You are kindly invited to attend a Joint Seminar of the National Bank of Belgium, CES-KUL, Ecares-ULB and UCL

by

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(European Central Bank)

on

Are ‘Intrinsic Inflation Persistence’ Models Structural in the Sense of Lucas (1976)?

Abstract

Following Fuhrer and Moore (1995), several authors have proposed alternative mechanisms to ‘hardwire’ inflation persistence into macroeconomic models, thus making it structural in the sense of Lucas (1976). Drawing on the experience of the European Monetary Union, of inflation-targeting countries, and of the new Swiss monetary policy regime, I show that, in the Phillips curve models proposed by Fuhrer and Moore (1995), Gali and Gertler (1999), Blanchard and Gali (2007), and Sheedy (2007), the parameters encoding the ‘intrinsic’ component of inflation persistence are not invariant across monetary policy regimes, and under the more recent, stable regimes they are often estimated to be (close to) zero. In line with Cogley and Sbordone (2008), I explore the possibility that the intrinsic component of persistence many researchers have estimated in U.S. post-WWII inflation may result from failure to control for shifts in trend inflation. Evidence from the Euro area, Switzerland, and five inflation-targeting countries is compatible with such hypothesis.

The seminar will take place on Wednesday, 19 November 2008 from 16.30 until 18.00. The seminar will be held in the Auditorium of the National Bank of Belgium (Room B), Entrance: Warmoesberg 61, Brussels.

Please reply by email to Yvette.Vandenbosch@nbb.be if you wish to participate to this seminar. With name and car plate number to access the NBB Parking Warmoesberg 41.

Kind regards,
H. De Wachter (KUL), R. Kollmann (ULB), D. Weiserbs (UCL) and R. Wouters (NBB)