

Thesis

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The causes and consequences of inflation and the role of central banks in achieving price stability

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1. INTRODUCTION

The purpose of this thesis is to examine the causes of inflation and the influence of monetary policies. The study will explore the consequences of inflation, including its effects on the economy and society. Also, research will investigate how central banks manage inflation what actions and policies they use in order to manage the inflation and prevent the danger that inflation can cause.

Inflation is a critical issue that shapes the global economy, with direct impact on individuals, businesses, and governments. Often economic growth leads to moderate inflation, but both deflation and high inflation can harm the economy. Inflation has wide consequences, affecting the cost of living, income distribution, and investment decisions. On the other hand, deflation can lead to economic stagnation and increase unemployment, both of which pose long-term threats to price stability.

Therefore, it is essential to maintain healthy inflation, balancing supply and demand to help ensure price stability without negative effects on the economy.

Meanwhile, this study will draw on research, including Blanchard and Johnson (2013), 6th ed., Pearson Education, which analyzes the causes and effects of inflation, as well as the role of central banks in managing it. Nowadays, central banks play a crucial role in controlling inflation and maintaining economic stability by special techniques, including monetary policy tools like interest rates, open market operations, and inflation targeting. By managing inflation, central banks aim to maintain stable financial markets and decrease financial risks before it occurs, which is essential for fostering growth and enhancing public confidence in the national currency.

1.1 Statement of the problem:

Inflation, a continuous rise in general price levels, poses a significant challenge to the economy. Excessive inflation leads to a reduction in purchasing power as the prices go higher, eroding consumer and investor confidence. As a result, central banks must make serious efforts to address and manage inflation effectively to prevent major financial crises.

Moderate inflation motivates consumption because prices are stable, which encourages people to spend money, and the demand for goods and services rise, which in turn leads to production capacity.

This is reflected in citizen satisfaction in the country and attracts investments due to optimism expectations of economic growth. However, understanding the relationship between the causes of inflation, its widespread effects, and the role of central banks remains a difficult challenge for policymakers and economists.

For example, many countries have experienced severe inflation crises in recent decades, suffering from hyperinflation that led to a sharp decline in the value of its currency and significantly high poverty rates. This severely reduces consumer and investor confidence, making it even more difficult for the country to recover and regain economic stability. The negative consequences of high inflation are clearly visible in such cases.

Studies have shown that inflation can have a direct impact on various sectors of the economy, leading to shifts in consumer behavior, fluctuations in investment patterns, and changes in income distribution.

This research seeks to address these issues:

What is the impact of inflation on economic stability, consumer confidence and how do central bank policies influence these factors?

1.2 Study Objectives

The primary goal of this study is to explore the causes and consequences of inflation and to examine the role of central banks in achieving price stability.

That will be included the following objectives:

1. To identify the main causes of inflation, including demand-pull, cost-push, and monetary policy factors.
2. To examine the consequences of inflation, with a focus on its economic, social, and financial impacts on households, businesses, and government policies.
3. To analyze the role of central banks in controlling inflation and maintaining price stability through monetary
4. To evaluate the effectiveness of central bank interventions in observing the inflation and maintain good economic condition.
5. To consider the challenges and limitations that central banks face in managing inflation, especially in times of global economic uncertainty or unexpected events like geopolitics fluctuations.

1.3 Research Inquiries

The following research questions will guide this study on inflation and the role of central banks towards it:

1. What are the main causes of inflation, and how do factors such as demand- pull, cost-push, and monetary can affect it?
2. How does inflation impact the economy, in terms of the cost of living, income distribution, and overall economic performance?
3. What strategies and methods do central banks use including monetary policies like interest rates and adjusting it based on the market condition.
4. How effective are central banks' interventions in controlling inflation over the long term, and what challenges do they face in ensuring economic stability?

5. How do external factors, such as global economic uncertainty or supply geopolitics fluctuations, influence inflation and central banks' ability to appropriately in such cases?

1.4 Justification for Selecting the Topic

Importance to the Field: As a student of economics, I am interested in understanding one of the most important factors that affect the economy, which is inflation. Inflation is a major topic that determines monetary policy in many countries, and has a major impact on my understanding of markets and market movement. This research aims to study how central banks deal with inflation through monetary policy strategies and tools, and how these policies affect price stability and the economy as a whole. This research will provide valuable insights into how to manage inflation during accelerating global economic changes, helping to develop a deeper understanding of the market and its mechanisms.

Practical Significance: Inflation affects everything from purchasing power to economic growth, making it crucial for policymakers to understand its causes and effects. Central banks play a key role in managing inflation, and this study will explore how they can do so more effectively, especially in the face of global challenges like geopolitical issues or economic uncertainty.

Also, as a day trader, inflation serves as an important indicator of the strength of a currency and whether interest rates are likely to rise or decrease. This personal interest further motivates my choice of this topic. For example, when trading the US Dollar, inflation data or statements from the Federal Reserve serve as good indicators of price direction in and the strength or weakness of the dollar. Based on this information, I can decide whether to enter buy or sell positions.

Additionally, it will help me enhance the understanding of how inflation impacts financial markets, not only at the macroeconomic level but also in daily financial decisions made by investors and traders.

1.5 Limitations of the Study

Scope: This study focuses on the theoretical aspects of inflation and the role of central banks, without including detailed case studies of specific countries.

Time Constraints: Due to limited time, only the most significant causes of inflation and central bank policies will be explored, which means I may not mention other factors and tools.

Data Limitations: The research relies on historical and secondary resources, which may not reflect the most current trends or ongoing developments.

Geographical Focus: The study will address global inflation management but will not focus on specific regions or countries.

These limitations were carefully considered during the preparation of this thesis. Although they may restrict the generalizability of the findings, they do not undermine the credibility of the research. Instead, they provide a clear framework for interpreting the results within their appropriate context. Future studies could expand upon this work by including empirical case studies, broader data sets, or more diverse regional comparisons to enrich the understanding of inflation and monetary policy.

In addition to that, the limitations of this study highlight the importance of continuous research on inflation dynamics, especially in the context of global economic uncertainty and evolving monetary frameworks. Understanding how new policy innovations, digital currencies, and changing fiscal conditions interact with inflation could provide valuable insights for future researchers and policymakers.

2. LITERATURE REVIEW

2.1 Causes of Inflation

Inflation is a persistent economic phenomenon representing a sustained increase in the general price level of goods and services over time. It reduces the purchasing power of money and influences income distribution, investment decisions, and overall economic stability. Scholars such as Blanchard and Johnson (2013) explain that inflation arises from a combination of demand, supply, and monetary factors that interact within national and global economies.

Demand-Pull Inflation

This type of inflation occurs when aggregate demand in the economy exceeds its productive capacity. It typically arises during periods of rapid growth when consumers, businesses, and governments increase spending faster than supply can adjust (Bagus, Howden & Gabriel, 2014).

Key factors driving demand-pull inflation include:

Increased Consumer Spending: Rising household income and improved access to credit stimulate higher consumption, creating excess demand and pushing prices upward (Balac, 2008).

Government Expenditure: Expansionary fiscal policies, such as infrastructure projects or subsidies, inject liquidity into the market and increase aggregate demand beyond sustainable levels.

Monetary Expansion: When central banks reduce interest rates or expand the money supply to encourage investment, it may overstimulate demand and lead to inflationary pressure (Bordo, Dittmar & Gavin, 2003).

Export Growth: Rising foreign demand for domestic goods can reduce local supply and drive domestic price increases, particularly in export-oriented economies (Bagus & Howden, 2011).

Cost-Push Inflation

Cost-push inflation results from increased production costs that producers pass on to consumers. It often arises from external shocks, higher wages, or increases in commodity prices that constrain supply and raise costs across industries (Friedman, 1970).

Common drivers include:

Wage Increases: When wage growth exceeds productivity, firms raise prices to maintain profitability. This was notably observed during post-pandemic labor market adjustments in many economies (Howden & Bagus, 2012).

Energy and Commodity Prices: Sharp increases in oil or raw material costs can generate widespread inflation, especially in import-dependent countries (Bordo et al., 2003).

Currency Depreciation: A weaker currency raises the price of imports and inputs, making domestic production more expensive and pushing prices higher (Bagus & Howden, 2013).

Supply Chain Disruptions: Events such as global pandemics, wars, or trade restrictions can limit supply and increase production costs, as seen during the COVID-19 crisis (IMF, 2021).

Monetary Inflation

Monetary inflation emerges when the money supply expands faster than real output, diminishing the value of money in circulation. Bagus and Howden (2010) emphasize that this process leads to price instability, distorts capital allocation, and redistributes wealth between borrowers and savers.

Major causes include:

Excessive Money Creation: Over-issuance of money by central banks or governments without equivalent economic growth leads to currency devaluation and persistent inflation (Blanchard & Johnson, 2013).

Low-Interest-Rate Policies: Sustained low interest rates encourage speculative investment and debt accumulation, expanding liquidity in the financial system (Howden & Bagus, 2012).

Government Deficits: Financing fiscal deficits through central bank borrowing or bond purchases increases the monetary base and exerts upward pressure on prices (Bordo, Dittmar & Gavin, 2003).

Weak Monetary Institutions: Limited independence or political interference in central banking undermines policy credibility and amplifies inflationary cycles (Balac, 2008).

Structural and Policy-Related Causes

Structural inefficiencies such as poor fiscal management, corruption, and policy inconsistency can also trigger inflation. Persistent budget deficits and heavy reliance on debt financing undermine economic stability. Furthermore, limited central bank autonomy weakens policy effectiveness, allowing inflation to become entrenched (Bagus & Howden, 2012b).

