

4.6 Price stability

Name: _____ Class: _____ Date: _____

Total: 26 marks

KEY WORDS inflation 通货膨胀 • cost-push 成本推动 • demand-pull 需求拉动
 • deflation 通货紧缩 • disinflation 反通胀

Objective

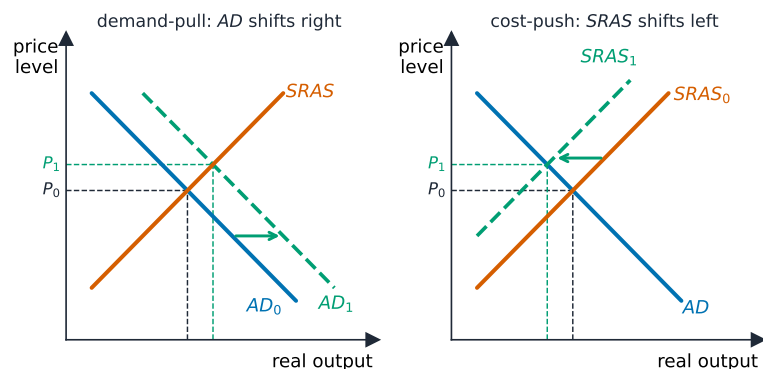
Build the skills to answer exam questions on **price stability** 价格稳定 — **inflation, deflation and disinflation** 通胀、通缩与反通胀, the **consumer price index** 消费者价格指数 (CPI), the **causes** (demand-pull and cost-push), and the consequences.

You must be able to:

- define inflation, deflation and disinflation, and explain the CPI
- distinguish **demand-pull** 需求拉动 from **cost-push** 成本推动 inflation
- analyse the consequences of inflation and deflation

1 Worked examples

Causes of inflation

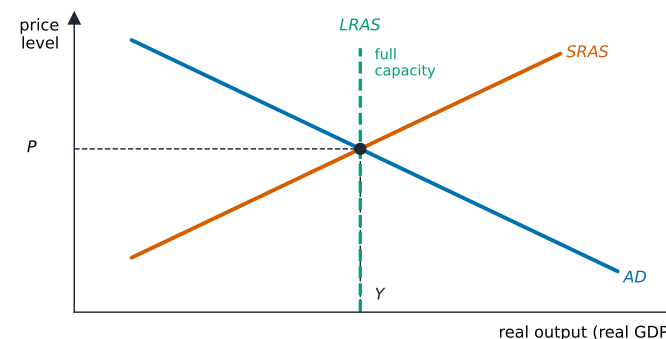


demand-pull: AD shifts right • cost-push: SRAS shifts left (higher P , lower Y)

Both raise the price level, but for different reasons

- **Inflation** 通货膨胀: a sustained rise in the general price level (money's **purchasing power** 购买力 falls).

- **Deflation** 通货紧缩: prices fall; **disinflation** 反通胀: inflation is positive but slowing.
- **CPI** 消费者价格指数: tracks a weighted basket of goods.
- **Demand-pull**: AD rises faster than AS. **Cost-push**: rising costs shift SRAS left.



short-run equilibrium: $AD = SRAS$ • long-run capacity: vertical $LRAS$

On AD-AS: demand-pull = AD shifts right; cost-push = SRAS shifts left — both raise the price level

Answer shapes: an **Explain** [up to 8] answer may use an AD-AS diagram (AO3); **Discuss** [12] adds a judgement (AO4).

2 Practice

2.1 Define the term *inflation*. [2]

2.2 State the difference between *demand-pull* and *cost-push* inflation. [2]

2.3 State one group harmed by inflation. [1]

3 Exam-style questions

3.1 A rise in the general price level caused by higher production costs is: [1]

- A

B

C

D
- A demand-pull inflation

B cost-push inflation

C disinflation

D deflation

3.2 Using an AD–AS diagram, explain how demand-pull inflation occurs. [8]

3.3 Discuss whether inflation is always harmful to an economy. [12]