video note catcher (teacher’s guide)

**Video 1:**

1. The “stuff” of the economy can be broken down into two main groups. What are they?

*The two types of things that we pay for are known as “goods” and “services.”*

1. What is inflation?

*Inflation is when the price of goods and services goes up.*

1. What is the inflation rate?

*The inflation rate is the rate at which the price of goods and services increases.*

1. What is the cost of living? Has the cost of living gone up or down over the years?

*The cost of living is the amount of money that we spend on goods and services. The cost of living has gone up, because we need to pay more now for goods and services than people used to pay.*

1. Has the value of the U.S. dollar gone up or down over the years? Why?

*The value of the dollar has gone down. This is because you can’t buy as much today with a single dollar as you could years ago.*

**Video 2:**

1. Do economists believe that inflation is a bad thing? Why or why not?

*Economists believe that inflation is a good thing, as long as it’s kept under control and at a low rate. However, it does have the potential to be bad if the rate is too high.*

1. What happens to the price of goods and services when the value of the dollar goes down?

*When the value of a dollar goes down, this causes the price of goods and services to go up.*

1. The video lists three causes of inflation. What is the first cause?

*The first cause of inflation is increased demand, which may occur if a product becomes popular and companies raise the price of it as a result.*

1. What is the second cause of inflation?

*If there is a rise in the cost of materials, such as the peas needed to make pea soup, this might also make it necessary for companies to raise prices.*

1. What is the third cause of inflation, which is described by the narrator as the “big kahuna?”

*The Federal Reserve has a very significant influence on inflation.*

1. What is the nominal interest rate?

*The nominal interest rate is the price of lending money.*

1. If you borrow $100, and the interest rate is 10%, how much are you paying to borrow that money?

*I would be paying $10.*

1. Our money supply consists of two components. What are they?

*Our money supply consists of cash (the physical money that we carry around) and credit (the virtual money that’s loaned to us by the banks).*

1. What happens if more credit is created by the Federal Reserve? What impact does the creation of this credit have on the value of the dollar?

*If more credit is created by the Fed, this leads to an increase in the money supply, which in turn causes the value of the dollar to lower and prices to rise.*

1. Why does the Federal Reserve need to create more money?

*When the Fed creates more money, this helps to stimulate economic growth.*