Faculti Summary
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The speaker discusses a research paper that investigates the Gibson's Paradox and the Fisher Effect in the UK from 1790 to 1931. The Gibson's Paradox refers to the positive correlation between interest rates and price levels, which contradicts traditional monetary theory suggesting no relationship between them. The Fisher Effect indicates a positive relationship between long-term interest rates and inflation rates.

The research focuses on the gold standard period in the UK and examines whether these two phenomena coexist during both gold standard and non-gold standard periods. The study utilizes high-frequency monthly data rather than annual data, which allows for more robust analysis. It employs modern econometric methods, particularly the ARDL method, to handle stationary and non-stationary time series data.

The results suggest that both Gibson's Paradox and the Fisher Effect are observed during the gold standard period (1821-1914). However, during non-gold standard periods, such as the Napoleonic Wars and World War I, evidence for these relationships is absent. The speaker concludes that the Gibson's Paradox is primarily a phenomenon of the gold standard era and that the Fisher Effect provides an explanation for its occurrence. The implication is that these relationships are not relevant in the current monetary context post-World War II. The speaker encourages further research on this topic using similar methodologies in different countries and contexts.