

Economics 304
Daily Problem #20

Fall 2013
November 11

1. Explain how “Okun’s Law” connects the downward-sloping short-run Phillips curve to the upward-sloping short-run aggregate-supply curve.
2. What was Friedman’s fundamental insight about the Phillips relationship in his 1968 paper? How does it assure that unemployment is at the natural rate in the long run? How does it allow us to explain the erratic behavior shown in the textbook’s Figure 12.10?