Global and External Factors

In an increasingly globalized economy, inflation is often influenced by external shocks. Global supply shortages, trade disruptions, or rising commodity prices can lead to imported inflation. Exchange rate volatility and geopolitical conflicts further amplify domestic inflationary pressures (Bagus & Howden, 2013; IMF, 2022).

2.2 Consequences of Inflation

Inflation produces wide-ranging effects that extend beyond the economy, influencing social stability, financial systems, and institutional credibility. It erodes purchasing power, disrupts production decisions, and alters the distribution of wealth across society. The consequences of inflation have been discussed extensively in economic literature, with both classical and modern economists emphasizing its destabilizing nature (Bagus & Howden, 2011; Bordo, Dittmar & Gavin, 2003).

Economic Consequences

Economically, inflation distorts relative prices, weakens purchasing power, and creates uncertainty that discourages long-term planning and investment. According to Blanchard and Johnson (2013), high inflation reduces real wages and leads to misallocation of resources, as firms and households adjust behavior based on distorted price signals.

Key economic impacts include:

Decline in Purchasing Power: When prices increase faster than income, consumers can buy fewer goods and services, lowering their real standard of living.

Investment Uncertainty: Inflation makes it harder for investors and firms to anticipate future returns, discouraging productive investments and long-term contracts.

Resource Misallocation: Excessive price volatility leads firms to focus on short-term speculation

instead of productive expansion.

Erosion of Savings: Persistent inflation discourages savings by reducing the real value of money held, weakening capital accumulation (Block, 1991).

Administrative and Menu Costs: Frequent price revisions increase operating costs for businesses, lowering efficiency and profitability (OECD, 2019).

Social Consequences

The social dimensions of inflation are equally significant. Rising prices tend to exacerbate inequality and place greater pressure on low- and middle-income households. Studies indicate that inflation functions like a regressive tax, eroding the real income of those least able to hedge against price changes (Bagus & Howden, 2013).

Major social consequences include:

Widening Income Inequality: Inflation benefits borrowers and owners of tangible assets while harming fixed-income earners and savers, contributing to greater wealth disparities.

Decline in Living Standards: Households must reduce consumption of essential goods such as food, housing, and healthcare, negatively affecting overall welfare (World Bank, 2022).

Behavioral Adaptations: Consumers may accelerate spending to avoid future price hikes, undermining saving discipline and promoting unsustainable consumption patterns.

Erosion of Public Trust: Repeated inflationary cycles weaken confidence in government and central banks, fostering skepticism toward economic policy (Bordo et al., 2003).

Financial and Institutional Consequences

Inflation also affects financial markets and the credibility of monetary institutions. Persistent price instability leads to higher interest rates, fluctuating exchange rates, and increased uncertainty in both domestic and international trade. Historical evidence shows that inflationary episodes often trigger tighter monetary policies and financial stress (IMF, 2023).

Key financial and institutional outcomes include:

Interest Rate Volatility: Central banks typically respond to inflation by raising interest rates,

which slows borrowing and investment.

Redistribution of Debt Burden: Inflation benefits debtors by reducing the real value of repayments, while creditors face losses in purchasing power (Bordo et al., 2003).

Exchange Rate Depreciation: Economies experiencing chronic inflation often face currency devaluation, raising import costs and deteriorating trade balances (Balac, 2008).

Reduced Policy Credibility: When inflation expectations become unanchored, it undermines confidence in central bank independence and the effectiveness of monetary policy (IMF, 2022).

Political and Global Implications

Inflation frequently evolves into a political and global issue. Governments under inflationary pressure may resort to short-term populist measures that further destabilize macroeconomic balance (Bagus, Howden & Gabriel, 2014). On the global stage, inflationary shocks—especially those related to energy or supply chain disruptions—spread quickly across countries, intensifying volatility in emerging markets (World Bank, 2023).

2.3 Role of Central Banks in Price Stability

Central banks play a pivotal role in maintaining price stability by shaping liquidity conditions, anchoring expectations, and containing inflationary pressures through rule-based monetary conduct. Their interventions influence aggregate demand, credit creation, and exchange-rate dynamics, making them central to preserving the purchasing power of money and overall macroeconomic balance (Reinhart & Rogoff, 2009).

Core Functions in Inflation Control

Monetary Regulation: Central banks manage the volume of money in circulation through open-market operations and required reserves, ensuring that liquidity remains consistent with real economic output (Mises, 1971).

Policy Rate Setting: Adjustments in short-term interest rates influence borrowing behavior, investment levels, and aggregate demand across the economy (Garrison, 2001).

Exchange-Rate Management: In open economies, stabilizing the exchange rate helps contain imported inflation by regulating foreign exchange operations and signaling interventions (Howden, 2010a).

Macprudential Oversight: By monitoring credit growth and asset-price cycles, central banks

prevent financial imbalances that could spill over into broader inflationary pressures (Huerta de Soto, 2006).

Independence and Credibility

Institutional independence shields monetary decisions from short-term political incentives, helping anchor inflation expectations at low, stable levels. Credibility rises when objectives are clear, mandates are narrow, and procedures are transparent; this reduces the inflation bias and improves policy transmission to prices and wages (Greenfield & Yeager, 1983; IMF, 2022).

Inflation Targeting Framework

Inflation targeting operationalizes price stability through a publicly announced target and systematic policy responses. Its practical advantages include:

Anchored Expectations: Establishing a clear numerical target guides wage- and price-setting behavior, reducing uncertainty and speculative actions in the market (Howden, 2011).

Transparency and Accountability: Regular communication, forward guidance, and periodic reports enhance public understanding of monetary strategy and outcomes (McGee, 2012a).

Policy Discipline: A rule-based framework limits excessive monetary expansion and encourages fiscal prudence through consistent policy signals to markets.

Coordination with Fiscal Policy

Monetary stability becomes difficult to achieve when fiscal policy is expansionary or heavily debt financed. Persistent budget deficits increase aggregate demand and may counteract the effects of tight monetary policy, leading to renewed inflationary pressures. This situation, often referred to as fiscal dominance, limits the central bank's ability to control prices effectively. Therefore, sustainable stability requires strong coordination and consistency between fiscal and monetary authorities to prevent unanchored inflation expectations (Friedman, 1984; Reinhart & Rogoff, 2009).

2.4 Tools and Policies for Achieving Stability

Central banks use a variety of monetary policy tools to ensure price stability and protect the value of money. These tools influence the overall supply of money, interest rates, and credit conditions

within the economy, helping to align aggregate demand with productive capacity. The efficiency of these policies depends on institutional credibility and policy coordination between monetary and fiscal authorities (Huerta de Soto, 2006).

Open Market Operations

This is the most frequently used instrument, involving the purchase or sale of government securities to regulate liquidity in the banking system. When central banks buy securities, they inject money into the economy, while selling them absorbs excess liquidity and helps control inflationary pressure.

In practice:

Liquidity Management: Central banks conduct daily operations to maintain stability in interbank markets.

Market Signaling: Changes in operation volumes often signal upcoming policy shifts to financial institutions.

Flexibility: This tool allows gradual adjustments without major disruption to credit flows, making it vital for modern inflation control (Howden, 2010b).

Policy Interest Rate Adjustments

By raising or lowering the main policy rate, central banks influence borrowing costs, consumer spending, and investment decisions. An increase in the interest rate typically reduces inflation by discouraging credit growth and excessive consumption (Garrison, 2001).

Common applications include:

Inflation Control: Higher rates help slow down aggregate demand and stabilize prices.

Currency-Stabilization: Raising interest rates can attract foreign investment, strengthening the national currency and reducing imported inflation.

Crisis Management: In times of recession, lowering rates stimulates borrowing and investment to restore growth.

Reserve Requirements

Banks are required to hold a certain percentage of their deposits as reserves. Increasing this ratio limits the amount of money available for lending, effectively reducing inflationary expansion. This tool is less frequently adjusted today but remains an important stabilizing mechanism.

Exchange Rate Policies

Managing the exchange rate helps mitigate imported inflation, particularly in open economies that depend on foreign goods and services. Central banks may intervene in currency markets to prevent excessive volatility or appreciation.

Communication and Forward Guidance

Transparency has become a modern tool in monetary management. By clearly communicating future policy intentions, central banks influence market expectations and reduce uncertainty, reinforcing confidence in the economy (McGee, 2012a).

Macroprudential Policies

These measures aim to safeguard the financial system as a whole rather than individual institutions. They include setting limits on credit exposure, controlling speculative borrowing, and monitoring asset bubbles to prevent systemic risks.

Examples include:

Capital Buffers: Requiring banks to hold extra capital during periods of strong growth to absorb potential future losses.

Loan-to-Value (LTV) Limits: Restricting how much individuals can borrow relative to the value of their assets, helping prevent excessive leverage.

Countercyclical Measures: Tightening credit rules during booms and easing them during downturns to reduce volatility across the financial cycle.

2.5 Challenges and Limitations of Monetary Policy

Monetary policy is one of the most powerful instruments for stabilizing prices and promoting economic growth. However, its success is never guaranteed, as it operates within a complex environment shaped by fiscal behavior, financial markets, and international forces. Central banks

must balance multiple objectives while facing constraints that limit their precision and speed of response (Bordo & Gavin, 2003; Huerta de Soto, 2006).

Globalization and External Shocks

Globalization has created deep interconnections between national economies, limiting the independence of central banks.

These influences include:

Capital Mobility: Rapid cross-border capital flows weaken the effect of domestic interest rate adjustments, as investors reallocate funds to more favorable markets (Howden, 2010a).

Imported Inflation: Increases in global prices—particularly for energy and food—raise domestic inflation even when local demand is stable (Reinhart & Rogoff, 2009).

Exchange Rate Volatility: Currency fluctuations amplify import costs in open economies, making price stability more difficult to maintain (Bordo, Dittmar & Gavin, 2003).

