

Inflation, Monetary Policy

Intermediate Macroeconomics - UCLA - Econ 102

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Section 1

Important Data about monetary policy

Gold Prices (\$/Ounce) 1800-1972



Gold Prices (\$/Ounce) 1970-2019



Gold Prices (\$/Ounce) 1970-2019



Nixon Address, August 15, 1971

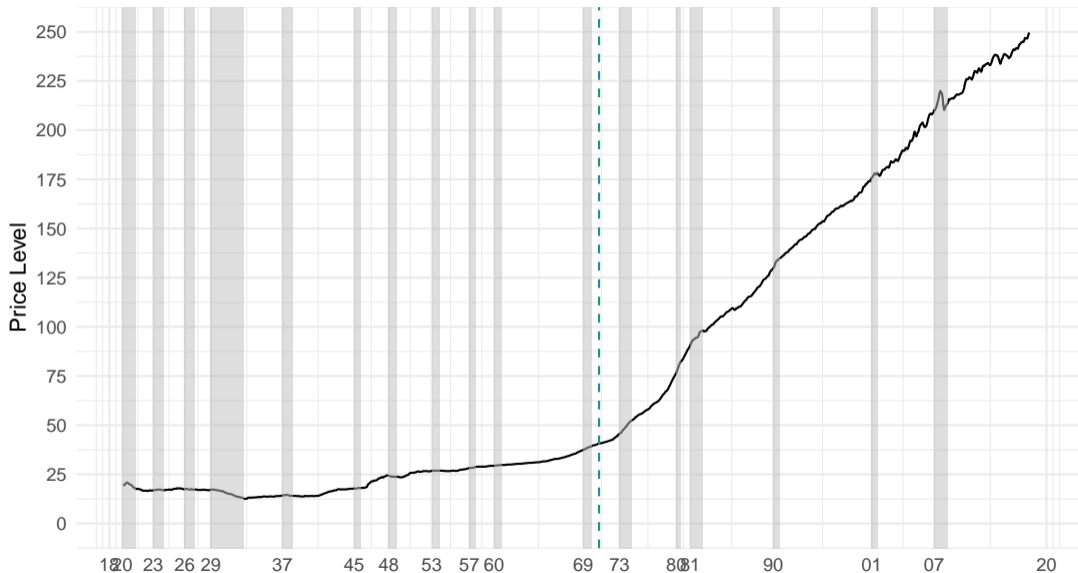
[1] "Link to the video:"

[1] "<https://fgeerolf.com/econ102/monetary-policy.html>"

