

## Inflation and money<sup>1</sup>

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The view of classical school of thought that the relationship between supply of money and price level is proportional holding Velocity of circulation of money and Quantity of goods and services constant.

The above cited view is correct only above the level of full employment, but generally the economic conditions of the economies less than full employment invalidating the classical view and supporting Keynesian view.

After Keynes the monetarists view also supported the classical, but not gained too much popularity and global economies moves towards supply side economics.

The global economy from first financial crises (2007) till to date increased supply of money as a injection to support growth, but during this period certain bottle necks in the form of financial crises 2 and COVID pandemic (supply disruption) also responsible for inflation.

Currently the global economy facing two kinds of problems one is inflation and Chinese economy is facing deflation commonly known is stagflation.

Now a question arises how to counter current problem, it's very simple green push also introduce as a tool of monetary policy and reduce influence of OPEC as a cartel and should be regulated by certain law.

The second suggestion that I will give investment on labour force to do productive work, this tool will be more suited to Pakistan economy and will s involve multiple problems like unemployment, job security and steady growth.

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<sup>1</sup> The views expressed in this article are those of the author(s) and do not necessarily represent the views of their affiliated institutions.

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