

APPENDIX

Table 1: Phillips Curve Results using OECD data for the Output Gap (OLS)

Dependent variable: $\Delta\pi$	United States	United Kingdom	Canada	Italy	Germany	Japan	France
Estimation Period	1971-2000	1965-2000	1969-2000	1964-2000	1970-2000	1970-2000	1972-2000
$\Delta\pi_{t-1}$	-0.336***	-0.362***	-	0.262	-	-0.134***	-
$\Delta\pi_{t-2}$	-0.199*	-0.414***	-0.253*	-	-0.281*	-	-
GAP	0.005***	0.009***	0.003***	0.004*	0.002***	0.004	0.003***
$\Delta$ GAP	-0.003**	-0.009***	-	0.006**	-	-	-
IMP INF	0.107***	0.637***	0.515**	0.439***	0.214**	0.146	0.267***
Adjusted R <sup>2</sup>	0.786	0.799	0.597	0.615	0.512	0.751	0.571
<i>Diagnostic Tests (probabilities)</i>							
White Test	0.006	0.041	0.665	0.984	0.261	0.009	0.779
LM Test	0.861	0.213	0.469	0.517	0.306	0.496	0.382
Ramsey Test	0.070	0.270	0.736	0.132	0.634	0.035	0.907
Chow Forecast Test (1995-2000)	0.970	0.996	0.814	0.734	0.788	0.747	0.857
Jarque-Bera Test	0.664	0.893	0.691	0.0004	0.659	0.00002	0.658
<i>Sacrifice Ratio</i>							
$1 - \alpha_1 - \alpha_2$	3.4	2.1	3.9	3.4	6.0	2.9	2.9
$100 * \alpha_3$							
Wald Test	0.0001	0.001	0.004	0.018	0.006	0.202	0.0001

Notes: a) Coefficients which are statistically significant at the 1, 5 and 10 per cent significance level are denoted by \*\*\*, \*\* and \* respectively. These results were obtained using Newey-West autocorrelation consistent covariance estimates. For the diagnostic tests the probability value is reported (a value higher than 0.05 means that the null of no mis-specification cannot be rejected at the 5 per cent probability level).  
 b) Dummies for US: 1974, 1976. Dummies for UK, 1975, 1978. Dummies for Germany: 1970, 1975, 1991. Dummies for France: 1974, 1977.  
 Dummies for Canada: 1974, 1975, 1977. Dummies for Japan: 1974, 1975.