Global Liquidity Expansion: Periods of excessive global credit growth can trigger synchronized booms and busts that reduce national monetary control (Hayek, 1976).

Institutional Constraints: International organizations such as the IMF and rating agencies influence local policy decisions through credibility and transparency standards (Bagus & Howden, 2012a).

Time Lags and Policy Transmission

One of the most persistent limitations of monetary policy lies in its delayed effects. Policy adjustments require time to influence economic activity, which often complicates decision-making (Mishkin, 2000).

Recognition Lag: Inflationary or deflationary trends are detected only after sufficient data accumulation, delaying the initial response.

Implementation Lag: Once identified, policy actions such as open-market operations or rate changes take additional time to be executed and transmitted through financial institutions.

Impact Lag: The real economic effects—on spending, investment, and employment—emerge months or even years later, increasing the risk of overcorrection (Blanchard & Johnson, 2013).

Credibility, Expectations, and Political Influence

The credibility of monetary authorities is essential for anchoring inflation expectations. When central banks lose public trust, policies become less effective (Mises, 1971).

Public Confidence: Unclear communication or inconsistent policy signals can increase uncertainty and raise inflation expectations.

Political Interference: Governments often pressure central banks to maintain low interest rates during election cycles, undermining long-term price stability (Bagus & Howden, 2013).

Transparency and Independence: As Howden (2010b) emphasized, maintaining institutional autonomy and clear communication channels strengthens credibility and market confidence.

Adapting Monetary Policy in a Changing Economic Landscape

The structure of global finance continues to evolve, presenting new challenges for monetary authorities.

Digitalization and New Currencies: The emergence of cryptocurrencies and decentralized finance weakens traditional policy channels (Friedman, 1984).

Technological Change: Automation and innovation alter labor markets and production costs, influencing inflation dynamics in ways beyond central bank control.

Global Coordination: Achieving stability in the digital and interconnected era requires close coordination between fiscal, monetary, and regulatory frameworks (Huerta de Soto, 2006).

2.6 Theoretical Framework

This study's theoretical framework is built upon key monetary and macroeconomic principles that explain the relationship between inflation, monetary policy, and economic stability. It provides a foundation for analyzing how central banks influence inflation through policy instruments, and how these actions impact the broader economy.

The framework also emphasizes the importance of public confidence and institutional credibility in ensuring the effectiveness of monetary interventions.

Conceptual Map

The conceptual structure of this research can be summarized as follows:

Monetary Policy → Inflation:

Changes in interest rates and money supply directly influence inflation levels and price movements.

Inflation → Economic Stability:

Persistent inflation erodes purchasing power, disrupts investment decisions, and undermines long-term growth.

Central Bank Actions → Price Stability:

Effective communication and consistent monetary measures enhance credibility and help stabilize inflation expectations.

Public Confidence → Policy Effectiveness:

When individuals trust central banks' policies, monetary actions become more efficient and sustainable.

2.7 Answering Some Questions

What are the main causes of inflation?

The literature identifies several major causes of inflation, each reflecting a different mechanism within the economy:

Demand-pull factors arise when aggregate demand exceeds the economy's productive capacity, typically during periods of economic expansion or excessive fiscal spending (Röpke, 1963).

Cost-push pressures occur when rising production costs—such as those related to energy, raw materials, and wages—lead firms to increase prices to maintain profit margins (Horwitz, 2003).

Monetary expansion contributes to inflation when the money supply grows faster than real output, thereby reducing the purchasing power of money and driving prices upward (Hülsmann, 2008).

Fiscal-imbbalances particularly persistent budget deficits financed through central bank borrowing, can generate sustained inflationary pressures (Bordo et al., 2003).

How does inflation impact the economy and society?

Inflation affects both macroeconomic performance and social stability, producing several interconnected outcomes that reshape economic behavior and living conditions. Its key effects include:

Decline in Purchasing Power: Consumers experience higher living costs and reduced access to essential goods and services, weakening their overall standard of living (Reinhart & Rogoff, 2009).

Distortion of Savings and Investment: Unstable prices discourage long-term saving and redirect capital toward speculative or short-term assets, undermining sustainable economic growth (Garrison, 2001).

Income Inequality: Inflation erodes real wages and disproportionately burdens low- and middle-income households, widening social disparities and reducing economic inclusion (Huerta de Soto, 2006).

Psychological and Social Stress: Persistent price increases cause uncertainty, financial anxiety, and declining trust in institutions, as reflected in the responses gathered from this study's participants.

What strategies do central banks use to control inflation?

Monetary authorities rely on several policy instruments to maintain price stability.

These tools are designed to regulate liquidity, influence demand, and guide market expectations through consistent and credible measures.

Interest Rate Adjustment: Raising policy rates to restrict credit expansion and moderate excessive demand within the economy (Hayek, 1976).

Open Market Operations: Buying or selling government securities to manage liquidity in financial markets and stabilize short-term interest rates (Howden, 2010b).

Inflation Targeting: Setting a clear inflation rate to anchor public expectations and enhance transparency in monetary decision-making (McGee, 2012b).

Exchange Rate Policy: Stabilizing the value of the domestic currency to prevent imported

inflation and maintain competitiveness (Greenfield & Yeager, 1983).

Coordination with Fiscal Policy: Aligning monetary tightening with disciplined government spending improves the overall effectiveness of stabilization efforts (Friedman, 1984).

How effective are central bank interventions in ensuring stability?

The success of monetary policy interventions depends on several institutional and external conditions that determine their overall effectiveness in achieving price stability.

Credibility and Independence: Central banks that operate autonomously and free from political interference tend to achieve more sustainable inflation control and stronger policy credibility (Huerta de Soto, 1999).

Transparency and Communication: Clear communication of policy goals and actions reduces uncertainty in financial markets and helps anchor public expectations (Howden, 2011).

Global Influences: External shocks—such as energy crises, commodity price surges, or currency depreciation—can undermine domestic monetary outcomes and weaken inflation control (Reinhart & Rogoff, 2009).

Public Confidence: The survey findings from this study indicate that most participants believe transparency, accountability, and balanced policy actions strengthen public trust and long-term price stability.

3. METHODOLOGY

3.1 Research Method

This chapter explains the method used to study the causes and consequences of inflation and to examine the role of central banks in maintaining price stability. The study follows a primary quantitative research approach, using a structured questionnaire (Annex 1) to collect data from 105 participants representing different countries and professional backgrounds. The questionnaire aimed to gather participants' opinions and perceptions regarding inflation, its impact on their financial behavior, and their views on monetary policies and central bank performance.

3.2 Survey Design

The questionnaire was designed as an online survey, which is considered one of the most efficient and accessible methods for collecting quantitative data. It allows for a wider reach to participants from different countries and professional backgrounds. The survey was distributed through social media platforms, academic networks, and online communities to ensure diversity and inclusiveness among respondents.

Most of the questions were multiple-choice, designed to make it easier and faster for participants to respond accurately. The majority of the questions used a rating scale ranging from 1 to 3 or 1 to 4, depending on the question, while others included yes/no options or short descriptive responses. This combination provided both measurable data and brief qualitative insights to support the analysis.

The survey consisted of 14 questions in total (Annex 1). The first three questions collected demographic information, including gender, age, and country of residence. The remaining questions explored participants' perceptions of inflation, its impact on their purchasing power, and their opinions about the effectiveness of central banks and monetary policies in controlling price levels. Some questions also focused on how inflation affects daily financial decisions, savings behavior, and overall confidence in the economy.

3.3 Study Population

The questionnaire was created using Google Forms and distributed online through various platforms to reach a diverse group of participants from different countries and professional fields. The aim was to include individuals with varying financial experiences and educational backgrounds to ensure that the collected data reflected a broad range of perspectives on inflation and monetary policies. The study population consisted of 105 participants, all of whom provided valid responses that were included in the final analysis.

3.4 Data Collection and Analysis

Data was collected through the online questionnaire and analyzed using descriptive statistical methods in Microsoft Excel. The analysis aimed to summarize the responses and provide an overview of the characteristics of the participants and their perceptions regarding inflation and monetary policies. Percentages were calculated for each question to describe the distribution of answers and identify general trends. Measures of central tendency, such as means and frequency percentages, were used to interpret the results clearly and accurately.

3.5 Study Limitations

Although this research relies on a valuable tool such as a public questionnaire, certain limitations must be acknowledged. As with most survey-based studies, some participants may have provided responses influenced by social desirability rather than their actual opinions, especially when asked about financial behaviors or trust in central institutions. This could introduce a minor bias in the results.

Another limitation is related to the composition of the sample. Despite efforts to reach a diverse group of respondents, the majority came from a limited range of countries and backgrounds. Therefore, the findings may not fully represent the wider population. Future research could address these limitations by expanding the sample size and including participants from additional regions and demographic groups to achieve broader generalization.

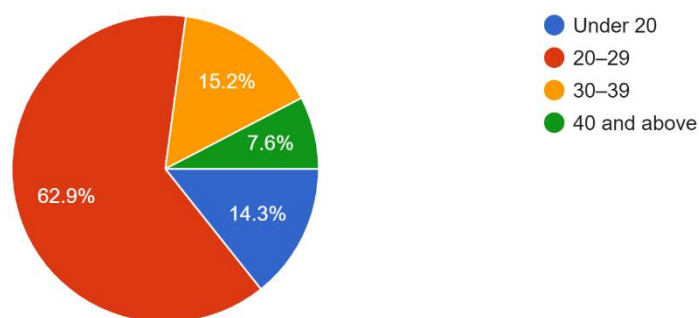
4. RESULTS AND DISCUSSION

This chapter provides all results obtained from the questionnaire. 105 participants from various backgrounds and regions took part and shared their opinions about inflation and the role of central banks in maintaining price stability. Primary data were collected and analyzed, and gave the following results.

