

If you are using this resource in your work please remember to reference and cite the original work found here:
<http://www.ukessays.com/essays/economics/inflation.php>

Subject Area - Economics

Inflation

Definition

In mainstream economics, inflation is a rise in the general level of prices, as measured against some baseline of purchasing power.

The prevailing view in mainstream economics is that inflation is caused by the interaction of the supply of money with output and interest rates. In general, mainstream economists divide into two camps: those who believe that monetary effects dominate all others in setting the rate of inflation, or broadly speaking, monetarists, and those who believe that the interaction of money, interest and output dominate over other effects, or broadly speaking Keynesians.

Related terms include: deflation, a general falling level of prices, disinflation, the reduction of the rate of inflation, hyper-inflation, an out of control inflationary spiral, and reflation, which is an attempt to raise prices to counter act deflationary pressures.

Measures of inflation

Measuring inflation is a question of econometrics that is, finding objective ways of comparing nominal prices to real activity. In many places in economics, "real" variables need to be compared, in order to calculate GDP, effective interest rate and improvements in productivity. Each inflationary measure takes a "basket" of good and services, then the prices of the items in the basket are compared to a previous time, then adjustments are made for the changes in the goods in the basket itself. For example if a month ago canned corn was sold in 10 oz. jars, and this month it is sold in 9.5 oz jars, then the prices of the two cans have to be adjusted for the contents. The result is the amount of increase in price which is attributed to "inflation" and not to improvements in productivity.

This means that there are many measures of inflation, depending on which basket of goods and services are used as the basis for comparison. Different kinds of inflation measure are used to determine the real change in prices, depending on what the context is.

Examples of common measures of inflation include:

Consumer price indexes (CPIs) which measure the price of a selection of goods purchased by a "typical consumer".
Producer price indexes (PPIs) which measure the price received by a producer. This differs from the CPI in that price subsidization, profits, and taxes may cause the amount received by the producer to differ from what the consumer paid. There is also typically a delay between an increase in the PPI and any resulting increase in the CPI. Producer price inflation measures the pressure being put on producers by the costs of their raw materials. This could be "passed on" as consumer inflation, or it could be absorbed by profits, or offset by increasing productivity.
wholesale price indexes, which measure the change in price of a selection of goods at wholesale, prior to retail mark ups and sales taxes. These are very similar to the Producer Price Indexes.

Find more free essays like this one...

We have a large reference library of essays that you can use as research materials to help with your own writing - check out our [free economics essays](#).

Share this resource with your friends...

We hope you found this information in this free pdf useful. Please spread the word and tell your friends how this information has helped you with your studies and feel free to share this pdf with others, so it can help them too.



Keep up to date with the latest essay writing hints, tips and free research materials to help you with your assignments - simply subscribe to our RSS feed or join us on Facebook now!

If you are using this resource in your work please remember to reference and cite the original work found here:
<http://www.ukessays.com/essays/economics/inflation.php>

commodity price indexes, which measure the change in price of a selection of commodities. In the present commodity price indexes are weighted by the relative importance of the components to the “all in” cost of an employee.

Inflation measures are often modified over time, either for the relative weight of goods in the basket, or in the way in which goods from the present are compared with goods from the past. This includes hedonic adjustments and “reweighing” as well as using chained measures of inflation. As with many economic numbers, inflation numbers are often seasonally adjusted in order to differentiate expected cyclical cost increases, versus changes in the economy. Inflation numbers are averaged or otherwise subjected to statistical techniques in order to remove statistical noise and volatility of individual prices. Finally, when looking at inflation, economic institutions sometimes only look at subsets or “special indexes”. One common set is inflation ex-food and energy, which is often called “core inflation”.

In classical political economy, inflation referred to the money supply itself: inflation meant increasing the money supply, while deflation meant decreasing it. A few schools of economic thought, generally described as libertarian or ultra-conservative, still retain this usage. In mainstream economic terms these would be referred to as expansionary and contractionary monetary policies.