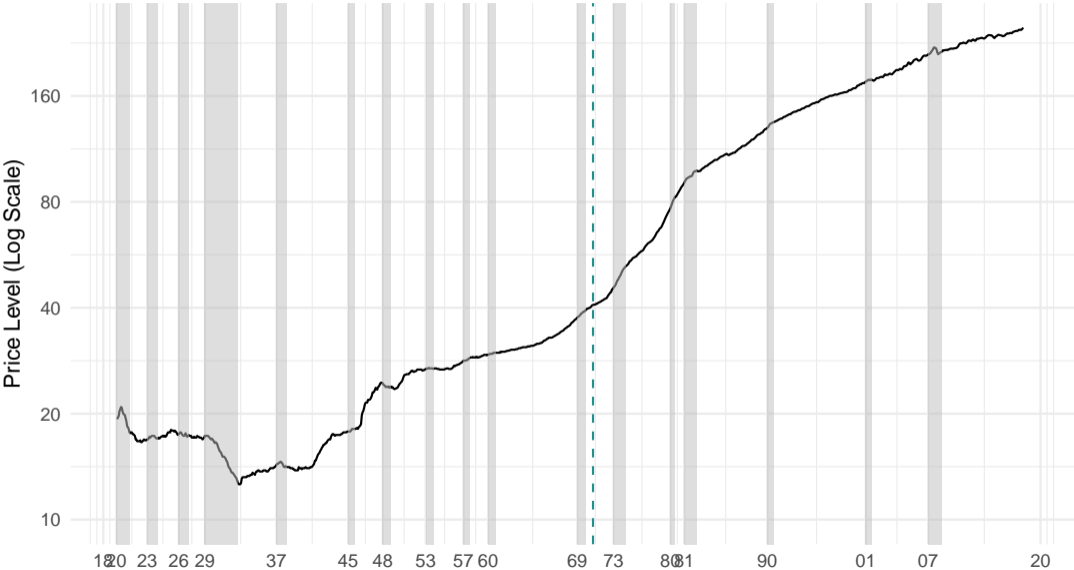
End of Bretton Woods

- The end of Bretton Woods between 1971 and 1973 = start of fiat money.
- Inflation targeting vs. exchange-rate targeting (and even better: Gold standard)
- Now central banks have a target for inflation. Sometimes also have a “full employment” mandate, but targeting inflation is usually their most important task.
- Of course the dynamics of inflation has considerably changed since.

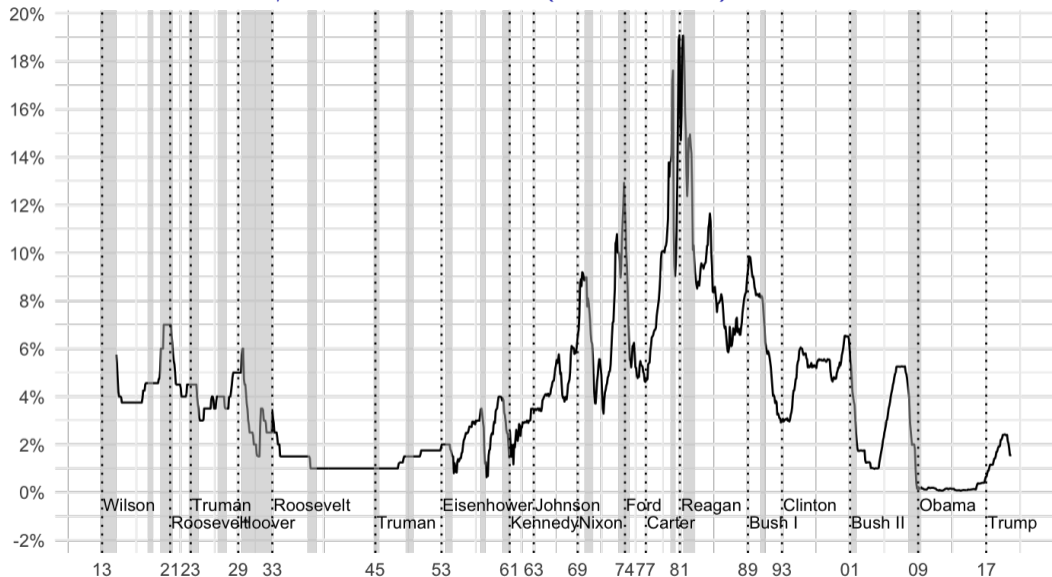
U.S. Price Level 1920-2019



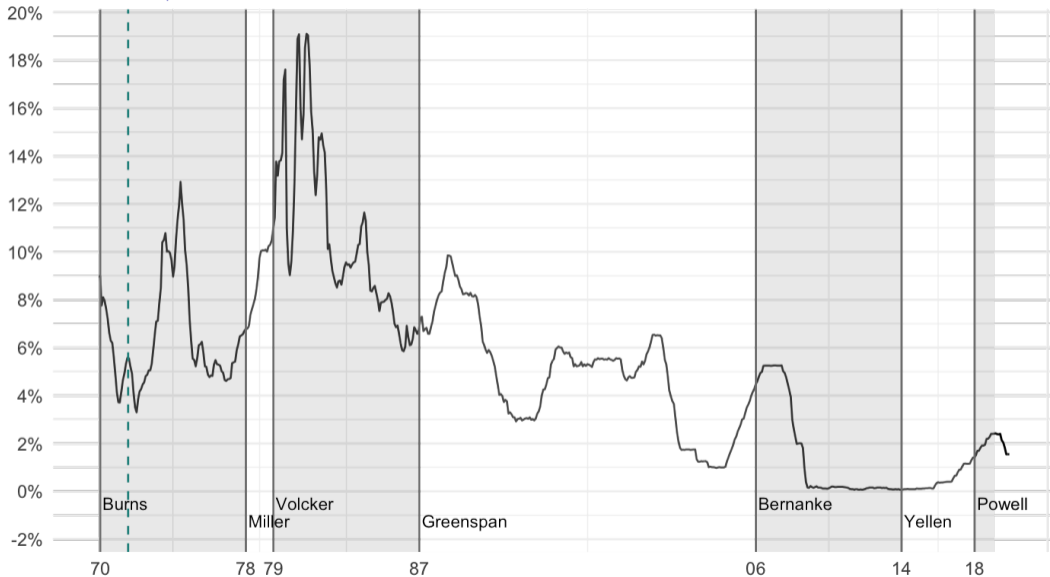
U.S. Price Level 1920-2019 (Log Scale)



