



Volume 33, Issue 1

Is there a nonlinear long-run relation in the U.S. interest rate and inflation?

Hwa-taek Lee
Korea Securities Depository

Venus khim-sen Liew
Universiti Malaysia Sarawak

Gawon Yoon
Kookmin University

Abstract

Recent advances in nonlinear cointegration analysis find evidence for a nonlinear long-run relation between the U.S. interest rate and inflation. Employing the Breitung's (2001) rank tests for nonlinear cointegration, we find herein little evidence for cointegration in the U.S. data. We also provide simulation results regarding the performance of the rank tests for some plausible nonlinear models for the data.

We thank Miguel Leon-Ledesma for his comments.

Citation: Hwa-taek Lee and Venus khim-sen Liew and Gawon Yoon, (2013) "Is there a nonlinear long-run relation in the U.S. interest rate and inflation?", *Economics Bulletin*, Vol. 33 No. 1 pp. 104-112.

Contact: Hwa-taek Lee - HTLEE@ksd.or.kr, Venus khim-sen Liew - ksliew@feb.unimas.my, Gawon Yoon - gyoon@kookmin.ac.kr.

Submitted: March 04, 2012. **Published:** January 14, 2013.