

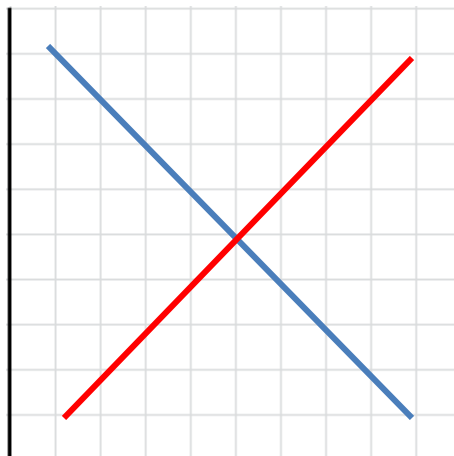
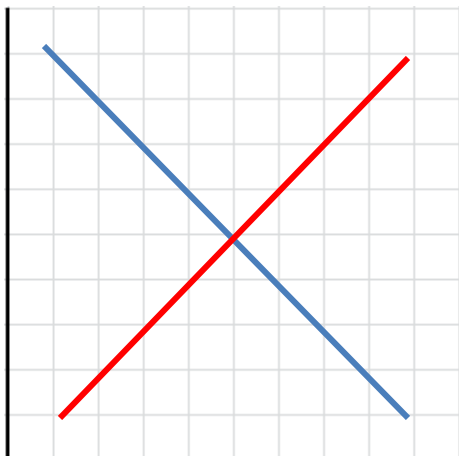
CONCEPT: DEMAND-PULL INFLATION AND COST-PUSH INFLATION

- Increased prices can be caused by increased demand or decreased supply:

□ **Demand-Pull Inflation** – “too much _____ chasing too few _____”

> In this case, demand is pulling the price levels higher

> If we hold production constant, but people want more → prices increase



□ **Cost-Push Inflation** – per-unit production costs are _____ causing profits to _____

> Lower profits reduce output, which leads to a lower available supply

> If we hold demand constant, but supply falls → prices increase

> **Supply shocks** – sudden, unexpected increases in resource prices

