Inflation And Economic Growth A Cross Country Non Linear

It’s a giant gap in our history. The Great Inflation, argues award-winning columnist Robert J. Samuelson in this provocative book, was the worst domestic policy blunder of the postwar era and played a crucial role in transforming American politics, economy, and everyday life–and yet its story is hardly remembered or appreciated. In these uncertain economic times, it is more imperative than ever that we understand what happened in the 1960s and 1970s, lest we be doomed to repeat our mistakes. From 1960 to 1979, inflation rose from barely more than 1 percent to nearly 14 percent. It was the greatest peacetime inflationary spike in this nation’s history, and it had massive repercussions in every area of our lives. The direct consequences included Ronald Reagan’s election to the presidency in 1980, stagnation in living standards, and a growing belief–both in America and abroad–that the great-power status of the United States was ending. The Great Inflation and Its Aftermath traces the origins and rise of double-digit inflation and its fall in the brutal 1981-82 recession, engineered by the Federal Reserve under then-chairman Paul Volcker and with the staunch backing of Reagan. But that is only half the story. The end of high inflation triggered economic and social changes that are still with us. The stock market and housing booms were both direct outcomes; American business became more productive–and also much less protective of workers; and globalization was encouraged. We cannot understand today’s world, Samuelson contends, without understanding the Great Inflation and its aftermath. Nor can we prepare for the future unless we heed its lessons. This incisive and enlightening book will stand as the authoritative account of a watershed event of our times. Praise for The Great Inflation and Its Aftermath "Newsweek and Washington Post columnist Samuelson is one of the rare journalists who debates politics and economics with a healthy skepticism toward conventional wisdom. Politicians would do well to study [the errors] the past that teach that choosing quick fixes only delays and worsens the inevitable.”– Booklist "If you want to understand the economic events of the last half century, you should read. . . Robert Samuelson's The Great Inflation and Its Aftermath: --U.S News & World Report. From the Hardcover edition.

Research Paper (undergraduate) from the year 2016 in the subject Economics - Economic Cycle and Growth, grade: A, , language: English, abstract: The study was conducted to evaluate the impact of inflation on economic growth in the context of an emerging market using empirical evidence from Nigeria. Using time series data spanning forty one years (1970-2011) which was obtained from the Central Bank of Nigeria (CBN) statistical bulletin volume 22, and Central Bank of Nigeria official website, the nature of the relationship existing between the focus variables - economic growth (proxied by real Gross Domestic Product, GDP) and inflation rate was explored. The Augmented Dickey Fuller (ADF) and Philip-Perron (PP) tests were used to test for the stationary of the variables while the granger causality test was employed to ascertain the direction of influence between inflation and economic growth in Nigeria. The follow research questions guided this study: What is the trend of inflation in Nigeria? Why have all the policies used unable to reduce inflation rate to an acceptable level? What is the impact of inflation of Nigerian economic growth? Inflation growth has been the macro-economic problem in Nigeria that seems to be intractable over the years; Nigeria government has adopted various measures (both monetary and fiscal policies) to curb or reduce inflation growth to an acceptable level but all these policies seem to have no effects. This gave rise to the following research questions.

This paper examines the long-run relationship between consumer price index industrial workers (CPI-IW) inflation and GDP growth in India. We collect data on a sample of 14 Indian states over the period 1989–2013, and use the cross-sectionally augmented distributed lag (CSDL) approach of Chudik et al. (2013) as well as the standard panel ARDL method for estimation—to account for cross-state heterogeneity and dependence, dynamics and feedback effects. Our findings suggest that, on average, there is a negative long-run relationship between inflation and economic growth in India. We also find statistically-significant inflation-growth threshold effects in the case of states with persistently-elevated inflation rates of above 5.5 percent. This suggest the need for the Reserve Bank of India to balance the short-term growthinflation trade-off, in light of the long-term negative effects on growth of persistently-high inflation.

These essays bring together a progression in monetary theory. The major theme that runs through all of the chapters is that in order to do monetary economics well in general equilibrium, it helps to have a good money demand underlying the theory. A proper underlying money demand sets up arguably the best foundation from which to make extensions of monetary economics from the basic model. At the same time that money demand is modelled, this also “endogenizes” the velocity of money. This has been a challenge in the literature that these essays solve and then use to extend basic neoclassical growth and business cycle theory. Solving this problem, in a way that is a natural, direct, and “micro-founded” extension of the standard monetary theory is the first major contribution of the collection. The second major contribution is the extension of the neoclassical monetary models, using this solution, to reinvigorate classic issues of monetary economics and take them to the frontier.

