

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
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3.2 Stagflation is [1]

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