage and price controls to fight inflation?

Government policies that set limits on the prices of goods, services, and/or information in an economy



*Do you think  
wage and  
price controls  
are a good  
idea? Why or  
why not?*

Wage and price controls typically fail and lead to...

1. Shortages – suppliers are unable to charge market prices, so less is produced
2. Incentive problems – businesses are discouraged from producing and selling
3. Quality problems – businesses cut corners to reduce costs, leading to quality decline
4. Resource misallocation – when prices are artificially controlled, signals to buyers and sellers about relative scarcity become distorted
5. “Black markets” – when demand for goods, services, or information is high and there are shortages, people will turn to illegal markets with higher prices

# A century of wage and price control attempts

## **World War I price controls (1917-1919)**

Federal government implemented price controls to help keep inflation under control and prevent profiteering. Led to shortages, black markets, and rationing, and the economy was still affected by inflation.

## **New Deal's National Recovery Administration (1933-1935)**

The National Recovery Administration was created to stimulate the economy and reduce unemployment. Program included price controls and other regulations on businesses. It was inefficient and created barriers to entry for new businesses.

## **World War II price controls (1942-1947):**

Federal government implemented price controls to keep inflation under control and prevent profiteering. However, the controls led to shortages of goods, black markets, and rationing.

## **Nixon Administration wage and price controls (1971-1974)**

Implemented wage and price controls in response to rising inflation. Placed caps on wages and prices for goods and services. Led to shortages, long lines, and rationing. Businesses cut corners to reduce costs, which led to a decline in the quality of goods and services.

## **Carter Administration wage and price controls (1980)**

Implemented 90-day wage and price control program to curb inflation. Program failed to significantly reduce inflation and led to shortages of goods and services, as well as reduced quality of goods and services.





# Key Takeaway

- Wage and price controls are ineffective tools to fight inflation



Let's Play