4.1 Age:

Figure 1: Participants' age statistics
(Source: Own editing based on the survey)

What is your age?
105 responses



The age distribution of participants is represented via the pie chart presented in Figure 1 (105 responses). The results show that the majority of respondents (62.9%) are between 20 and 29 years old, which indicates that most participants are young adults. 14.3% fall within the 30–39 age group, while 15.2% are 40 and above. Only 7.6% are under 20 years old. This suggests that the survey mainly reflects the opinions of a younger population, who are likely more affected by inflation in terms of income instability and rising living costs compared to older groups.

4.2 Gender:

Figure 2: Participants' gender statistics
(Source: Own editing based on the survey)

What is your gender?
105 responses

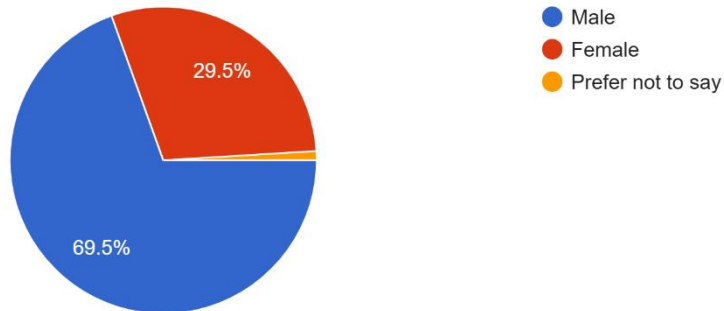
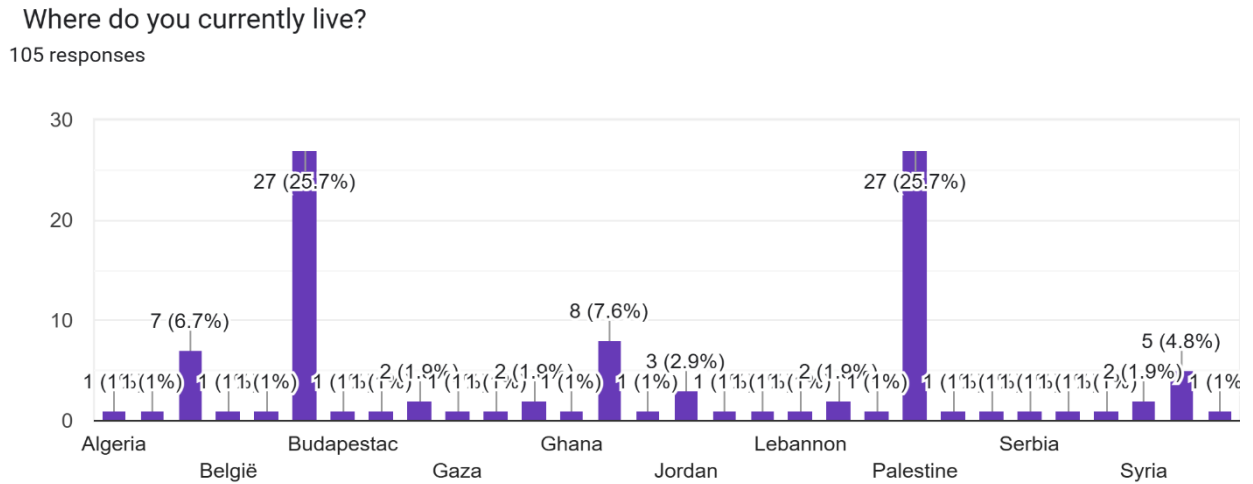


Figure 2 represents the gender distribution of participants. The majority of respondents were male (69.5%), while females accounted for 29.5% of the total. A very small portion of respondents preferred not to disclose their gender. This indicates that most of the opinions reflected in the study are from male participants, which may slightly influence the perception of inflation, as spending and saving behaviors can differ between genders.

The higher number of male participants could be related to the demographic composition of the sample or to the accessibility of the survey link among specific groups. Nevertheless, both male and female responses provide valuable insights into how inflation affects individuals' financial decisions.

4.3 Location:

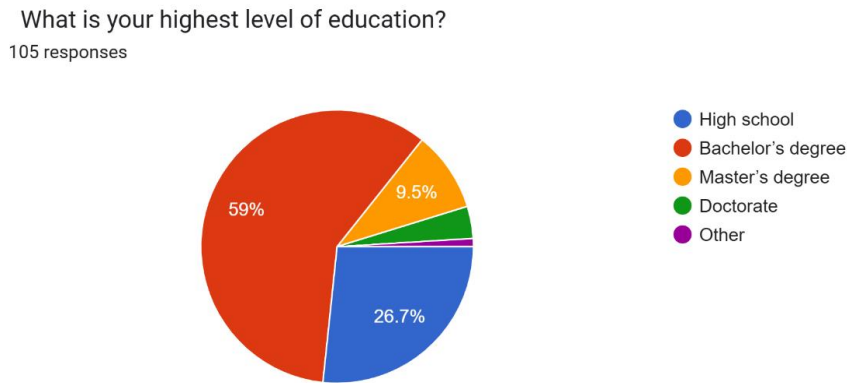
Figure 3: Participants' current place of residence
 (Source: Own editing based on the survey)



Each participant was asked to indicate their current place of residence. Responses included both countries and cities, showing a wide range of geographical backgrounds. Figure 3 presents these results in a bar chart. Participants came from more than 25 different locations, reflecting a diverse international sample. The highest number of responses came from Palestine and Hungary, representing the researcher's home country and current place of study, respectively. Smaller numbers of participants were recorded from countries such as Turkey, Germany, Egypt, and several others. This geographical diversity provides a broader perspective on how people from different economic environments experience and perceive inflation.

4.4 Education Level:

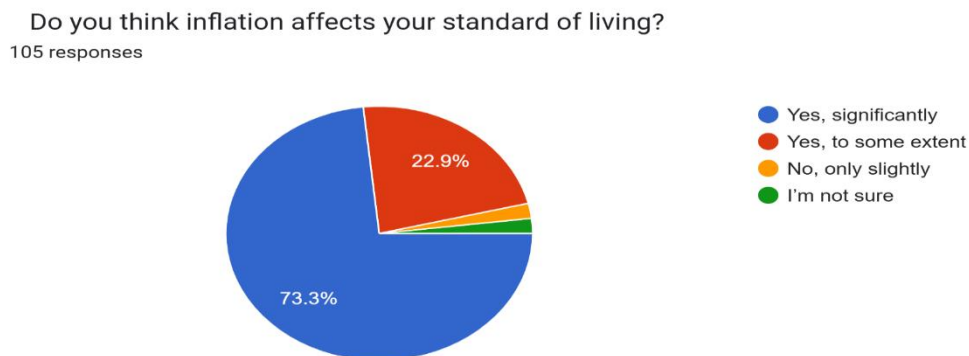
Figure 4: Participants' highest level of education
(Source: Own editing based on the survey)



It represents the distribution of participants according to their educational level. The results show that the majority of respondents (59%) hold a bachelor's degree, while 26.7% completed high school. A smaller portion of participants reported having a master's degree (9.5%) or a doctorate. This indicates that most respondents are well-educated, which may enhance the reliability of their opinions regarding inflation and monetary policies, as they are more likely to understand basic economic concepts.

4.5 Effect of Inflation on Standard of Living:

Figure 5: Participants' perception of how inflation affects their standard of living
(Source: Own editing based on the survey)



According to Figure 5, the majority of respondents (73.3%) believe that inflation significantly affects their standard of living, while 22.9% indicated that it affects them to some extent. Only a very small portion of participants stated that inflation has little or no impact, and an even smaller group were unsure. These results clearly demonstrate that most people perceive inflation as a major factor influencing their daily expenses, purchasing power, and overall financial comfort. This finding highlights the sensitivity of consumers to rising prices and supports the importance of maintaining price stability through effective monetary policies.

4.6 Noticeable Effects of Inflation

Figure 6: participants effected by inflation
(Source: Own editing based on the survey)

Which of the following do you notice most as a result of inflation?
105 responses

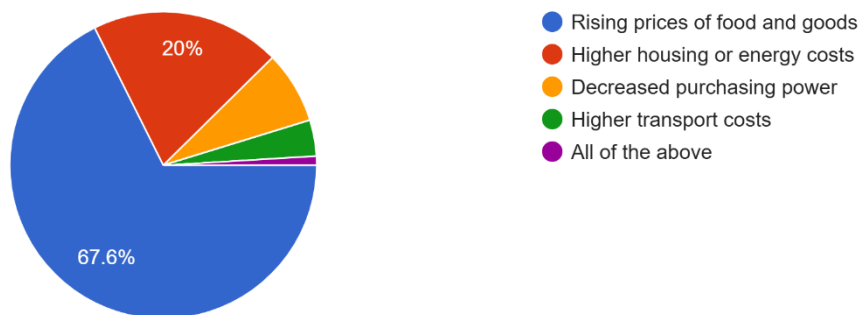
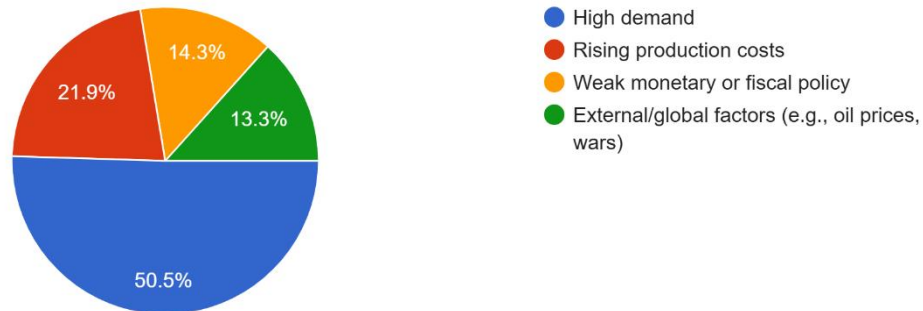


Figure 6 shows that the majority of respondents (67.6%) identified the rising prices of food and essential goods as the most noticeable effect of inflation. About 20% mentioned higher housing or energy costs, while a smaller proportion referred to decreased purchasing power or transport costs. These findings suggest that the impact of inflation is most strongly felt in basic consumption areas such as groceries and utilities, which directly influence household budgets and living standards.

