*Price convergence in US cities: A cointegration approach with two structural breaks*  

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**Abstract**

This article investigates how the price indices of major cities of the US respond to the shock from a city and from monetary policy. We find that the crisis of Bretton Woods system in 1968 and the oil crisis in 1974 should be incorporated as structural breaks in monetary policy variables and price indices. Using cointegration technique with structural break in our aggregated data, we find that the average half-life is 1.75 years, which is closer to what some of others found in disaggregated data, and that the interest rate is an effective tool for controlling cities’ price in short run. © 2012 Taylor & Francis.

**Author Keywords**

Cointegration; Half-life; Price convergence; Structural breaks; US cities

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