



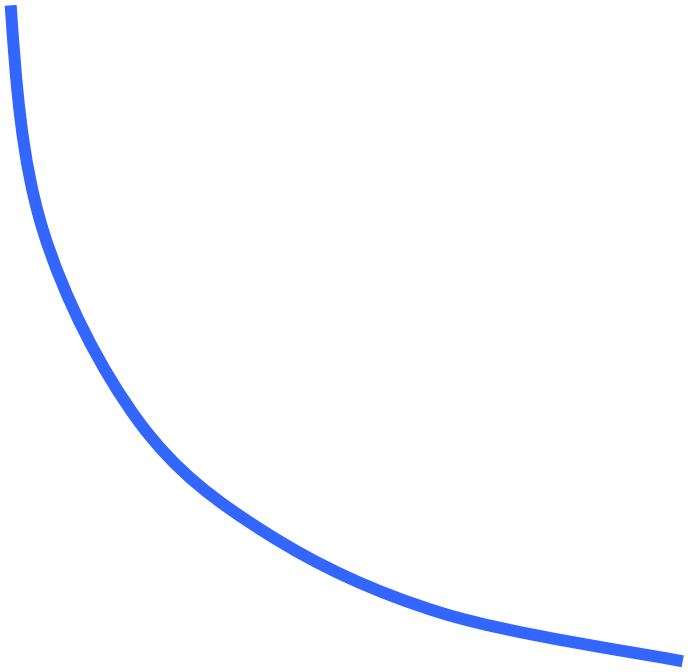
**Phillips Curve: represents this trade off
between inflation and unemployment**







Unemployment







**Years of High
Inflation**

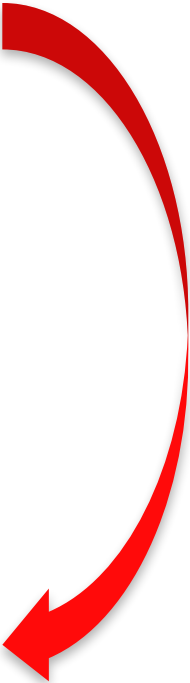




**Years of Low
Inflation**

**Years of Low
Unemployment**

High Unemployment





**To reduce inflation by 1%,
unemployment must
increase 2% above the
natural rate**



10%



20%









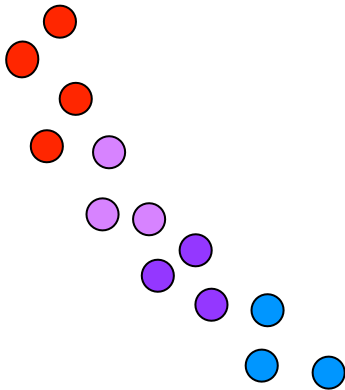












Years when **inflation** was
high were years when
unemployment was **low**

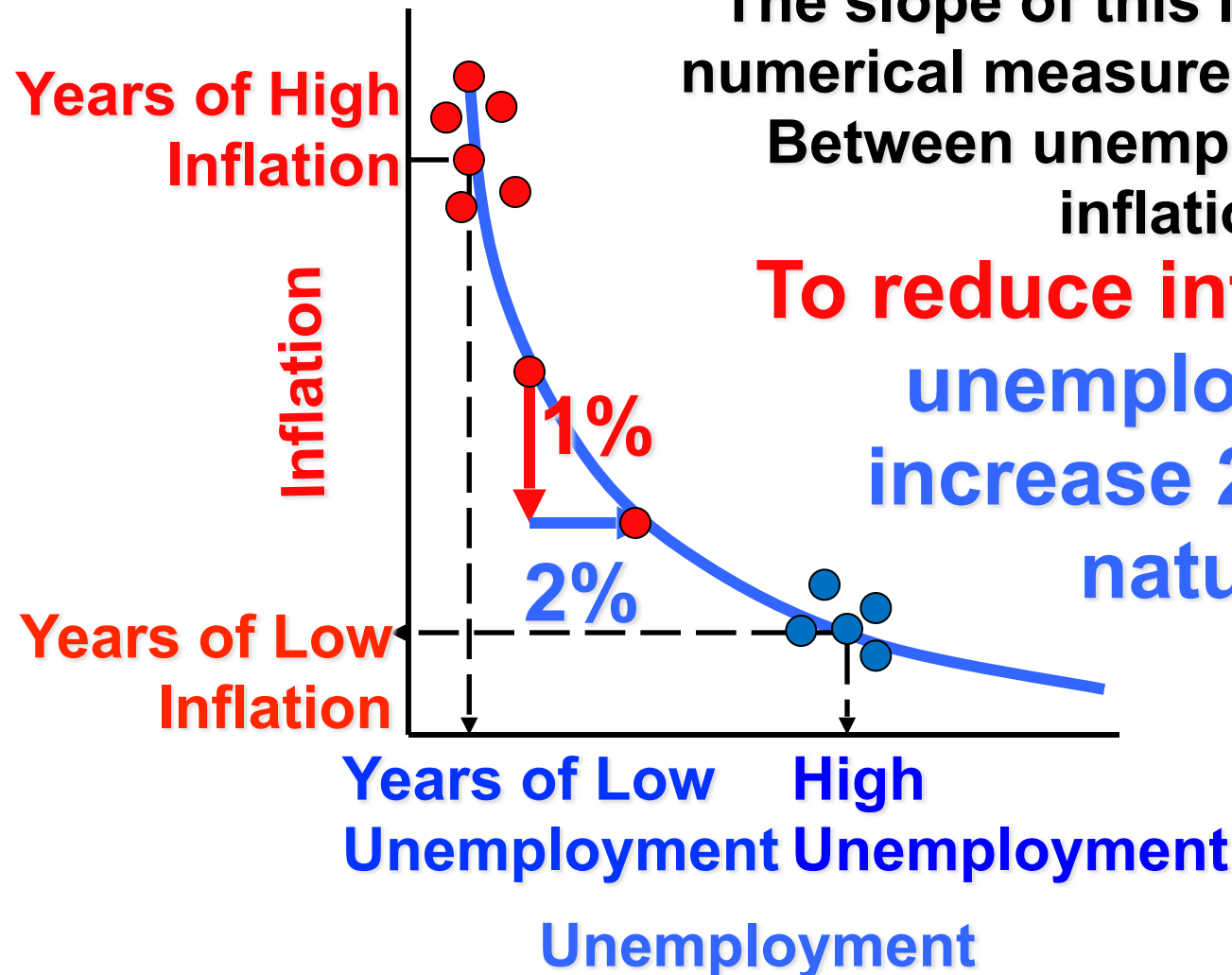
Years when **inflation** was
low were years when
unemployment was **high**

**The slope of this line gives us a
numerical measure of the trade off
Between unemployment and
inflation**

Phillips Curve: represents this trade off between **inflation** and **unemployment**

The slope of this line gives us a numerical measure of the trade off Between unemployment and inflation

To reduce inflation by 1%,
unemployment must
increase 2% above the
natural rate



Unemployment Rate 2019

