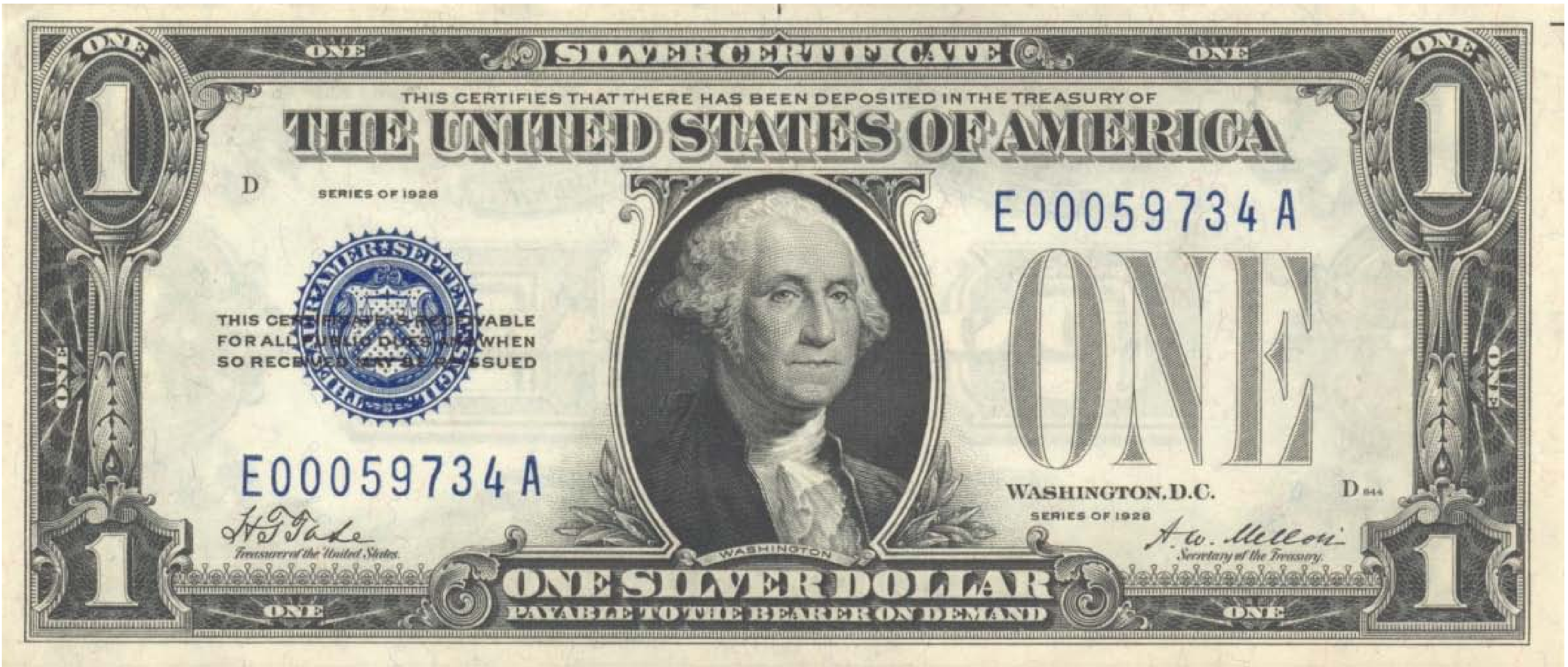
Farmers want inflation

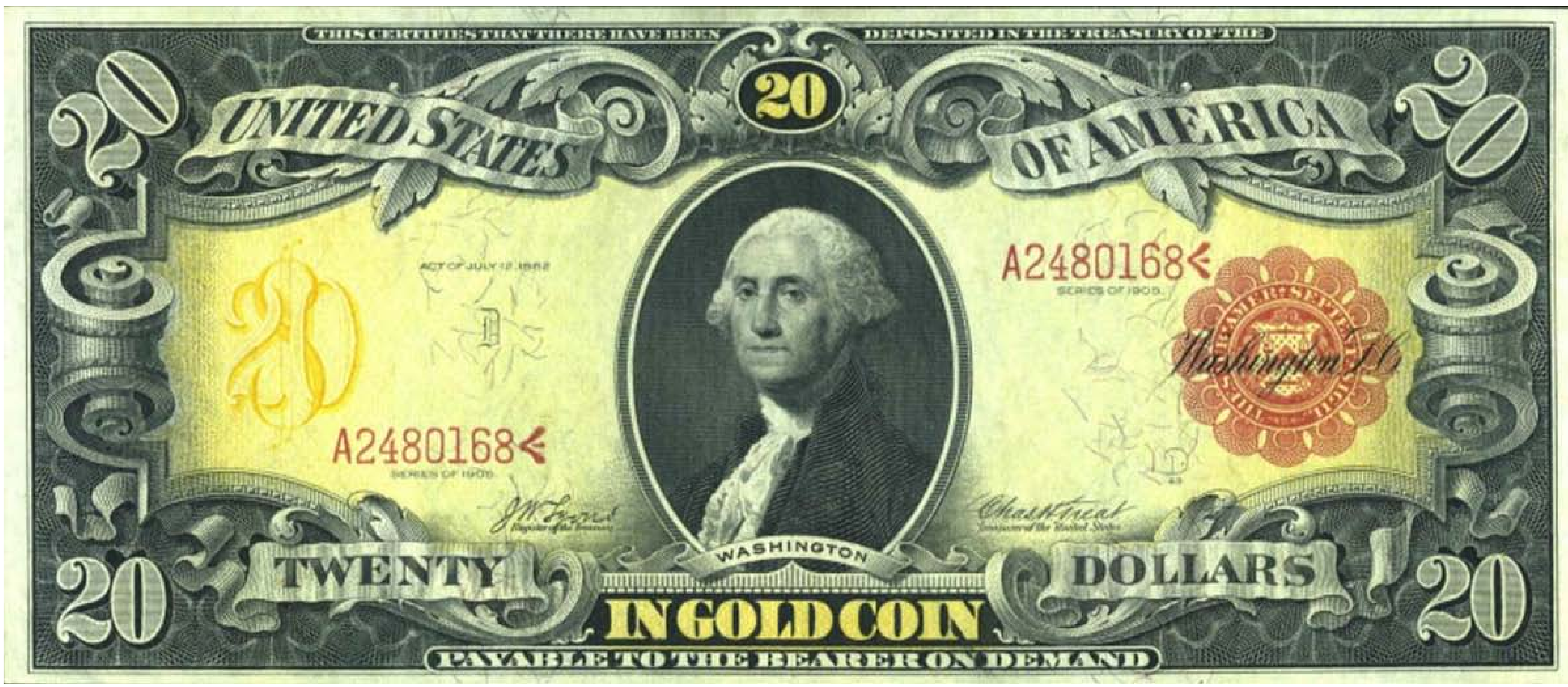
- In the economy, have a certain amount of currency that will buy the wealth produced.
  - Double the amount of currency w/o increasing things to buy, we will bid price up because everyone has more currency. (Inflation)
- I am a farmer and borrow $500 to buy my seed in the spring, to produce $550 worth of wheat in fall.
  - At harvest, however, my wheat gets $750 because of inflation.
  - I can pay my loan back with 67 percent of my crop; r/t 91 percent. My profit over expenses is $250 r/t $50.
- I borrowed $10,000 to buy my farm.
  - But now two years later my farm is worth $20,000 (value has inflated).
  - My payments (which are fixed) are 1/20 of my profit, not 1/10.
  - When I sell my farm, I make $10,000 on the sale.

