

Inflation: Problem and Policies

1 Marks Questions

1. Define inflation

Ans. Inflation is a situation of persistent and appreciable rise in prices, leading to fall in purchasing power of money.

2. Define deflation

Ans. Deflation is a situation where prices are falling and value of money is rising.

3. Define stagflation

Ans. Stagflation means stagflation plus inflation. It is a situation where stagnation co exists with inflation in an economy.

4. Which demand factors cause inflation?

Ans. Growth in population, rise in employment and increasing pace of urbanization cause inflation.

5. Which supply factors cause inflation?

Ans. Hoarding of essential goods, irregular agricultural supply, rise in administered prices and inadequate growth of industrial production are some of the supply factors which cause inflation.

6. What is demand pull inflation?

Ans. Demand pull inflation arises when there is an excess of demand for goods over their

supply.

7. What is cost push inflation?

Ans. Cost push inflation occur when rise in price is due to rise in the cost of production.

8. What is inflation rate?

Ans. Inflation rate is a chief measure of price inflation. It is annualized percentage change in a general price index over time.

9. Who controls and monitor monetary policy india ?

Ans. The reserve bank of india controlls and monitors monetary policy in India.

10. What is fiscal policy?

Ans. Fiscal policy is the expenditure and revenue policy of the government.