The role of inflation in the economy

In the long run, inflation is generally believed to be a monetary phenomenon, while in the short and medium term, it is influenced by the relative elasticity of wages, prices and interest rates. The question of whether the short-term effects last long enough to be important is the central topic of debate between monetarist and Keynesian schools. In monetarism, prices and wages adjust quickly enough to make other factors merely marginal behavior on a general trendline. In the Keynesian view, prices and wages adjust at different rates, and these differences have enough effects on real output to be “long term” in the view of people in an economy.

A great deal of economic literature concerns the question of what causes inflation and what effect it has. A small amount of inflation is often viewed as having a positive effect on the economy. One reason for this is that it is difficult to renegotiate some prices, and particularly wages, downwards, so that with generally increasing prices it is easier for relative prices to adjust. Many prices are “sticky downward” and tend to creep upward, so that efforts to attain a zero inflation rate (a constant price level) punish other sectors with falling prices, profits, and employment. Efforts to attain complete price stability can also lead to deflation, which is generally viewed as a negative outcome because of the significant downward adjustments in wages and output that are associated with it.

Inflation is also viewed as a hidden risk pressure that provides an incentive for those with savings to invest them, rather than have the purchasing power of those savings erode through inflation. In investing inflation risks often cause investors to take on more systematic risk, in order to gain returns that will stay ahead of expected inflation. Inflation is also used as an index for cost of living adjustments and as a peg for some bonds. In effect, inflation is the rate at which previous economic transactions are discounted economically.

Inflation also gives central banks room to maneuver, since their primary tool for controlling the money supply and velocity of money is by setting the lowest interest rate in an economy - the discount rate at which banks can borrow from the central bank. Since borrowing at negative interest is generally ineffective, a positive inflation rate gives central bankers “ammunition”, as it is sometimes called, to stimulate the economy.

Find more free essays like this one...

We have a large reference library of essays that you can use as research materials to help with your own writing - check out our [free economics essays](#).

Share this resource with your friends...

We hope you found this information in this free pdf useful. Please spread the word and tell your friends how this information has helped you with your studies and feel free to share this pdf with others, so it can help them too.

If you are using this resource in your work please remember to reference and cite the original work found here:
<http://www.ukessays.com/essays/economics/inflation.php>

However, in general, inflation rates above the nominal amounts required to give monetary freedom, and investing incentive, are regarded as negative, particularly because in current economic theory, inflation begets further inflationary expectations.

Increasing uncertainty may discourage investment and saving.

Redistribution

It will redistribute income from those on fixed incomes, such as pensioners, and shifts it to those who draw a variable income, for example from wages and profits which may keep pace with inflation.

Similarly it will redistribute wealth from those who lend a fixed amount of money to those who borrow. For example, where the government is a net debtor, as is usually the case, it will reduce this debt redistributing money towards the government. Thus inflation is sometimes viewed as similar to a hidden tax.

International trade: If the rate of inflation is higher than that abroad, a fixed exchange rate will be undermined through a weakening balance of trade.

Shoe leather costs: Because the value of cash is eroded by inflation, people will tend to hold less cash during times of inflation. This imposes real costs, for example in more frequent trips to the bank. (The term is a humorous reference to the cost of replacing shoe leather worn out when walking to the bank.)

Menu costs: Firms must change their prices more frequently, which imposes costs, for example with restaurants having to reprint menus.

Relative Price Distortions: Firms do not generally synchronize adjustment in prices. If there is higher inflation, firms that do not adjust their prices will have much lower prices relative to firms that do adjust them. This will distort economic decisions, since relative prices will not be reflecting relative scarcity of different goods.

Hyperinflation: if inflation gets totally out of control (in the upward direction), it can grossly interfere with the normal workings of the economy, hurting its ability to supply.

