## LESSON 26: PHILLIPS CURVE

TASK 4: Phillips Curve Unit

The table below shows data for the average annual rates of unemployment and inflation for the economy of Britannia from 1998 to 2007.

Year	Unemployment rate	Inflation rate
1998	4.0%	2.5%
1999	2.0	5.0
2000	10.0	1.0
2001	8.0	1.3
2002	5.0	2.0
2003	2.5	4.0
2004	6.0	1.7
2005	1.0	10.0
2006	3.0	3.0
2007	7.0	1.5

The scatter plot below is depicting the same data:
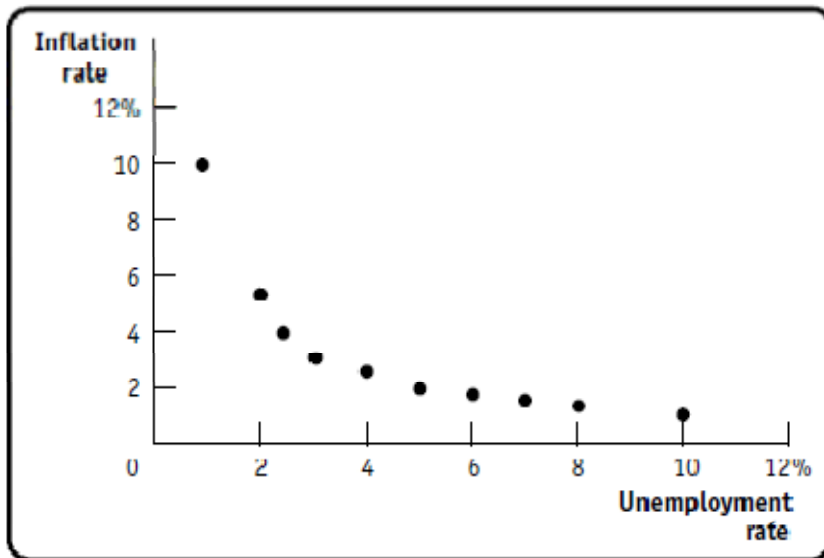
a. Are the data consistent with a short-run Phillips curve?

b. If the government pursues expansionary monetary policies in the future to keep the unemployment rate below the natural rate of unemployment, how effective will such a policy be?