CEPII

« Les banques centrales doivent-elles oublier la courbe de Phillips ? »

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L'économie mondiale 2022
Conférence de présentation

CEPII

FEDERAL RESERVE

The Fed chairman says the relationship between inflation and unemployment is gone

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Central bankers have one job and they don't know how to do it

Matthew C Klein OCTOBER 18 2017   💬 43 🖶

Blanchard was prompted to recite his faith in the power of the Phillips Curve by former Fed governor Jeremy Stein, who wondered how central banks were supposed to *raise* their inflation target to 4 per cent when they are still undershooting the current target of 2 per cent. Blanchard seemed to think the answer was easy: keep rates low, unemployment will fall, and inflation will necessarily accelerate.

Larry Summers — Blanchard's co-host at the conference and co-author of one of the papers — found this hopelessly inadequate. He pointed to Japan's long experience with full employment, large government budget deficits, aggressive monetary expansion…and total price stability. If *they* haven't managed to get inflation, how could anyone? Blanchard had no answer but to repeat his catechism.
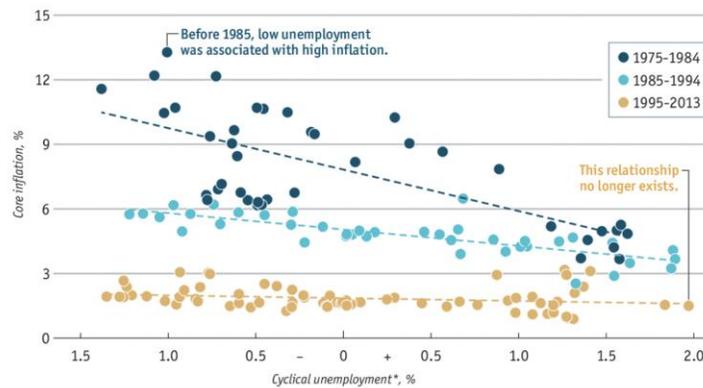

The Economist

Daily chart

The Phillips curve may be broken for good

Central bankers insist that the underlying theory remains valid

Flatlining
Inflation and cyclical unemployment, average across advanced economies, quarterly

Before 1985, low unemployment was associated with high inflation.

● 1975-1984
● 1985-1994
● 1995-2013

This relationship no longer exists.

Core inflation, %

Cyclical unemployment*, %

*Actual unemployment minus the "natural" rate of unemployment

Sources: OECD; IMF

Economist.com

FEDERAL RESERVE BANK of ST. LOUIS

THE CASE OF THE DISAPPEARING PHILLIPS CURVE

James Bullard
President and CEO

U.S. MARKETS   MAY 16, 2019 / 6:18 PM / UPDATED 2 YEARS AGO

Fed's Brainard: Breakdown in inflation-unemployment relationship poses challenge

By Reuters Staff   3 MIN READ   f ✗

WASHINGTON (Reuters) - The relationship between slack in labor and other core resource markets and inflation has "broken down," posing risks for the Federal Reserve if it fails to lift the pace of price increases to its announced target, a top Fed official said on Thursday.

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Bond investors cast doubt on Fed's power to push up inflation

Prices wobbled after central bank's reset, but many still question long-term impact

Jay Powell's reminder that the Fed will tolerate higher inflation hit bond prices around the world © FT montage; Reuters

Tommy Stubbington in London and Colby Smith in New York AUGUST 31 2020   💬 45 🖶

Good enough for government work?
Macroeconomics since the crisis

Paul Krugman*

IV. The case of the missing deflation

I've just argued that the lack of a major rethinking of macroeconomics in the aftermath of crisis was reasonable, given that conventional, off-the-shelf macroeconomics performed very well. But this optimistic assessment needs to be qualified in one important respect: while the demand side of economy did just about what economists trained at MIT in the 1970s thought it would, the supply side didn't.

As I said, the experience of stagflation effectively convinced the whole profession of the validity of the natural-rate hypothesis. Almost everyone agreed that there was no long-run inflation–unemployment trade-off. The great saltwater–freshwater divide was, instead, about whether there were usable short-run trade-offs.

But if the natural-rate hypothesis was correct, sustained high unemployment should have led not just to low inflation but to continually declining inflation, and eventually deflation. You can see a bit of this in some of the most severely depressed economies, notably Greece. But deflation fears generally failed to materialize.