Controlling inflation is among the most important objectives of economic policy. By maintaining price stability, policy makers are able to reduce uncertainty, improve price-monitoring mechanisms, and facilitate more efficient planning and allocation of resources, thereby raising productivity. This volume focuses on understanding the causes of the Great Inflation of the 1970s and ’80s, which saw rising inflation in many nations, and which propelled interest rates across the developing world into the double digits. In the decades since, the immediate cause of the period’s rise in inflation has been the subject of considerable debate. Among the areas of contention are the role of monetary policy in driving inflation and the implications this had both for policy design and for evaluating the performance of those who set the policy. Here, contributors map monetary policy from the 1960s to the present, shedding light on the ways in which the lessons of the Great Inflation were absorbed and applied to today’s global and increasingly complex economic environment.

Economic growth, inflation, and interest rates have declined in Asia, just as they have in the United States and Europe. This volume explores the relevance to several Asian economies of the diagnosis known as “secular stagnation.” Leading experts on the region discuss the fiscal and monetary policy challenges of reviving growth without generating domestic financial imbalances. The essays on innovation, demographics, spillovers, and various policy proposals are accompanied by case studies focusing on Japan, South Korea, China, India, and Indonesia.

This is the United Nations definitive report on the state of the world economy, providing global and regional economic outlook for 2020 and 2021. Produced by the Department of Economic and Social Affairs, the five United Nations regional commissions, the United Nations Conference on Trade and Development, with contributions from the UN World Tourism Organization and other intergovernmental agencies.

In recent years, the Federal Reserve and central banks worldwide have enjoyed remarkable success in their battle against inflation. The challenge now confronting the Fed and its counterparts is how to proceed in this newly benign economic environment: Should monetary policy seek to maintain a rate of low-level inflation or eliminate inflation altogether in an effort to attain full price stability? In a seminal article published in 1997, Martin Feldstein developed a framework for calculating the gains in economic welfare that might result from a move from a low level of inflation to full price stability. The present volume extends that analysis, focusing on the likely costs and benefits of achieving price stability not only in the United States, but in Germany, Spain, and the United Kingdom as well. The results show that even small changes in already low inflation rates can have a substantial impact on the economic performance of different countries, and that variations in national tax rules can affect the level of gain from disinflation.

'lhe PUIllooes of this study are to investigate processes of cyclical fluctuations, inflation and economic g:t'Oo'lth, and conComitantly, to relate the short-run analysis to the long-run analysis of the econaT\Y as far as feasible under the confines of this investigation. First of all, we shall present a theory of investnent in Chapter 1. We shall make evident defects included in the neo-classical theory of investnent, founded in particular by I. Fisher and a variant of which is the Keynesian version, by taking into account recent studies of investnent and by formulating a new theory of investnent. Its incorporatim into our dynamic analyses is one of the reasons why the theory developed in this study is referred to as Neo Keynesian. Brlefly, the theory is characterlzed by firm investnent being a function of the firm's expected stock of money, the expected marginal productivi ty of capital, and the expected rate of inflation (or the firm's subjective rate of real interest) .

Research Paper (undergraduate) from the year 2017 in the subject Economics - Economic Cycle and Growth, grade: 1, language: English, abstract: The purpose of the study is to examine the relationship between inflation and economic growth in Ethiopia over the period of 1991/92- 2014/15 by using data at quarter base. The study was employed Johansen method of co-integration and vector error correction model and a technique of conditional least square. The result shows that both in long-run and short-run the relationship between inflation and economic growth is positive. Despite to this, the granger causality test tells us bi- directional causation between these two variables. The result also revealed that threshold level of inflation beyond on which inflation negatively affects economic growth of Ethiopia is 5 percent. Therefore, co-ordination between macro- economic policy makers is vital and should have to raise their hands and put their eyes on measures that keep down inflation below 5 percent to have sustainable economic growth in the country.

Structuralist macroeconomics has emerged recently as the only viable theoreticalalternative for economists and practitioners in developing countries. Lance Taylor's innovative workrepresents a landmark in this field. It codifies a new generation of structuralist macroeconomicmodels that incorporate the economic power relationships of key institutions and groups, integratesboth finance and real macroeconomics, and covers a diverse range of experience in the developingworld over the past three decades.In an introduction Taylor explains his methodology, describesassumptions underlying the models used, and reviews theories that relate economic growth and therole of financial assets. He then takes up basic structuralist models of a closed economy and moveson to consider the open economy cases. He incorporates the latest developments in the field(inflation, financial crisis, exchange rate management, increasing returns, and the like) in atreatment that departs substantially from economic orthodoxy.Taylor first addresses the question ofhow to specify.closure" or define the causal structure of macro models. He also considers how incomeredistribution influences growth and output and how income redistribution interacts with inflation.Next, an investment-driven non-full employment growth model draws on ideas introduced earlier toillustrate how different sorts of macroeconomic policies affect short-run adjustment and growthprospects over time. Taylor then turns to the problems proposed by economic openness in a stylizedsemi-industrialized country, starting with international trade. A fix-price/flex-price model isdeveloped, and additional models demonstrate cases of policy relevance as well as interactionsbetween class conflict and growth.Lance Taylor is Professor of Economics at MIT.