4.7 Perceived Causes of Inflation

Figure 7: Participants' opinions on the main causes of inflation
(Source: Own editing based on the survey)

In your opinion, what is the main cause of inflation?
105 responses



According to the results, half of the respondents (50.5%) attributed inflation primarily to high demand in the market, suggesting that increased consumer spending and demand-pull pressures are viewed as key drivers of rising prices. Around 21.9% pointed to rising production costs, while 14.3% linked inflation to weak monetary or fiscal policy. A smaller group (13.3%) considered external or global factors—such as oil prices or geopolitical conflicts—to be the main cause. These findings indicate that most participants associate inflation with internal economic activity rather than external shocks, reflecting a strong awareness of domestic market dynamics.

4.8 Effectiveness of Central Banks in Controlling Inflation

Figure 8: Participants' views on the effectiveness of their country's central bank
(Source: Own editing based on the survey)

Do you believe your country's central bank plays an effective role in controlling inflation?
105 responses

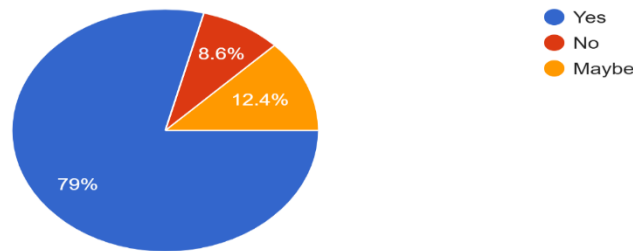
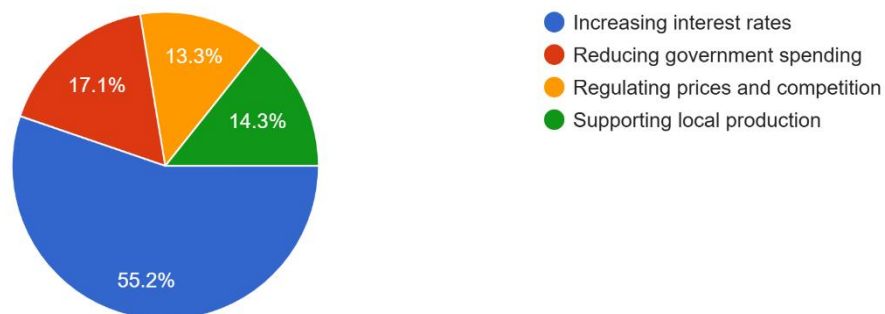


Figure 8 shows that a clear majority of participants (79%) believe their central bank is effective in managing inflation. Meanwhile, 12.4% were uncertain, and only 8.6% expressed that their central bank is not effective. These results suggest that most respondents have confidence in the role of monetary authorities in maintaining price stability. This outcome also reflects a general awareness of how central bank policies—such as interest rate adjustments and money supply control—can influence inflation trends.

4.9 Most Effective Policies to Reduce Inflation

Figure 9: Participants' opinions on the most effective policy in reducing inflation
(Source: Own editing based on the survey)

Which policy do you think is most effective in reducing inflation?
105 responses



More than half of the participants (55.2%) believe that increasing interest rates is the most effective tool to reduce inflation. Around 17.1% chose reducing government spending, while 14.3% preferred supporting local production. Only 13.3% of respondents suggested that regulating prices

and competition could help control inflation. These responses reflect a general understanding of traditional monetary measures, indicating that most participants associate inflation control with central bank actions rather than direct government intervention.

This shows that the majority of respondents recognize the role of monetary policy as the main instrument to manage inflation, which reflects a certain level of economic awareness among the participants. Their focus on interest rate adjustments suggests that people view inflation as a demand-driven issue that can be controlled by tightening money supply. However, the noticeable percentage who supported fiscal or production-related measures indicates that some participants also consider structural and governmental factors important in tackling inflation.

This variety in responses gives a more balanced picture of how individuals perceive the shared responsibility between central banks and governments in maintaining price stability.

4.10 Transparency and Public Trust

Figure 10: Participants' opinions on the impact of central bank transparency
(Source: Own editing based on the survey)

Do you think transparent communication from the central bank builds public trust and confidence?

105 responses

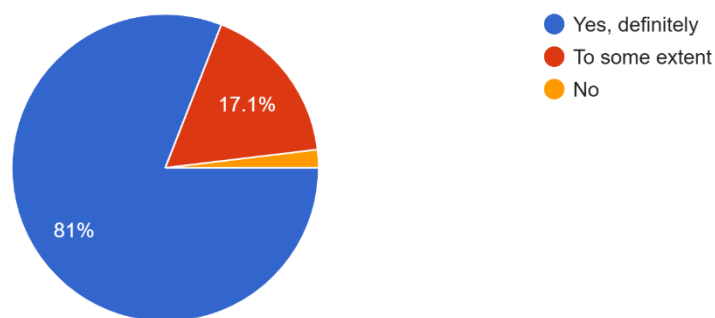


Figure 10 shows that a large majority of participants (81%) strongly believe that transparent communication from the central bank enhances public trust. About 17.1% agreed to some extent, while only a few respondents disagreed. These results emphasize the critical role of transparency in strengthening the credibility of monetary authorities and ensuring that the public remains informed and confident about the measures taken to maintain price stability.

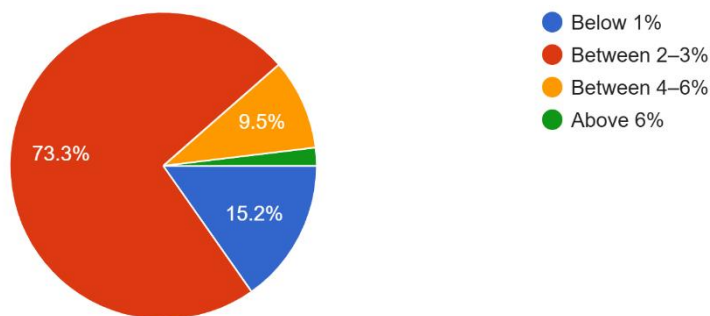
This strong agreement highlights the importance of openness in shaping the relationship between monetary institutions and the public. When people clearly understand the goals and decisions of the central bank, they are more likely to trust its actions and remain confident during periods of economic uncertainty. The small number of participants who were unsure or disagreed may reflect a limited awareness of how transparency affects financial stability.

Overall, the results suggest that clear communication and consistent updates from the central bank can play a major role in reducing misinformation and reinforcing public confidence in economic policy.

4.11 Ideal Annual Inflation Rate

Figure 11: Participants' opinions on the ideal inflation rate for a healthy economy
(Source: Own editing based on the survey)

What do you think is the ideal annual inflation rate for a healthy economy? (optional)
105 responses



The majority of participants (73.3%) believe that an inflation rate between 2% and 3% is most appropriate for maintaining economic stability. About 15.2% preferred a rate below 1%, while 9.5% suggested a slightly higher rate between 4% and 6%. Only a few participants considered an inflation rate above 6% to be acceptable. These responses align closely with the general consensus among economists, who view moderate inflation as a sign of sustainable growth and a tool for

avoiding deflationary risks.

That means most respondents have a realistic perception of what constitutes a healthy level of inflation. Their preference for a moderate rate between 2% and 3% aligns with the targets adopted by many central banks around the world, suggesting a general awareness of global monetary standards.

The minority who favored very low or high rates might reflect different economic experiences or levels of understanding regarding the trade-off between inflation and growth. In conclusion, these findings show that participants hold a reasonable view, recognizing that a limited level of inflation is necessary to encourage spending and investment while preventing the economy from stagnation.

Furthermore, the tendency of respondents to choose moderate inflation levels suggests that they associate economic stability with predictability and gradual price changes rather than sudden fluctuations. This perspective aligns with modern monetary policy frameworks, where maintaining a stable and moderate inflation rate is considered essential for fostering long-term consumer and business confidence.

4.12 Impact of Inflation on Daily Life

Respondents were asked whether they have recently noticed a significant increase in the prices of goods or services, and how this has affected their daily lives. Out of 35 responses, nearly all participants (over 99%) confirmed that they have experienced noticeable price increases.

Most indicated that inflation has reduced their purchasing power and forced them to change their spending habits. Many explained that they now buy fewer items, focus on essential goods, and look for cheaper or lower-quality alternatives. Several respondents also mentioned that their salaries are no longer sufficient to cover basic expenses, which has led them to cut back on luxuries, change transportation habits, or seek additional sources of income.

Beyond the financial strain, the findings reveal a clear psychological and social dimension: participants expressed growing feelings of stress and frustration as their income failed to keep pace with rising prices.

The constant need to plan purchases carefully and manage shrinking budgets has increased mental

pressure and lowered overall satisfaction with daily life. These patterns suggest that inflation is not only an economic issue but also a social and emotional challenge, as households continue to adapt their lifestyles to cope with uncertainty and the persistent loss of purchasing power.

