

# Inflation: Problem and Policies

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## 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.

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### 2. Define deflation

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

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### 3. Define stagflation

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

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### 4. Which demand factors cause inflation?

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

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### 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.

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### 6. What is demand pull inflation?

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

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supply.

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**7. What is cost push inflation?**

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

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**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.

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**9. Who controls and monitor monetary policy india ?**

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

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**10. What is fiscal policy?**

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