MCQ CHAPTER 9

1. The parameter  measures the fraction of firms with flexible wages. Suppose that  is very close to zero. What does this imply for the Phillips curve relating inflation to unemployment?
2. The short run Phillips curve will be almost vertical
3. The short run Phillips curve will be almost flat
4. The long run Phillips curve will be downward sloping
5. The short run Phillips curve is upward sloping
6. The short run Phillips curve is independent of 
7. The parameter  measures the fraction of firms with flexible wages. Suppose that  is very close to unity. What does this imply for the Phillips curve relating inflation to unemployment?
8. The short run Phillips curve will be almost vertical
9. The short run Phillips curve will be almost flat
10. The long run Phillips curve will be downward sloping
11. The short run Phillips curve relating inflation to unemployment will be upward sloping
12. The short run Phillips curve is independent of 
13. In the analysis of wage and price adjustment we use a simplified production function: . We also assume a constant mark-up. Under these conditions, which of the following statements is not correct:
15. Real wage growth equals productivity growth
17. Which of the following events will shift the short run Phillips curve upwards?
18. An sudden reduction in unemployment
19. A decline in expected inflation
20. An unexpected decline in productivity
21. Falling oil prices
22. Which of the following events implies a movement along the short run Phillips curve leading to an increase in inflation?
23. An sudden reduction in unemployment
24. A decline in expected inflation
25. An unexpected decline in productivity
26. Falling oil prices
27. The implications of the Phillips curve depend on how expectations are formed. In which of the following cases would we expect to see a positive correlation between the output gap and the increase in inflation?
28. for all t
29. Suppose that wage setters could perfectly predict inflation at all times. What would this imply for the short run Phillips curve in terms of inflation and the output gap?
30. The short run Phillips curve would be horizontal
31. The short run Phillips curve would be upward-sloping
32. The short run Phillips curve would be downward-sloping
33. The short run Phillips curve would be equal to the long run Phillips curve
34. Which of the following statements best describes the data for the US and the UK 1960-2010?
35. There is a positive correlation between inflation and unemployment
36. There is a negative correlation between inflation and unemployment
37. There is a positive correlation between the change in inflation and the trend deviation of GDP
38. There is a negative correlation between the change in inflation and the trend deviation of GDP
39. Assume that the Phillips curve is given by

In period zero inflation is 2 percent. In periods 1 and 2 the output gap is plus 3 percent.

What will inflation be in period 3 if the output gap is zero in that period?

1. 2 percent
2. 3 percent
3. 4 percent
4. 5 percent
5. 6 percent
6. 8 percent
7. The Phillips curve is given by

In period 1, inflation is 3 percent. In period 2, the output gap is zero but an increase in the value added tax raises inflation to 5 percent (this means that ).

In period 3 the output gap is minus one percent and there are no cost-push shocks. What will inflation be in period 3?

1. 2 percent
2. 3 percent
3. 4 percent
4. 5 percent
5. 6 percent
6. 8 percent