

## 5.2 The Phillips Curve

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Name: \_\_\_\_\_ Class: \_\_\_\_\_ Date: \_\_\_\_\_

Total: 9 marks

### Objective

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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

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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

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

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

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

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### 3 Exam-style questions

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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]

### 4 Go further

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- work through the **5.2 The Phillips Curve** lesson on the **Learn** page;
- read the **Long-Run Consequences of Stabilization Policies** section of the AP Macroeconomics handout on the **Know** page.

## Solutions

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**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.