Mankiw/Taylor Web site

Short Answer Questions
Chapter 36.

1. Explain the origin of the Phillips curve.

2. Why did Phillips suggest that governments face a trade-off between inflation and unemployment?

3. Using the aggregate demand and aggregate supply model, analyse and assess the effect on the Phillips curve of a significant cut in government spending in real terms.

4. Why did Friedman and Phelps argue that in the long run, the level of inflation was not related to the rate of unemployment?

5. If governments pump more money into the economy, the only result is a persistent increase in inflation'. Explain this statement.

6. Explain the role of expectations in shifting the Phillips curve. Use an appropriate diagram to illustrate your answer.

7. Why might a supply shock cause a shift in the Phillips curve? Illustrate your answer with an appropriate diagram.

8. Outline the principle of the wage curve theory.

9. What is meant by the term 'sacrifice ratio'?

10. Can reducing inflation ever be costless? Explain your answer.

ISBN 978-1-84480-870-0