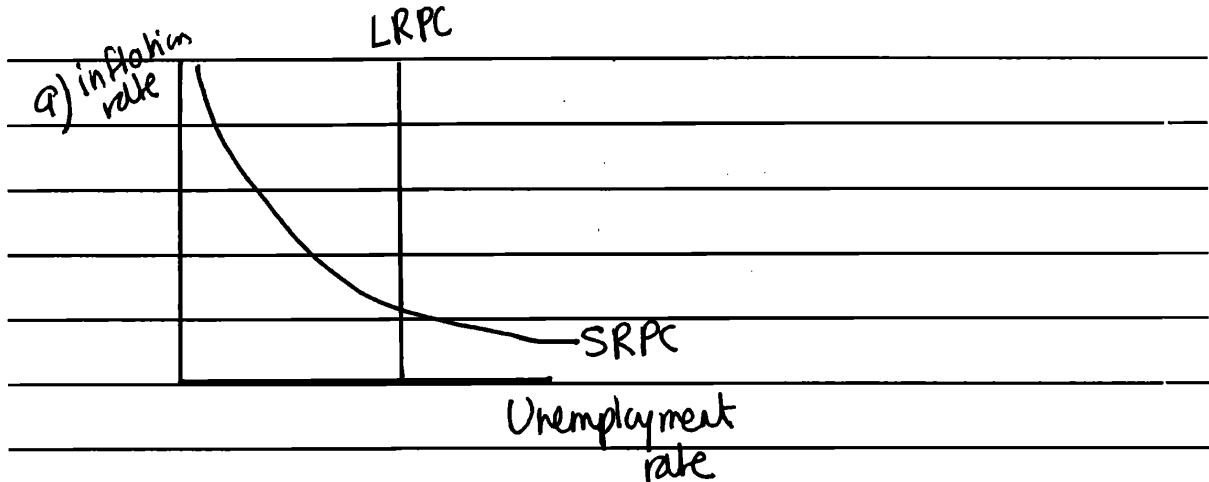
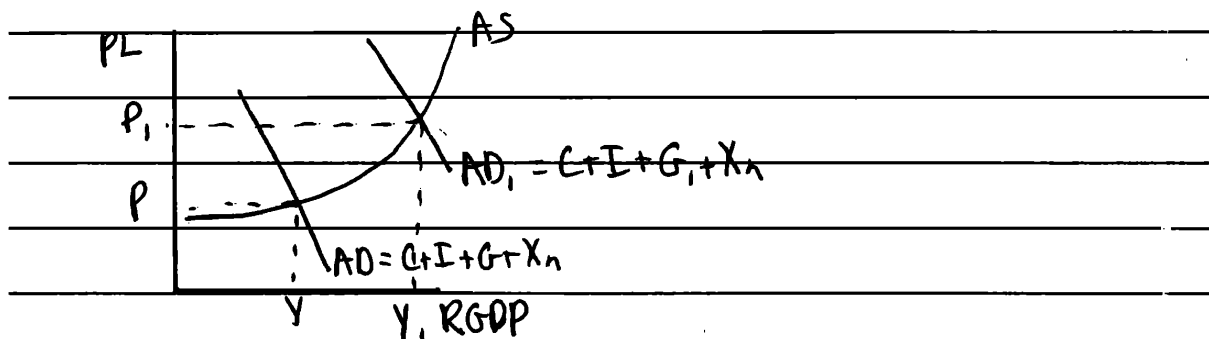


3

Write in the box the number of the question you are answering on this page as it is designated in the examination.



b) i)  $\uparrow$  gov. spending  $\Rightarrow$  AD  $\Rightarrow$   $\uparrow$  inflation (PL) and  $\downarrow$  UE  $\Rightarrow$  movement along the short-run Phillips curve  $\Rightarrow$  no shift in the SRPC



ii)  $\downarrow$  inflationary expectations  $\Rightarrow$   $\uparrow$  AS  $\Rightarrow$   $\downarrow$  inflation and  $\downarrow$  UE  $\Rightarrow$  shift to the left of SRPC

Write in the box the number of the question you are answering on this page as it is designated in the examination.

3

c)  $\uparrow$  unemployment insurance benefits  $\Rightarrow$   
 encourages ~~for~~  $\#$  of unemployed to stay  
 unemployed  $\Rightarrow \uparrow$  natural rate of unemployment  
 $\Rightarrow \uparrow$  Long-run Phillips curve to LRPC,

