

# Inflationary Wave Theory: Its Impact on Inflation Past and Present

Inflation is a general increase in prices and fall in the purchasing value of money. It is often measured by the Consumer Price Index (CPI), which tracks the prices of a basket of goods and services purchased by consumers. Inflation can be caused by a number of factors, including:

- **Increased demand:** When demand for goods and services exceeds supply, businesses can raise prices and still sell their products.
- **Cost-push inflation:** When the cost of producing goods and services increases, businesses may pass those costs on to consumers in the form of higher prices.
- **Monetary inflation:** When the money supply increases faster than the demand for money, the value of money decreases, leading to inflation.

Inflationary Wave Theory is a theory in economics that attempts to explain the causes of inflation. The theory states that inflation is caused by waves of spending that are created by government spending, bank lending, and other factors. These waves of spending lead to an increase in the money supply, which in turn leads to an increase in prices.

The theory was first proposed by Austrian economist Ludwig von Mises in his 1912 book, *The Theory of Money and Credit*. Mises argued that inflation is caused by an increase in the money supply that is not matched by an increase in the demand for money. This can happen when the government spends more money than it takes in taxes, when banks lend out more

money than they have on deposit, or when other factors increase the money supply.



## Inflation Matters: Inflationary Wave Theory, its impact on inflation past and present ... and the deflation yet to come by Pete Comley

★★★★☆ 4 out of 5

Language	: English
File size	: 4088 KB
Text-to-Speech	: Enabled
Screen Reader	: Supported
Enhanced typesetting	: Enabled
Word Wise	: Enabled
Print length	: 254 pages
Lending	: Enabled



Mises' theory has been supported by a number of other economists, including Friedrich Hayek and Milton Friedman. Friedman argued that inflation is always and everywhere a monetary phenomenon, meaning that it is caused by an increase in the money supply.

There is a large body of evidence that supports Inflationary Wave Theory. For example, studies have shown that:

- **Inflation is often preceded by an increase in the money supply.** For example, the inflation of the 1970s was preceded by a rapid increase in the money supply.
- **Inflation is often higher in countries with high levels of government spending.** For example, the inflation rate in Venezuela is

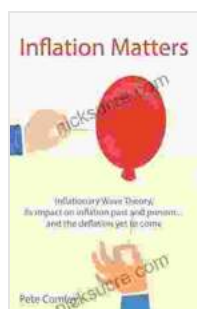
currently over 1,000%, due in part to the government's large budget deficit.

- **Inflation is often lower in countries with low levels of government spending.** For example, the inflation rate in Switzerland is currently less than 1%, due in part to the government's balanced budget.

Inflationary Wave Theory has had a significant impact on inflation past and present. For example, the theory was used to justify the Federal Reserve's tight monetary policy in the 1980s, which helped to bring inflation under control. The theory is also being used to justify the Federal Reserve's current policy of quantitative easing, which is designed to increase the money supply and stimulate economic growth.

Inflationary Wave Theory is a powerful tool that can be used to understand the causes of inflation. The theory has been supported by a large body of evidence, and it has been used to justify successful monetary policies in the past.

Inflationary Wave Theory is a valuable tool that can be used to understand the causes of inflation. The theory has been supported by a large body of evidence, and it has been used to justify successful monetary policies in the past. By understanding the causes of inflation, policymakers can take steps to prevent it from becoming a problem.



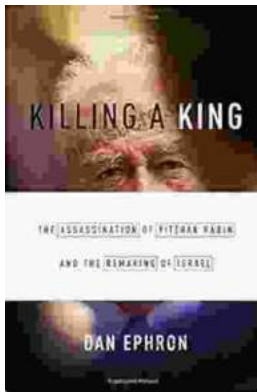
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