U.S. Fed Funds Rate / Discount Rate (1914-2019)



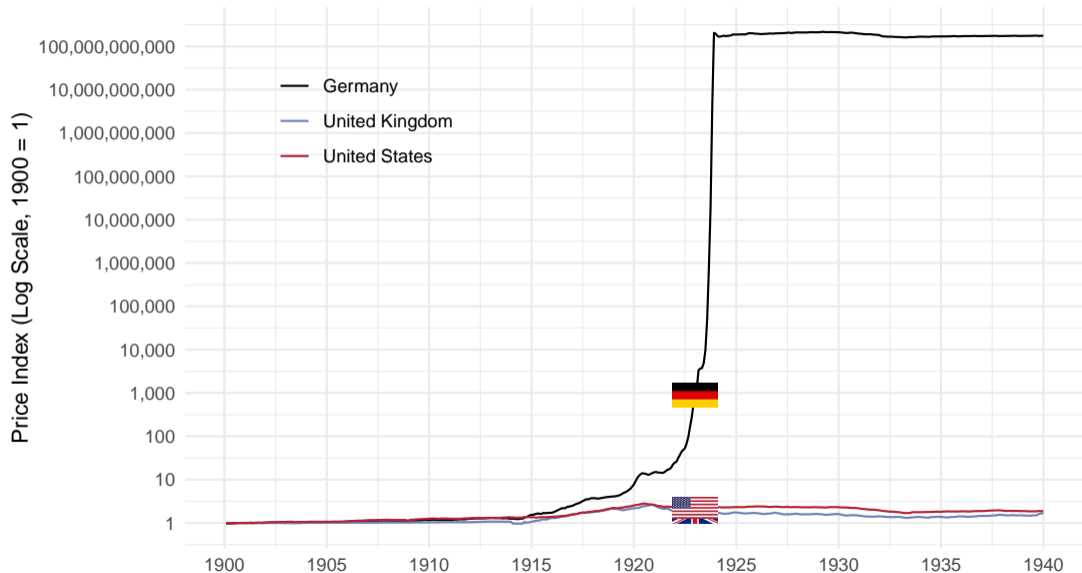
Fed Chairmen / Chairwomen



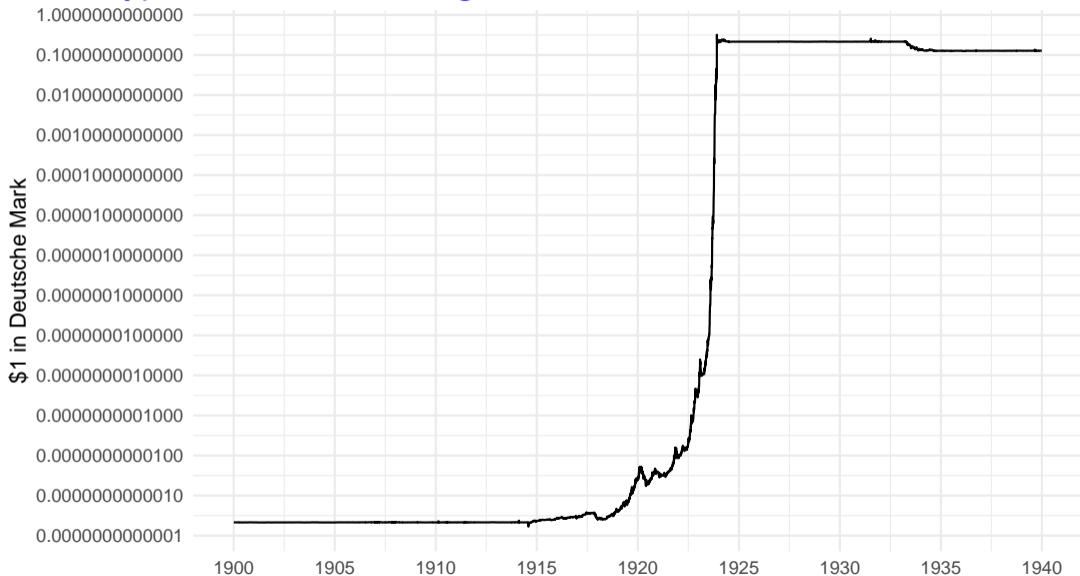
Section 2

Fears of hyperinflation

German Hyperinflation: Price Index



German Hyperinflation: Exchange Rates



German Hyperinflation in the 1920s



German Hyperinflation in the 1920s



Expenditure Shares (1912 - 1923)

TABLE 6

EXPENDITURES OF A THREE-PERSON
HOUSEHOLD (MIDDLE-RANKED SALARIED
EMPLOYEES), FROM 1912-1913 TO 1923 (%)

	Rent	Food	Heating and Lighting	Other Outlays
1912-13	30.2	30.3	4.8	34.7
1913-14	27.1	30.7	6.8	35.4
