

# Inflation: The model

Suppose a researcher studies inflation. They need to define accurately what inflation is, find a measure to describe rising prices, then research some explanatory elements.

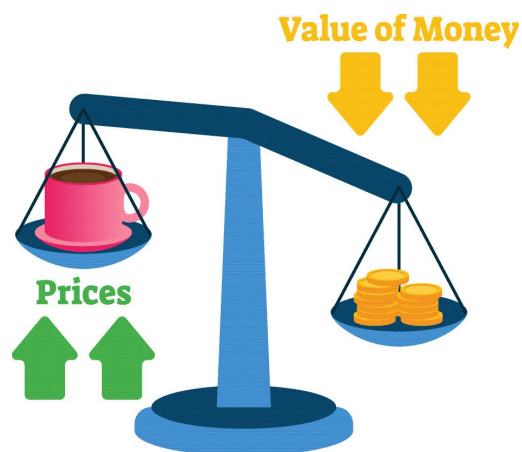
To study a phenomenon, what is meaningful must be identified, a researcher must find explanatory variables and their mode of action.

A priori we do not know a complete series of elements just by looking at prices. The researcher may decide to study inflation by looking at supply/demand, production costs, income inequality, currency value...

There is also a need to talk of relationships between the explained variables and the phenomenon. Thus, the economist can consider that a decrease in supply (while demand remains unchanged) will increase prices. Production costs will affect everything on the supply chain, income inequality will cause social struggles, the value of a currency will mean more currency is in circulation.

These elements constitute the operating rules of the model of inflation.

*J. Bremond and A. Geledan, Dictionary of Economics and Social Sciences, Paris, Belin, 2002.*



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