

## Revisiting the Phillips curve:A CGE-MCDM approach

Topic: Issues in CGE and econometric modelling

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In this paper we provide a new reading of a classical economic relation: the short-run Phillips curve. Our point is that, when dealing with inflation and unemployment, policy making can be understood as a multicriteria decision making (MCDM) problem. Hence, we use so-called multiobjective programming in connection with a computable general equilibrium (CGE) model to determine the combinations of policy instruments that provide efficient combinations of inflation and unemployment. This approach results in an alternative version of the Phillips curve that we label as efficient Phillips curve. We apply our methodological proposal within a particular regional economy, Andalusia in the south of Spain. We test if the observed policy is efficient and, if not, we analyze to what extent it could be Pareto improved. The aim of this paper is not a doctrinal positioning on economic thought about the existence or not of the Phillips curve, but a methodological framework to revisit the Phillips curve as well as an applied exercise with real data. In fact, this tool could be used to give some keys for policy advise and policy implementation with the intention of fighting against the Andalusian high rate of unemployment.

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