1914-15	22.4	34.2	4.7	38.7
1915-16	21.4	42.5	4.4	32.0
1916-17	18.1	48.6	2.1	31.2
1917-18	17.7	42.7	5.5	34.1
1918-19	13.1	55.5	4.9	26.5
1919-20	6.8	58.1	11.6	23.5
1920-21	4.3	47.8	8.8	39.1
1921-22	2.3	59.3	10.8	27.6
I/1922	3.8	55.2	4.3	36.7
II/1922	2.6	47.2	21.5	28.7
III/1922	1.2	69.3	9.3	20.2
IV/1922	0.4	64.7	15.7	19.2
I/1923	0.5	53.6	13.1	32.7
II/1923	4.6	35.7	6.1	53.6
III/1923	0.2	91.6	3.6	4.6

SOURCE: *Wirtschaftskurve* 2, no. 1 (1923); 29; no. 4 (1923); 21. Quoted in

Other Hyperinflations

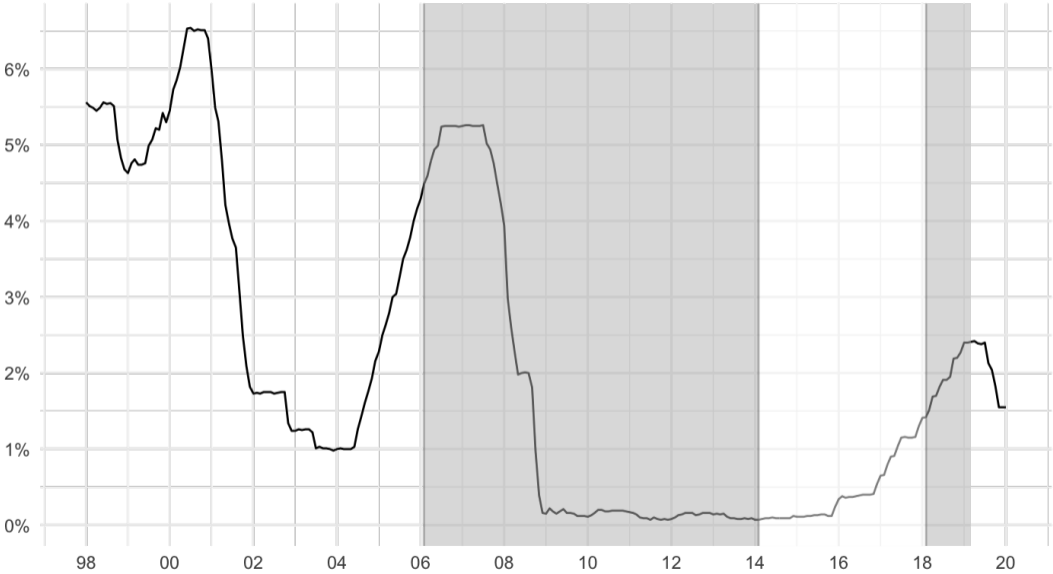
The Hanke-Krus World Hyperinflation Table (2013, Amended 2016)