Inflation tax when a government can improve its net financial position by allowing inflation, then this represents a tax on certain holders of currency. Governments may decide to use this "stealth tax" in order to avoid hard fiscal decisions to cut expenditures, raise taxes, or confront government unions with greater efficiency.

Bracket Creep is related to the inflation tax. By allowing inflation to move upwards, certain sticky aspects of the tax code are met by more and more people. Commonly income tax brackets, where the next dollar of income is taxed at a higher rate than previous dollars. Governments that allow inflation to "bump" people over these thresholds are, in effect, allowing a tax increase because the same real purchasing power is being taxed at a higher rate.

As noted, some economists see moderate inflation as a benefit; some business executives see mild inflation as "greasing the wheels of commerce." A very few economists have advocated reducing inflation to zero as a monetary policy goal - particularly in the late 1990s at the end of a long disinflationary period, when the policy seemed within reach.

Causes of inflation

There are different schools of thought as to what causes inflation. Most can be divided into two broad areas: quality theories of inflation, and quantity theories of inflation. Many theories of inflation combine the two. The quality theory of inflation rests on the expectation of a buyer accepting currency to be able to exchange that currency at a later time for goods that are desirable as a buyer. The quantity theory of inflation rests on the equation of the money supply, its velocity, and exchanges. Adam Smith and David Hume proposed a quantity theory of inflation for money, and a quality

Find more free essays like this one...

We have a large reference library of essays that you can use as research materials to help with your own writing - check out our [free economics essays](#).

Share this resource with your friends...

We hope you found this information in this free pdf useful. Please spread the word and tell your friends how this information has helped you with your studies and feel free to share this pdf with others, so it can help them too.



Keep up to date with the latest essay writing hints, tips and free research materials to help you with your assignments - simply subscribe to our RSS feed or join us on Facebook now!

If you are using this resource in your work please remember to reference and cite the original work found here:
<http://www.ukessays.com/essays/economics/inflation.php>

theory of inflation for production.

Keynesian Theory

Keynesian economic theory proposes that money is transparent to real forces in the economy, and that visible inflation is the result of pressures in the economy expressing themselves in prices.

There are three major types of inflation, as part of what Robert J. Gordon calls the “triangle model”:

Demand pull inflation -- inflation from high demand for goods and low unemployment.

Cost push inflation -- presently termed “supply shock inflation,” from an event such as a sudden decrease in the supply of oil.

Built-in inflation -- induced by adaptive expectations, often linked to the “price/wage spiral” because it involves workers trying to keep their wages up with prices and then employers passing higher costs on to consumers as higher prices as part of a “vicious circle.” Built-in inflation reflects events in the past, and so might be seen as hangover inflation.

A major demand-pull theory centers on the supply of money: inflation may be caused by an increase in the quantity of money in circulation relative to the ability of the economy to supply (its potential output). This has been seen most graphically when governments have financed spending in a crisis by printing money excessively (from war or civil war conditions), often leading to hyperinflation where prices rise at extremely high rates (such as, doubling every month). Another cause can be a rapid decline in the demand for money as happened in Europe during the black plague.

The money supply is also thought to play a major role in determining levels of more moderate levels of inflation, although there are differences of opinion on how important it is. For example, Monetarist economists believe that the link is very strong; Keynesian economics by contrast typically emphasize the role of aggregate demand in the economy rather than the money supply in determining inflation. That is, for Keynesians, the money supply is only one determinant of aggregate demand.

A fundamental concept in such Keynesian analysis is the relationship between inflation and unemployment, called the Phillips curve. This model suggested that price stability was a trade off against employment. Therefore some level of inflation could be considered desirable in order to minimize unemployment. The Philips curve model described the U.S. experience well in the 1960s but failed to describe the combination of rising inflation and economic stagnation (sometimes referred to as stagflation) experienced in the 1970s.

