

Figure 15.8. Unstable Phillips curves: Expected inflation and the bargaining gap.

	Year	What inflation rate is expected? The inflation rate in the previous year (1)	Unemployment	Bargaining gap (3)	Inflation outcome: expectations plus bargaining gap (1)+(3)	Are wage setters and price setters disappointed (are their claims inconsistent)?
Stable inflation	1	3%	6%	0	3%	No
	2	3%	6%	0	3%	No
	3	3%	6%	0	3%	No
Rising inflation	1	3%	3%	2%	5%	Yes
	2	5%	3%	2%	7%	Yes
	3	7%	3%	2%	9%	Yes