Fig.1.1861 – 1913

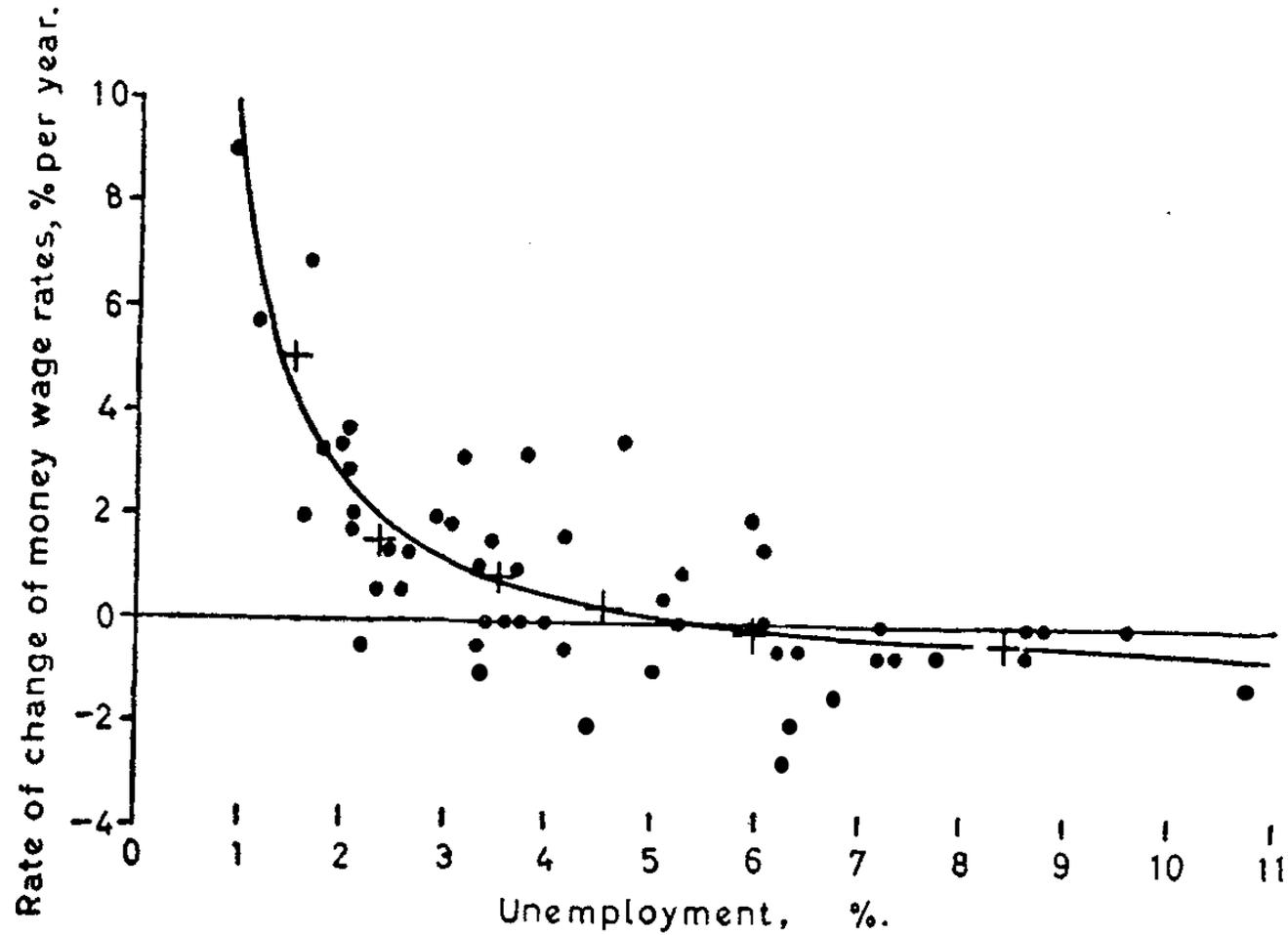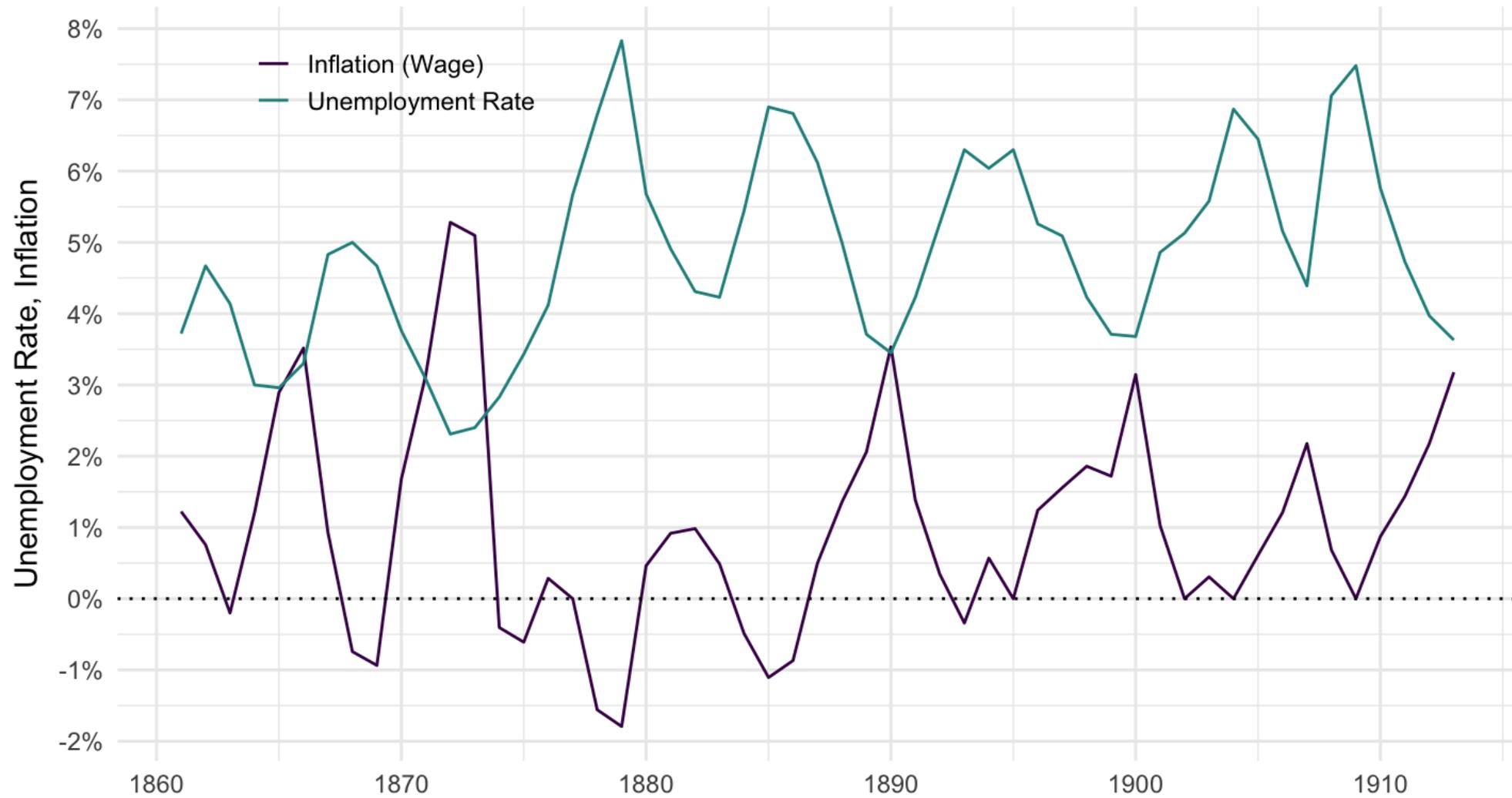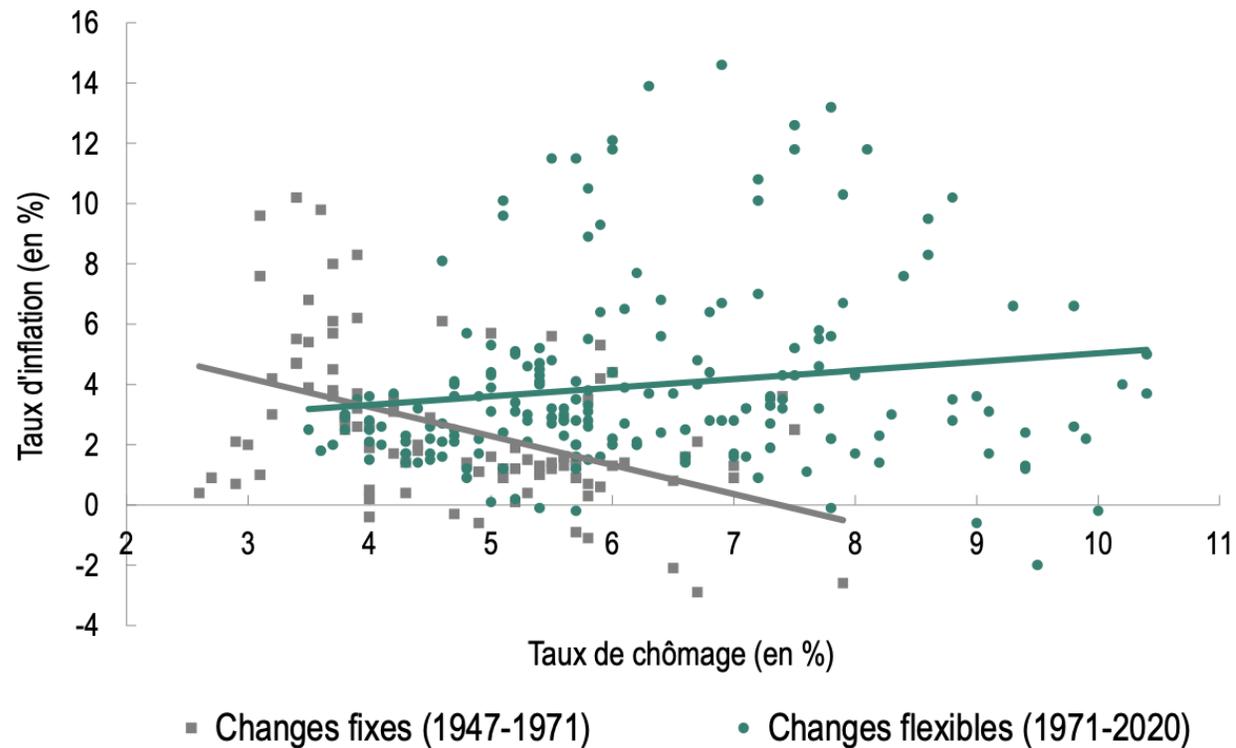François Geerolf, « Les banques centrales doivent-elles oublier la courbe de Phillips ? », Economie Mondiale 2022, 8 septembre 2021.

