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ИНФЛЯЦИЯ. ОСНОВНЫЕ ПРИЧИНЫ И ПОСЛЕДСТВИЯ

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Economists use the term **inflation** to denote a rise in the general level of prices of goods and services in an economy over a period of time.

THE MAIN CAUSES OF INFLATION ARE.

1. Printing too much money. If there is a lot of money going around, then supply is plentiful compared to the products you can buy with that money. The law of supply and demand therefore dictates that prices will rise.
2. Increases in production costs.
3. Tax rises.
4. Declines in exchange rates.
5. War or other events causing instability.

Inflation's effects can be simultaneously positive and negative. But negative effects are the biggest one.

NEGATIVE EFFECTS INCLUDE.

1. Hoarding (people will try to get rid of cash before it is devalued, by hoarding food and other commodities creating shortages of the hoarded objects).
2. Distortion of relative prices (usually the prices of goods go higher, especially the prices of commodities).
3. Increased risk - Higher uncertainties (uncertainties in business always exist, but with inflation risks are very high, because of the instability of prices).
4. Existing creditors will be hurt (because the value of the money they will receive from their borrowers later will be lower than the money they gave before).
5. Lowers national saving (when there is a high inflation, saving money would mean watching your cash decrease in value day after day, so people tend to spend the cash on something else).
6. Currency debasement (which lowers the value of a currency, and sometimes cause a new currency to be born)
7. Rising prices of imports (if the currency is debased, then it's purchasing power in the international market is lower).

"POSITIVE" EFFECTS OF INFLATION ARE.

1. It can benefit the inflators (those responsible for the inflation)
2. It might relatively benefit borrowers. Because the money which they will have to pay won't have the same value.
3. A moderate level of inflation can increase investment in an economy leading to faster growth or at least higher steady state level of income.