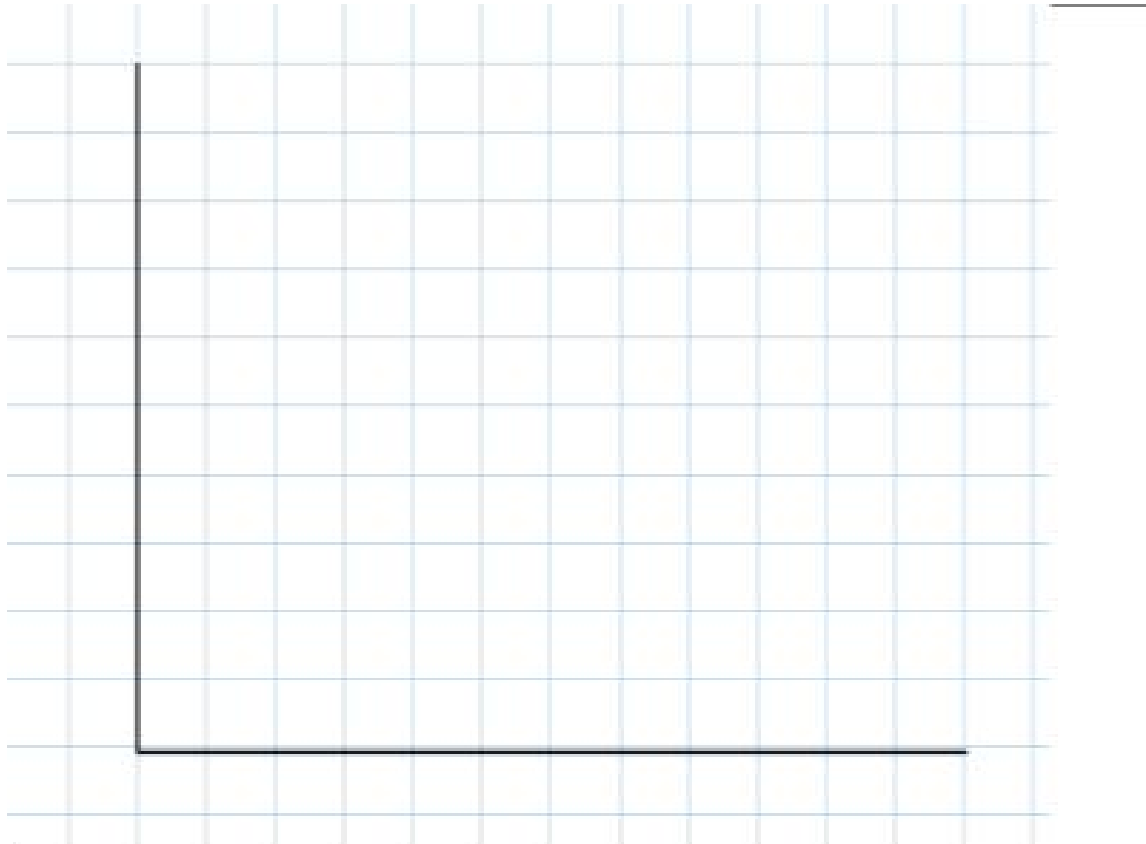


Unit 2.3 - Macroeconomic Objective: the Phillips Curve
Practice Activity

Directions: On the Phillips Curve graph below, place labels and values ranging from 0% to 10% on both the vertical and the horizontal axes. For the scenarios described, draw a point on your the graph and label it with appropriate letter corresponding with the scenario it illustrates. If the scenario describes something that would shift the Phillips Curve, draw a new curve and label it with the appropriate letter. Some scenarios will lead to the same outcome as others; in these cases put multiple letters next to each point. Provide a brief explanation of why each scenario leads to the change you identified..



- A. The economy is stable with unemployment at 5% and inflation at 3%. (For the following scenarios, assume the economy starts at this point)
- B. A decrease in interests rates causes investment to increase.
○ Explanation:
- C. An appreciation of the nation's currency leads foreigners to demand less of the country's exports.
○ Explanation:

- D. The discovery of large reserves of natural gas causes energy prices to decline.
 - Explanation:

- E. An earthquake strikes, destroying much of the nation's transportation infrastructure.
 - Explanation:

- F. Home prices decline, harming consumer and investor confidence.
 - Explanation:

- G. The government reduces payroll taxes by 2% for all households.
 - Explanation:

- H. Fear over the national debt force government to reduce its budget deficit.
 - Explanation:

- I. The Environmental Protection Agency requires all the nation's producers to adhere to strict new greenhouse gas emissions standards.
 - Explanation:

- J. Looser immigration laws increase the available supply of labor in the country.
 - Explanation:

- K. Rapid economic growth abroad boosts demand for the nation's output.
 - Explanation:

