OPEN ACCESS Freely available online

Journal of Stock and Forex Trading

ISSN: 2168-9458

Opinion Article

The Role of US Monetary Policy and Legislation in Reducing Inflation

Reyansh Raj*

Department of Economics, University of Pretoria, Pretoria, South Africa

DESCRIPTION

In the study of economics, inflation is the term used to describe an increase in a nation's overall cost of goods and services. The most common measure of inflation is the annualized percentage change in a general price index, sometimes known as the inflation rate. Because price rises are not constant across the board, the Consumer Price Index (CPI) is widely used for this purpose. The employment cost index is also used to determine wages in the US. The opinions on low to moderate inflation span a larger spectrum. Low or moderate inflation may be attributed to real changes in consumer demand for goods and services or real changes in the supply of goods and services, such as during periods of scarcity. In economies, moderate inflation can have both beneficial and detrimental impacts. The disadvantages include a rise in the opportunity cost of holding money, doubts about future inflation that may discourage investment and saving, and price increases. A low and stable inflation rate is often maintained by monetary authorities. The disadvantages include a rise in the opportunity cost of holding money, doubts about future inflation that may discourage investment and saving, and, if inflation happened too quickly, product shortagess. Positive outcomes comprise the majority of economists favour a modest, consistent inflation rate. These monetary authorities are typically the central banks that control interest rates, conduct open market operations, and (less frequently) modify the reserve requirements for commercial banks. The phrase was first used and derives from the Latin inflate (to blow into or inflate). The phrase was used to describe what happens to paper money rather than anything that happens to pricing. Prices rose as a result of the resultant discrepancy between the amount of money in circulation and the amount required for trade. The term "inflation" has changed over time to refer to rises in the level of prices; to differentiate it from rising prices, which may be called "price inflation," an increase in the money supply may be referred to as "monetary inflation." In terms of concept, inflation describes the overall pattern of prices rather than fluctuations in any particular price. For instance, if consumers decide to purchase more tomatoes than cucumbers, tomatoes will subsequently become more expensive. These modifications represent a change in tastes rather than an increase in prices. The value of money itself has an impact on inflation. If fresh gold deposits were discovered when currency was linked to gold, the price of gold and the value of currency would plummet, which would raise the cost of all other products. By the nineteenth century, economists distinguished between three distinct factors that affect the price of goods: changes in the good's value or production costs; changes in the price of money, which at the time was typically a fluctuation in the commodity price of the currency's metallic content; and currency depreciation due to an increase in the supply of money relative to the amount of money in circulation. The term "inflation" first appeared as a direct reference to the currency depreciation that happened as the amount of redeemable banknotes exceeded the quantity of metal available for their redemption during the development of private banknote currency created during the American Civil War. At the time, devaluation of the currency was referred to as inflation rather than an increase in the cost of products.

Correspondence to: Reyansh Raj, Department of Economics, University of Pretoria, Pretoria, South Africa, Email: Raj1234@gmail.com

Received: 03-Nov-2022, Manuscript No. JSFT-23-21463; **Editor assigned:** 07- Nov-2022, Pre QC No.JSFT-23-21463(PQ); **Reviewed:** 21-Nov-2022, QC No. JSFT-23-21463; **Revised:** 28-Nov-2022, Manuscript No. JSFT-23-21463 (R); Published: 06-Dec 2022, DOI: 10.35248/ 2168-9458.22.9.217.

Citation: Raj R (2022) The Role of US Monetary Policy and Legislation in Reducing Inflation. J Stock Forex. 9:217