Location	Start Date	End Date	Month With Highest Inflation Rate	Highest Monthly Inflation Rate	Equivalent Daily Inflation Rate	Time Required For Prices To Double	Currency	Type Of Price Index
Hungary ¹	Aug. 1945	Jul. 1946	Jul. 1946	4.19 x 10 ¹⁶ %	207%	15.0 hours	Pengő	Consumer
Zimbabwe ²	Mar. 2007	Mid-Nov. 2008	Mid-Nov. 2008	7.96 x 10 ¹⁰ %	98.0%	24.7 hours	Dollar	Implied Exchange Rate*
Yugoslavia ³	Apr. 1992	Jan. 1994	Jan. 1994	313,000,000%	64.6%	1.41 days	Dinar	Consumer
Republika Srpska ⁴	Apr. 1992	Jan. 1994	Jan. 1994	297,000,000%	64.3%	1.41 days	Dinar	Consumer
Germany ⁵	Aug. 1922	Dec. 1923	Oct. 1923	29,500%	20.9%	3.70 days	Papiermark	Wholesale
Greece ⁶	May. 1941	Dec. 1945	Oct. 1944	13,800%	17.9%	4.27 days	Drachma	Exchange Rate‡
China§ ⁷	Oct. 1947	Mid-May 1949	Apr. 1949	5,070%	14.1%	5.34 days	Yuan	Wholesale for Shanghai
Free City of Danzig ⁸	Aug. 1922	Mid-Oct. 1923	Sep 1923	2,440%	11.4%	6.52 days	German Papiermark	Exchange Rate**
Armenia ⁹	Oct. 1993	Dec. 1994	Nov. 1993	438%	5.77%	12.5 days	Dram & Russian Ruble	Consumer
Turkmenistan †† ¹⁰	Jan. 1992	Nov. 1993	Nov. 1993	429%	5.71%	12.7 days	Manat	Consumer
Taiwan ¹¹	Aug. 1945	Sep. 1945	Aug. 1945	399%	5.50%	13.1 days	Yen	Wholesale for Taipei
Peru ¹²	Jul. 1990	Aug. 1990	Aug. 1990	397%	5.49%	13.1 days	Inti	Consumer
Bosnia and Herzegovina ¹³	Apr. 1992	Jun. 1993	Jun. 1992	322%	4.92%	14.6 days	Dinar	Consumer
France ¹⁴	May 1795	Nov. 1796	Mid-Aug 1796	304%	4.77%	15.1 days	Mandat	Exchange rate
China ¹⁵	Jul. 1943	Aug. 1945	Jun. 1945	302%	4.75%	15.2 days	Yuan	Wholesale for Shanghai
Ukraine ¹⁶	Jan. 1992	Nov. 1994	Jan. 1992	285%	4.60%	15.6 days	Russian Ruble	Consumer
Poland ¹⁷	Jan. 1923	Jan. 1924	Oct. 1923	275%	4.50%	16.0 days	Marka	Wholesale

