



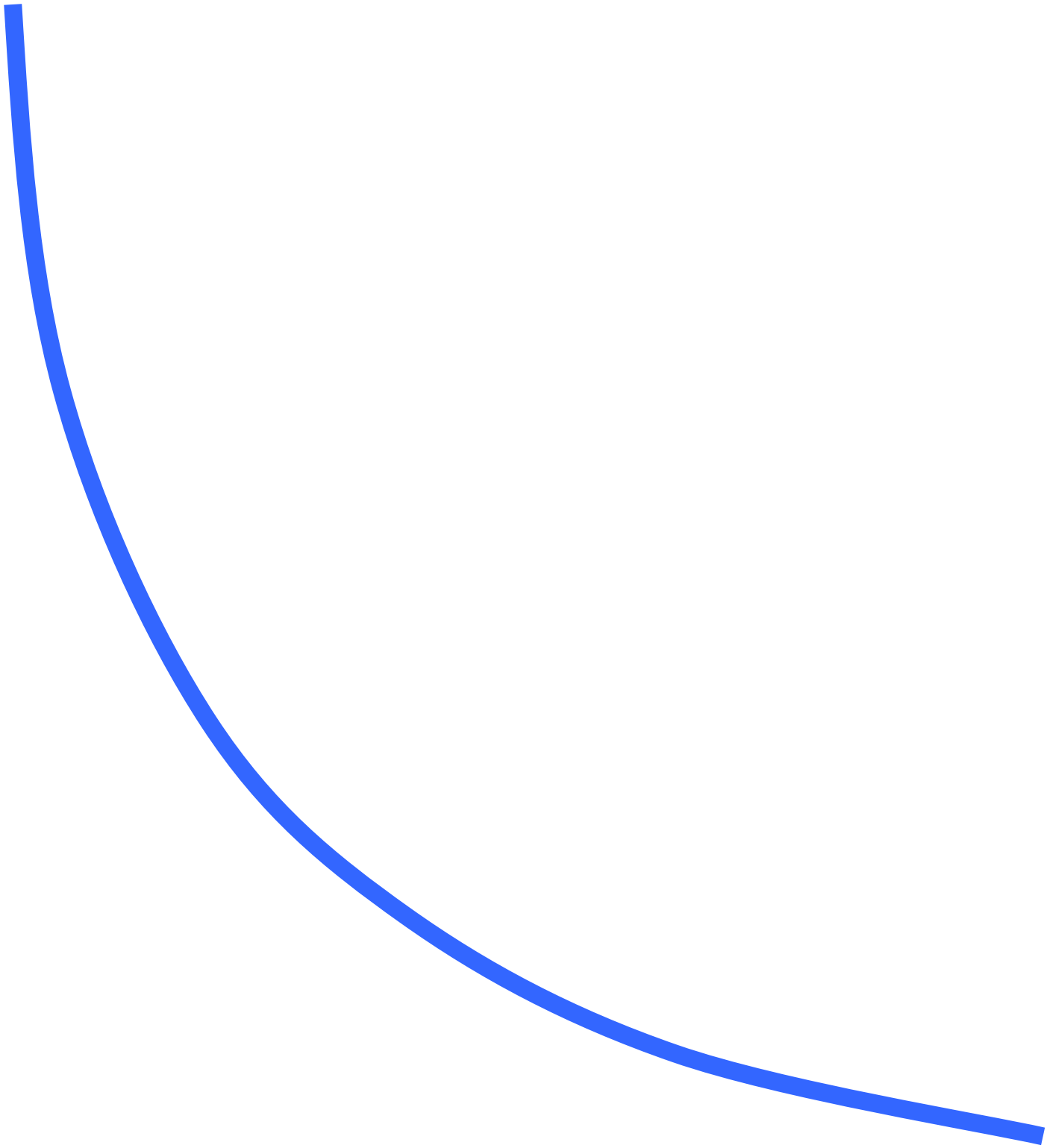
Phillips Curve: represents the trade off between
inflation and unemployment