4.13 Importance of Price Stability

Figure 12: Participants' opinions on the importance of price stability for economic growth
(Source: Own editing based on the survey)

Do you believe price stability is essential for sustainable economic growth?
105 responses

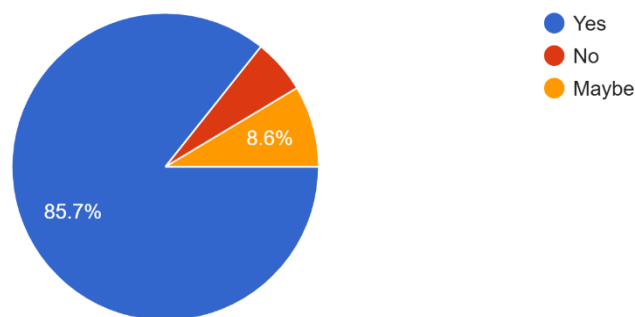


Figure 12 shows that a large majority of participants (85.7%) agreed that stable prices are very important for long-term economic development, while only 8.6% disagreed and a few were unsure. The results suggest that most people recognize the importance of maintaining steady prices as a foundation for confidence in the economy. When inflation is kept under control, households and businesses can plan their financial activities more effectively, which supports growth and job creation. The result also shows that public awareness of the benefits of price stability has become stronger, especially after recent periods of global economic uncertainty.

Price stability, as highlighted by institutions such as the IMF and the World Bank, helps preserve purchasing power, encourage investment, and reduce economic uncertainty. The participants' views are consistent with economic theories which state that sustainable growth cannot be achieved when inflation remains high and unpredictable.

5. CONCLUSION

This study examined the effects of inflation on individuals' financial behavior and their perception of the central bank's role in maintaining price stability. Based on the responses of 105 participants, several key conclusions were reached.

Almost all respondents (over 99%) noticed a significant increase in the prices of essential goods such as food, housing, and transportation, confirming that inflation directly reduces purchasing power and affects daily life. Most participants reported changing their spending habits by prioritizing necessities and reducing luxury consumption.

About half of the respondents (50.5%) attributed inflation to excess demand and weak policy measures, while others mentioned rising production costs and global economic instability. This reflects a reasonable level of public awareness of the main drivers of inflation. Furthermore, 73.3% believed that an annual inflation rate between 2% and 3% supports stable economic growth—consistent with international monetary standards.

The majority (79%) expressed confidence in their central bank's ability to control inflation, and more than 80% agreed that transparency and communication from monetary authorities enhance public trust. These findings underline the importance of credibility and openness in economic policy.

A smaller portion of respondents expressed uncertainty or limited confidence in the effectiveness of monetary policy, suggesting that some individuals may not fully understand how central bank measures influence inflation. This highlights the need for continued public education and outreach to improve economic awareness and strengthen trust in policy actions.

Finally, inflation was found to affect not only finances but also mental and social well-being. Many participants reported stress and reduced life satisfaction as their income failed to keep pace with rising prices. Overall, the study confirms that inflation is both an economic and social challenge. Maintaining moderate inflation, strengthening communication, and increasing public awareness are essential to achieving long-term economic and social stability.

6. RECOMMENDATIONS

- Central banks should continue applying transparent and data-driven monetary policies to maintain moderate inflation rates. Regular communication about policy goals and interest rate changes can strengthen public trust and reduce uncertainty among citizens.
- Monetary authorities are encouraged to enhance financial education programs to help individuals better understand how inflation develops and how central bank actions influence prices. Improved awareness can increase confidence in monetary measures and reduce misconceptions.
- Governments should coordinate fiscal and monetary policies more effectively to avoid contradictory actions that could intensify inflation. This includes managing public spending responsibly and limiting unnecessary deficits.
- Social protection programs should be expanded to support low- and middle-income groups most affected by rising prices, particularly in essential sectors such as food, housing, and energy.
- Public campaigns should encourage individuals to adopt responsible financial habits such as saving, budgeting, and investing in stable assets. These behaviors can help mitigate the personal effects of inflation and improve financial resilience.
- Economic policymakers should focus on achieving a sustainable balance between growth and stability by keeping inflation around the optimal rate of 2–3%. This ensures continued development without eroding purchasing power.
- Future studies are recommended to include larger and more diverse samples or to compare perceptions of inflation across different countries. Further research could also explore the long-term social and psychological consequences of persistent inflation.

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Annexes

Annex 1: the questionnaire

Inflation and the Role of Central Banks in Achieving Price Stability

Hello!

I am a graduating student at the Hungarian University of Agriculture and Life Sciences.

This short survey is part of my bachelor thesis.

All responses will remain anonymous and used only for research and educational purposes.

Your participation is greatly appreciated! Thank you for your time.

What is your age? *

- Under 20
- 20–29
- 30–39
- 40 and above

What is your gender? *

- Male
- Female
- Prefer not to say

Where do you currently live? *

Do you think inflation affects your standard of living? *

- Yes, significantly
- Yes, to some extent
- No, only slightly
- I'm not sure

What is your highest level of education? *

- High school
- Bachelor's degree
- Master's degree
- Doctorate
- Other

Do you think inflation affects your standard of living? *

- Yes, significantly
- Yes, to some extent
- No, only slightly
- I'm not sure

Which of the following do you notice most as a result of inflation? *

- Rising prices of food and goods
- Higher housing or energy costs
- Decreased purchasing power
- Higher transport costs

In your opinion, what is the main cause of inflation? *

- High demand
- Rising production costs
- Weak monetary or fiscal policy
- External/global factors (e.g., oil prices, wars)

Do you believe your country's central bank plays an effective role in controlling inflation? *

- Yes
- No
- Maybe

Which policy do you think is most effective in reducing inflation? *

- Increasing interest rates
- Reducing government spending
- Regulating prices and competition
- Supporting local production

Do you think transparent communication from the central bank builds public trust and confidence? *

- Yes, definitely
- To some extent
- No

What do you think is the ideal annual inflation rate for a healthy economy? (optional)

- Below 1%
- Between 2–3%
- Between 4–6%
- Above 6%

Has inflation affected your spending or saving habits recently? *

- Yes, I reduced my spending
- Yes, I buy earlier before prices rise
- No, my habits have not changed

Have you recently noticed a significant increase in the prices of goods or services?
How has this affected your daily life?

Annex 2 – Results of the Survey (Part 1)

What is your age?	What is your gender?	Where do you currently live?	What is your highest level of education?	Do you think inflation affects your standard of living?	Which of the following do you notice most as a result of inflation?	In your opinion, what is the main cause of inflation?
20–29	Male	Budapest	Bachelor's degree	Yes, significantly	Higher housing or energy costs	High demand
20–29	Male	België	Other	Yes, to some extent	Higher housing or energy costs	External/global factors (e.g., oil prices, wars)
20–29	Female	Budapest	High school	Yes, significantly	Rising prices of food and goods	Weak monetary or fiscal policy
20–29	Male	Ghana	Bachelor's degree	No, only slightly	Rising prices of food and goods	High demand
20–29	Male	Hungary	Master's degree	Yes, significantly	Rising prices of food and goods	External/global factors (e.g., oil prices, wars)
30–39	Female	Palestine	Bachelor's degree	Yes, significantly	Rising prices of food and goods	Weak monetary or fiscal policy
20–29	Male	Budapest	High school	Yes, significantly	Rising prices of food and goods	External/global factors (e.g., oil prices, wars)
20–29	Male	Hungary	High school	Yes, significantly	Higher housing or energy costs	High demand
Under 20	Female	Belgium	High school	Yes, to some extent	Rising prices of food and goods	High demand
Under 20	Female	Palestine	High school	Yes, significantly	Decreased purchasing power	Weak monetary or fiscal policy
40 and above	Male	Sweden	Master's degree	Yes, significantly	Rising prices of food and goods	High demand
30–39	Male	Spain	Bachelor's degree	Yes, significantly	Rising prices of food and goods	Rising production costs
20–29	Male	Budapest	Bachelor's degree	Yes, significantly	Rising prices of food and goods	High demand
20–29	Male	Budapest	High school	Yes, significantly	Rising prices of food and goods	High demand
20–29	Female	Budapest	Bachelor's degree	Yes, to some extent	Decreased purchasing power	Weak monetary or fiscal policy
Under 20	Male	Jordan	High school	Yes, to some extent	Rising prices of food and goods	High demand
20–29	Male	Hungary	Bachelor's degree	Yes, significantly	Rising prices of food and goods	High demand
20–29	Male	Argentina	Bachelor's degree	Yes, significantly	Rising prices of food and goods	Rising production costs
40 and above	Male	Palestine	Bachelor's degree	Yes, significantly	Rising prices of food and goods	External/global factors (e.g., oil prices, wars)
20–29	Female	Palestine	Bachelor's degree	Yes, to some extent	Higher housing or energy costs	Rising production costs
Under 20	Female	Budapest	High school	Yes, significantly	Rising prices of food and goods	High demand
40 and above	Male	Kuwait	Master's degree	Yes, to some extent	Rising prices of food and goods	External/global factors (e.g., oil prices, wars)
20–29	Male	Morocco	Master's degree	Yes, significantly	Rising prices of food and goods	Weak monetary or fiscal policy
30–39	Male	Saudi Arabia	Bachelor's degree	Yes, significantly	All of the above	Weak monetary or fiscal policy

