A-LEVEL ECONOMICS • EXERCISE SHEET

9.3 Employment/unemployment

Name: ____________ Class: ________ Date: __________ **Total: 24 marks**

KEY WORDS natural rate 自然失业率 • phillips curve 菲利普斯曲线 • structural unemployment 结构性失业 • employment and unemployment 就业与失业 • unemployment 失业

Objective

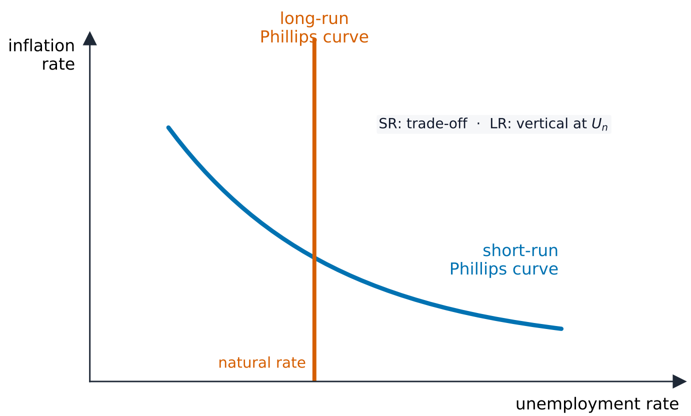
Build the skills to answer exam questions on **employment and unemployment 就业与失业** at A Level — the **types** of unemployment, the **natural rate 自然失业率**, and the **Phillips curve 菲利普斯曲线**.

You must be able to:

- distinguish the types of unemployment and define the natural rate
- explain the short-run and long-run Phillips curve
- analyse the unemployment–inflation trade-off

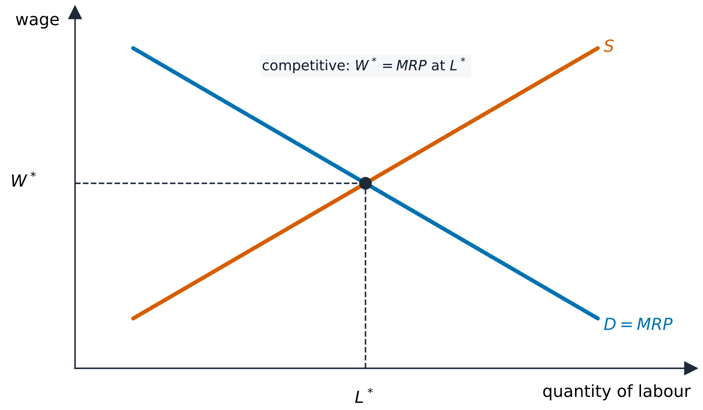
1 Worked examples

■ The Phillips curve



Short run: a trade-off; long run: vertical at the natural rate

- **Natural rate of unemployment 自然失业率:** what remains when the labour market is in balance (frictional + structural) — not removable by raising demand alone.
- **Short-run Phillips curve:** lower unemployment ↔ higher inflation (a trade-off).
- **Long-run Phillips curve:** vertical at the natural rate — no lasting trade-off once inflation is expected.



The natural rate is rooted in the labour market — frictional and structural unemployment at the equilibrium wage

Answer shapes: an **Explain [up to 8]** answer may use a Phillips diagram (AO3); **Discuss [12]** adds a judgement (AO4).

2 Practice

2.1 Define the term *natural rate of unemployment.* [2]

2.2 State what the **short-run** Phillips curve shows. [2]

2.3 State the shape of the **long-run** Phillips curve. [1]

3 Exam-style questions

3.1 The long-run Phillips curve is: [1]

- **A** downward sloping
- **B** upward sloping
- **C** vertical at the natural rate of unemployment
- **D** horizontal

3.2 Explain the short-run trade-off between unemployment and inflation. [6]

3.3 Discuss whether a government can permanently reduce unemployment below the natural rate. [12]

Solutions

Economics answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

2.1 the rate of unemployment that remains when the labour market is in equilibrium — mainly frictional and structural unemployment (2 for a clear definition; 1 for a partial idea).

2.2 an inverse (trade-off) relationship between unemployment and inflation — lower unemployment comes with higher inflation (2 for a clear statement; 1 for a partial idea).

2.3 vertical (at the natural rate) (1).

3.1 C. The long-run Phillips curve is vertical at the natural rate.

3.2 *[6]* AO1 1 + AO3 up to 5 — to cut unemployment, a government raises aggregate demand → firms hire more, but stronger demand pushes up wages and prices → inflation rises → so in the short run lower unemployment is bought at the cost of higher inflation (a movement along the short-run Phillips curve).

3.3 *[12]* AO1/AO2/AO3 up to 8 + AO4 up to 4. **Short run:** raising demand can cut unemployment below the natural rate for a while. **Long run:** once workers expect higher inflation, they demand higher wages → unemployment returns to the natural rate while inflation stays high → the long-run Phillips curve is vertical. Judgement: demand policy cannot permanently lower unemployment below the natural rate; only supply-side policies that cut the natural rate (better skills, more flexible labour markets) can — it depends on tackling frictional and structural unemployment.