

4.7 Inflation

Name: _____ Class: _____ Date: _____ **Total: 18 marks**

KEY WORDS inflation 通货膨胀 • deflation 通货紧缩 • weight 权重 • cpi 消费者价格指数
• cost-push 成本推动

Objective

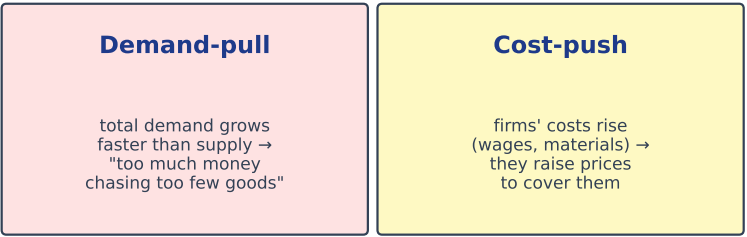
Build the skills to answer exam questions on **inflation** 通货膨胀 — how it is **measured** 衡量 (the **CPI** 消费者价格指数), the **causes** (**demand-pull** and **cost-push** 需求拉动与成本推动), the effects, and **deflation** 通货紧缩.

You must be able to:

- define inflation and explain the CPI
- distinguish demand-pull from cost-push inflation
- analyse the effects of inflation and deflation

1 Worked examples

■ Causes of inflation



Exam: demand-pull = AD excess; cost-push = rising costs (wages, oil, imported inputs)

Inflation is a rise in the average level of prices

- **Inflation** 通货膨胀: a sustained rise in the average price level. **Deflation** 通货紧缩: prices fall.
- **CPI** 消费者价格指数: tracks a weighted “basket” of goods a typical family buys.
- **Demand-pull** 需求拉动: demand grows faster than supply. **Cost-push** 成本推动: firms' costs rise.

- **Effects:** money loses **purchasing power** 购买力, savings worth less, exports dearer.

Answer shapes: K + App + An + Ev (a justified judgement, for discuss questions).

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 effect of inflation on people who have savings. [1]

3 Exam-style questions

3.1 A rise in prices caused by higher wage and material costs is: [1]

- | | |
|---|---|
| A | B |
| C | D |
- A demand-pull inflation
B cost-push inflation
C deflation
D disinflation

3.2 Explain how inflation is measured using the Consumer Prices Index (CPI). [4]

3.3 Discuss whether inflation is always bad for an economy. [8]