40 and above	Male	Gcc	Bachelor's degree	Yes, to some extent	Rising prices of food and goods	External/global factors (e.g., oil prices, wars)
30-39	Female	Iraq	Doctorate	No, only slightly	Higher housing or energy costs	Weak monetary or fiscal policy
Under 20	Male	Palestine	Bachelor's degree	Yes, to some extent	Higher housing or energy costs	Rising production costs
20-29	Female	Budapest	Bachelor's degree	Yes, to some extent	Higher housing or energy costs	Rising production costs
20-29	Female	Budapest	Master's degree	Yes, to some extent	Rising prices of food and goods	High demand
20-29	Female	Budapest	Bachelor's degree	Yes, significantly	Rising prices of food and goods	High demand
20-29	Female	Palestine	Master's degree	Yes, to some extent	Higher housing or energy costs	Rising production costs
20-29	Female	Lebannon	Master's degree	Yes, to some extent	Higher housing or energy costs	Rising production costs
20-29	Female	Budapest	Bachelor's degree	Yes, to some extent	Higher housing or energy costs	Weak monetary or fiscal policy
20-29	Male	Budapest	Doctorate	Yes, to some extent	Rising prices of food and goods	Rising production costs
20-29	Female	Budapest	Bachelor's degree	Yes, to some extent	Higher housing or energy costs	Weak monetary or fiscal policy
30-39	Female	Budapest	Doctorate	Yes, to some extent	Rising prices of food and goods	Rising production costs
Under 20	Male	Prague	High school	Yes, significantly	Rising prices of food and goods	Rising production costs
Under 20	Male	Czech	High school	Yes, to some extent	Higher housing or energy costs	External/global factors (e.g., oil prices, wars)
40 and above	Male	Belgium	Bachelor's degree	Yes, significantly	Rising prices of food and goods	High demand
20-29	Female	USA	Bachelor's degree	Yes, significantly	Decreased purchasing power	Weak monetary or fiscal policy
20-29	Male	Belgium	Bachelor's degree	I'm not sure	Decreased purchasing power	External/global factors (e.g., oil prices, wars)
20-29	Female	Palestine	Bachelor's degree	Yes, significantly	Rising prices of food and goods	High demand
Under 20	Male	Egypt	High school	Yes, to some extent	Higher housing or energy costs	Rising production costs
20-29	Male	Budapest	Bachelor's degree	Yes, significantly	Rising prices of food and goods	High demand
20-29	Male	Morocco	Bachelor's degree	Yes, significantly	Decreased purchasing power	Rising production costs
20-29	Male	Jordan	Bachelor's degree	Yes, significantly	Rising prices of food and goods	High demand
20-29	Male	Serbia	High school	Yes, significantly	Rising prices of food and goods	Weak monetary or fiscal policy
Under 20	Male	Hungary	High school	Yes, significantly	Rising prices of food and goods	High demand
30-39	Male	Palestine	Bachelor's degree	Yes, to some extent	Rising prices of food and goods	External/global factors (e.g., oil prices, wars)
30-39	Female	Netherlands	Bachelor's degree	Yes, significantly	Higher housing or energy costs	External/global factors (e.g., oil prices, wars)
20-29	Male	Budapest	High school	Yes, significantly	Rising prices of food and goods	High demand
30-39	Male	Budapest	Bachelor's degree	Yes, significantly	Higher housing or energy costs	Weak monetary or fiscal policy
20-29	Male	Budapest	Bachelor's degree	Yes, significantly	Rising prices of food and goods	High demand

20–29	Female	Hungary	Master’s degree	Yes, significantly	Decreased purchasing power	External/global factors (e.g., oil prices, wars)
20–29	Female	Hungary	Bachelor’s degree	Yes, significantly	Rising prices of food and goods	Rising production costs
30–39	Male	Egypt	Bachelor’s degree	Yes, to some extent	Decreased purchasing power	Rising production costs
20–29	Male	Gaza	High school	Yes, significantly	Rising prices of food and goods	Weak monetary or fiscal policy
Under 20	Male	Hungary	High school	Yes, significantly	Rising prices of food and goods	High demand
30–39	Female	Syria	Master’s degree	Yes, significantly	Rising prices of food and goods	High demand
20–29	Female	Syria	Bachelor’s degree	Yes, significantly	Decreased purchasing power	Weak monetary or fiscal policy
20–29	Male	Palestine	Bachelor’s degree	Yes, significantly	Higher housing or energy costs	External/global factors (e.g., oil prices, wars)
20–29	Male	Palestine	Bachelor’s degree	Yes, significantly	Higher transport costs	External/global factors (e.g., oil prices, wars)
20–29	Male	Germany	Bachelor’s degree	Yes, significantly	Higher transport costs	High demand
20–29	Male	Belgium	Bachelor’s degree	Yes, significantly	Higher transport costs	High demand
20–29	Male	Germany	High school	Yes, to some extent	Rising prices of food and goods	High demand
30–39	Male	Palestine	Bachelor’s degree	Yes, significantly	Higher housing or energy costs	Rising production costs
20–29	Male	Palestine	High school	Yes, significantly	Rising prices of food and goods	High demand
30–39	Female	Jordan	Bachelor’s degree	Yes, significantly	Rising prices of food and goods	High demand
Under 20	Female	Belgium	Bachelor’s degree	Yes, significantly	Higher housing or energy costs	High demand
20–29	Male	Turkey	High school	Yes, to some extent	Rising prices of food and goods	Rising production costs
Under 20	Prefer not to say	Belgium	High school	I’m not sure	Rising prices of food and goods	Rising production costs
30–39	Male	Turkey	Bachelor’s degree	Yes, significantly	Rising prices of food and goods	High demand
20–29	Male	Turkey	Bachelor’s degree	Yes, to some extent	Rising prices of food and goods	High demand
30–39	Female	Turkey	Bachelor’s degree	Yes, significantly	Rising prices of food and goods	Rising production costs
Under 20	Male	Palestine	High school	Yes, significantly	Rising prices of food and goods	High demand
20–29	Male	Budapest	Bachelor’s degree	Yes, significantly	Rising prices of food and goods	External/global factors (e.g., oil prices, wars)
20–29	Male	Turkey	High school	Yes, significantly	Rising prices of food and goods	High demand
30–39	Female	Budapest	Bachelor’s degree	Yes, significantly	Rising prices of food and goods	High demand
40 and above	Male	Algeria	Bachelor’s degree	Yes, significantly	Rising prices of food and goods	High demand
40 and above	Male	Palestine	Doctorate	Yes, significantly	Higher housing or energy costs	High demand
20–29	Male	Palestine	High school	Yes, significantly	Rising prices of food and goods	High demand
20–29	Male	Palestine	Bachelor’s degree	Yes, significantly	Rising prices of food and goods	High demand
20–29	Male	Hungary	Bachelor’s degree	Yes, significantly	Rising prices of food and goods	High demand

20–29	Male	Palestine	Bachelor's degree	Yes, significantly	Rising prices of food and goods	High demand
20–29	Male	Palestine	Bachelor's degree	Yes, significantly	Higher housing or energy costs	Rising production costs
20–29	Male	Palestine	Bachelor's degree	Yes, significantly	Rising prices of food and goods	High demand
Under 20	Male	Palestine	Bachelor's degree	Yes, significantly	Rising prices of food and goods	High demand
40 and above	Male	Kwait	Bachelor's degree	Yes, significantly	Rising prices of food and goods	Weak monetary or fiscal policy
20–29	Male	Palestine	Bachelor's degree	Yes, significantly	Rising prices of food and goods	High demand
Under 20	Male	Belgium	High school	Yes, significantly	Higher transport costs	High demand
20–29	Male	Budapest	Bachelor's degree	Yes, significantly	Rising prices of food and goods	High demand
20–29	Male	Palestine	Bachelor's degree	Yes, significantly	Rising prices of food and goods	Rising production costs
20–29	Male	Budapest	Bachelor's degree	Yes, significantly	Rising prices of food and goods	High demand
20–29	Female	Budapest	Bachelor's degree	Yes, significantly	Rising prices of food and goods	High demand
20–29	Female	Budapest	Bachelor's degree	Yes, significantly	Rising prices of food and goods	Rising production costs
20–29	Female	Budapest	High school	Yes, significantly	Rising prices of food and goods	High demand
20–29	Male	Budapest	High school	Yes, significantly	Rising prices of food and goods	Rising production costs
20–29	Male	Palestine	High school	Yes, significantly	Rising prices of food and goods	Rising production costs
20–29	Male	Palestine	Bachelor's degree	Yes, significantly	Higher housing or energy costs	High demand
20–29	Male	Palestine	Bachelor's degree	Yes, to some extent	Rising prices of food and goods	High demand
20–29	Male	Palestine	Bachelor's degree	Yes, significantly	Rising prices of food and goods	High demand
30–39	Female	Palestine	Master's degree	Yes, significantly	Rising prices of food and goods	High demand
20–29	Male	Budapest	Bachelor's degree	Yes, significantly	Rising prices of food and goods	High demand
20–29	Male	Budaepst	Bachelor's degree	Yes, significantly	Rising prices of food and goods	High demand
20–29	Male	Budapest	High school	Yes, significantly	Rising prices of food and goods	High demand

Annex 2 – Results of the Survey (Part 2)

Do you believe your country's central bank plays an effective role in controlling inflation?	Which policy do you think is most effective in reducing inflation?	Do you think transparent communication from the central bank builds public trust and confidence?	What do you think is the ideal annual inflation rate for a healthy economy? (optional)	Has inflation affected your spending or saving habits recently?	Have you recently noticed a significant increase in the prices of goods or services? How has this affected your daily life?	Do you believe price stability is essential for sustainable economic growth?
Yes	Reducing government spending	Yes, definitely	Above 6%	Yes, I buy earlier before prices rise	Yes	Maybe
Maybe	Regulating prices and competition	To some extent	Between 2–3%	Yes, I reduced my spending	Yes it made me stop spending and buy cheaper things and also sell my private transportation and use public transportation instead	Yes
No	Supporting local production	No	Between 4–6%	Yes, I reduced my spending	Yes. I buy less, and i try to find cheaper alternatives. However, cheap alternatives are often worse in quality	Yes
Yes	Increasing interest rates	To some extent	Between 4–6%	Yes, I buy earlier before prices rise		No
Maybe	Supporting local production	Yes, definitely	Below 1%	Yes, I reduced my spending		Yes
Yes	Regulating prices and competition	Yes, definitely	Between 2–3%	Yes, I reduced my spending	Yes. My ability of purchasing decreased alot	Yes
Yes	Reducing government spending	To some extent	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending	yea	Yes
Yes	Increasing interest rates	Yes, definitely	Below 1%	Yes, I buy earlier before prices rise	Yes somehow. it affected my life	Maybe
Yes	Reducing government spending	To some extent	Between 4–6%	No, my habits have not changed		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending	Yes indeed. It made me spend less money	Yes
Yes	Reducing government spending	Yes, definitely	Between 2–3%	Yes, I buy earlier before prices rise	Yes. it affected my life in a bad way	Yes
Yes	Reducing government spending	Yes, definitely	Between 2–3%	Yes, I buy earlier before prices rise	yes	Yes

