

Inflation

Inflation is a rise in the amount of money in the economy. Inflation usually brings about a rise in prices. This lowers the value of the dollar, meaning that a dollar buys less than it did before. Inflation can come about any time too much money is in circulation. The Federal Reserve often triggers inflation by buying bonds or lowering interest rates. Inflation is not rising prices as many people believe; inflation causes rising prices.

A recession is the opposite of inflation. A **recession** is when there is less money in the economy causing a decline in demand. This will usually increase the value of a dollar, meaning that a dollar will buy more. A **depression** is simply a severe recession that results in a decline in business, high unemployment, and lowered stock market values.

