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The Meta-Phillips Curve: Modelling U.S. Inflation in the Presence of aRegime Change

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Abstract

A novel approach to modelling inflation dynamics is presented based on a set of Hybrid New-Keynesian Phillips Curves, distinguished by the regime duration, and combined into a meta-Phillips Curve using model averaging techniques. The analysis of US data over $1950q1 - 2016q1$ shows that, while the importance of expectations of future inflation varies through time depending on the monetary policy regime and economic environment, future expectations make a more substantial contribution to current inflation than past inflation..

Keywords: Inflation, Hybrid New Keynesian Phillips Curve, Model Averaging, Structural Breaks

JEL Classification: E31, E58

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