Chapter seven

[Literature](), [Russian Literature]()

Chapter 7 Macroeconomics, 3rd Edition: Chapter 7 During this week, I got an opportunity to learn about inflation as one of the most significant concepts in macroeconomics. According to the ideas of Krugman and Wells, inflation simply refers to a persistent increase in the prices of commodities in an economy. When this happens, the currency loses its purchasing power and ability to buy large quantities of goods and services as it could before. Such increase in prices has a lot of impacts on the life of individual consumers, producers, government and the economy. Besides, they say that inflation is caused by the increase in costs of production and high demand of goods and services.

The discussions about inflation actually impacted on my thoughts. First, now I know that inflation results from the increase in the costs of production which compels producers/sellers to increase the prices of their commodities. In addition, I learnt about the negative impacts of inflation in an economy (Baumol, W. J. & A. S. Blinder, 2007). As these authors examine, inflation is not a good experience since it can lead to an increase the costs of living, unemployment and abandonment of a country’s currency. These are very important lessons that not only enlighten me, but prepare me as an economist.

The knowledge about inflation can help me in making important decisions regarding finances. Since inflation destructive, it should be adequately controlled. If I become a policy maker, I would apply these scholars’ ideas on inflation control. In case it occurs, I can advocate for feasible monetary policies such as credit squeeze, increased interests rates and initiate projects that can stimulate economic growth. This can help in saving the economy from recession.

References

Baumol, W. J. & A. S. Blinder, (2007) Economics; Principles and Policy. San Diego: Harcourt Brace Jovanovich, Publishers.