Edmund S. Phelps

Phillips Curves, Expectations of Infla
and Optimal Unemployment Over Ti

By EDMUND S. PHELPS[1]

This article is a study of the "optimal" fiscal control
demand. It presents a dynamic macroeconomic model f
derived the optimal time-path of aggregate employmen
employment path and the initially expected rate of inflat
path of the actual rate of inflation (positive or negative
derived. If I am right about the dynamic elements, th
optimal demand is sufficiently difficult to justify some
plifications in this first analysis: a closed, non-stochasti
postulated in which exogenous monetary policy immuniz
against variations in capacity utilization in such a wa
potential capital intensity constant over time. But despite
tions, I believe that the analysis introduces some importa
for national and international policy towards aggregate d

The principal ingredients of the model are the following
of Phillips Curve in terms of the rate of price change, rath
change, that shifts one-for
inflation; seco