

Inflation - Final Assessment

Directions:

Answer the following questions.

1. Most countries try to maintain an inflation rate of _____ per year.
 - A. One percent or less
 - B. Two to three percent**
 - C. Four to five percent
 - D. Six to seven percent
2. Which of the following is NOT one of the constants the aggregate supply curve assumes?
 - A. State of technology
 - B. Resource prices
 - C. Rules providing production incentives
 - D. Rate of production**
3. Cost-push inflation leads to a leftward shift of the aggregate supply curve.
 - A. True**
 - B. False
4. Hyperinflation means it is easier for people to make purchases because they are able to carry around a larger amount of money.
 - A. True
 - B. False**
5. Which of the following is NOT an effect of inflation?
 - A. Lowers purchasing power
 - B. Lowers the standard of living for those on fixed incomes
 - C. Lowers employment rates among unskilled workers**
 - D. Lowers domestic competition if higher than in other countries
6. The _____ considers the weighted averages of a group of consumer goods and services.
 - A. Consumer price index**
 - B. Aggregate supply
 - C. Producer price index
 - D. Aggregate demand
7. The aggregate demand curve assumes all things are constant, including other countries' price levels and exchange rates.
 - A. True**
 - B. False
8. _____ is a decrease in the rate of inflation.
 - A. Hyperinflation

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- B. Disinflation**
- C. Deflation
- D. Stagflation

9. _____ refers to a decrease in price level.

- A. Hyperinflation
- B. Disinflation
- C. Deflation**
- D. Stagflation

10. _____ occurs in the economy when unemployment and inflation are both high.

- A. Hyperinflation
- B. Disinflation
- C. Deflation
- D. Stagflation**