AP MACROECONOMICS • EXERCISE SHEET

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

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

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.