

# Was Inflation Predictable? Classical vs. Modern Monetary Theory

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### INTRODUCTION

Inflation is defined as an overall increase in prices of goods and services in an economy. Inflation can be characterized with a broad price index representing the overall price level. Inflation has a dramatic effect on people's lives. Some of the effects are:

- Loss of purchasing power
- Higher interest rates
- Difficulty paying bills

The purpose of this study was to determine if the current inflation rates were predictable given what was known prior to the onset of the current spike.

### DISCUSSION

### METHODS

- Data collected from online public repositories:
  - <https://fred.stlouisfed.org>
  - <https://www.census.gov/data>
  - <https://data.bls.gov>
- Used SAS to split the data into pre-2010 as the train data set and post-