**RWS #17: Phillips Curve Analysis**

**Due for w/b 22nd January 2017**

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| **GENERAL INSTRUCTIONS:**  *Please complete a revision worksheet summarizing the work from the last two to three weeks. The work should be taking you* ***up to 2 hours*** *to complete and should consist of a 1 A4 double paged summary based on the questions below. Please print out a double sided version to be handed in and marked on the date above (emails will not be accepted so make sure you are printing off your sheet before the lesson).*  *Remember to use all of the space over your two sides of A4 and make sure the ‘margins’ in Word are put as ‘narrow’. Feel free to reduce the size of the font if you are running out of space but nothing less than size 10. A better way to reduce would be to reread what you have written and try to be more succinct; it must fit onto two sides of A4 only!*  *You should be reading and using all the compulsory resources below (remember you will have already read an awful lot of these for homework and in class but there are a few extras I want you to read.*  *This revision worksheet should be taking you 2.25 to 3 hours…I suggest you spend 45 minutes writing up all your notes from class into a rough draft. Then, spend the next 45m-1.5hrs reading the compulsory resources and any extra information or clarifying concepts if you do not understand them. Then use the final 30-45 minutes to edit the work, make it look pretty and print it off.*  *When you hand in these revision worksheets, they are not speculative attempts to see if you understand the material; I am expecting you to have spent the time in and out of the classroom learning it. Thereforeo make use of the extra support available to you: (1) emails to Olly to seek clarification on specific points (2) Economics lunchtime workshop drop ins on Mondays, Wednesdays and Fridays in room 206 (3) 1-2-1 15 minute slot outside of lessons.*  *REMEMBER THAT IF YOU DO NOT HAVE A PRINTER AT HOME YOU MUST FIND TIME BEFORE THE LESSON TO PRINT IT OFF AT COLLEGE*  *ALSO MAKE SURE THAT AS WELL AS STORING A COPY ON A MEMORY STICK, YOU ALSO EMAIL YOURSELF SO THERE CAN BE NO COMPUTER ISSUES WHEN IT COMES TO PRINTING OFF YOUR WORK* |
| **SOURCES**  **Compulsory**   1. **TEXTBOOK (see GOL Library Page to download for free or buy online - £20-25):** pp 207-224 2. **NOTES:** Class and PREP homework notes (in your bag!) including department worksheets issued in class (available on GOL). Remember to include the PREP work as well! This is important for context and case studies. 3. **POWERPOINT:** See the powerpoint slides on GOL. 4. **ARTICLES:** On GOL under ‘compulsory reading’    1. Keynes .v. Classical Views of Unemployment    2. UK History of Inflation and Unemployment    3. Causes of unemployment tutorial (already gone through in class if present)   **EXTENSION (IF YOU HAVE TIME, TRY TO READ OR WATCH THESE)**   1. ARTICLES    1. 1997 and the NAIRU    2. 2006 Phillips Curve 2. Recommended Websites:    1. Economics Help Website    2. Tutor2U Website 3. Other specific resources?   **ALL OF THESE RESOURCES CAN BE FOUND ON GODALMING ONLINE – ANY ISSUES, EMAIL OLLY on** [**ods@godalming.ac.uk**](mailto:ods@godalming.ac.uk) |

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| **TITLE: RWS 17: *Phillips Curve Analysis – The Relationship between Unemployment and Inflation***  **(1) Unemployment and Inflation (1/4 side of A4)**   * Define the concepts of Unemployment, Inflation and Deflation * Explain the difference between Disequilibrium unemployment and Equilibrium unemployment using a diagram * Explain the difference between the Classical and Keynesian view as to why people are unemployed in disequilibrium and also do this for equilibrium as well.   **(2) The SRPC and LRPC (Short Run and Long Run Phillips Curves) (3/4 to 1 side of A4)**   * Draw the SRPC and explain why it is shaped like it is. * Why might the SRPC shift? (explain the theory of inflationary expectations. What is the difference between adaptive and rational expectations and what effect does that have on the speed in which the curve might shift?) * Draw the LRPC and explain why it is shaped like it is. * Why might LRPC move to the right? (HINT: Think “hysteresis!”) * Why might the LRPC move to the left? (HINT: Think “Flexible labour markets”) * How does making the Bank of England independent and emphasising that the priority of Governmental economic policy is to target inflation between 1-3% help to keep inflation under control according to the ‘Monetarists’ and ‘New Classicals’? * Explain what the ‘wage spiral’ is on both an AD/AS diagram but also a SRPC/LRPC diagram * Draw a ‘classical’ LRAS and a ‘keynesian’ LRAS and explain the difference between them.   **(3) UK Unemployment and Inflation Timeline of Debates (Context) (3/4 to 1 side of A4)**  Display as a table like below: For each bullet point below, explain what the economic situation was and how economists might have argued the solution and what the criticism of this theory was:   |  |  |  |  | | --- | --- | --- | --- | | **Period of History** | **Brief overview of this period in terms of unemployment, inflation and Government Policy?** | **Economist view** | **Evaluation** | | **1930’s: Prolonged Unemployment – The Birth of Keynesianism (and death of Classicals)** |  | Explain the Keynesian view and why they thought the Classical viewpoint was wrong | How did Classicals argue against this? | | **1940’s-60’s: Full Employment – The Success of Keynesianism and the Original Phillips Curve** |  | What was the trade off between Unemployment and Inflation | How did Freidman criticise this? | | **1970’s: Stagflation – The Downfall of Keynesianism and birth of ‘Monetarists’ with Adaptive Inflationary Expectations and a distinction between the short run and long run Phillips Curve. The Birth of the New Classicals: Targetting Inflation and Rational Expectations and the Long Run Phillips Curve** |  | What did the monetarists say about adapative expectations and what were the new classicals saying about rational expectations | Why were their criticisms of a fixed LRPC? | | **1979-1993: Boom and Bust – Margaret Thatcher targets inflation and the money supply** |  | Why did New Classicals argue for free market supply side policies to reduce unemployment? | Why did New Keynesians argue for interventionist supply side policies? | | **1993 to 2007: The Great Moderation (Low Inflation and Rising Employment)** |  | What was the consensus between New Keynesians and New Classicals? | | | **2007 to 2013: The Great ‘Recession’ – Financial crash etc** |  | Why did New Labour argue for a Keynesian approach? | Why did the Coalition Government argue for a Classical approach? | | **2013 to 2018: ‘The Great Backlash?’ Productivity puzzle – falling unemployment and falling wages?** |  | What do you think the SRPC and LRPC are likely to be? | | |

**REMEMBER YOU NEED TO SUMMARISE THESE SUB-TITLES onto only 1 A4 PIECE OF PAPER (double sided – please use all available space; aim for narrow margins and make sure your fonts are not too big)**

**PLEASE DO NOT LEAVE THIS TILL THE LAST MINUTE. START IT EARLY AND THEN YOU CAN SEE ME IF THERE ARE ANY PROBLEMS**