

Inflation Long Questions

2000 Q6

- (c) Trace the likely economic effects if:-
- (i) the supply of money grows at a **faster** rate than a country's production of goods and services;
 - (ii) the supply of money grows at a **slower** rate than a country's production of goods and services.
- (20 marks)
[75 marks]

2001 Q6

- (a) For a composite (weighted) price index covering the three types of expenditure given in the following table, calculate the index for the current year. The base year value is 100. Show your workings.

Category	% of Income spent on Item(s)	Prices of Item(s) in base year	Price of Item(s) in current year.
		£	£
Food	35	8.50	12.75
Clothing & Footwear	15	37.50	45.00
Other Items	50	20.00	35.00
	100		

(20 marks)

- (b) Does the **Consumer Price Index** (CPI) accurately measure changes in the cost of living in Ireland? Explain your answer. (30 marks)
- (c) Over the past year the rate of inflation, as measured by the CPI, has fluctuated. Discuss the effects of this development on the Irish economy. (25 marks)
[75 marks]

2003 Q5

- (a) Discuss the ways in which money can contribute to the smooth working of an economy. (20 marks)
- (b) Explain the likely economic effects if:
- (i) the supply of money grows at a **faster** rate than a country's production of goods and services
 - (ii) the supply of money grows at a **slower** rate than a country's production of goods and services.
- (20 marks)
- (c)
 - (i) Explain what is meant by the term **price inflation**.
 - (ii) Name the main index used to measure price inflation in the Irish economy.
 - (iii) Outline the economic consequences of a rise in the rate of price inflation in Ireland.
- (35 marks)

2006 Q7

- (a) (i) What economic uses are made of a **Consumer Price Index**?
(ii) Explain how a Consumer Price Index is constructed.

(25 marks)

- (b) Explain the likely economic effects on the Irish economy of a significant increase in the annual rate of price inflation.

(25 marks)

2008 Q8

- (b) Irish citizens experienced an increase in the rate of price inflation during 2007.

- (i) Explain the underlined term.
(ii) Discuss the economic effects of this development on the Irish economy.

(20 marks)

- (c) For a composite (weighted) price index covering three categories of expenditure given in the following table, calculate the index for the current year.
The base year value is 100. (Show all your workings).

Category	% of Income spent on item(s)	Price of Item(s) in base year	Price of Item(s) in current year
		€	€
Food	40%	20.00	24.50
Clothing & Footwear	25%	42.00	40.00
Other Items	35%	30.00	36.00
	100%		

(25 marks)

[75 marks]

2010 DEB Q6

- (a) (i) Explain what is meant by the term 'price inflation'.
(ii) Name the main index used to measure price inflation in the Irish economy.
(iii) Outline **four** economic consequences of a fall in the rate of price inflation in Ireland.

(30 marks)

2010 EC Q7

(a) The Irish economy has recently experienced a period of **deflation**.

(i) Define **deflation**.

(ii) Outline the economic effects of deflation.

(30 marks)

2012 EC Q8

(a) (i) Explain what is meant by the term 'price inflation'.

(ii) Name the main index used to measure price inflation in the Irish economy.

(iii) Outline **four** economic consequences of a rise in the rate of price inflation in Ireland. *(30)*

2013 Q6

(c) The monetary policy of the ECB aims to maintain the annual euro area inflation rate at a very low level.

(i) State the rate of inflation in Ireland during 2013, as measured by the Consumer Price Index (CPI).

(ii) Outline **two** uses of the CPI, other than as a measure of the rate of inflation.

(iii) Discuss the possible limitations of the CPI as an accurate measure of changes in the cost of living in Ireland.

(25)