

QUIZ ON MODELS OF INFLATION

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Question 1

Since approximately 1970, the most stable Phillips-curve relationship for the United States has been between which of the following variables?

- A) The rate of inflation and the change in the unemployment rate
- B) The unemployment rate and the change in the rate of inflation
- C) The change in the unemployment rate and the change in the rate of inflation
- D) The inverse of the unemployment rate and the rate of inflation
- E) The unemployment rate and the rate of inflation

Question 2

In which of the following decades did the original Phillips curve break down in the United States?

- A) 1940s
- B) 1950s
- C) 1960s
- D) 1970s
- E) 1980s

Question 3

Suppose policy makers underestimate the non-accelerating-inflation rate of unemployment (NAIRU). In a situation like this, if policy makers implement a policy that targets the NAIRU, the policy might result in:

- A) Inflation
- B) Deflation
- C) Steadily declining inflation
- D) Steadily rising inflation
- E) Steadily declining unemployment rate