Date :- 23/07/2020	Degree Part-II (Hons.)
Content Writer :-	Paper :- III
Dr. Abhay Kumar Pathak	Content of the Paper :-
Deptt. of Economics,	Macro Economics
Marwari College,	
Darbhanga (LNMU)	

TOPIC :- INFLATION AND ITS TYPES

If money is to serve its good purpose, its value must remain stable. Changes in value of money lead to harmful consequences in the economy at large. Such harmful consequences are indirectly by the menace of inflation and deflation. Inflation implies declining value of money where deflation is concerned with the rising value of money.

Inflation is commonly understood as a situation of substantial and rapid general increase in the level of prices and consequent deterioration in the value of money over a period of time. The behaviour of general prices is measured through price indices. The trend of price indices reveals the course of inflation or deflation in the economy. As Prof. Lerner says, a price rise which is unforseen and uncorrected is inflation. Thus, inflation is statistically measured in terms of percentage increase in the price index, as a rate percent per unit of time usually in a year or a month.

Some renowned economists have defined inflation in comprehensive manner. Prof. Harry Johnson defines inflation as a sustained rise in prices. Prof. Crowther, similarly defines inflation as a sustained state in which the value of money is falling that is prices are rising. Prof.

Maharaz

Samuelson defines the inflation that, "inflation occurs when the general level of Prices and Costs is rising."

On the basis of definition given by the different noted economists, two distinct views can be drawn. Some economists refer inflation as a pure monetary phenomenon where some others have analysed it as a post full employment phenomenon.

Inflation Rate :-

Defining the inflation, Prof. Rowan remarked it as the process of Price increase. Prof. Rowan suggested the following formula to measure the percentage rate of inflation :-

$$P(t) = \frac{\Delta P(t)}{P(t-1)} \times 100$$

where, $\Delta P(t) = P(t) - P(t-1)$, P = the Price level and t, $(t-1)$ are the periods of calendar time to which the observations are made.

Types of Inflation :-

On different grounds economists have classified inflation into various types. These types may be analysed in following ways :-

(I) According to the rate of inflation:-

(a) Moderate Inflation:-

When the rate of inflation is less than ten percent annually, it is called moderate inflation.

(b) Running and Galloping Inflation:-

A double digit inflation that is 10-20 percent per annum is a running inflation.

When prices are rising at double or triple digit rates that are 20, 100 or 200 percent a year, that is described as galloping inflation. Galloping inflation is really a serious problem. It causes economic distortions and disturbances.

(c) Hyperinflation:-

When prices rise over 1000 percent in a year, it is called hyperinflation.

(II) According to the nature of time-period of occurence:-

(a) War-time Inflation:-

In war-time, the government increases expenditures on defence which is of an unproductive nature. It causes war-time inflation.

(b) Post-war Inflation :-

Post-war inflation is experienced immediately after the Period of Post-war. This may happen when the disposable income of the community increases, when war-time taxation is withdrawn, or Public debt is rapid in the Post-war Period.

(c) Peace-time Inflation :-

Peace-time inflation is often a result of increased government outlays on capital Projects having a long gestation Period.

(III) According to the scope or coverage :-

(a) Comprehensive Inflation :-

When Prices of every commodity throughout the economy rise, it is called Comprehensive inflation.

(b) Sporadic Inflation :-

Sporadic inflation is a situation in which direct Price control, if skilfully used, is most likely to be beneficial to the community at large.