

# POLITICAL PRESSURES ON MONETARY POLICY DURING THE U.S. GREAT INFLATION

## Web Appendix 4: Additional empirical results

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**Table A4.1. Taylor rule regressions - one-quarter inflation horizon**

	Frequency: meeting				Frequency: quarterly			
	Dependent variable: Fed funds target (midpoint) Sample: 1/13/69 - 9/17/79				Dependent variable: Fed funds rate (weekly average) Sample: 1969q1 - 1979q3			
	(1) Unemp.	(2) Unemp.	(3) Output	(4) Output	(5) Unemp.	(6) Unemp.	(7) Output	(8) Output
$\rho_1$	1.27 (11.24)	1.22 (11.53)	1.31 (12.32)	1.26 (12.66)	0.72 (6.09)	0.77 (4.84)	0.86 (4.94)	0.93 (6.80)
$\rho_2$	-0.41 (4.15)	-0.38 (3.93)	-0.43 (4.49)	-0.40 (4.26)	-0.17 (2.13)	-0.25 (2.24)	-0.25 (1.72)	-0.33 (2.99)
$\alpha$	4.99 (5.62)	5.98 (6.93)	4.05 (3.97)	5.33 (5.13)	5.09 (5.96)	5.87 (7.46)	4.23 (3.36)	5.42 (5.48)
$\beta$	0.66 (3.96)	0.44 (2.46)	0.92 (4.46)	0.64 (2.88)	0.66 (5.14)	0.46 (3.54)	0.87 (3.83)	0.60 (3.21)
$\gamma$	-1.56 (5.15)	-1.44 (5.68)	0.41 (5.92)	0.37 (6.31)	-1.64 (4.75)	-1.33 (4.80)	0.40 (3.62)	0.28 (3.96)
LOOSE_CHAIR		-0.26 (2.47)		-0.26 (2.48)		-0.64 (2.67)		-0.80 (3.27)
TIGHT_CHAIR		0.24 (2.09)		0.19 (1.72)		0.34 (0.94)		0.06 (0.17)
LOOSE_OTHERS		0.04 (0.47)		0.00 (0.02)		0.26 (1.04)		0.23 (0.77)
TIGHT_OTHERS		0.18 (1.87)		0.21 (2.10)		0.03 (0.13)		0.12 (0.38)
Observations	131	131	131	131	42	42	42	42
R-squared	0.96	0.97	0.96	0.97	0.88	0.90	0.86	0.89
Breusch- Godfrey (p-value)	1.19 (0.31)	0.59 (0.55)	0.26 (0.77)	1.11 (0.33)	6.95 (0.00)	3.77 (0.03)	4.67 (0.02)	3.61 (0.04)

**Table A4.2. Taylor rule regressions - four-quarter inflation horizon**

	Frequency: meeting				Frequency: quarterly			
	Dependent variable: Fed funds target (midpoint) Sample: 1/13/69 - 9/17/79				Dependent variable: Fed funds rate (weekly average) Sample: 1969q1 - 1979q3			
	(1) Unemp.	(2) Unemp.	(3) Output	(4) Output	(5) Unemp.	(6) Unemp.	(7) Output	(8) Output
$\rho_1$	1.27 (11.33)	1.22 (11.68)	1.31 (12.49)	1.26 (12.91)	0.75 (4.24)	0.80 (4.80)	0.88 (5.15)	0.94 (6.73)
$\rho_2$	-0.40 (4.05)	-0.37 (3.82)	-0.42 (4.37)	-0.38 (4.14)	-0.18 (1.21)	-0.26 (2.22)	-0.25 (1.67)	-0.33 (2.95)
$\alpha$	5.06 (5.21)	6.07 (6.90)	3.96 (3.50)	5.32 (5.02)	5.22 (4.43)	5.97 (7.14)	4.19 (3.03)	5.39 (5.23)
$\beta$	0.69 (3.65)	0.44 (2.44)	1.01 (4.20)	0.68 (2.97)	0.68 (3.33)	0.45 (3.10)	0.95 (3.50)	0.63 (3.13)
$\gamma$	-1.63 (4.77)	-1.46 (5.45)	0.43 (5.44)	0.38 (6.07)	-1.66 (4.40)	-1.32 (4.17)	0.42 (3.50)	0.30 (3.91)
LOOSE_CHAIR		-0.26 (2.59)		-0.27 (2.62)		-0.61 (2.37)		-0.75 (3.03)
TIGHT_CHAIR		0.26 (2.22)		0.21 (1.91)		0.38 (0.93)		0.14 (0.36)
LOOSE_OTHERS		0.05 (0.58)		0.01 (0.17)		0.30 (1.12)		0.24 (0.83)
TIGHT_OTHERS		0.19 (1.95)		0.20 (2.13)		0.02 (0.05)		0.12 (0.36)
Observations	131	131	131	131	41	41	41	41
R-squared	0.96	0.97	0.96	0.97	0.87	0.90	0.86	0.88
Breusch-Godfrey (p-value)	0.69 (0.50)	0.82 (0.44)	0.06 (0.94)	1.44 (0.24)	7.25 (0.00)	3.74 (0.04)	4.96 (0.01)	3.51 (0.04)

Columns (1)-(2): Regression results reported in Table 2. Taylor rule with one(four)-quarter-ahead inflation forecast, current quarter unemployment gap. Frequency = FOMC meeting. Dependent variable = midpoint of federal funds rate target.

