| What would you do if every job that you could get would come with a 2% pay cut each year? Explain | I would spend my money on only the basic economic needs rather than gaming and exercising purposes.I would start a new business and invest. Look for other ways to make more money. Move to different places each year. |
| --- | --- |

| What do you think would happen if you and every single person in the world were given a million dollars? | If everyone was given a million dollars, they would spend money recklessly and won't care about the money and there would be inflation. |
| --- | --- |

| Insert a photo of something that costs a lot more today than it did when you were younger | Recreational vehicle - Wikipedia |
| --- | --- |

| What is inflation? | 1)A rising general level of prices. Prices Inflate |
| --- | --- |
|  | 2)Inflation reduces the purchasing power of money Ex: Price levels have rising 47% since I as born |
|  | 3)When inflation occurs, each dollar of income will buy fewer goods and services than before |

| What is a market basket? | The gov’t tracks the prices of the same goods and services each year  This “market basket” is made up of commonly purchased goods & services |
| --- | --- |
| Insert a photo of a commonly purchased item that may be part of a market basket | Sharp Shopper Grocery Outlet |

| What is the consumer price index? | The price of the current year’s market basket is compared to the price of a base year’s market basket in order to come up with a price index number |
| --- | --- |
| What does the consumer price index help come up with? | It helps us calculate the total amount we spent this year on goods or services. The CPI is used to determine the inflation rate or rate of inflation |

| Define inflation rate | % change in prices one year compared to an earlier year |
| --- | --- |
| What is one of the two examples of inflation? | 2019 inflation rate was 1.8 %  U.S. prices have increased 47% since 2004 |

| What is hyperinflation? | The rapid and severe rise in price levels Caused by a drastic increase in money supply |
| --- | --- |
| What’s an example of hyperinflation? | The inflation rate in Bolivia in 1985 was 50000%  A $25 meal 1984 would cost $12525 a year later |

3 Causes of Inflation

| **Term** | **Explanation**  (think of the lead-in question to explain this) |
| --- | --- |
| 1)The Government Prints TOO MUCH Money | Government that keep printing money to pay debts end up with hyperinflation  There are more “rich” people but the same amount of products. Businesses will raise prices  Results:: Banks refuse to lend ar  Ex: Bolivia, Peru, Brazil, zimbabwe  Germany After WW1 |
| 2)Demand-Pull Inflation | More demand/increases to demand pulls up prices |
| 3)Cost-Push Inflation | Higher Production COSTS Increases prices |

| Reflection question to answer using complete sentences: Why is it important for someone to understand that prices will rise just about every year? | People should understand that prices will rise every year, because the population is growing, more people, more work force, so they need to raise prices in order to benefit everyone. People should also understand that there will be more supply with a growing population. More people need more money so they need to raise the prices |
| --- | --- |