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Paper-2
Topic : **Definitions and types of inflation**

Inflation

Inflation is the rate at which the value of a currency is falling and, consequently, the general level of prices for goods and services is rising.

Inflation = Persistent increase in general price level = Decrease in the value of money

Definitions :

According to Peterson

The word inflation in the broadest possible sense refers to any increase in the general price-level which is sustained and non-seasonal in character"

According to Coulborn

inflation can be defined as, "too much money chasing too few goods."

According to Parkin and Bade,

"Inflation is an upward movement in the average level of prices. Its opposite is deflation, a downward movement in the average level of prices. The boundary between inflation and deflation is price stability."

According to Johnson

"Inflation is an increase in the quantity of money faster than real national output is expanding."

According to Keynes

inflation is the one in which the elasticity of supply of output is zero in response to increase in supply of money. In other words, there is no change in supply of output when the supply of money increases, which is a case of full employment.

According to Samuleson-Nordhaus,

"Inflation is a rise in the general level of prices."

Creeping Inflation

Creeping or mild inflation occurs when prices rise by 3% or less per year. According to the Federal Reserve, when prices increase by 2% or less, it benefits economic growth. That kind of mild inflation makes consumers expect that prices will keep going up, which boosts demand. Consumers buy now in order to beat higher future prices. That's how mild inflation drives economic expansion.

For that reason, the Fed sets 2% as its target inflation rate.

Walking inflation

This strong, or destructive, inflation is between 3% and 10% per year. It is harmful to the economy, because it heats up economic growth too quickly. People start to buy more than they need, to avoid tomorrow's much-higher prices. This increased buying drives demand even further so that suppliers can't keep up. More important, neither can wages. As a result, common goods and services are priced out of the reach of most people.

Running Inflation

Also known as Galloping or Runaway inflation
When inflation rises to 10% or more, it wreaks absolute havoc on the economy. Money loses value so quickly that business and employee income can't keep up with costs and prices. Foreign investors, in turn, avoid the country where this occurs, depriving it of needed capital. The economy becomes unstable, and government leaders lose credibility. Galloping inflation must be prevented at all costs.

Hyperinflation

Hyperinflation occurs when prices skyrocket by more than 100% per month(or in millions and trillions) . It is very rare. In fact, most examples of hyperinflation occur when governments print money to pay for wars. Examples of hyperinflation include Germany in the 1920s, Zimbabwe in the 2000s, and Venezuela in the 2010s.The last time the United States experienced hyperinflation was during the Civil War.