Economics 304 **Fall 2013**
Daily Problem #26 **December 2**

The traditional Phillips curve seems to suggest that disinflation requires high unemployment. The modern Phillips curve opens the door for the possibility of disinflation without a recession, if expected inflation adjusts along with actual inflation. In the cases that Sargent examines in his paper, how was the monetary authority able to influence expectations in order to shift the short-run Phillips curve downward? Is it possible to implement these kinds of expectation-changing measures in this day and age?