

A Query to the Paper "CPI vs.PPI:Which Drives Which"

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The author finds that the empirical investigation to the relation of CPI and PPI in He's paper has some problems, such as the estimate of weight coefficient, the examination to the cointegration and Granger-causality. The empirical outcome of He's paper is that: CPI is the Granger-causality of PPI. He's paper gives the conclusion from this result: the demand-side factors have played a more important role than supply-side factors in CPI inflation in contemporary Chinese economy. While the author derives the different result by a VEC model with the same data: the CPI is the Granger-causality of PPI in the short and long-run, and vice versa. Therefore, the point of He's paper is controversial.

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