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Unemployment







Years of High
Inflation

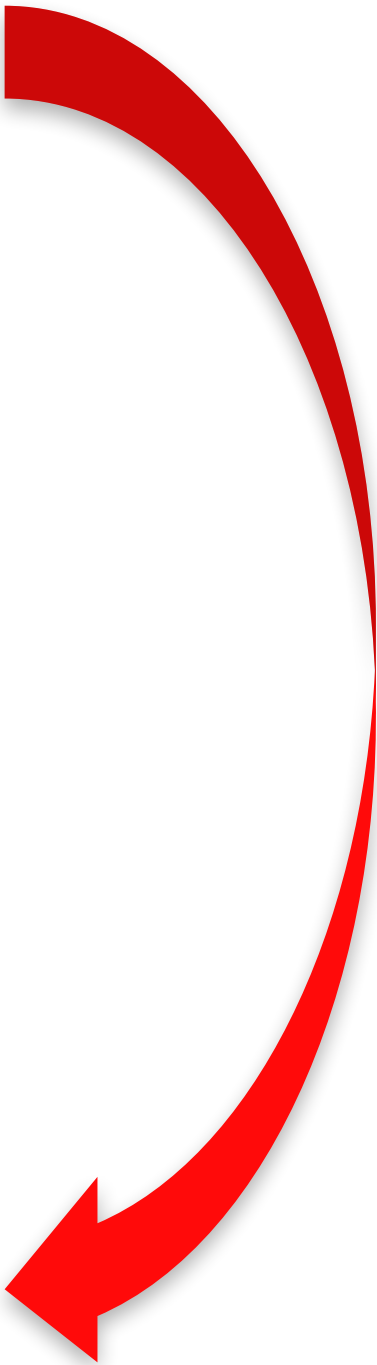




Years of Low
Inflation

Are years of Low
Unemployment

Are years of high
Unemployment





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





2%







