An $I(2)$ Model for Money Demand and Monetary Transmission Mechanisms in Sweden

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Abstract

This paper uses the $I(2)$ model to study money demand and monetary transmission mechanisms in Sweden. The number of $I(2)$ and $I(1)$ trends in the data is determined and the cointegrating vectors are estimated. Changes in monetary transmission mechanisms are investigated.

Key words: $I(2)$ model, cointegration, econometric modelling, money demand.

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