

Inflation & Fed Terms Word Search

Answer Key

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■ 10 Terms & Definitions

<p>INFLATION</p> <p>Inflation is the rate at which the general level of prices for goods and services rises over time, eroding the purchasing power of money. Central banks like the Federal Reserve monitor inflation closely and adjust interest rates to keep it within a target range — typically around</p>	<p>FEDERAL</p> <p>The Federal Reserve, commonly called "the Fed," is the central banking system of the United States. Established in 1913, it manages monetary policy, supervises banks, maintains financial system stability, and provides financial services. Its decisions on interest rates affect eve</p>
<p>RATE</p> <p>An interest rate is the cost of borrowing money, expressed as a percentage of the loan amount per year. The Federal Reserve sets the federal funds rate — the rate banks charge each other for overnight loans — which influences all other interest rates in the economy including mort</p>	<p>CPI</p> <p>The Consumer Price Index is the most widely used measure of inflation in the United States, published monthly by the Bureau of Labor Statistics. It tracks the average change in prices paid by urban consumers for a representative basket of goods and services including food, housin</p>
<p>DEFLATION</p> <p>Deflation is a sustained decrease in the general price level of goods and services — the opposite of inflation. While lower prices sound beneficial, deflation is typically associated with reduced economic activity, rising unemployment, and increased debt burdens, as consumers del</p>	<p>STIMULUS</p> <p>Economic stimulus refers to government or central bank actions designed to boost economic activity during downturns. Fiscal stimulus involves government spending and tax cuts, while monetary stimulus includes interest rate cuts and quantitative easing. Both aim to increase consum</p>
<p>RECESSION</p> <p>A recession is a significant decline in economic activity spread across the economy, lasting more than a few months. It is typically defined as two consecutive quarters of negative GDP growth. Recessions are characterized by rising unemployment, reduced consumer spending, falling</p>	<p>TAPERING</p> <p>Tapering refers to the gradual reduction of a central bank's asset purchase program — specifically quantitative easing. When the Fed tapers, it buys fewer Treasury bonds and mortgage-backed securities each month, slowly withdrawing stimulus from the economy. Tapering signals that</p>
<p>MONETARY</p> <p>Monetary policy refers to the actions taken by a central bank to manage the money supply and interest rates to achieve macroeconomic goals like price stability, full employment, and sustainable economic growth. The Fed's two main monetary policy tools are setting the federal fund</p>	<p>STAGFLATION</p> <p>Stagflation is a rare and challenging economic condition combining high inflation, slow economic growth, and high unemployment simultaneously. It is particularly difficult to address because the standard cure for inflation — raising interest rates — can worsen unemployment and sl</p>