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Original Articles

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

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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.

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- and we do not consider that it is necessary to be further explained here see, for example, Lutkepohl and Reimers (1992).
- 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-Taubabel (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 <u>4</u> 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 ($\beta_{W,i}^-$ and $\beta_{W,i}^+$) 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 value).

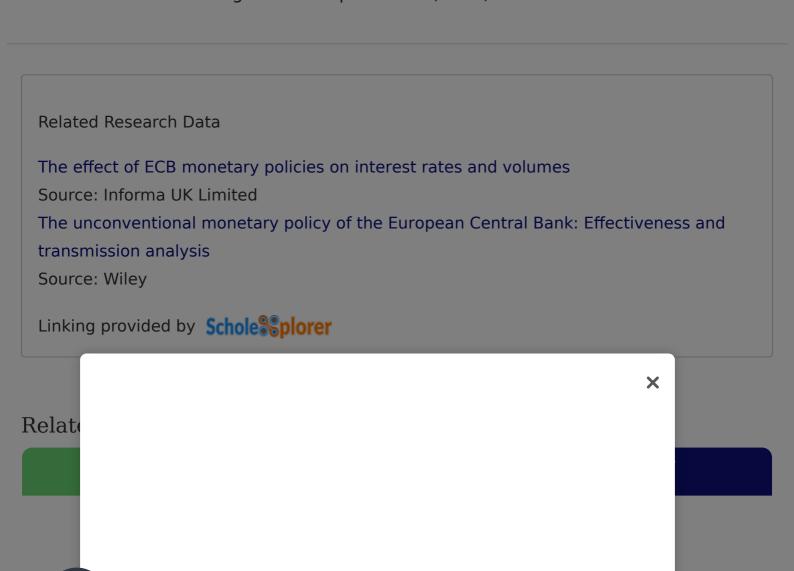
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- 16. It is important to report here that, due to the existing IMF data availability, the EU money market pass-through behaviour to the retail rates is examined commencing from 1997m1.
- 17. We can alternatively calculate jointly the ($\phi_1 + \gamma$) pass-through coefficients of Equation <u>4a</u>. However in almost all the examined loan and the deposit market rate cases, the contribution of the γ 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).



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