

CONCEPT: LONG-RUN PHILLIPS CURVE

- Two of the main macroeconomic concerns for policy makers are **unemployment** and **inflation**

□ Recall, in the long run, the economy is functioning at its _____ GDP

> **Natural Rate of Unemployment** – unemployment rate when economy is at _____ GDP

> **NAIRU** – unemployment rate at which inflation has no tendency to increase or decrease

- Non-accelerating inflation rate of unemployment

> If Aggregate Demand increases → Price Level ____ and Unemployment ____

> If Aggregate Demand decreases → Price Level ____ and Unemployment ____

Long-Run Phillips Curve