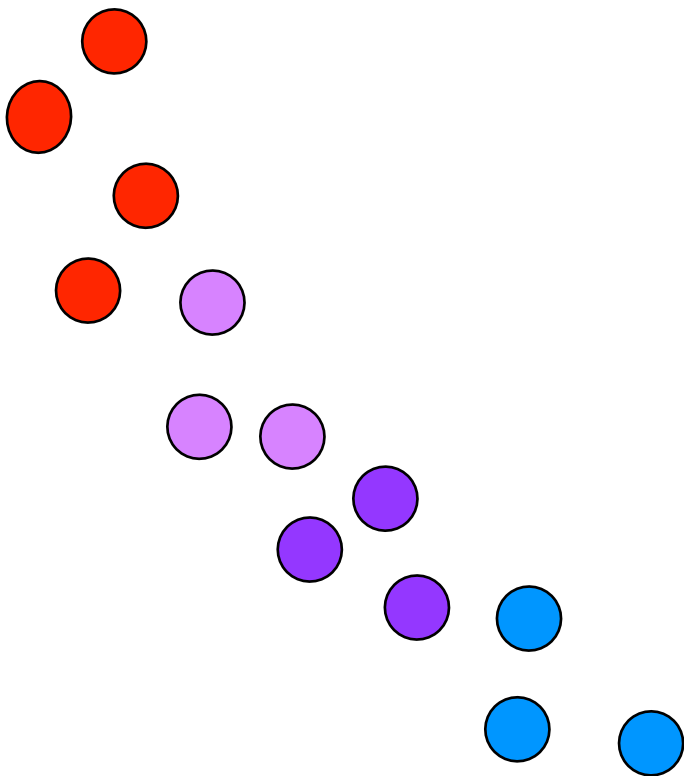






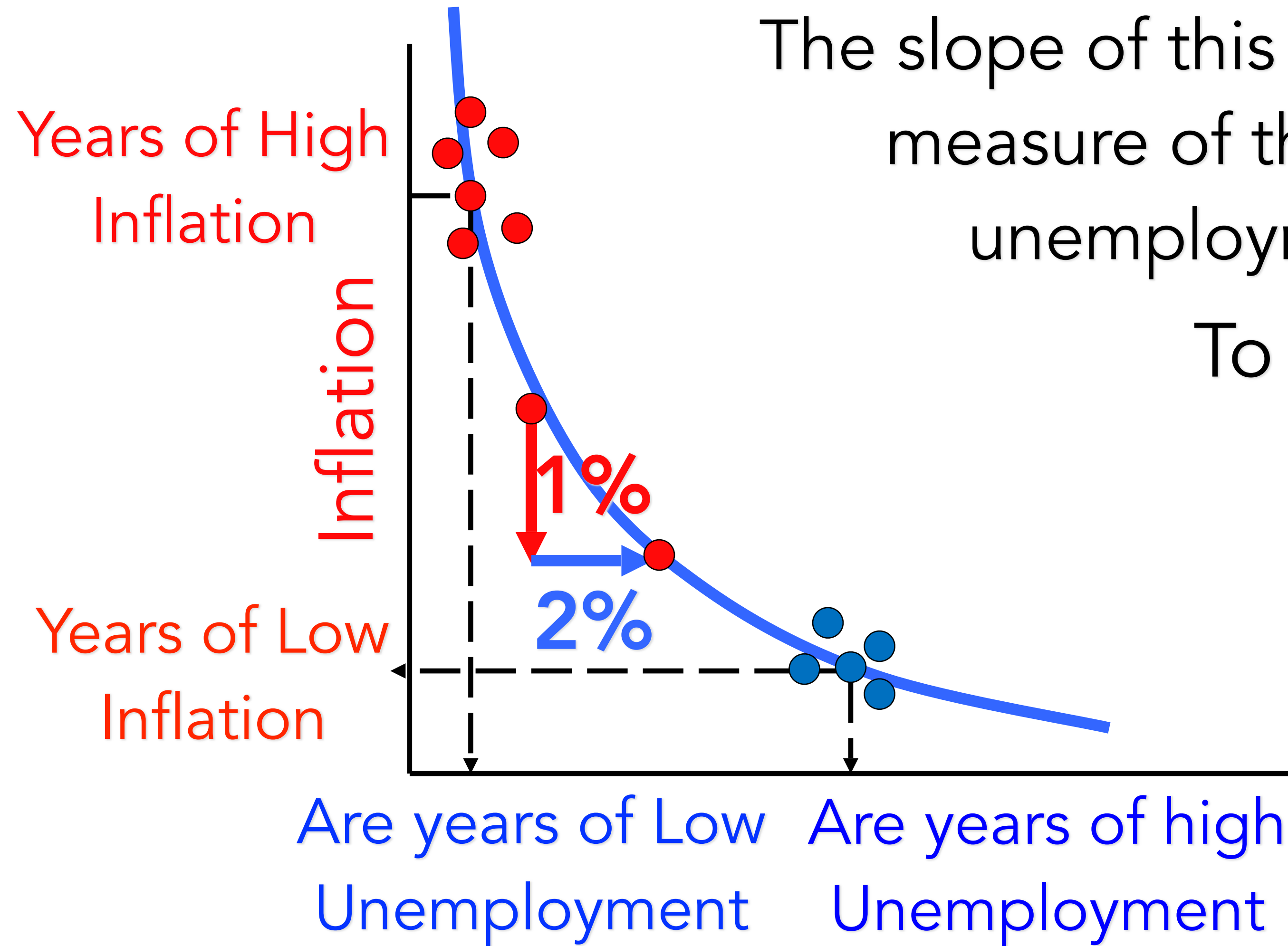






The slope of this line gives us a numerical
measure of the trade off between
unemployment and inflation

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Unemployment

Unemployment Rate Pandemic 2019

