

"Testing non-nested specifications of the New Keynesian Phillips Curve",

co-authored with Luis Martins at ISCTE, Portugal, to be considered for presentation at the Workshop on Current Trend and Challenges in Model Selection.

Abstract:

This paper tests alternative specifications of the New Keynesian Phillips Curve by means of appropriate non-nested tests. We consider several different measures of aggregate activity as the forcing variable of the inflation process, namely the labour share as in Gali and Gertler (1999), output gap as in Neiss and Nelson (2005) and labour market imperfections as in Blanchard and Gali (2007). For that purpose, we employ non-nested testing procedures proposed by Ramalho and Smith (2002) and Rivers and Vuong (2002), in the context of GMM and GEL estimation.