

INFLATION AND UNEMPLOYMENT (Ch 17)

A. Inflation

1. Demand Side
2. Supply Side

B. PHILLIPS CURVE (PC)

1. Relationship between Inflation and Unemployment
2. Short run (SR) PC
3. Shifts of PC

C. LONG RUN (LR) PC

1. PC and FEO
2. Trade-offs in SR and LR
3. Interpretation of LR PC

D. EXPECTATIONS: INFLATION AND PC

1. Real Wages
2. Anticipation, Expectations

E. RATIONAL EXPECTATIONS

1. Concept
2. Application to Real Economy
3. Implications for Policy
4. Evaluation

F. POLICY CHOICES

1. Active or Passive Policy?
2. Demand Management
3. Reducing FEO
4. Indexing