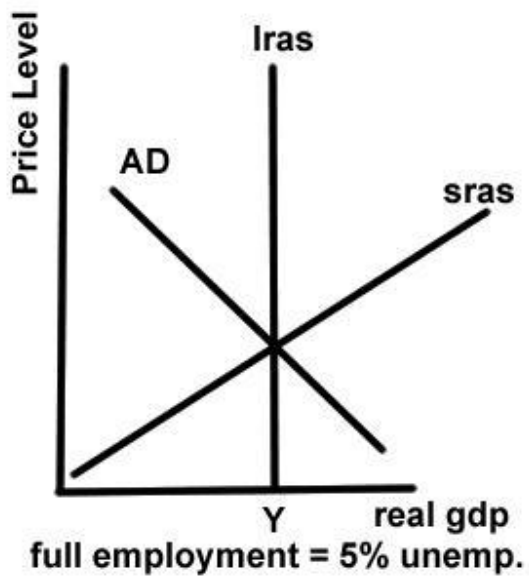
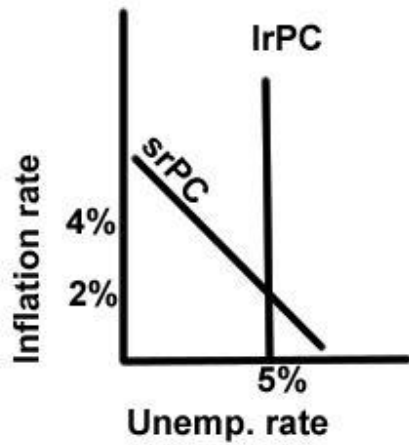


The above graphs represent the current state of the economy in the country of Oz.

1. Now assume that speculation in commodities that are necessary to the economy of Oz's manufacturing base drives the price of those commodities up. Using both graphs illustrate the short-run impact of this increase in commodity prices will have on the real output, unemployment, and inflation rate of Oz.



2. The above graph represents the economy of Refland. Using a graph of the Phillips Curve, illustrate the effect of a major, new energy technology will have on the trade-off between inflation and unemployment.



3. The above graph represents the current trade-off between inflation and unemployment in the economy of Bruland. Illustrate the effects of that an investment in human capital that reduces structural unemployment will likely have on the short-run and long-run Phillips Curve. Explain.