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Thesis

**Is Globalisation Operating to Reduce
Inflation: Evidence from Six OECD
Countries**

*A thesis submitted in partial fulfilment of the
requirements from the Master of Business Studies
(Economics) at Massey University, Albany Campus*

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Abstract

This paper relates openness to the decline in inflation by using panel data for six OECD (the USA, Japan, Canada, Portugal, Finland, and Australia) countries over the period from 1980 to 2006. I obtain industrial level data for twenty industries in each of the six countries in the timeframe and estimate the effects of increases in openness, through its effect on productivity and markups on inflation. The methods used to construct the variables in this paper follow methods introduced in Chen, Imbs and Scott (2004), and the estimations follow Chen, Imbs and Scott (2007). The results suggest openness reduces the rate of inflation in the short run. Furthermore, it also reduces short run productivity and markups. The long run results are ambiguous, however. The evidence that openness leads to anti-competitive effects in the long run is weak.

JEL Classification: E31, F12, F14, F15, L16

Keywords: Openness, Prices, Productivity, Markups

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