Thus, modern macroeconomics describes inflation using a Phillips curve that shifts (so the trade-off between inflation and unemployment changes) because of such matters as supply shocks and inflation becoming built into the normal workings of the economy. The former refers to such events as the oil shocks of the 1970s, while the latter refers to the price/wage spiral and inflationary expectations implying that the economy “normally” suffers from inflation. Thus, the Phillips curve represents only the demand-pull component of the triangle model.

Another Keynesian concept is the potential output (sometimes called the “natural gross domestic product”), a level of GDP where the economy is at its optimal level of production, given institutional and natural constraints. (This level of output corresponds to the Non-Accelerating Inflation Rate of Unemployment, NAIRU, or the “natural” rate of unemployment

Find more free essays like this one...

We have a large reference library of essays that you can use as research materials to help with your own writing - check out our [free economics essays](#).

Share this resource with your friends...

We hope you found this information in this free pdf useful. Please spread the word and tell your friends how this information has helped you with your studies and feel free to share this pdf with others, so it can help them too.



Keep up to date with the latest essay writing hints, tips and free research materials to help you with your assignments - simply subscribe to our RSS feed or join us on Facebook now!

If you are using this resource in your work please remember to reference and cite the original work found here:
<http://www.ukessays.com/essays/economics/inflation.php>

or the full-employment unemployment rate.) If GDP exceeds its potential (and unemployment is below the NAIRU), the theory says that inflation will accelerate as suppliers increase their prices and built-in inflation worsens. If GDP falls below its potential level (and unemployment is above the NAIRU), inflation will decelerate as suppliers attempt to fill excess capacity, cutting prices and undermining built-in inflation.

However, one problem with this theory for policy-making purposes is that the exact level of potential output (and of the NAIRU) is generally unknown and tends to change over time. Inflation also seems to act in an asymmetric way, rising more quickly than it falls. Worse, it can change because of policy: for example, high unemployment under Prime Minister Margaret Thatcher in the UK may have led to a rise in the NAIRU (and a fall in potential) because many of the unemployed found themselves as structurally unemployed (also see unemployment), unable to find jobs that fit their skills in the British economy. A rise in structural unemployment implies that a smaller percentage of the labor force can find jobs at the NAIRU, where the economy avoids crossing the threshold into the realm of accelerating inflation.

Monetarism

One of the most influential schools of economic thinking rests on a quantity theory of money, namely monetarism. Monetarists assert that empirical study of monetary history shows that "inflation is always and everywhere a monetary phenomenon." Modern mainstream central bank practice until recently adhered closely to this concept.

These economists derive this belief from what is known as the Quantity Theory of Money. The Quantity Theory of Money, simply stated, is that the total amount of spending in an economy is primarily determined by the total amount of money in existence. From this theory the following formula is created:

where P is the general price level of consumers' goods, DC is the aggregate demand for consumers' goods and SC is the aggregate supply of consumers' goods. The idea behind this formula is that the general price level of consumers' goods will rise only if the aggregate supply of consumers' goods goes down relative to the aggregate demand for consumers' goods, or if the aggregate demand increases relative to the aggregate supply of consumers' goods. Based on the idea that total spending is based primarily on the total amount of money in existence, the economists calculate aggregate demand for consumers' goods based on the total quantity of money. Therefore, they posit that as the quantity of money increases, total spending increases and the aggregate demand for consumers' goods increases as well. For this reason the economists who believe in the Quantity Theory of Money also believe that the only cause for rising prices in a growing economy (this means aggregate supply of consumers' goods is increasing), is an increase of the total quantity of money in existence, which is caused by monetary policies, generally of central banks where there is a monopoly on currency issue and the lack of a commodity peg to currency. The central bank of the United States is the Federal Reserve; the central bank backing the euro is the European Central Bank.

Rational Expectations

Rational expectations, or "rashes" is a view of macroeconomics that states that economic actors look into the future and try and maximize their general sense of future states of well-being, and do not simply respond to the immediate opportunity cost and pressures of the present. In this view, while generally grounded in monetarism, future expectations and strategies are important for inflation as well.

