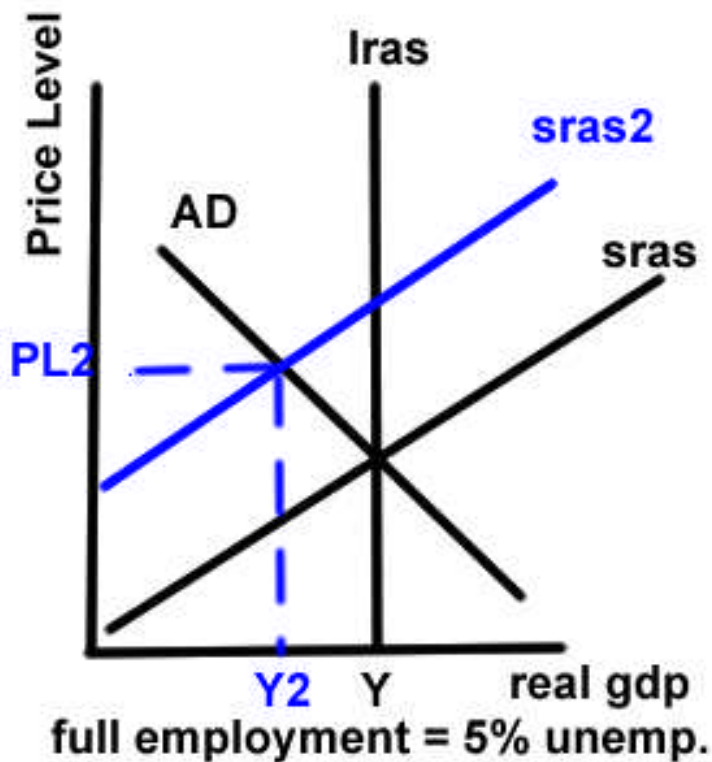
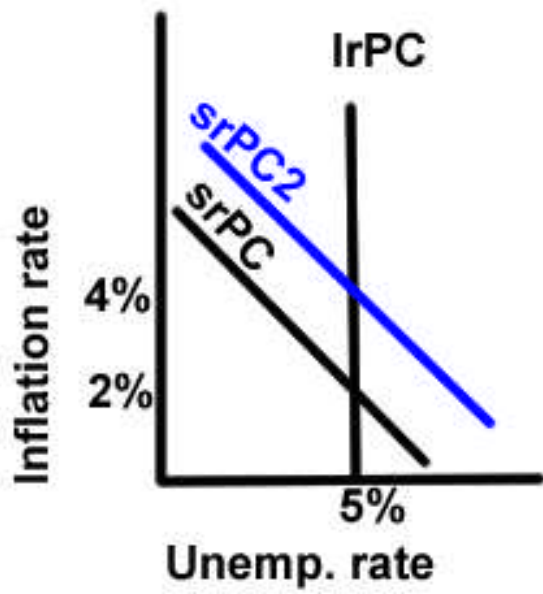


The above graphs represent the current state of the economy in the country of Oz.

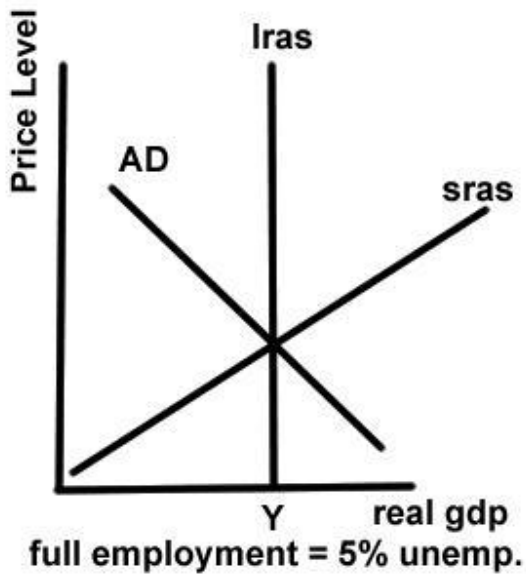
- Now assume that speculation in commodities that are necessary to the economy of Oz's manufacturing base drives the price of those commodities up. Using both graphs illustrate the short-run impact of this increase in commodity prices will have on the real output, unemployment, and inflation rate of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



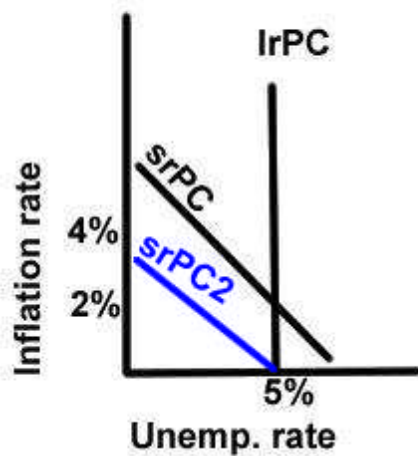
The increase in input prices decreases the sras (shifts left). This leads to more inflation and more unemployment (less employment)



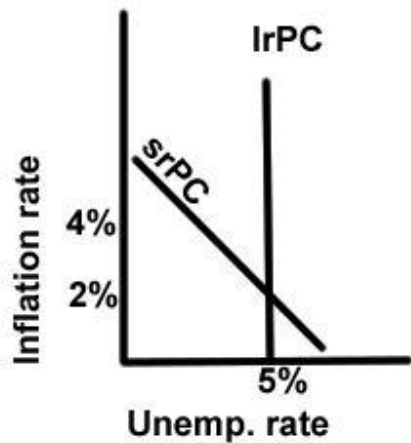
The decrease $s_r a_s$ leads to expectations of more inflation and shifts the srPC to the right. Thus, more inflation and more unemployment is possible.



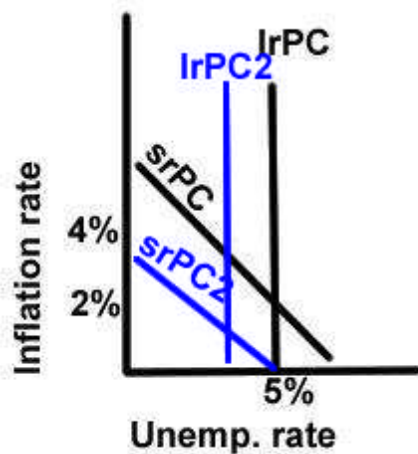
2. The above graph represents the economy of Refland. Using a graph of the Phillips Curve, illustrate the effect of a major, new energy technology will have on the trade-off between inflation and unemployment.



The new technology will shift the sras to the right. This allows for less unemployment and less inflation.



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



The investment in human technology allows for a more productive workforce. This should lead to an increase in output and a shift of the sras to the right and to the Iras to the right also. The shift in the sras will lead to a shift of the srPC curve. The increase in a workforce with skills could lead to a decrease in the natural rate of unemployment.