Referee report on "Measuring long-run exchange rate pass-through" by de Bandt, Banerjee and Kozluk

This paper examines exchange rate pass-through into the euro area. In the main analysis 1-digit industry level prices for 1995 to 2005 are examined. In contrast to earlier work they find evidence of a long-run cointgrating relation between prices and exchange rates. For most of the series they find evidence of a structural break somewhere between 97 and 01.

The paper appears competetently executed and makes some interesting points. I have the following comments:

1) The paper is very long and not very focused. In particular at times it seems as a comment on Campa and Gonzalez Minguez and several data sets are used. To my mind it would be more natural to either make it a comment on CM and send to EER, or to focus more squarely on your own results. It is hard to see what is the main punchline of the paper – there is a break in most series, cointregration holds or CM are wrong? I think you could more or less jump directly to section 6 without loosing much.

2) Writing as a comment on CM would be particularly appealing given the strong words – CMs techniques are described as "inappropriate" (p.5 for instance). Given the highly aggregated price indexes it is not obvious to me that we should expect a cointegrating relation. Detailed price studies in for instance Gopinath and Rigobon find that there is little pass-through, also in the long run for a class of very disaggregated prices. Thus if this line is taken I think it would be useful to motivate more why their technique is inappropriate.

3) Why not use the same data as CM in p. 11.

4) The paper is very long for an academic paper. If nothing else they could streamline the language quite a bit in many places. For instance p. 5, third row have investigated the issue of exchange … "the issue" could easily be skipped. Also sure statements that are outside the study should be skipped, for instance "hence truly creating a single market for exporters".

5) Similarly, of they keep section 5, could skip directly to eq (13).