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Graphique 1 – La courbe de Phillips était bien visible aux États-Unis pendant Bretton Woods, après elle disparaît

■ Changes fixes (1947-1971)   ● Changes flexibles (1971-2020)

Source : Calculs de l'auteur, à partir de la base de données FRED.

Dichotomie fonctionne plus généralement

☐ Cohérent avec Phillips
☐ Contradictoire avec Phillips

Inflation Forte

Surchauffe: faible chômage et forte inflation

- 1960-69: guerre du Vietnam, Kennedy
- 1990-95: boom post arrimage au $
- 2000-07: boom post entrée dans l'€
- 2000-07: boom post entrée dans l'€
- 2000-07: boom post entrée dans l'€
- 2005-07: boom post entrée dans l'€
- 2005-08: boom financier : Immobilier

Stagflation = fort chômage et forte inflation

- 1971-79: fin de Bretton Woods
- 2001-08: après la fin de l'arrimage au $
- 2008-10: après une crise de change

Déflation manquante: fort chômage et inflation modérée

- 1933-37: devaluation $ en 33
- 1990-93: éclatement bulle
- 2007-09: crise financière
- 2007-09: crise financière
- 2011-13: austérité, crise de la dette

Chômage Faible ———————————————→ **Chômage Fort**

Inflation manquante : faible chômage et inflation faible

- 1986-90: bulle immo, après Plaza
- 1997-01: bulle Internet, exuberance irrationnelle
- 1997-02
- 2000-05
- 2010-19: boom des matières premières
- 2017-20: relance Trump

Déflation & croissance: faible chômage et déflation

- 2011-16: après l'appréciation du Franc Suisse

Situation déflationniste: fort chômage et déflation

- 1929-33: déflation Hoover
- 1930-33: déflation Brüning
- 1931-33: deflation Laval
- 1997-02: après la crise Asiatique de 1997
- 1997-00: crise
- 2010-15: austérité (crise de la dette)
- 2014-16: austérité européenne
- 2014-16: austérité européenne
- 2014-16: austérité européenne

Inflation Faible