Find more free essays like this one...

We have a large reference library of essays that you can use as research materials to help with your own writing - check out our [free economics essays](#).

Share this resource with your friends...

We hope you found this information in this free pdf useful. Please spread the word and tell your friends how this information has helped you with your studies and feel free to share this pdf with others, so it can help them too.



Keep up to date with the latest essay writing hints, tips and free research materials to help you with your assignments - simply subscribe to our RSS feed or join us on Facebook now!

If you are using this resource in your work please remember to reference and cite the original work found here:
<http://www.ukessays.com/essays/economics/inflation.php>

One core assertion of rashex is that actors will seek to “head off” central bank decisions, by preemptively engaging in inflationary behavior. This means that central banks must establish their credibility in fighting inflation, or have economic actors make bets that the economy will expand, believing that the central bank will expand the money supply rather than allow a recession which would be very damaging to the economy, and possibly require government bailouts. In this view central banks might be at an advantage renouncing some flexibility of monetary policy, in order to persuade economic actors that the central bank will not allow inflation.

Other Theories

Austrian economics

Austrian economics views inflation as an increase in the money supply itself, and views moves in the general price level as being subsidiary to changes in money supply. While this is not a mainstream view, Austrian economics, as one of the original marginalist schools of economics, has had considerable influence on both neo-classical and Keynesian schools of thinking. In the Austrian view, money must be denominated in a stable unit of account, against which other prices are measured. This typically leads to the support for a gold standard of a very strict variety where all notes are convertible on demand to gold. In the Austrian view, inflation is equivalent to an increase in the money supply. In this view price changes only represent inflation if they are driven by monetary effects, where as price changes, whether up or down, that do not correlate to monetary effects are merely the workings of the market mechanism.

In this framework, there is a real rate of inflation, which is based on the money supply and the real rate of interest. Price fluctuations are measured against this real rate of inflation, to determine whether the money supply is being expanded above real potential output. In the Austrian view both the 1920's and the 1990's saw “inflation” because of increases in the money supply, even though price levels were relatively stable. In the Austrian framework, prices should have fallen during both periods, and the stability represented inflation over this real price level.

This also means that in the Austrian view, deflation is not a negative outcome, but a positive one, because it shows that the same level of real production can be accomplished at a lower expenditure of scarce resources. Falling prices because of lower costs of production are seen as improving standards of living, rather than as a threat to real output.

The Austrian formalism focuses on the supply and demand for money, and sees inflation as a fall in the demand for money - that is, people want money less, and therefore will give less in the way of goods or services for it, or will demand more interest to lend the money. Deflation is seen as increase in the demand for money. These correspond to the mainstream concepts of liquidity preference.

Marxist theory

In Marxist economic theory, value is based on the labor required to extract a given commodity versus the demand for that commodity by those with money. The fluctuations of price in money terms are inconsequential compared to the rise and fall of the labor cost of a commodity, since this determines the true cost of a good or service. In this Marxist economics is related to other “classical” economic theories that argue that monetary inflation is caused solely by printing

Find more free essays like this one...

We have a large reference library of essays that you can use as research materials to help with your own writing - check out our [free economics essays](#).

Share this resource with your friends...

We hope you found this information in this free pdf useful. Please spread the word and tell your friends how this information has helped you with your studies and feel free to share this pdf with others, so it can help them too.



Keep up to date with the latest essay writing hints, tips and free research materials to help you with your assignments - simply subscribe to our RSS feed or join us on Facebook now!

If you are using this resource in your work please remember to reference and cite the original work found here:
<http://www.ukessays.com/essays/economics/inflation.php>

notes in excess of the basic quantity of gold. However, Marx argues that the real kind of inflation is in the cost of production measured in labor. Because of the classical labor theory of value, the only factor that is important is whether more or less labor is required to produce a given commodity at the rate it is demanded.

