



[Frequently Asked Questions]

Inflation and Unemployment

Subject:	Business Economics
Course:	B. A. (Hons.), 3 rd Semester, Undergraduate
Paper No. & Title:	Paper – 301 Macroeconomics - I
Unit No. & Title:	Unit – 4 Inflation, Unemployment and The Phillips Curve
Lecture No. & Title:	Lecture – 1 Inflation and Unemployment

Frequently Asked Questions

Q1. Define Inflation.

A1. A general rise in price level is known as Inflation.

Q2. Define Demand-pull inflation

A2. When all the three sectors govt., business firms and household tries to secure larger part of National Income, there is general increase in demand. Thus, it causes increase in AD and hence pull in price level which is known as Demand pull inflation.

Q3. State two causes of Cost push inflation.

A3. Cost push inflation is caused by:

- a) Wage push
- b) Profit push

Q4. What is Unemployment?

A4. Unemployment represents the unused labour force within an economy.

Q5. Explain Friction unemployment.

A5. Frictional Unemployment is always present in the economy, resulting from temporary transitions made by workers and employers having inconsistent or incomplete information.

Q6. Explain Seasonal unemployment.

A6. Seasonal unemployment is a working agreement where the worker is employed for a certain part of the year, however after that time of the year has passed then the worker is left unemployed.

Q7. Explain Profit-push Inflation.

A7. This is the increase in the profit margin by the firms working under monopolistic or oligopolistic conditions and as a result charging higher prices from the consumers.

Q8. State the major difference between cost-push and demand pull inflation.

A8. The difference between cost-push and demand-pull inflation is due to cost push the supply curve shifts to left where in demand pull inflation affects the demand curve.

Q9. Explain disguised unemployment.

A9. If a person does not contribute anything in the production process that is, if he can be removed from the work without affecting the productivity adversely, he will be treated as disguisedly unemployed.

Q10. Explain cost-push inflation.

A10. This type of inflation emanates from changes which arise on the side of supply or cost of production, independently of any excess demand in both final goods and factor markets.