AP MACROECONOMICS • EXERCISE SHEET

3.6 Changes in the AD–AS Model in the Short Run

Name: ____________ Class: ________ Date: __________ **Total: 9 marks**

KEY WORDS stagflation 滞胀 • supply shock 供给冲击 • price level 价格水平

Objective

Build the skills to answer exam questions on **changes in the AD–AS model in the short run**.

You must be able to:

- analyse how a shift in **aggregate demand** changes the price level and output
- analyse how a **supply shock 供给冲击** changes the price level and output
- explain **stagflation 滞胀** as the result of an adverse supply shock

1 Worked examples

Study these first. Each one shows the method for a question type used later.

An AD shift

- AD **right** → higher price level, higher output.
- AD **left** → lower price level, lower output.

A supply shock

SRAS **left** (e.g. costlier oil) → higher price level **and** lower output — the combination called **stagflation**.

Stagflation

Rising prices together with falling output (and rising unemployment), the tell-tale sign of an adverse supply shock.

2 Practice

2.1 State the effect of an increase in AD on the price level and output. [2]

2.2 Define stagflation. [1]

2.3 State what causes stagflation. [1]

3 Exam-style questions

3.1 A fall in AD in the short run causes [1]

- **A** higher price level and output
- **B** lower price level and output
- **C** higher price level, lower output
- **D** no change

3.2 Stagflation is [1]

- **A** high growth and low inflation
- **B** high inflation with falling output
- **C** deflation
- **D** full employment

3.3 A severe drought sharply raises food and input prices across the economy.

(a) State which curve shifts and in which direction. [1]

(b) State the effect on the price level. [1]

(c) Name the resulting condition. [1]

Solutions

2.1 the price level rises and output rises.

2.2 rising prices together with falling output.

2.3 an adverse (negative) supply shock.

3.1 **B**.

3.2 **B**.

3.3 (a) SRAS shifts to the left. (b) it rises. (c) stagflation.