Yes	Increasing interest rates	Yes, definitely	Below 1%	Yes, I buy earlier before prices rise	yes, too much	Yes
Yes	Supporting local production	To some extent	Below 1%	Yes, I buy earlier before prices rise	somehow	Maybe
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending	yes	Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I buy earlier before prices rise	Yes. inflation made me choose my products carefully and stop spending money on unnecessary products	Yes
Yes	Increasing interest rates	Yes, definitely	Between 4–6%	Yes, I reduced my spending	Yes indeed	Yes
Maybe	Regulating prices and competition	To some extent	Between 2–3%	Yes, I buy earlier before prices rise	yes	Yes
Maybe	Supporting local production	To some extent	Between 4–6%	Yes, I buy earlier before prices rise	yes	Yes
Yes	Regulating prices and competition	Yes, definitely	Between 2–3%	Yes, I buy earlier before prices rise	yes	Yes
Yes	Supporting local production	Yes, definitely	Below 1%	Yes, I reduced my spending	Trying to reduce my spending on luxuries	Yes
No	Regulating prices and competition	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Maybe	Supporting local production	Yes, definitely	Between 2–3%	Yes, I reduced my spending	Yes, i reduced my spending and try to invest money	No
No	Supporting local production	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Maybe
No	Reducing government spending	To some extent	Between 2–3%	Yes, I buy earlier before prices rise		No
No	Reducing government spending	Yes, definitely	Between 2–3%	Yes, I reduced my spending		No
No	Increasing interest rates	To some extent	Between 2–3%	Yes, I buy earlier before prices rise		Yes
Yes	Regulating prices and competition	Yes, definitely	Below 1%	Yes, I buy earlier before prices rise		Yes
Yes	Regulating prices and competition	To some extent	Between 2–3%	Yes, I buy earlier before prices rise		Maybe
No	Reducing government spending	To some extent	Between 4–6%	Yes, I buy earlier before prices rise		Yes
Yes	Regulating prices and competition	Yes, definitely	Between 4–6%	Yes, I buy earlier before prices rise		Yes
Yes	Regulating prices and competition	Yes, definitely	Between 2–3%	Yes, I buy earlier before prices rise		No

Yes	Reducing government spending	To some extent	Between 2–3%	Yes, I buy earlier before prices rise		No
Yes	Reducing government spending	Yes, definitely	Between 2–3%	Yes, I buy earlier before prices rise		Yes
No	Reducing government spending	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending	Yes, prices have gone up a lot. I've started cutting back on unnecessary shopping.	Maybe
Maybe	Increasing interest rates	To some extent	Below 1%	Yes, I reduced my spending	somehow	Maybe
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending	Yes, everything feels more expensive lately	Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending	I've noticed higher prices, especially for food and transport	Yes
Maybe	Supporting local production	To some extent	Between 2–3%	Yes, I buy earlier before prices rise	Yes, prices are increasing especially in larger cities	Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending	yes	Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending	Yes	Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending	yes indeed.	Yes
Maybe	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending	yeah	Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Between 4–6%	Yes, I reduced my spending	yes	Yes
Yes	Reducing government spending	Yes, definitely	Between 2–3%	Yes, I buy earlier before prices rise	yes	Yes
Yes	Supporting local production	To some extent	Below 1%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending	Absolutely! It affected my life badly	Maybe
Yes	Increasing interest rates	Yes, definitely	Below 1%	Yes, I reduced my spending		Yes
Maybe	Supporting local production	Yes, definitely	Below 1%	Yes, I reduced my spending		Yes
Yes	Regulating prices and competition	Yes, definitely	Between 2–3%	Yes, I buy earlier before prices rise		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Reducing government spending	To some extent	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes

Maybe	Increasing interest rates	No	Above 6%	No, my habits have not changed	sure	Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending	yes	Yes
Yes	Supporting local production	To some extent	Between 2–3%	Yes, I buy earlier before prices rise		Yes
Yes	Supporting local production	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Reducing government spending	Yes, definitely	Between 2–3%	Yes, I buy earlier before prices rise		Yes
Maybe	Supporting local production	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I buy earlier before prices rise		Yes
Yes	Regulating prices and competition	Yes, definitely	Between 4–6%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Below 1%	Yes, I buy earlier before prices rise		Yes
Yes	Increasing interest rates	Yes, definitely	Below 1%	Yes, I buy earlier before prices rise		Yes
Yes	Regulating prices and competition	Yes, definitely	Below 1%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I buy earlier before prices rise		Yes
Yes	Reducing government spending	Yes, definitely	Below 1%	Yes, I reduced my spending		Yes
No	Regulating prices and competition	Yes, definitely	Between 4–6%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Maybe	Regulating prices and competition	To some extent	Between 2–3%	Yes, I buy earlier before prices rise		Maybe
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I buy earlier before prices rise		Yes
Yes	Reducing government spending	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending	Yes indeed	Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending	Yes, of course. My salary is becoming not enough to purchase stuff	Yes

Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I buy earlier before prices rise		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Supporting local production	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I buy earlier before prices rise		Yes
Maybe	Reducing government spending	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Below 1%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Below 1%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Reducing government spending	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Supporting local production	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes
Yes	Increasing interest rates	Yes, definitely	Between 2–3%	Yes, I reduced my spending		Yes



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STUDENT DECLARATION

Signed below IMAD M M ALGHOUL, student of the Hungarian University of Agricultural and Life Sciences, Gödöllő Campus, Business Administration and Management BSc Course full time/correspondence* declare that the presented Thesis is my own work, and I have used the cited and quoted literature in accordance with the relevant legal and ethical rules. I understand that the one-page-summary of my thesis will be uploaded on the website of the Campus/Institute/Course, and my thesis will be available at the Host Department/Institute and in the repository of the University in accordance with the relevant legal and ethical rules.

Confidential data are presented in the thesis: yes no*

Date: 2025 year 11 month 06 day

Student

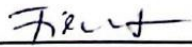
DECLARATION

Imad Alghoul (name) (student Neptun code: C4N1CJ) as a consultant, I declare that I have reviewed the thesis and that I have informed the student of the requirements, legal and ethical rules for the correct handling of literary sources.

I recommend / do not recommend¹ the thesis to be defended in the final examination.

The thesis contains a state or official secret: yes no²

Date: 2025. November 07.


insider consultant

¹ The appropriate one should be underlined.

² The appropriate one should be underlined.

Declaration of Students and Doctoral Candidates on the Use of Artificial Intelligence (AI)"

1. general information:

Name of the student:	IMAD M. M. ALGHOUL
Neptun ID:	C4N1CJ
Level of program (mark with X):	<input checked="" type="checkbox"/> BSc/BA <input type="checkbox"/> MSc/MA <input type="checkbox"/> Doctoral School (PhD) <input type="checkbox"/> Other:
Name and code of the subject*:	B-GOD-N-EN-GAZME
Title of the work:	The causes and consequences of inflation and the role of central banks in achieving price stability

* Not required to be completed in the case of a doctoral dissertation.

2. Declaration on the Use of AI

I, the undersigned, fully aware of my ethical responsibility, make the following declaration:

(Please choose one of the options below!)

A) I have not used any artificial intelligence system or service.

(If you selected this option, completing the subsequent tables is not required.)

B) I have used an artificial intelligence system or service.

(Please fill in the relevant tables!)

3. Details of Artificial Intelligence Usage

TABLE I: Assistant or Minor Usage (e.g., translation, language proofreading, brainstorming, etc.)

(For these uses, attaching the specific prompts and responses is not required.)

Purpose of Use	Name and Version of the AI Tool Used	Affected Section (if not applicable to the entire text)

TABLE II: Significant Content Contribution (e.g., generating an entire figure or a longer text section)

(In these cases, documenting the key prompts used and the raw responses provided by the AI, and attaching them as an appendix to the work, is required.)

Purpose of Use	Name, Version, and Access Information of the AI Tool Used	Exact Number of the Affected Chapter / Figure / Table	Entry Number of the Appendix Containing the Prompt Log

3/A. Additional Rules Prescribed by the Lecturer (if any)

If the instructor or supervisor of the course has established specific rules or expectations regarding the use of AI tools, please summarize them in the field below:

For example: prohibition of AI use for certain types of tasks; only specific tools are permitted; different citation requirements; documentation format, etc.

Rules Prescribed by the Lecturer or Supervisor

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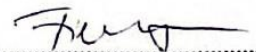
4. Declaration Applicable to All Students:

I declare that I have critically reviewed, edited, and incorporated any content potentially generated by AI in all cases. I take full responsibility for every element of the submitted work, including its originality and scientific validity. I acknowledge that the Hungarian University of Agriculture and Life Sciences may check the submitted work with an artificial intelligence detector and may initiate proceedings if my declaration is found to be false or incomplete.

Place and Date: Gödöllő....., 2025.11..... month06.... day


.....

Signature of the Student


.....

Signature of the Advisor/Supervisor