



Threshold Effects in the Relationship Between Inflation and Growth

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GRIN Verlag GmbH Okt 2013, 2013. Taschenbuch. Book Condition: Neu. 210x148x1 mm. This item is printed on demand - Print on Demand Neuware - Essay from the year 2013 in the subject Business economics - Operations Research, grade: 73%, University of Nottingham, language: English, abstract: Up to the 1970s it was mostly observed that inflation does not have a significant effect on growth, or that the effect was even slightly positive (Sarel 1996). However, due to the following decades of high and persistent inflation in many countries¹, the available data showed changes in the inflation-growth nexus. It was univocally confirmed that inflation has a negative impact on growth, and macroeconomic policies are aiming to spur growth by keeping inflation at low levels. This having said, intuitively the question arises, how low should the target inflation be Or, which is the threshold level of inflation between a positive and negative impact on growth Many authors in the 1990s attempted to solve this question, with fairly diverse results. Sarel (1996) analysed a panel of 87 countries over the period 1970 to 1990 using OLS estimation. He finds a structural break at an average annual rate of inflation of 8%. Below this level,...



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