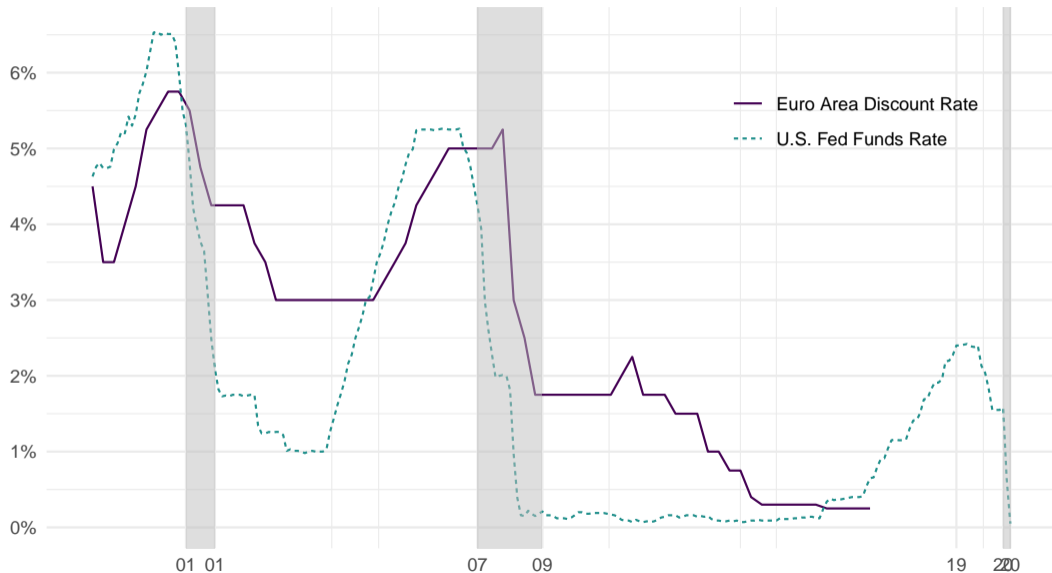
Section 3

Housing and Monetary Policy: 2000-2015

Low Federal Funds Rates



Fed VS ECB



George Osborne

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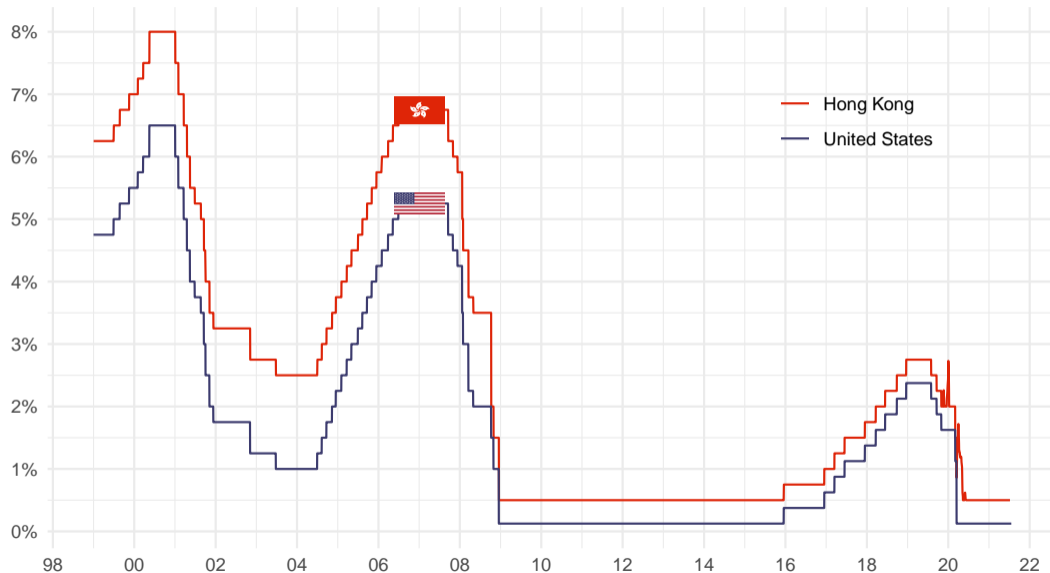
Trichet defends ECB rate increase

