



WB/ KP SI & CONSTABLE



ECONOMICS

INFLATION

PART-3

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LIVE

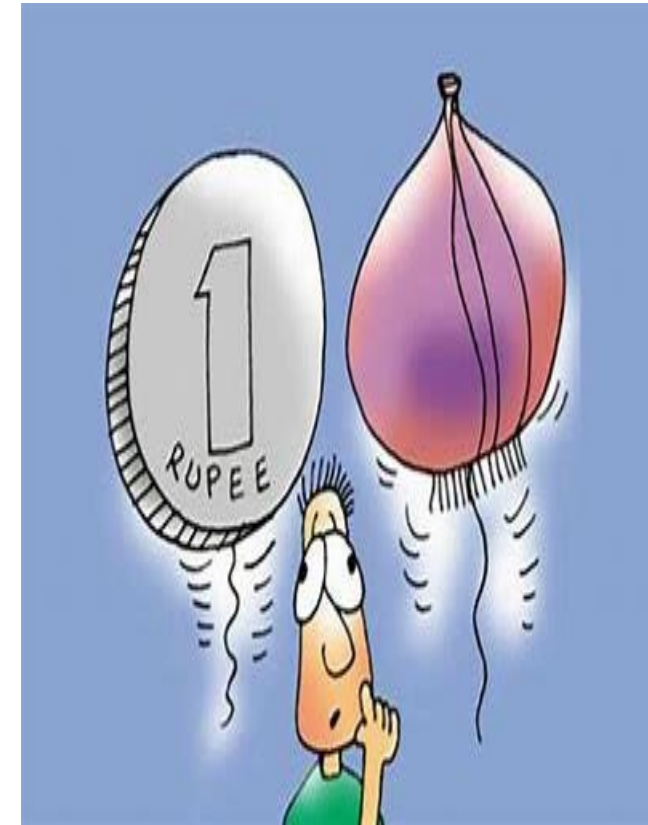
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INFLATION

MEASURES TO CHECK INFLATION

- **FISCAL POLICY** : IT IS A POLICY BY WHICH BY CHANGING **TAXATION OR PUBLIC EXPENDITURE** GOVT TRY TO REDUCE LIQUIDITY IN AN ECONOMY WHICH CONTROL INFLATION IN AN ECONOMY.
- **SUPPLY SIDE MEASURES** : IN THIS CASE GOVT GO FOR MORE IMPORT AT LESSER COST AND GOOD QUALITY WHICH EQUATES DEMAND AND DISCOURAGE BLACK MARKETERS FOR PRICE SPECULATION IN TERMS OF GOODS SUPPLY.



COST SIDE MEASURES : GOVT MAY GIVE SOME RELAXATION TO FARMERS IN TERM OF SETTING HIGHER MSP (high production) OR CHARGING LESS TAXATION.

MONETARY POLICY MEASURES: BY THIS POLICY RBI CHANGE RESERVE RATES (CRR,SLR) OR POLICY RATES (REPO,REV REPO, BANK RATE ,MSF) TO CONTROL EXCESS LIQUIDITY OR RESERVE FUND IN AN ECONOMY FOR SHORT TERM OR LONG TERM ACCORDING TO THE REQUIREMENT

OTHER VARIANTS OF INFLATION

Bottleneck inflation :

- **When supply fall drastically and Demand remain same or it goes up because of expectation of price rise in future.**
- **It occurs due to natural calamities, pest attack or less production.**

HEADLINE INFLATION :

- WHEN THE PRICE OF ALL THE FINAL GOODS AND SERVICES INCLUDING FOOD AND ENERGY GOES UP KNOWN AS HEADLINE INFLATION.
- **CORE INFLATION** : WHEN THE PRICE OF ALL GOODS AND SERVICES OTHER THAN FOOD AND ENERGY INCREASES IS KNOWN AS CORE INFLATION.

OTHER IMPORTANT TERMS

- **INFLATION SPIRAL:** IT IS THE INTERACTION BETWEEN WAGE AND PRICE. WHEN WAGE PRESS PRICE UP AND PRICE PULL WAGE UP IS KNOWN AS INFLATION SPIRAL. IT IS ALSO KNOWN AS THE WAGE PRICE SPIRAL.
- **SKEWFLATION :** ECONOMISTS USUALLY DISTINGUISH BETWEEN INFLATION RELATIVE PRICE INCREASE.
- **IN 2009 FOOD PRICE INCREASES STAIDLY WHERE AS NON FOOD ITEMS CONTINUED TO BE RELATIVELY STABLE.**

- **Disinflation:** By increasing tax rate and policy rate when Govt and RBI try to reduce excess inflation.
- **Reflation:** when inflation is less than its normal then Govt and RBI want to increase employment and GDP then GOV reduce taxation or public expenditure or RBI reduces policy rate to generate more inflation GDP and employment is known as reflation.

