



Measures to Control Inflation

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Introduction

- An appropriate mix of fiscal and monetary measures can be helpful in controlling inflation
- Fiscal policy is the use of government spending and taxation to influence the economy.
- Monetary policy refers to the actions undertaken by a nation's central bank to control money supply and achieve sustainable economic growth

Various Anti-Inflation Measures

- Various Anti inflationary measures are:
 - Monetary Measures
 - Fiscal Measures
 - Price and Wage control

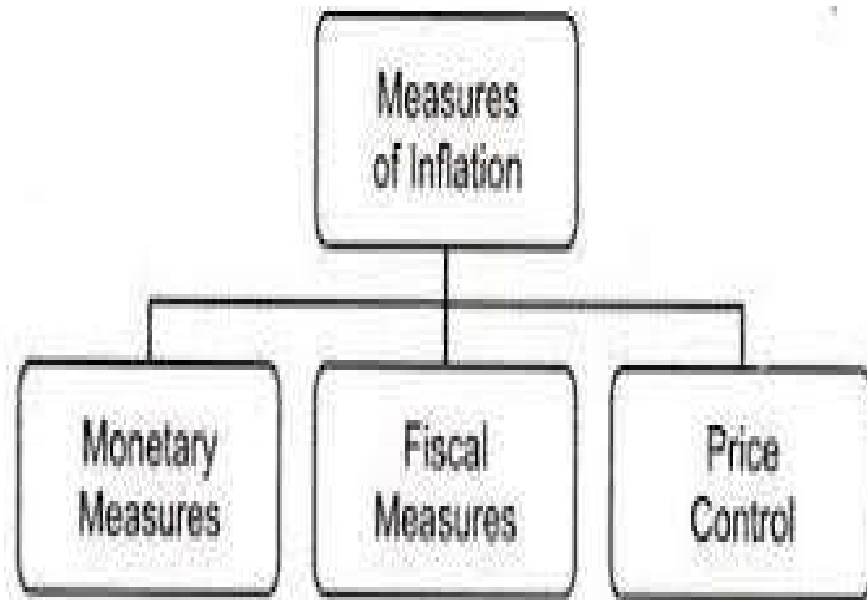


Figure-5: Different Measures for Controlling Inflation

Monetary Measures

- Traditional monetary measures
 - Bank rate policy
 - Cash reserve ratio
 - Open Market operation
- Non-traditional measures
 - Statutory Liquidity Ratio (SLR)
 - Selective credit controls
 - Moral Suasion
 - Credit authorization scheme

MONETARY POLICY:

Types of monetary policies:

**Expansionary
Monetary
Policy**

Helps speed up
the economy,
or increase
economic growth

**Contractionary
Monetary
Policy**

Helps slow down
the economy,
or slow economic
growth

Fiscal Measures

- When excess demand is caused by the govt. expenditure, the most effective measure is to cut down the public expenditure
- When excess demand is caused by increase in private expenditure, taxation of incomes is appropriate measure

Fiscal Policy



Lets us watch



Reflect: Is monetary or fiscal policy more effective?



A vertical decorative bar on the left side of the slide, featuring a golden-yellow background with embossed financial symbols including the dollar sign (\$), pound sign (£), and various currency symbols.

Price and wage control

- Direct measures
- Price control is generally adopted during the war period when inflation tends to gallop
- Wage control is used to combat inflation when wages tend to rise faster than productivity



Economic Effects of Inflation

- Inflation and distribution of income
- Inflation and distribution of wealth
- Effect of inflation on different sections of society
 - 1) Wage Earners
 - 2) Producers
 - 3) Fixed Income class
 - 4) Borrowers and Lenders
 - 5) Government
- Effect of Inflation on Economic growth



THANK YOU