FT reporters APRIL 7, 2011

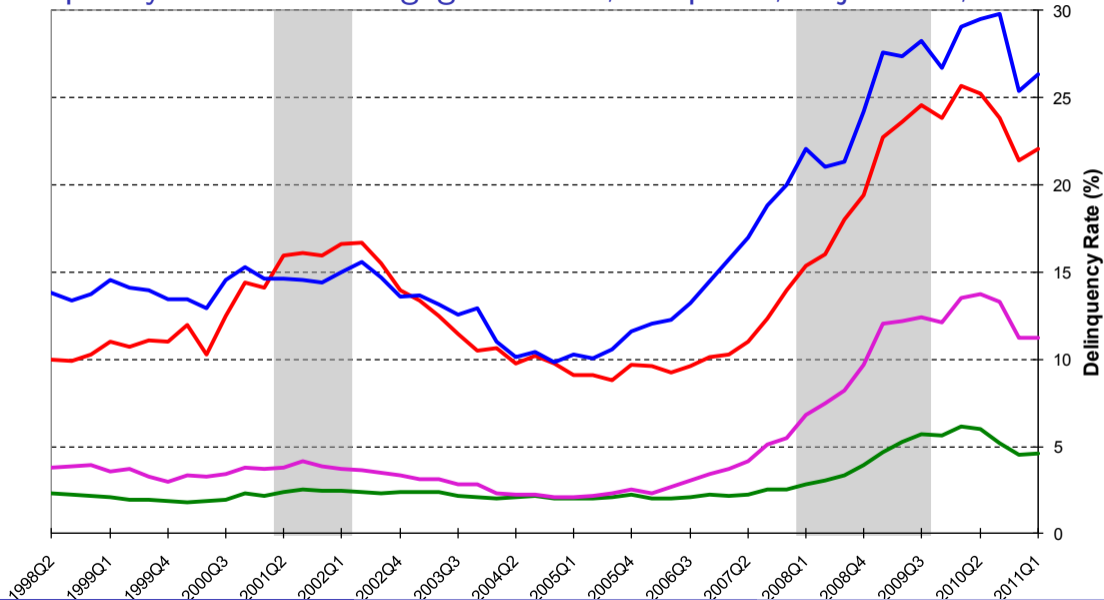


The [European Central Bank](#) president has defended a [rise in official interest rates](#) as good for the whole eurozone even as [preparations began for a bail-out of Portugal](#), the latest victim of the [region's debt crisis](#).

