Evidence of Purchasing Power Parity for the Floating Regime Period

Claude Lopez

This paper investigates the PPP hypothesis within industrialized countries for the post-Bretton Woods period via two panel unit root tests, the DFGLS-SUR and the ADF-SUR tests, respectively developed by Lopez (2003) and Levin, Lin and Chu (2002). Both approaches allow for data specific serial and contemporaneous correlation. While both tests provide PPP evidence for the post 1973 period, the more powerful DF-GLS-SUR test demonstrates consistently stronger results, especially for the 1973-1998 period.

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