ABSTRACT

The main objective of the study was to investigate the prevalence of Phillip curve in Tanzania. The study was guided by three specific objectives. One was to investigate the short-run relationship between inflation and unemployment in Tanzania, second was to examine the long-run relationship between inflation and unemployment in Tanzania and lastly was examine the casual relationship between inflation and unemployment in Tanzania. The data for the study variables were collected from World Bank Development Indicators (WDI), for the sample period of 32 years from 1990 to 2021. The coefficient of long-run dynamics were estimated using Johansen Co-integration and the findings indicated that, there is a long-run negative and significant relationship between public investment and unemployment rate in Tanzania, in such a way that, any unit increase in public investment would result to 0.863979 decline in unemployment rate, holding other factors constant. On the other hand, real GDP has a negative and significant long-run relationship with unemployment rate in way that any unit increase real GDP would leads to 2.295303 decrease in unemployment rate holding other factors constant. Correspondingly to that, the researcher has found the positive and significant long-run relationship between inflation and unemployment in Tanzania, in a way that, any unit increase in inflation rate would result to 0.310900 increase in unemployment rate in the long-run, holding other factors constant. The coefficient is statistically significant at 5% level. The researcher did not find the existence of short-run relationship between the variables and the result of ranger causality indicated that, inflation does not granger causes unemployment in Tanzania. The researcher recommended that, the government of Tanzania through BOT should make appropriate control of the level of inflation rate in the country since it may result to increase in unemployment rate