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Table 1

For money narrowly defined M_1 (currency and demand deposits):

$$\frac{M_1}{Y} = 0.1109 + 0.03261 \ln \frac{Y_p}{N} - 0.00296 \frac{\dot{P}}{P} - 0.07525 \frac{CP}{TA} - 0.01139 \hat{R}$$

(4.2810) (-3.2010) (-1.8175) (-3.9417)

$R^2 = 0.200$
 $F = 13.125$
standard error of residual: 0.099

For money broadly defined $M_1 + M_2$ (currency, demand deposits, and time deposits):

$$\frac{M_1 + M_2}{Y} = -0.3878 + 0.12263 \ln \frac{Y_p}{N} - 0.00784 \frac{\dot{P}}{P} + 0.13414 \frac{CP}{TA} - 0.01049 \hat{R}$$

(8.4033) (-4.4247) (1.6911) (-1.8939)

$R^2 = 0.360$
 $F = 29.664$
standard error of residual: 0.190

For currency:

$$\frac{C}{Y} = 0.1874 - 0.00424 \ln \frac{Y_p}{N} - 0.00160 \frac{\dot{P}}{P} - 0.06038 \frac{CP}{TA} - 0.00604 \hat{R}$$

(-1.3367) (-4.1530) (-3.5053) (-5.0230)

$R^2 = 0.243$
 $F = 16.838$
standard error of residual: 0.041

For time deposits:

$$\frac{M_2}{Y} = -0.4987 + 0.09002 \ln \frac{Y_p}{N} - 0.00488 \frac{\dot{P}}{P} + 0.20937 \frac{CP}{TA} + 0.00091 \hat{R}$$

(8.4530) (-3.7736) (3.6169) (0.2242)

$R^2 = 0.379$
 $F = 32.088$
standard error of residual: 0.139

Where:

- M_1 = Currency + demand deposits, in local currency units
- M_2 = Time deposits
- C = Currency
- Y = GNP, in local currency units
- Y_p/N = Per capita GNP in U.S. dollars adjusted for purchasing power
- $\dot{P}/P$ = Annual rate of price increase in percent, for the preceding 5 years—"inflationary climate"
- CP/TA = Ratio of claims on private sector to total bank assets—"inside money"
- $\hat{R}$ = Interest rate after eliminating linear influence of rate of price increase, to approximate a "real" rate of interest, lagged one year

Numbers in parentheses are t values.