**1st Brain Stumper**

**Question:**

By successfully answering these “brain stumpers” individually you can earn bankable value points, individually, that you can use to raise your teams earned value point score on an assignment or that you can hold until the end of the semester so that you can add them to your total earned value point score for the semester, which will determine your grade.

Here is your first “Brain Stumper”

CBS recently aired an attempt to deconstruct the factors resulting in the cost of a gallon of milk rising by ~ 1.00$ (<https://www.cbsnews.com/news/whats-driving-record-inflation-a-look-down-the-supply-chain-to-explain-soaring-prices/>

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|  | [Why is milk $1 more expensive? A look down the supply chain to explain soaring prices](https://www.cbsnews.com/news/whats-driving-record-inflation-a-look-down-the-supply-chain-to-explain-soaring-prices/)  "This is a global market in what we do," Guldin told Dokoupil. "You have no one to complain to." Economics reporter Jeanna Smialek of the New York Times agrees.  www.cbsnews.com |

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After reviewing this presentation what conclusions can you draw regarding the Fed’s ability to control inflation by raising interest rates?

If you decide to submit an answer to this question**e-mail your answer to me directly at this address (do not reply all to this e-mail)**

**Answer:**

As it was noted last week by Jerome Powell in his speech, "Reducing inflation is likely to require a sustained period of below-trend growth". To me this statement means that to reduce inflation we must be consistent with the current interest rates and that it takes time to achieve the desired goal.

Based on the report presented above, I can conclude that the Fed's ability to control inflation by raising interest rates to slow down the economy will also have this trickledown effect. It could take some time before we see the effects of higher interest rates in the economy.

As it is explained in the report, inflation is not something that will happen from one day to the next. It could take years to see the effects of the price going up for one good or service that would become apparent in a second good or service down the road. Additionally, inflation is not caused only by prices going up for good or services, but a combination of factors, including current events, can all contribute to inflation in the long term.