

Volume 28, Issue 15**Research Announcement****Inflation and unemployment. Is there a Phillips curve for the USA?**

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Abstract

During the last 25 years, unemployment in the USA is a lagged linear function of inflation and labor force relative change with time. The lag is currently of 2.5 years. Only a small decrease in labor force rate is currently observed compared to the strong growth between 1965 and 1990. According to the revealed relationship, the famous stagflation period is an obvious result of the lag. One can predict unemployment rate for the next 2.5 years with the accuracy of the inflation measurements. The end of 2005 is a pivot point from decreasing unemployment to a moderate growth to 6% in 2008. Cumulative values of the observed and the model predicted unemployment starting from 1960 are in an excellent agreement with the lag shifted from about 1 year to 2.5 years in 1979. There is no Phillips curve linking simultaneous values of inflation and unemployment but the former variable defines the latter in future.

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