

## MEASURING EXCHANGE RATE PASS-THROUGH FOR A CANDIDATE COUNTRY OF THE EUROZONE

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### Abstract

I provide time series multivariate cointegration evidence about the complete long run and incomplete short run, exchange rate pass-through (ERPT) on the prices of imported final goods in Hellas, from its 4 major countries-origin, during its post Bretton-Woods and pre- European Monetary Union (EMU) era 1975-1998. Also, I investigate exchange rate connection to the home industrial production. Both sets of estimations are used to assess the effectiveness of the managed float conducted by the Bank of Greece during the sample period. Full long-run ERPT estimated coefficients, in three out of four cases, are explained in the basis of the intertemporal deficit of domestic supply of capital goods within the policy trilemma framework. These estimations result in exchange rate puzzle as regards the regime's choice. In the same puzzle I end up with the estimated exchange rate connection, in three out of four cases, with domestic industrial production. Further research is needed.

**Keywords:** exchange rate pass-through, exchange rate disconnect, managed float, EMU, exchange rate regimes, producer vs local currency pricing (PCP vs LCP).

**JEL Classification:** F32; F36; F37; C50.