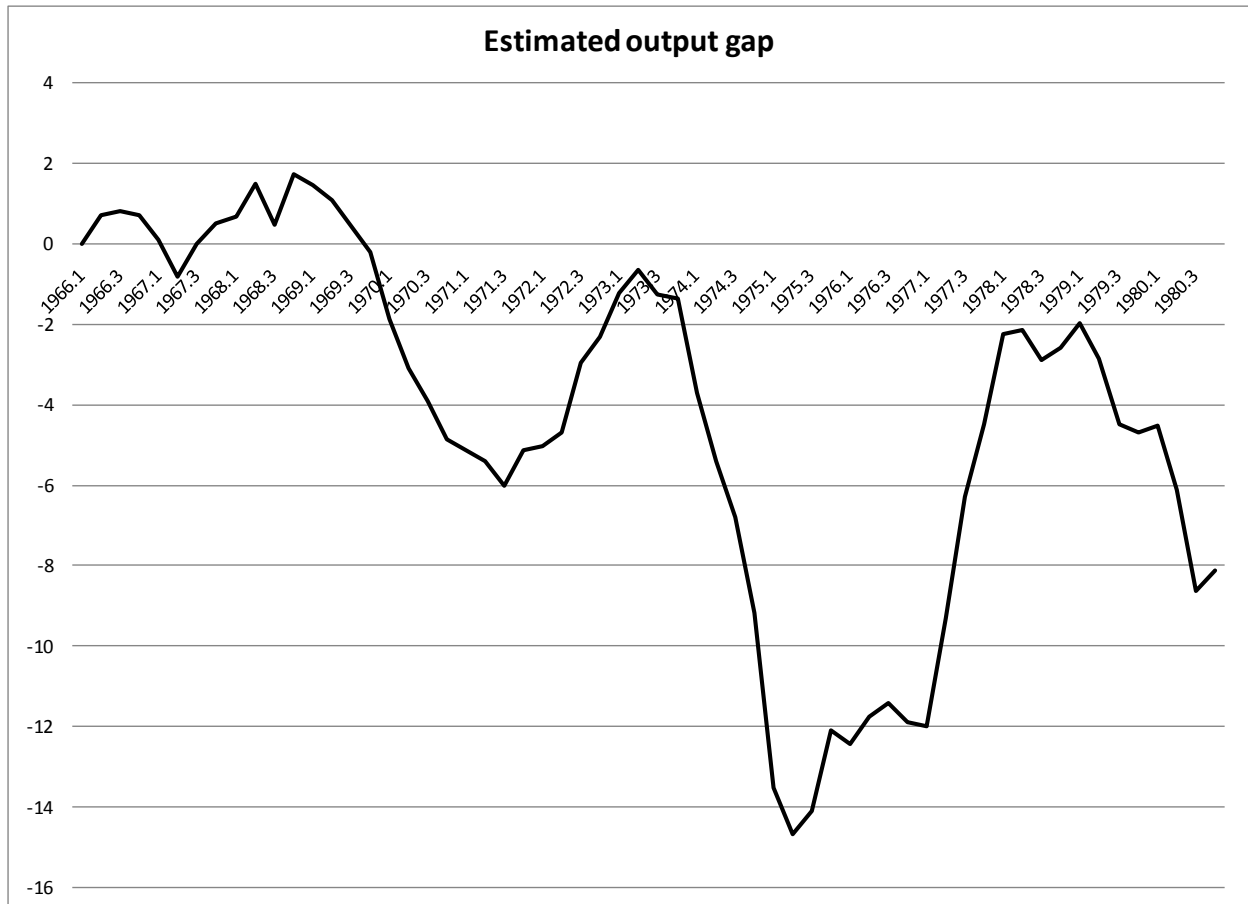
Columns (3)-(4): Same as (1)-(2) but with output gap replacing unemployment gap.

Columns (5)-(6): Taylor rule with one(four)-quarter-ahead inflation forecast, current quarter unemployment gap. Frequency = quarterly. Dependent variable = average over quarter of weekly average federal funds rate.

Columns (7)-(8): Same as (5)-(6) but with output gap replacing unemployment gap.

**Figure A4.1: Output gap**

Output gap was computed to match approximately that in Orphanides (2004). Potential output computed by assuming GNP = potential GNP in 1966Q1, grows at 4% annually thereafter. Growth rate of potential GDP = 3.3% after 1978Q1. Output gap = current quarter Greenbook forecast of actual GDP as percent of potential output.



**Figure A4.2: Monetary policy shocks from VAR and political signals**

Monetary policy shocks in Figure 8 are the orthogonalized residuals from a fourth-order VAR with CPI inflation, growth of industrial production, and federal funds rate. The general pattern is the same when 12 lags are used instead of four and when the unemployment rate is used in place of industrial production.

