The Phillips Curve

Economics

The inflation-unemployment relationship, and why it shifted.

Short run against long run.

Short run

A trade-off appears to exist	Unexpected inflation reduces unemployment
Real wages fall without workers noticing	Policy appears able to choose a point

Long run

Expectations adjust to actual inflation	Unemployment returns to its natural rate
Only inflation is left, permanently higher	The curve is vertical

> The 1970s broke the simple version: high inflation and high unemployment together, which the original curve could not produce.