Inflation Persistence, the NAIRU, and the Great Recession

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Online Appendix

Data Series:

Price Deflators	
P^{PCE_LFE}	Price deflator for personal consumption expenditures less food and energy.
P^{PCE}	Price deflator for personal consumption expenditures
P^{GDP}	Price deflator for GDP
$P^{NonPetImports}$	Price deflator for non-petroleum imports (linked to the price deflator for imports in 1967:Q1)
Unemployment Rates	
u	Civilian unemployment rate, all workers = (number of unemployed)/(labor force)
$u^{<27}$	Civilian unemployment rate, workers unemployed less than 27 week = (number of unemployed less than 27 weeks)/(labor force)
Wage and Price Controls (Gordon (1982))	
Nix_on	$1(1971{:}Q3 \le t \le 1972{:}Q3)\times 0.8$
Nix_off	$1(t = 1974{:}Q2)\times(-0.4)$ + $1(1974{:}Q3 \le t \le 1974{:}Q4)\times(-1.6)$ + $1(t = 175{:}Q1)\times(-0.4)$

All inflation rates are computed as $\pi_t = 400\times\ln(P_t/P_{t-1})$.

All data are from FRED except the price deflator for imports, which is from the NIPA tables available on the BEA website.

Estimates of the Phillips Curve: $\hat{\eta}_t = \sum_{i=0}^{4} \beta_i (u_{t-i} - \hat{\bar{u}}_{t-i}) + Controls + e_t$

Where:

- $\hat{\eta}_t = \hat{\phi}_t(L)(1-\mathrm{L})\pi_t = \pi_t - \tau_{t-1/t-1}$, with τ_{t_1/t_1} the estimate of the permanent component in the UCSV model (Stock and Watson (2007).

- $\hat{\bar{u}}_t$ is a one-sided band-pass estimate of $\bar{u}_t$ associated with periods greater than 60 quarters.

Estimates of $\beta(1) = \sum_{i=0}^{4} \beta_i$

Unemployment Rate	1960:Q2-2013:Q3	1960:Q2-1983:Q4	1984:Q1-2013:Q3
All workers	–0.20 (0.04)	–0.21 (0.06)	–0.19 (0.06)
Workers unemployed less than 27 weeks	–0.31 (0.08)	–0.32 (0.08)	–0.30 (0.14)

The regressions contain the following controls: Nix_on_t, Nix_off_t, $\pi_t^{PCE} - \pi_t^{PCE\_LFE}$ (lags 1-4), $1(t \geq 1984{:}Q1) \times (\pi_t^{PCE} - \pi_t^{PCE\_LFE})$(lags 1-4), and $\pi_t^{NonPetImports} - \pi_t^{GDP}$ (lags 0-4).