Silver Certificate, 1878-1964



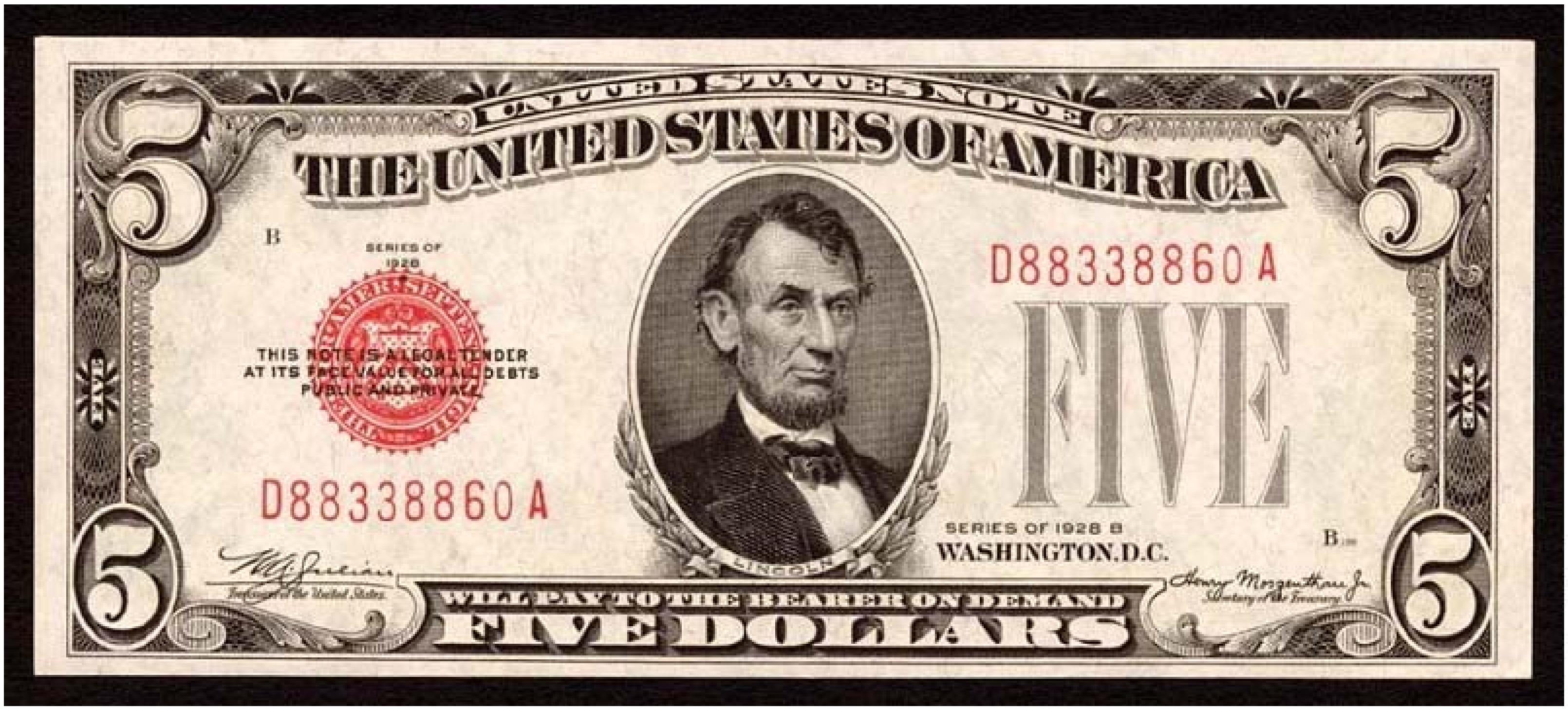
“This certifies that there has been deposited in the treasury of the United States of America one silver dollar payable to the bearer on demand.”

Gold Certificate, 1882-1933



“This certifies that there have been deposited in the treasury of the United States of America 20 dollars in gold coin payable to the bearer on demand.”

Greenback, 1862-1971



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"This note is legal tender at its face value for debts public and private."

Some vocabulary

- Inflation: the price of goods increases
- Deflation: the price of goods decreases
- Devaluation: what you can buy with a $ goes down; thus, it accompanies *inflation*
- Bimetallism
  - In late 19th century, the supply of money was controlled by the mining of gold
  - US government bought gold and issued gold certificate
  - If the US would go to gold *and* silver, this would increase the money supply, thus leading to inflation
- Today, all this is managed by Federal Reserve