Supply-side economics

Supply-side economics asserts that inflation is always caused by either an increase in the supply of money or a decrease in the demand for money. The value of money is seen as being purely subject to these two factors. Thus the inflation experienced during the Black Plague in medieval Europe is seen as being caused by a decrease in the demand for money (the money stock used was gold coin and it was relatively fixed), whilst the inflation of the 1970s is regarded as initially caused by an increased supply of money that occurred following the US exit from the Bretton Woods gold standard. Supply-side economics asserts that the money supply can grow without causing inflation as long as the demand for money also grows.

Issues of classical political economy

While economic theory before the “marginal revolution” is no longer the basis for current economic theory, many of the institutions, concepts, and terms used in economics come from the “classical” period of political economy, including monetary policy, quantity and quality theories of economics, central banking, velocity of money, price levels and division of the economy into production and consumption. For this reason debates about present economics often reference problems of classical political economy, particularly the classical gold standard of 1871-1913, and the currency versus banking debates of that period.

Currency and Banking Schools

Within the context of a fixed specie basis for money, one important controversy was between the “Quantity Theory” of money and the Real Bills Doctrine, or RBD. Within this context, quantity theory applies to the level of fractional reserve accounting allowed against specie, generally gold, held by a bank. The RBD argues that banks should also be able to issue currency against bills of trading, which is “real bills” that they buy from merchants. This theory was important in the 19th century in debates between “Banking” and “Currency” schools of monetary soundness, and in the formation of the Federal Reserve. In the wake of the collapse of the international gold standard post 1913, and the move towards deficit financing of government, RBD has remained a minor topic, primarily of interest in limited contexts, such as currency boards. It is generally held in ill repute today, with Frederic Mishkin going so far as to say it had been “completely discredited.” Even so, it has theoretical support from a few economists, particularly those that see restrictions on a particular class of credit as incompatible with libertarian principles of laissez-faire, even though almost all libertarian economists are opposed to the RBD.

The debate between currency, or quantity theory, and banking schools in Britain during the 19th century prefigures current questions about the credibility of money in the present. In the 19th century the banking school had greater influence in policy in the United States and Great Britain, while the currency school had more influence “on the continent”, that is in non-British countries, particularly in the Latin Monetary Union and the earlier Scandinavia monetary union.

Find more free essays like this one...

We have a large reference library of essays that you can use as research materials to help with your own writing - check out our [free economics essays](#).

Share this resource with your friends...

We hope you found this information in this free pdf useful. Please spread the word and tell your friends how this information has helped you with your studies and feel free to share this pdf with others, so it can help them too.



Keep up to date with the latest essay writing hints, tips and free research materials to help you with your assignments - simply subscribe to our RSS feed or join us on Facebook now!

If you are using this resource in your work please remember to reference and cite the original work found here:
<http://www.ukessays.com/essays/economics/inflation.php>

Anti-Classical or Backing Theory

Another issue associated with classical political economy is the anti-classical hypothesis of money, or “backing theory”. The backing theory argues that the value of money is determined by the assets and liabilities of the issuing agency. Unlike the Quantity Theory of classical political economy, the backing theory argues that issuing authorities can issue money without causing inflation so long as the money issuer has sufficient assets to cover redemptions.

Stopping inflation

There are a number of methods that have been suggested to stop inflation. Central Banks such as the U.S. Federal Reserve can affect inflation to a significant extent through setting interest rates and through other operations (that is, using monetary policy). High interest rates (and slow growth of the money supply) are the traditional way that Central Banks fight inflation, using unemployment and the decline of production to prevent price increases.

However, Central Banks view the means of controlling the inflation differently. For instance, some follow a symmetrical inflation target while others only control inflation when it rises above a target, whether express or implied.