- **Stagflation** : when inflation is at its highest level ,GDP is at its lowest level and unemployment continuously increases is known as stagflation.
- **Stagflation = Hyper inflation + Recession**
- **Agflation – Inflation in Agriculture.**

CURRENT INFLATION RATE CALCULATION

- **CURRENT INFLATION RATE : [CURRENT PRICE INDEX –BASE YEARS PRICE INDEX/BASE YEARS PRICE INDEX] * 100**

QUESTION & ANSWER

PREVIOUS YEAR QUESTION (BASED ON MEMORY)

Q. Which of the following is correct statement about inflation?

1. During the inflation money supply increase.
2. During the inflation money supply are decrease.
3. During the inflation purchasing power of currency are increase.
4. During the inflation purchasing power of currency are decrease.

1.1 & 2

2.1&3

3.1 & 4

4.3 & 4

5. All statement true

PREVIOUS YEAR QUESTION (BASED ON MEMORY)

Q. How many article include in WPI (Whole Sale price index) for the calculation of inflation?

1. 676
2. 678
3. 697
4. 698
5. None of these.

PREVIOUS YEAR QUESTION (BASED ON MEMORY)

Q. What is the base year for measuring inflation at Wholesale Prices Index (WPI) in India?

1. 2004-05
2. 2010-11
3. 2011-12
4. 2018-19
5. None of the above

PREVIOUS YEAR QUESTION (BASED ON MEMORY)

Q. Which of the following organization who issue inflation data?

1. RBI
2. CSO
3. Finance ministry
4. NSSO
5. None of these

PREVIOUS YEAR QUESTION (BASED ON MEMORY)

Q. Which of the following economic group are not include in CPI (Consumer Price Index) ?

1. CPI (AL)
2. CPI (RL)
3. CPI(WL)
4. CPI (UNME)
5. CPI(IW)

PREVIOUS YEAR QUESTION (BASED ON MEMORY)

Q. In India Inflation data released on the basis of _____.

1. Yearly
2. Half Yearly
3. Quarterly
4. Monthly
5. None of these

PREVIOUS YEAR QUESTION (BASED ON MEMORY)

Q. STAGFLTION is a condition ,when -

- 1. High level of inflation and High level of economic growth**
 - 2. High level of inflation and Low level of economic growth**
 - 3. Low level of inflation and Low level of economic growth**
 - 4. Low level of inflation and High level of economic growth**
- A. None of the above**

PREVIOUS YEAR QUESTION (BASED ON MEMORY)

Q. What is a tool to reduce inflation rate in an economy?

1. foreign trade policy
2. fiscal policy
3. disinvestment policy
4. monetary policy
5. FDI policy

1. 1 & 2

3. Only 2

5. All

2. 2 & 3

4. 2 & 4

PREVIOUS YEAR QUESTION (BASED ON MEMORY)

Q. What is current Base year of Consumer Price Index--?

1. 2010
2. 2011
3. 2012
4. 2015
5. 2019

PREVIOUS YEAR QUESTION (BASED ON MEMORY)

Q. CPI (Consumer Price Index) is also known as

_____.

1. CORE Inflation
2. Rural Inflation
3. Retail Inflation
4. Rolling Inflation
5. Virtual inflation

PREVIOUS YEAR QUESTION (BASED ON MEMORY)

Q. In the time of recession government provide bailout package to industry ,this effort is known as:

- 1. Disinflation**
- 2. Stagflation**
- 3. Reflation**
- 4. Agflation**
- 5. None of these**

PREVIOUS YEAR QUESTION (BASED ON MEMORY)

Q. When the reason of inflation is increase in labour charge ,then this type of inflation is _____.

1. Demand pull inflation
2. Cost push inflation
3. Lack of supply management
4. Holding and Black marketing
5. None of these

PREVIOUS YEAR QUESTION (BASED ON MEMORY)

Q. In the Phillip Curve, what is correct statement _____.

- 1.** Relation between inflation and employment
- 2.** Relation between inflation and unemployment
- 3.** Relation between inflation and Stagflation
- 4.** Relation between inflation and revenue
- 5.** Relation between inflation and borrowing

PREVIOUS YEAR QUESTION (BASED ON MEMORY)

Q. Inflation Index Bond (IIP) is linked to which of the following index?

- 1. WPI**
- 2. CPI**
- 3. IIP**
- 4. PPI**
- 5. Both 1 & 2**

THANK YOU