

BASIC ECONOMICS

CHAPTER 17: Money and the Banking System

QUESTIONS

1. How can you tell what money is worth?

Money is worth the value people give it and what it can buy. Money is a means of having a third party in bartering where prices can vary. So essentially money is only worth what it will buy, which is determined by people.

2. In your own words, why do prices go up when people have more money to spend?

Prices go up when people have more money to spend because the amount of money being made by the government increases. This makes prices go up and devalues the money. This is also called Inflation.

3. How does the government confiscate the value of our money through inflation?

When the government produces more money, the value of money goes down. So, the government will use different ways to increase the amount of money and how fast it is circulating. Such as making more money in a time of war to buy more weapons.

4. Why do people buy gold during times of high inflation?

People buy gold in times of inflation to save the value of their money. Gold does not lose its value and therefore it's a smart way to save your money's value. People also invest their money in other ways such as houses, land, etc.....

5. How did politicians and/or the Federal Reserve make the Great Depression worse?

The politicians and people running the federal reserve were not economically competent and rose interest rates which in turn only hurt the economy.