International Journal of Humanities and Social Sciences (IJHSS)
ISSN(P): 2319–393X; ISSN(E): 2319–3948
Vol. 9, Issue 2, Feb–Mar 2020; 17–26

THEORETICAL RELATIONSHIP BETWEEN INFLATION AND UNEMPLOYMENT: A MACRO STUDY

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ABSTRACT

Inflation and unemployment are crucial variables for fluctuation in an economy and this relationship between inflation and unemployment are very debatable and frequently used in macroeconomics. We can see this relationship by the Phillips curve theory. It is the most pertinent tool for policy makers to frame policies for an economy. Phillips curve is particularly relevant to the Central Bank actions. You may have noticed that many financial publications talk about central banks' attempts to boost or slow the pace of economic activity, in other words, they are the expansions and contractions of money in the economy according to Phillps curve shape. Phillips curve theory established the relationship between rate of inflation and rate of unemployment. It shows inverse relationship between rate of inflation and rate of unemployment. Therefore, in this study, we explore the all-theoretical descriptions or details about the Phillips curve approach and in addition, examined the Phillips curve shape by the polynomial regression model and graphical presentation during 1991 to 2015 as well as it is also added to recent slowdown condition from 2018 Jan to 2019 October in Indian context.

KEYWORDS: *Descriptive, Inflation, Unemployment, Phillips Curve*

Article History

Received: 05 Dec 2019 | Revised: 30 Jan 2019 | Accepted: 14 Feb 2020