Why we need to heed the lessons of high inflation Today's global economy, with most developed nations experiencing very low inflation, seems a world apart from the "Great Inflation" that spanned the late 1960s to early 1980s. Yet, in this book, Brigitte Granville makes the case that monetary economists and policymakers need to keep the lessons learned during that period very much in mind, lest we return to them by making the same mistakes we made in the past. Granville details the advances in macroeconomic thinking that gave rise to the "Great Moderation"—a period of stable inflation and economic growth, which lasted from the mid-1980s through the most recent financial crisis. She makes the case that the central banks' management of monetary policy—hinging on expectations and credibility—brought about this period of stability, and traces the roots of this success back to the eighteenth-century foundations of modern monetary thought. Tackling fundamental questions such as the causes of inflation and its relation to unemployment and growth, the natural rate of inflation hypothesis, the fiscal theory of the price level, and the proper goals of central banks, the book aims above all to demonstrate the dangers of forgetting the role of credibility in establishing sound monetary policy. With the lessons of the past firmly in mind, Granville presents stimulating ideas and proposals about inflation-targeting principles, which provide tools for present-day monetary authorities dealing with the forces of globalization, mercantilism, and reserve accumulation.

Inflation in Emerging and Developing EconomiesEvolution, Drivers, and PoliciesWorld Bank Publications

This is the first comprehensive study in the context of EMDEs that covers, in one consistent framework, the evolution and global and domestic drivers of inflation, the role of expectations, exchange rate pass-through and policy implications. In addition, the report analyzes inflation and monetary policy related challenges in LICs. The report documents three major findings: In First, EMDE disinflation over the past four decades was to a significant degree a result of favorable external developments, pointing to the risk of rising EMDE inflation if global inflation were to increase. In particular, the decline in EMDE inflation has been supported by broad-based global disinflation amid rapid international trade and financial integration and the disruption caused by the global financial crisis. While domestic factors continue to be the main drivers of short-term movements in EMDE inflation, the role of global factors has risen by one-half between the 1970s and the 2000s. On average, global shocks, especially oil price swings and global demand shocks have accounted for more than one-quarter of domestic inflation variatio--and more in countries with stronger global linkages and greater reliance on commodity imports. In LICs, global food and energy price shocks accounted for another 12 percent of core inflation variatio--half more than in advanced economies and one-fifth more than in non-LIC EMDEs. Second, inflation expectations continue to be less well-anchored in EMDEs than in advanced economies, although a move to inflation targeting and better fiscal frameworks has helped strengthen monetary policy credibility. Lower monetary policy credibility and exchange rate flexibility have also been associated with higher pass-through of exchange rate shocks into domestic inflation in the event of global shocks, which have accounted for half of EMDE exchange rate variation. Third, in part because of poorly anchored inflation expectations, the transmission of global commodity price shocks to domestic LIC inflation (combined with unintended consequences of other government policies) can have material implications for poverty: the global food price spikes in 2010-11 tipped roughly 8 million people into poverty.

This report brings together the proceedings of a conference on inflation & growth in China. The discussions benefited from the participation of senior central bank officials, academics, & IMF staff. Against the background of experiences from other countries, China's reform program was examined in detail, & the papers in this volume allow readers to draw inferences about the existence & sustainability of a trade-off between inflation & growth. The papers fall into three general categories: international experiences; sustainable growth & structural reform; & monetary & exchange rate policies.

This study reviews the literature on the contribution of low inflation to economic growth and the subsequent widespread adoption of inflation targeting as a monetary policy framework. Edwin Truman addresses the challenges and risks associated with such a framework. Building on these foundations, the study focuses on two major international economic policy issues: (1) the implications of differing national regimes of inflation targeting for international economic policy cooperation; and (2) the adoption of inflation targeting by emerging-market economies which often lack stable monetary policy environments and credible policy authorities—a situation which, among other things, can complicate the use of the inflation targeting framework as the basis for IMF-supported stabilization programs.

Contributed research papers.