



How the Global Economy Actually Works

Money, banks, inflation, trade and the business cycle

The building blocks



Money

A trusted way to trade, save and measure value



Banks

Take deposits and make loans, which creates new money



Central banks

Like the Federal Reserve, set interest rates



Trade

Countries specialize and swap what they make best

The business cycle

1

Expansion

Jobs and spending grow

2

Peak

Prices and borrowing run high

3

Recession

Spending and jobs shrink for a while

4

Recovery

Growth returns, often helped by lower rates

Inflation

When prices rise across the economy, each dollar buys less. The Federal Reserve aims for about 2% a year.

Key terms

Term	Meaning
GDP	The total value of goods and services a country produces
Interest rate	The price of borrowing money
Inflation	A general rise in prices
Compound interest	Earning interest on past interest

This is general education, not financial advice.

Sources: Federal Reserve; U.S. Bureau of Economic Analysis

Remember

Economies run on trust, trade and credit; interest rates and inflation connect a family budget to the whole world.