

5.2 The Phillips Curve

Name: _____ Class: _____ Date: _____

Total: 9 marks**KEY WORDS** phillips curve 菲利普斯曲线 • natural rate of unemployment 自然失业率 • short-run phillips curve 短期菲利普斯曲线

Objective

Build the skills to answer exam questions on **the Phillips curve**.**You must be able to:**

- describe the **short-run Phillips curve** 短期菲利普斯曲线 as an inflation-unemployment trade-off
- explain why the **long-run Phillips curve** is vertical at the natural rate
- relate movements and shifts of the Phillips curve to the AD–AS model

1 Worked examples

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

■ Short-run Phillips curve

A downward-sloping **trade-off**: lower unemployment comes with higher inflation, and vice versa.

■ Long-run Phillips curve

Vertical at the **natural rate** of unemployment — in the long run there is **no** trade-off.

■ Link to AD–AS

A rightward shift of **AD** moves the economy **up** the short-run Phillips curve (lower unemployment, higher inflation); this matches a move up the SRAS curve.

2 Practice

2.1 State what the short-run Phillips curve shows. [1]

2.2 State the shape of the long-run Phillips curve and where it sits. [1]

2.3 State the short-run effect of an increase in AD on unemployment and inflation. [2]

3 Exam-style questions

3.1 The short-run Phillips curve shows a trade-off between inflation and [1]

- **A** growth
 - **B** unemployment
 - **C** the exchange rate
 - **D** saving
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3.2 The long-run Phillips curve is vertical at the [1]

- **A** zero rate
 - **B** natural rate of unemployment
 - **C** business-cycle peak
 - **D** full inflation rate
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3.3 The central bank runs expansionary policy, raising AD.

(a) State the short-run effect on unemployment. [1]

(b) State the short-run effect on inflation. [1]

(c) State the long-run effect on unemployment. [1]

Solutions

2.1 the short-run trade-off between inflation and unemployment.

2.2 vertical, at the natural rate of unemployment.

2.3 unemployment falls and inflation rises.

3.1 B.

3.2 B.

3.3 (a) it falls. (b) it rises. (c) it returns to the natural rate.