On “Reconciling Wage and Price Phillips Curves”

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Overview

Fact Price Phillips Curves steepens more than Wage Phillips Curves during tight labor markets

Data Document such steepening of PPC comes from market concentration measured by HHI

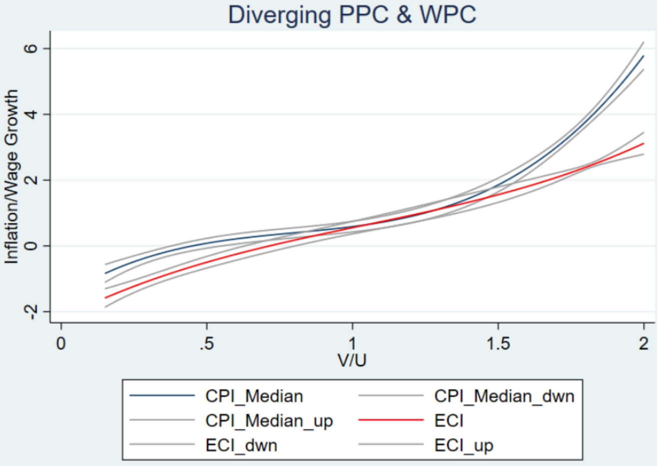
- Currently pulling data from NFIB for supportive evidence (by Osten)

Channel Firms prioritize pricing demand rather than raising wages facing upward wage pressure

Validate Most countries (except for four) experiences such channel (NFIB)

- Currently adding MSA analysis (by Osten)

Divergence of PPC and WPC



Suggestion

In the connection between model and empirical evidence

- You have provided the evidence on how labor market tightness affects inflation in a highly non-linear fashion.
- You have defined the NK-on-the-job-search model in a non-linear fashion as well.
- But you derive the PPC and WPC using linear approximation.
- How much of non-linearity do you expect to lose when you derive model in this way?