

Inflation – causes and effects

Older people often talk about how cheap things were when they were young. A brand new car may have cost only \$5,000 compared to \$20,000 today, or petrol that cost only a few cents in the 60s costs over a dollar today. Inflation happens when money loses some of its **value**. We **measure** the rise of inflation in percent. For example, 2% inflation means that a \$1 bottle of milk will cost \$1.02 next year.

Causes of Inflation

Inflation has many **causes**. In times when the **economy** is good and people have enough money they want to buy more products than factories can produce, so the prices go up.

Inflation can also happen when worker's **demand** more money or when the **raw materials** that producers need **rise** in price. The end product becomes more expensive and has to be sold at a higher price.

Inflation is not produced by one country alone. Sometimes a country cannot control the prices of certain **goods** as it would like to. A country that does not have any **energy supplies** of its own has to import energy. It has to pay a high price for oil and gas.

Inflation in the past happened in times of crisis, war or conflict. Governments printed too much money and didn't have the goods that people could buy. This happened in the final years of World War II. By the end of the war the German **currency** was not even worth the paper on which it was printed.

Effects of inflation

Inflation is a **sign** that the economy is growing. It is normal when prices go up only a few percent every year. High inflation, on the other hand, leads to **uncertainty** in the population.

Industries may not want to borrow money and invest when inflation is high. People don't want to buy goods any more. Factories may get **stuck** with products they cannot sell and as a result workers become **unemployed**.

It is very difficult to fight inflation. Banks can control interest rates and make it difficult for people to get **loans** and have more money. Governments have an **effect** on inflation when they **raise** or lower taxes. They can also try to control **wages** and prices as far as possible.



Ex. 1 Match these words in bold from the text with their definitions:

1. _____ = reason
2. _____ = the type of money a country has
3. _____ = to want
4. _____ = the system of money and products in a country
5. _____ = the changes that happen
6. _____ = forms of energy that a country needs for its economy, like oil, coal, etc.
7. _____ = products
8. _____ = the money that you borrow from a bank
9. _____ = to calculate
10. _____ = to lift
11. _____ = basic things that industries need like oil, gas, coal etc..
12. _____ = to go up
13. _____ = signal
14. _____ = here: they cannot sell products
15. _____ = you are not sure about things
16. _____ = out of work
17. _____ = the money that something is worth
18. _____ = the money a worker gets for his work, usually for a week

Ex.2 Complete the collocations with the verbs in the box:

control / demand / lower / measure / pay / raise

1. to _____ the rise of inflation
2. to _____ the prices of goods
3. to _____ a high price
4. to _____ more money
5. to _____ / _____ taxes

I know English idioms!

A sentence from this lesson's text reads: "Factories may get stuck with products they cannot sell", which can mean in free translation "zatykają się". But the idiomatic phrase "get stuck" has other meanings too and so let's have a look at them:

- I got stuck in a traffic jam when I was going to work this morning. (utknąć)
- The photocopier got stuck when I was using it so I couldn't finish my job. (zaciąć się)

Phrasals, phrasals...

This lesson's text deals with the issue of inflation. As we know, inflation is such a thing that needs to be controlled and decreased or even suppressed when it gets out of control. English has a number of phrasal verbs to describe these activities:

to bring down – obniżyć

to cut down – ograniczyć

to keep down – utrzymać na niskim poziomie

to slow down – spowolnić

Grammar corner

Banks can control interest rates and make it difficult for people to get loans and have more money. This sentence from the reading text contains a useful grammatical structure, which can be summarized as: adjective + "for" + object + infinitive. Another such example can be: It's easy for me to speak English with native Americans. which would just mean (łatwo mi rozmawiać...)

Try and say these sentences in English using the structure above:

1. Trudno mi rozmawiać z nim o swoich kłopotach.
2. Łatwo mu krytykować (criticize) innych.
3. To oczywiste (obvious) dla nas, że nie dostaniemy podwyżki (pay rise).

GLOSSARY	
inflation	inflacja
cause	przyczyna
effect	skutek
brand (new)	zupełnie
compared to	w porównaniu do
petrol	benzyna
value	wartość
measure	mierzyć
percent	procent
economy	gospodarka
factory	fabryka
demand	żądać, domagać się
raw materials	surowce
rise	wzrastać
end product	produkt końcowy
goods	towary
energy supplies	źródła energii
to print	drukować
currency	waluta
worth	wart(a)
sign	znak
to grow	rozwijać się
to go up	wzrastać
to lead to	prowadzić do
uncertainty	niepewność
industry	przemysł
to borrow	pożyczać (od kogoś)
to get stuck	„zatkać się”
unemployed	bezrobotny
to fight	zwalczać
interest rate	stopa procentowe
loan	pożyczka
to raise	podnosić
to lower	obniżyć
wages	płace

ANSWER KEY

Ex.1

1. **cause** = reason
2. **currency** = the type of money a country has
3. **demand** = to want
4. **economy** = the system of money and products in a country
5. **effect** = the changes that happen
6. **energy supply** = forms of energy that a country needs for its economy, like oil, coal, etc.
7. **goods** = products
8. **loan** = the money that you borrow from a bank
9. **measure** = to calculate
10. **raise** = to lift
11. **raw materials** = basic things that industries need like oil, gas, coal etc..
12. **rise** = to go up
13. **sign** = signal
14. **stuck** = here: they cannot sell products
15. **uncertainty** = you are not sure about things
16. **unemployed** = out of work
17. **value** = the money that something is worth
18. **wages** = the money a worker gets for his work, usually for a week

Ex. 2

1. to measure the rise of inflation
2. to control the prices of goods
3. to pay a high price
4. to demand more money
5. to raise / lower taxes

Ex. Grammar corner

1. It's difficult/hard for me to talk with him about my problems.
2. It's easy for him to criticize others.
3. It's obvious for us not to get a pay rise.