

INFLATION

1. High inflation levels in the economy leads to _____ in the supply of money.
 - a. Increase
 - b. Decrease
 - c. No change
 - d. None of the above
2. Which of the following concepts is the opposite of inflation?
 - a. Deflation
 - b. Stagflation
 - c. Recession
 - d. None of the above
3. When the price levels of goods and services are falling continuously, this phenomenon is called _____.
 - a. Deflation
 - b. Stagflation
 - c. Inflation
 - d. None of the above
4. If too much money is chasing too few goods, the resulting inflation is known as _____.
 - a. Stagflation
 - b. Cost-push inflation
 - c. Demand-pull inflation
 - d. None of the above
5. The main causes of inflation in India are _____.
 - a. The inadequate rise in industrial production
 - b. Erratic agricultural growth
 - c. Deficit financing
 - d. All of the above
6. Inflation is measured by _____.
 - a. Consumer price index
 - b. Wholesale price index
 - c. Marshall's index
 - d. None of the above
7. When inflation is a result of an increase in the price of factors of production, the result is _____.
 - a. Stagflation
 - b. Cost-push inflation
 - c. Demand-pull inflation

- d. None of the above
8. The combination of stagnation and inflation is known as _____.
a. Stagflation
b. Cost-push inflation
c. Demand-pull inflation
d. None of the above
9. When the central government reduces the value of the domestic currency in terms of foreign currency, this phenomenon is called _____.
a. Depreciation
b. Appreciation
c. Devaluation
d. None of the above
10. The Reserve Bank of India (RBI) can take the measure of _____ to control inflation within the country.
a. Rationing of credit
b. Introducing a progressive tax system
c. Improving profits of the public sector
d. Controlling public expenditure
11. Which one of the following steps taken by the Government of India effectively controlled the double-digit rate of inflation in the economy in the 1970s?
a. Contain unproductive expenditure and budget deficits
b. Pursue an export-oriented strategy
c. Streamline public distribution system
d. Enhance production of all public goods
12. The purchasing power of money varies _____.
a. Directly with the volume of employment
b. Inversely with the price level
c. Directly with the interest rate
d. Directly with the price level
13. How does inflation help in the redistribution of income?
a. Disproportional change in prices
b. Proportional changes in prices
c. Falling prices
d. Rising prices
14. The item with the maximum weightage in the Wholesale Price Index is _____.
a. Food items

- b. Manufactured products
- c. Fuel and power
- d. None of the above

15. The Consumer Price Index helps to measure the degree to which _____.

- a. Consumer prices have risen relative to the wage level in the economy
- b. Distribution of income between two different sets of income recipients at the same point in time
- c. Distribution of income between two different sets of income recipients during different periods
- d. None of the above

Answers

- | | | | | | | | |
|--------|---------|---------|---------|---------|---------|---------|--------|
| 1. (a) | 2. (a) | 3. (a) | 4. (c) | 5. (d) | 6. (a) | 7. (b) | 8. (a) |
| 9. (c) | 10. (a) | 11. (a) | 12. (b) | 13. (a) | 14. (b) | 15. (c) | |