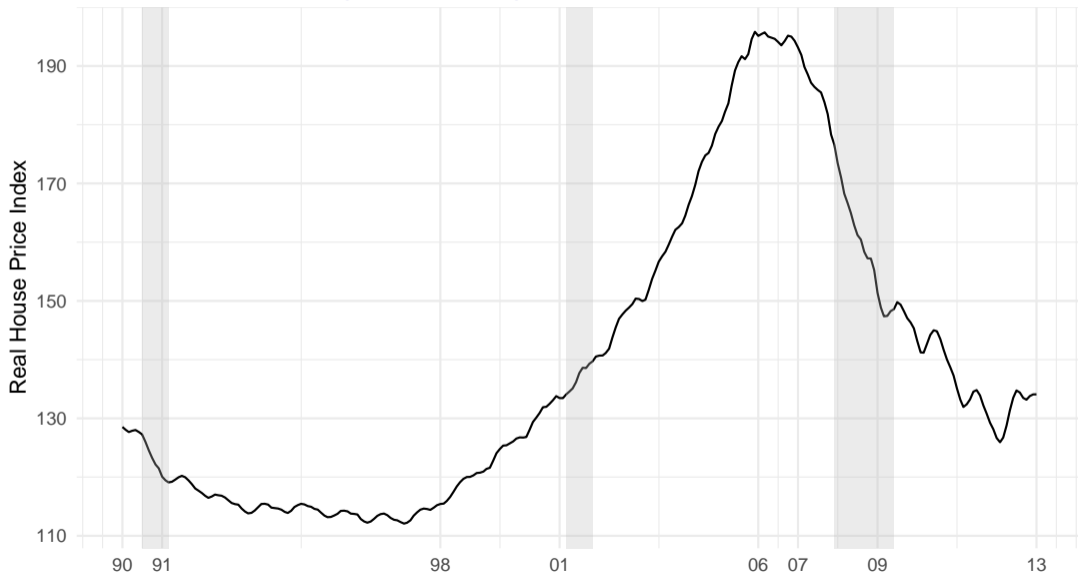
Hong Kong and Fed



Delinquency Rates on Mortgages: Prime, Subprime, Adjustable, Fixed



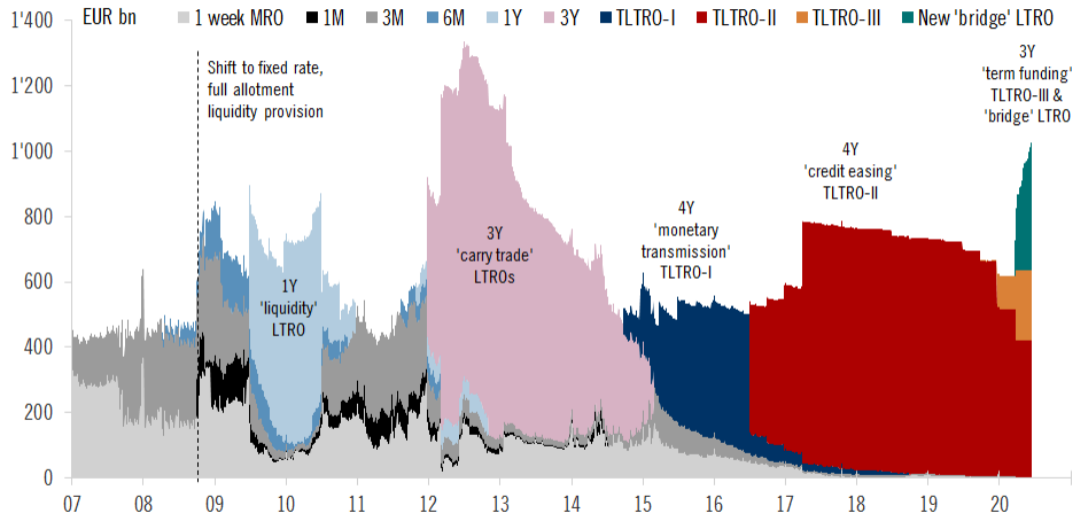
U.S. Real House Prices (1990-2013). Source: Shiller



Section 4

Current Monetary Policy Issues

QE: Long Term Refinancing Operations



Markets

U.S. Junk Bonds Rally Most in Two Decades With Fed Now a Buyer

By [Natalie Harrison](#)

April 10, 2020, 2:17 AM GMT+2

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U.S. junk bonds rallied the most since 1998 after the Federal Reserve's historic move to begin buying some of the speculative-grade corporate debt.

The extra yield investors demand to own the securities instead of Treasuries narrowed 86 basis points Thursday to 785 basis points, the lowest level since March 13, according to the Bloomberg Barclays U.S. Corporate High-Yield index.

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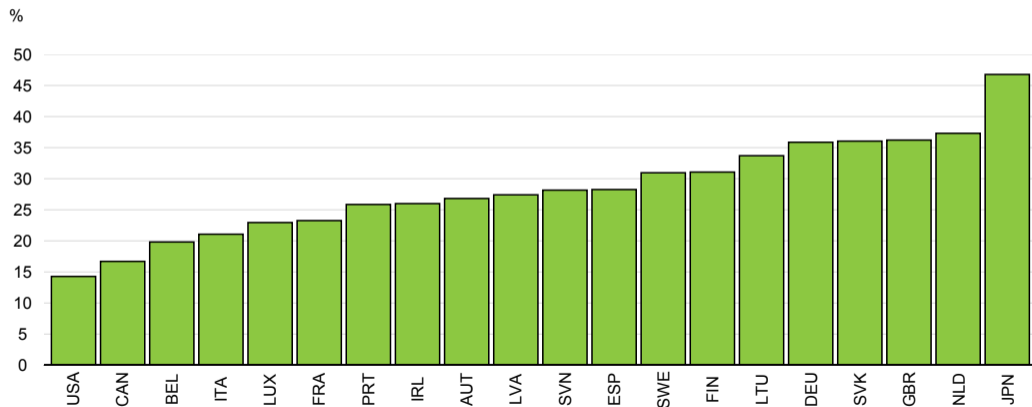
Bitcoin



Central bankers have become dominant holders of gvnt' bonds

Figure 1.21. Several central banks have become dominant holders of domestic government bonds

Per cent of total outstanding marketable bonds



Section 5

Bibliography

