

PPP Strikes Back: Aggregation And the Real Exchange Rate

[Get access >](#)

Jean Imbs, Haroon Mumtaz, Morten O. Ravn, H el ene Rey

The Quarterly Journal of Economics, Volume 120, Issue 1, February 2005, Pages 1–43, <https://doi.org/10.1162/0033553053327524>

Published: 01 February 2005

Abstract

We show the importance of a dynamic aggregation bias in accounting for the PPP puzzle. We prove that the aggregate real exchange rate is persistent because its components have heterogeneous dynamics. Established time series and panel methods fail to control for this. Using Eurostat data, we find that when heterogeneity is taken into account, the estimated persistence of real exchange rates falls dramatically. Its half-life, for instance, may fall to as low as eleven months, significantly below the “consensus view” of three to five years.

This content is only available as a PDF.

  2005 by the President and Fellows of Harvard College and the Massachusetts Institute of Technology

Issue Section: [Articles](#)

You do not currently have access to this article.

Sign in

[Get help with access](#)

Personal account

- Sign in with email/username & password
- Get email alerts
- Save searches
- Purchase content

Institutional access



Sign in through your institution



Sign in through your institution



- Activate your purchase/trial code
- Add your ORCID iD

Sign in >

Register

[Sign in with a library card](#)

[Sign in with username/password](#)

[Recommend to your librarian](#)

Institutional account management

[Sign in as administrator](#)

Purchase

[Subscription prices and ordering for this journal](#)

[Purchasing options for books and journals across Oxford Academic](#)

Short-term Access

To purchase short-term access, please sign in to your personal account above.

Don't already have a personal account? [Register](#)

PPP Strikes Back: Aggregation And the Real Exchange Rate* - 24 Hours access

EUR €39.00

GBP £33.00

USD \$43.00

Rental



This article is also available for rental through DeepDyve.