

264 8 Views CrossRef citations to date 0 Altmetric

Original Articles

# Monetary and banking policy transmission through interest rates: an empirical application to the USA, Canada, the UK and the Eurozone

Yannis Panagopoulos ✉, Ioanna Reziti & Aristotelis Spiliotis

Pages 119-136 | Published online: 19 Mar 2010

🗨️ Cite this article 🔗 <https://doi.org/10.1080/02692171003590096>

Sample our Economics, Finance, Business & Industry Journals >> [Sign in here](#) to start your access

## We Care About Your Privacy

We and our 854 partners store and access personal data, like browsing data or unique identifiers, on your device. Selecting "I Accept" enables tracking technologies to support the purposes shown under "we and our partners process data to provide," whereas selecting "Reject All" or withdrawing your consent will disable them. If trackers are disabled, some content and ads you see may not be as relevant to you. You can resurface this menu to change your choices or withdraw consent at any time by clicking the ["privacy preferences"] link on the bottom of the webpage [or the floating icon on the bottom-left of the webpage, if applicable]. Your choices will have effect within our Website. For more details, refer to our Privacy Policy. [Here](#)

We and our partners process data to provide:

I Accept

Reject All

Show Purpose



Full Ar

Repri

Abstra

The mai

transmis

retai

transm

mark-up

Eurozon

pass-thr

and ther

(1988) c

wholesa

est rate

(rates) to the

of the

ite margin or

nd the

part of this

pply process

Johansen

nted for the

odel (GETS)

is applied, for the revelation of the banking sector pass-through interest rate behaviour.

In the empirical part, on the issue of the wholesale interest rate selection, the USA and the Eurozone seem to favour the Money Market rate while the UK and Canada favour the central bank policy rate. The results indicate two types of interest rate pass-through behaviour, with market structure implication – namely, the US and UK banking systems contrasted with Canada–Eurozone.

Keywords: interest rate pass-through behaviour monetary policy transmission asymmetries

JEL Classifications: E52 E43

## Acknowledgements

We would like to thank Professor Rao for helping us with the GETS technique application, and two anonymous referees for their useful comments and suggestions.

## Notes

1. Mark-up: the existing long-run spread (difference) between deposit and lending rates.

2. The target rate is determined by the central bank, which may be influenced by the target such as inflation.

3. For a detailed discussion, see [Rao \(2001\)](#).

4. As Neftci (1994) has shown, the relationship is pronounced when the central bank target is high.

5. The empirical results show that the causal relationship between the central bank target and the money market rate is well known and we can see, for example, that the central bank target is high when the money market rate is high.



6. See Goodwin and Harper ([2000](#)) for the advantages of the TAR model over the simple ECM proposed by Von Cramon-Taubadel ([1998](#)).
7. Meyer and Von Cramon-Taubadel ([2004](#)) provide a comprehensive discussion of the possible types and causes of asymmetric price adjustments together with a brief review of the relevant empirical results.
8. In econometric terms, the corresponding 'activation' will be triggered in Equation [4](#) with the help of dummy variables (e.g. DUM). More specifically, all positive coefficients will take the value of 1 when a positive change in the dependent variable occurs and will be zero otherwise (1-DUM).
9. This model is tested according to the Non-Linear Least Squares (NLLS) methodology.
10. The ability of testing both negative and positive short-run pass-through elasticities ( $\beta_{w,t}^-$  and  $\beta_{w,t}^+$ ) in the same model is actually enriching the Cottarelli and Kourelis ([1994](#)) pass-through interest rates multipliers - and especially their EC form (see Toolsema, Sturm, and De Haan [2001](#)) - with positive and negative values. More analytically, due to the GETS model we are in a position now to estimate two different impact multipliers (a negative and a positive one) plus two interim multipliers (not to mention the two different speeds of adjustments).

11. This ... a repo ra
12. Note ... Financial
13. The
14. Th
15. Ac ... the depo ... month d ... Internati
16. It is ... money m ... from 1997/11.



17. We can alternatively calculate jointly the  $(\phi_1 + \gamma)$  pass-through coefficients of Equation 4a. However in almost all the examined loan and the deposit market rate cases, the contribution of the  $\gamma$  coefficient is minor.

18. Note that the wholesale selection rate does not change when we apply the VAR-EC tests after the Bank of England's independence (1997).


#### Related Research Data

The effect of ECB monetary policies on interest rates and volumes

Source: Informa UK Limited

The unconventional monetary policy of the European Central Bank: Effectiveness and transmission analysis

Source: Wiley

Linking provided by  ScholarSplorer

#### Related research

Financi

Policy >

Olajide

Cogent B

Publishe



Information for

- Authors
- R&D professionals
- Editors
- Librarians
- Societies

Opportunities

- Reprints and e-prints
- Advertising solutions
- Accelerated publication
- Corporate access solutions

Keep up to date

Register to receive personalised research and resources by email

 Sign me up

- 
- 
- 
- 
- 

Open access

- Overview
- Open journals
- Open Select
- Dove Medical Press
- F1000Research

Help and information

- Help and contact
- Newsroom
- All journals
- Books

Copyright

Accessib

Registered  
5 Howick Pl

or & Francis Group  
orma business

