

# 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

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8. \_\_\_\_\_ is a decrease in the rate of inflation.
- A. Hyperinflation
  - 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