

18/100/25000
* Deflation :- Deflation is the opposite of inflation. Deflation is a phenomenon of falling prices. According to Crowther, "Deflation is that state of the economy where the value of money is rising or the prices are falling". In short, deflation is a situation in which falling prices are accompanied by falling levels of employment, output and income.

Inflation and

* Disinflation :- Disinflation is a process of reversing inflation without creating unemployment or reducing output. In fact, disinflation is an attempt aiming at reducing the prices when they are abnormally high.

Deflation and disinflation resemble each other because in both cases, money supply decreases and both lead to a fall in price level. But despite this similarity,

there are some basic differences between the two situations. (a) Deflation causes a serious problem of mass unemployment and reduction in output in the economy, while disinflation does not create such problems; it rather saves the economy from the ruinous effects of inflation. (b) While deflation may be due to certain natural causes or it may be the result of a deliberate policy of the government, but disinflation is always the direct result of a deliberate policy of the government. (c) Deflation occurs before the level of full employment, whereas disinflation occurs after the level of full employment. (d) The prices can be brought down to the normal level with the help of disinflation but deflation may reduce the prices even below the normal level. In fact, there is no limit to the falling prices during deflation.

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