A positive relation, applicable to the broader definition, seems *prima facie* less plausible. Perhaps one may hypothesize that the banking system of an inside money economy, generating its own assets, tends to be aggressive also in seeking time deposits.

The elasticity of M_1/Y with respect to the inside money proxy is -0.1765, that of $(M_1 + M_2)/Y$ is 0.1733: a rise in the inside money ratio of 5%, in the sample under review, lowers M_1/Y from 0.2175 to 0.2156 and raises $(M_1 + M_2)/Y$ from 0.3955 to 0.3989.

4. The demand for money is negatively related to interest rates. The elasticity of M_1/Y with respect to $\hat{R}$ is -0.246, that of $(M_1 + M_2)/Y$ is -0.1245 (at the point of means), so that a rise in the interest rate from its mean value of 4.7% by one percentage point would lower M_1/Y from 0.2176 to 0.2062 and $(M_1 + M_2)/Y$ from 0.3955 to 0.3850.

The significance level of the coefficient of interest rates is higher for M_1/Y, better than 0.5%, than for $(M_1 + M_2)/Y$. Higher interest rates may be reflected in higher rates on time deposits, which could work counter to the principal relation found. At the same time, interest rate data are notoriously poor, possibly causing significance levels to be understated. However, because actual rates probably fluctuate more widely than those statistically available, the coefficients and elasticities may possibly be overstated.

To distinguish the response of money/income ratios to short-term and long-term rates was not possible because of inadequacies of the data.

Substitutability

Conclusions concerning substitutability among time deposits, demand deposits, and currency can be extracted from the data. When M_2/M_1 or C/M_1 are included among the explanatory variables, both show highly significant negative coefficients. Because the use of these variables to explain M_1/Y and $(M_1 + M_2)/Y$ is likely to bias the coefficients of the other independent variables, regressions employing only ln Y_p/N, and M_2/M_1, or C/M_1 respectively, were used for this purpose. The conclusions follow.

1. A high currency component in M_1 reduces the joint demand for currency and demand deposits. Currency therefore appears to circulate more rapidly than demand deposits.