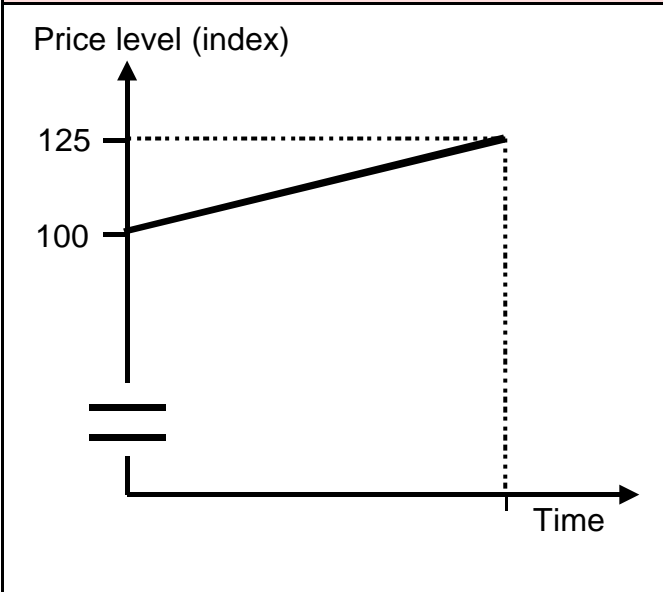


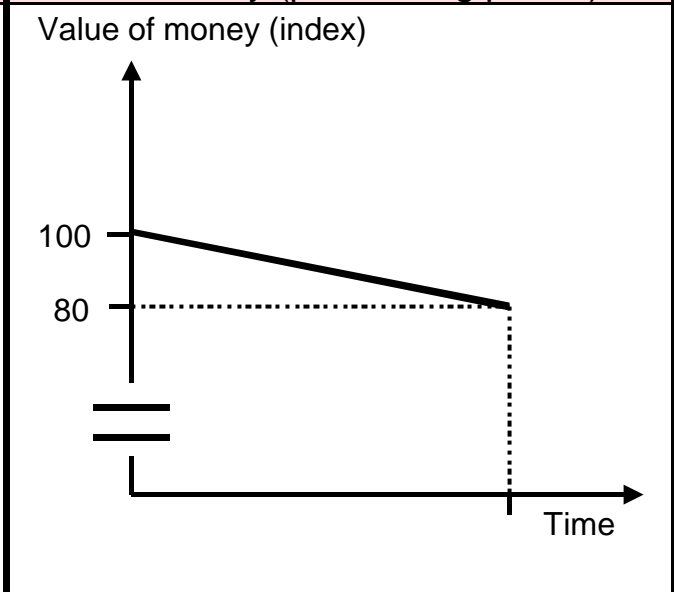
# Inflation

## 1 The two faces of inflation

11 Inflation as increase in the price level



12 Inflation as decrease in the value of money (purchasing power)



## 2 Inflation rate

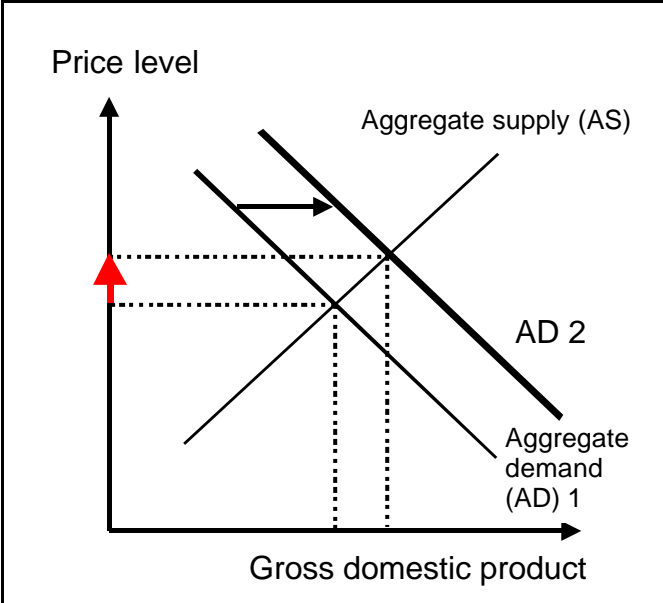
$$= \frac{P_1 - P_0}{P_0} * 100$$

P 1 = Price index this year  
P 0 = Price index last year

## 3 Types of inflation

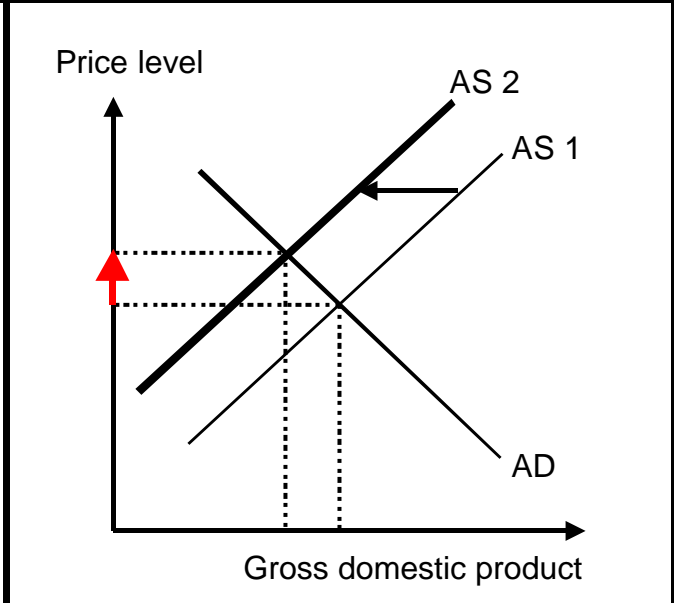
31 Demand-pull inflation

Example: rise in consumption



32 Cost-push inflation

Example: rise in wages



## 4 Measuring inflation

41	Consumer Price Index (CPI)	42	Producer Price Index (PPI)	43	GDP-Deflator
measures the cost of goods and services ...					
bought by consumers		used in the wholesale market		being part of Gross Domestic Product (GDP)	

## 5 Impacts of inflation

51	In general: Uncertainty and speculation				
52	If inflation is anticipated	53	If inflation is not anticipated		
Cost for avoiding the impacts (time and effort)		Redistribution of income and wealth from lenders to borrowers			