# The Limits to Growth: Interest rate and Inflation.

Pakistan is facing the worst economic crises in its history. The country interest rate and inflation has set its new peaks; results in repression to growth and lower economic activities. The interest rate has rose to 22%, first time in the country's history but the question is how ~~could~~ it effect the economy? The rising in interest rate by the central bank, ~~can~~ ~~can~~ a tool with them to control inflation, can control inflation in a ~~s~~ short run. However, it slower down the economic activity. In addition to, the investors kept their money in reserves to earn more interest and avoid spending their spare money on extra means. Consequently, this lower the demand and competition; However, results in depression in businesses. This yields in lowering the trust of investors, lead to economic crisis. Furthermore, the balance ~~the~~ ~~balance~~ between the National Domestic Reserves and Foreign Direct Reserves is imperitive for country's economic stability. Unfortunately, the state bank have pumped massive quantities of printed money into the economy. This injunction means, much money chasing few dollors; results in devaluation of Rupee against the dollar and rise in inflation. Similarly, this imbalance plunged the foreign reserves and creates unfavorable enviroment for economic activity. In a short, the higher interest rate and pumping massive quantity of money into the system by the state bank; rise in inflation has limited the economic growth and country is facing economic crisis.