

Abstract

Does money matter? This thesis investigates the long-run neutrality of money in Slovakia using the Fisher and Seater methodology applied to quarterly data from 1996 to 2023. The study tests the neutrality hypothesis by examining the relationship between monetary aggregates M1, M2, and M3, and real GDP. A diagnostic augmented Dickey-Fuller test for unit roots confirms that the neutrality test is applicable, with M1 identified as suitable for superneutrality testing due to its order of integration. The findings reveal that money is not neutral in Slovakia considering all three monetary aggregates. When M1 is the criterion, the superneutrality of money cannot be rejected. These results imply that monetary policy can effectively influence real economic variables, highlighting its importance for economic stability even within the Eurozone context post-2009. The thesis suggests several avenues for future research, including the impact of money supply changes on price levels.

JEL Classification C32, C54, E41, E51

Keywords long-run money neutrality, monetary policy, unit root, money supply

Title Testing long-run neutrality of money in Slovakia

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