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”Macroeconomic transmission mechanisms in a non-stationary world”

The purpose of the thesis is to identify a set of broad empirical regularities which can be interpreted in light of economic theory. Common to all chapters is the use of the co integrated VAR model in empirical studies of macroeconomic transmission mechanisms. Economic theory is consistently used to guide identification of the statistical models but it is shown that a trade-off between economic identification and statistical significance often arises. Together, the chapters provide a consistent set of evidence against the existence of a clear link between the short- and the long-term interest rate. As a result, monetary policy seems to have had little control over inflation in recent decades, and the apparent success of inflation-targeting central banks has been greatly aided by downward pressure on prices induced by globalisation. The results presented in the thesis taken alongside events during the current financial and economic crisis suggest that it may be beneficial for policy makers to focus less on the prices of goods and services and direct more attention towards the prices of assets. In today's highly integrated world economy, it is however likely to be the global stance of monetary policy that matters, calling for a larger degree of policy coordination across countries.