

## INFLATION :- TYPES, CAUSES, AND EFFECTS

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### **ABSTRACT**

*Inflation is the continuous and persistent increase in the general price level of goods and services in an economy over a period of time. When the general price level rises, each unit of currency will buy fewer goods and services. Therefore, during inflation, there is a loss of value of money. During inflation, the purchasing power of money is falling. Inflation means 'too much money chasing too few goods'. If inflation happens in the economy it means that there is more money chasing less of goods and services. There is more supply of money in the economy and there are less goods and services to buy with that increased money. Therefore goods and services command a higher price than actual as more people are willing to pay a higher value to buy the same goods. In this circumstance, there is no real growth in the output of the economy. The opposite of inflation is deflation, where there is a decrease in the average level of prices. The boundary between inflation and deflation is price stability.*

**KEYWORDS:** *Inflation, Disequilibrium, Demand- Pull Inflation, Cost-push Inflation, Consumer Price Index*