Relative Price of Equipment, Investment shocks and Oil-Food Prices.

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Authors:
Oscar Fernando Jaulín-Méndez[a]
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[a]Banco de la República, Colombia
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Resumen:

This paper re-examines the empirical identification of investment-specific technology (IST) shocks by highlighting the role of oil and food price fluctuations in shaping the relative price of equipment (RPE), the key observable used to estimate such shocks. Using U.S. quarterly data, I show that conventional IST measures are strongly correlated with identified oil price shocks and generate counterintuitive impulse responses, including falling real wages and rising oil prices. After adjusting the RPE from oil and food price movements, these anomalies disappear and the importance of IST shocks for GDP, consumption, and investment declines. To interpret these findings, I estimate a medium-scale DSGE model with an explicit commodity-producing sector, where its price moves both consumption and investment prices and the RPE is an observable. The model confirms that commodity price shocks explain a sizable share of RPE variation, while IST shocks play a more limited role in business cycle dynamics.

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