Inflation Simulation

"Too many dollars chasing the same amount of goods."

What happened to prices during the auction?

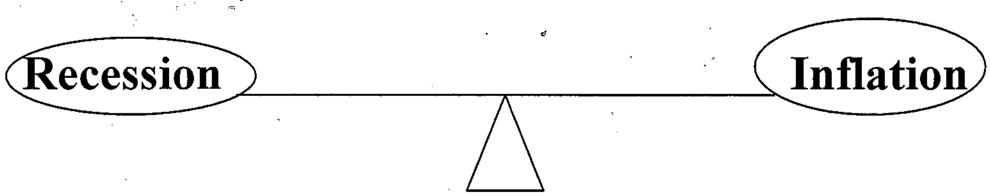
What happened to the value of a dollar?

What happened to savings?

Inflation = **money's buying power**
How fast prices are rising

More money for everyone causes inflation unless the economy can produce more goods and services!

The FED controls the nation's money supply by influencing the borrowing habits for consumers and businesses.



FED controls interest rates or "The rent on money"

Stable prices =

- **healthy growing economy**
- **creates jobs**
- **raises incomes**

INFLATION, THE FED AND MONETARY POLICY

Inflation: a sustained increase in the average price level of all the goods and services produced in the economy

Federal Reserve: the central banking system in the United States, often called the Fed. Among other things, the Fed has the job of conducting monetary policy to control the money supply.

Monetary Policy: when a nation's central bank changes the money supply to promote stable prices, full employment and economic growth. Monetary policy tries to address problems of inflation and unemployment.

Why is the money supply in the economy important?

Too much money relative to the supply of goods and services can cause inflation. Too little money can cause decreases in production, leading to unemployment.

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