Solutions

Each answer shows the steps, then the **result**.

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