2.10 LOW AND STABLE RATE OF INFLATION: EXAM PRACTICE QUESTIONS

Answer the questions that follow.

1. IB ECONOMICS PAPER 1 EXAMINATION QUESTIONS

1. Referring to the use of each price index, distinguish between the producer price index (PPI) and the consumer price index (CPI). [10 marks]

2. Distinguish between demand-pull inflation and cost-push inflation. [10 marks]

3. Examine the consequences of high inflation for an economy. [10 marks]

4. With reference to how the rate of inflation is measured, explain issues with the accurate measurement of inflation. [10 marks]

5. Compare and contrast the economic consequences of deflation and inflation. [15 marks]

6. Discuss whether deflation or inflation poses the greater risk to an economy. [15 marks]

7. Explain how the rate of inflation (as measured by the CPI) will have a different impact on different households in an economy. [10 marks]

8. Governments should aim for deflation because inflation has negative effects on economic activity. Discuss this point of view. [10 marks]
2. HIGHER LEVEL EXAM QUESTIONS

1. Use a Phillips curve and explain how inflation and unemployment are impacted by stagflation. [10 marks]

2. Use a Phillips curve diagram and discuss the possible inflation and unemployment tradeoff. [15 marks]

3. Explain the relationship between the long-run Phillips curve and the long-run aggregate supply curve (LRAS) using the concept of the natural rate of unemployment. [10 marks]

4. Discuss policy implications of the short-run Phillips curve and the long-run Phillips curve in the possible unemployment and inflation tradeoff. [15 marks]

Source: www.IBDeconomics.com