Monetarists emphasize increasing interest rates (reducing the money supply, monetary policy) to fight inflation. Keynesians emphasize reducing demand in general, often through fiscal policy, using increased taxation or reduced government spending to reduce demand as well as by using monetary policy. Supply-side economists advocate fighting inflation by fixing the exchange rate between the currency and some reference currency such as gold. This would be a return to the gold standard. All of these policies are achieved in practice through a process of open market operations.

Another method attempted is simply instituting wage and price controls (“incomes policies”). Wage and price controls have been successful in wartime environments in combination with rationing. However, their use in other contexts is far more mixed. Notable failures of their use include the 1972 imposition of wage and price controls by Richard Nixon. In general wage and price controls are regarded as a drastic measure, and only effective when coupled with policies designed to reduce the underlying causes of inflation during the wage and price control regime, for example, winning the war being fought. Many developed nations set prices extensively, including for basic commodities as gasoline. The usual economic analysis is that that which is under priced is overconsumed, and that the distortions that occur will force adjustments in supply. For example, if the official price of bread is too low, there will be too little bread at official prices.

Temporary controls may complement a recession as a way to fight inflation: the controls make the recession more efficient as a way to fight inflation (reducing the need to increase unemployment), while the recession prevents the kinds of distortions that controls cause when demand is high. However, in general the advice of economists is not to impose price controls, but to liberalize prices, assuming that the economy will adjust, abandoning unprofitable economic activity. The lower activity will place fewer demands on whatever commodities were driving inflation, whether labor or resources, and inflation will fall with total economic output. This often produces a severe recession, as productive capacity is reallocated, and is thus often very unpopular with the people whose livelihoods are destroyed. (See Creative destruction)

References

Find more free essays like this one...

We have a large reference library of essays that you can use as research materials to help with your own writing - check out our [free economics essays](#).

Share this resource with your friends...

We hope you found this information in this free pdf useful. Please spread the word and tell your friends how this information has helped you with your studies and feel free to share this pdf with others, so it can help them too.



Keep up to date with the latest essay writing hints, tips and free research materials to help you with your assignments - simply subscribe to our RSS feed or join us on Facebook now!

If you are using this resource in your work please remember to reference and cite the original work found here:
<http://www.ukessays.com/essays/economics/inflation.php>

- S.W. Hawking, *A Brief History of Time*, New York: Bantam, 1998.
M. Bucher and D. Spergel, "Inflation in a Low Density Universe," *Scientific American*, January 1999.
N. Turok, "Before the Big Bang," in *The Daily Telegraph*, Saturday, March 14, 1998.
Blinder, Alan. "The Efficiency Costs of Inflation: Myth and Reality." In Blinder. *Hard Heads, Soft Hearts*. 1987.
Feldstein, Martin. "The Welfare Cost of Permanent Inflation and Optimal Short-Run Economic Policy." *Journal of Political Economy* 87 (August 1979): 749-68.
Jones, A. H. M. "The Anarchy." In Jones. *The Later Roman Empire*. 1964.
Krugman, Paul. "Inflation." In Krugman. *The Age of Diminished Expectations*. 1990.
Laffer, Arthur, and David Ranson. "Inflation, Taxes and Equity Values." Report prepared for H. C. Wainwright and Company, Economics. September 20, 1979.
Wanniski, Jude. "Money and Tax Rates." In Wanniski. *The Way the World Works*. 1978.

This essay was written by a student and then submitted to us to help other students. You should not hand in this essay as your own work - we do not condone plagiarism! If you need custom essay help, then check out our essay writing service.

Find more free essays like this one...

We have a large reference library of essays that you can use as research materials to help with your own writing - check out our [free economics essays](#).

Share this resource with your friends...

We hope you found this information in this free pdf useful. Please spread the word and tell your friends how this information has helped you with your studies and feel free to share this pdf with others, so it can help them too.



Keep up to date with the latest essay writing hints, tips and free research materials to help you with your assignments - simply subscribe to our RSS feed or join us on Facebook now!