

Inflation and deflation: trends and relations to the business cycle

Central bank reaction function asymmetry

Central bank policy tools MORE effective in

Central bank policy tools LESS effective in

Deflation considered damaging for economy because:

- repayment/servicing of debt becomes
- when interest rates are already very low, central banks

Inflation is

Effect of inflation on different asset classes:

- cash

- bonds

- stocks

- real estate