

Hayo, Bernd

Working Paper

Estimating a European demand for money

ZEI Working Paper, No. B 05-1998

Provided in Cooperation with:

ZEI - Center for European Integration Studies, University of Bonn

Suggested Citation: Hayo, Bernd (1998) : Estimating a European demand for money, ZEI Working Paper, No. B 05-1998, Rheinische Friedrich-Wilhelms-Universität Bonn, Zentrum für Europäische Integrationsforschung (ZEI), Bonn

This Version is available at:

<https://hdl.handle.net/10419/39470>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

Zentrum für Europäische Integrationsforschung
Center for European Integration Studies
Rheinische Friedrich-Wilhelms-Universität Bonn



Bernd Hayo

**Estimating a European
Demand for Money**

Working Paper

**B98-05
1998**

ESTIMATING A EUROPEAN DEMAND FOR MONEY

Abstract

European Monetary Union will come into existence in 1999. This raises questions related to the monetary policy targets that will be adopted by the European Central Bank (ECB). For both likely candidates, targeting a money aggregate or an inflation target, the existence of a stable money demand function at a European level is important. In this paper estimates of such a European money demand for narrow and broad money for the actual 11 EMU countries based on quarterly aggregate data from 1964 to 1994 are presented. It is argued that statistically satisfactory and economically interpretable functions can be found. The robustness of the results is further evaluated using alternative country groups. Moreover, the estimated models appear to be stable over a period of 20 quarters. This raises the hopes that the ECB will face a stable money demand and be able - at least for a certain time - to use past aggregate data for policy purposes.

Keywords: European Money Demand, Monetary Policy, European Monetary Union

JEL: E41, F33, E52, E47

1. Introduction

As a result of the decisions made by the EU heads of government in the European Council on 2 May 1998 concerning the participants of European Monetary Union (EMU), EMU is going to start in January 1999 as originally set out in the Treaty of Maastricht.

One of the more controversial issues left on the agenda is the formulation of European Central Bank (ECB) policies, and especially the question of targeting a monetary aggregate versus using an inflation target. While the former is strongly supported by the German Bundesbank, the latter has been adopted by the UK government since 1993. But as the UK is not going to be a founding member of EMU, money targeting is likely to become the dominant strategy. Otmar Issing, chief economist of the ECB, has indicated, though, that he could imagine using an inflation target as an additional monetary policy target (Issing (1998)).

Controlling a money aggregate presupposes the existence of a stable demand for money. If money demand fluctuates wildly, the transmission mechanism of monetary policy becomes extremely complicated, and the ability of the central bank to control money, and thereby inflation, is severely reduced.

However, even the use of an inflation target does not really alleviate the problems connected with an unstable money demand, the reason being that it is simply not possible to control inflation directly. Hence the term 'inflation targeting' hides the fact that the link between inflation and monetary policy is not a straightforward one and, moreover, the time-horizon of inflation targets tends to be medium-term. Thus, money aggregates are likely to continue performing an important role as a source of information for forecasting inflation rates and an intervention indicator for monetary policy.

Consequently, the work of the ECB would be greatly simplified if the demand for the single European currency, the Euro, was a stable function of a small number of variables. In this paper we are concerned with the attempt to empirically estimate such a European money demand function. We are trying to find out whether something like an aggregate demand relationship for the Euro could exist, how it may look like and whether it is likely to be stable or not.

There exist a number of articles in the literature on this issue. Here we just want to sketch some of the more important contributions. For a general overview see van Riet (1993), Monticelli and Papi (1996) and Bruggeman (1997b). The seminal paper is the one by Kremers and Lane (1990). They postulate that an interpretable and stable European (they chose an

aggregate of seven countries) demand for narrow money can be found. Some criticisms on their study are raised by Arnold (1992) and Barr (1992).

A study involving European money demand estimates for M1 and M2 is presented by Artis et al. (1993). Using a similar approach, but allowing for a different way of converting the variables denominated in the respective national currencies, they also find a stable money demand equation. Monticelli and Strauss-Kahn (1993) perform an analysis based on M3, including all ERM members in mid-1992. See also Bruggeman (1997a) on the influences of using different broad money aggregates and Wesche (1997) for employing Divisa money.

A closer investigation of the validity of the aggregation process for the four major EU countries has been undertaken by Wesche (1994). Her general conclusion is that the aggregate money demand function is useful for forecasting purposes and the aggregation bias is considered relatively modest for Germany, France and Italy. Artis et al. (1993) raise a related point on the problem of aggregation.

The question of the adequacy of aggregate money demand equations is addressed from a microeconomic utility-maximising perspective by Janssen and Bhundia (1998) and Spencer (1997). The latter finds that the use of aggregate EU data is supported by the utility-maximising framework. Contrary to this result, Janssen and Bhundia (1998) argue that since monetary aggregates are not weakly separable from real income, the simple construction of an EU-wide aggregate is invalid. While their approach is interesting as an application of a stringent methodology, it is unlikely that many national money demand functions would pass their empirical test and it is unclear whether their statistical rejection of weak separability is economically relevant.

A useful summary of issues surrounding the estimation procedure and a survey of existing national money demand estimates for the EU are provided by Fase (1994), Monticelli and Strauss-Kahn (1992) and Browne, Fagan and Henry (1997). Fair (1987) gives an older but extensive comparison of money demand estimates involving 27 countries, including EU members. Cassard, Lane and Masson (1997) show, additionally to providing money demand estimates for some EU countries, that a European monetary aggregate improves the prediction of German inflation compared to using a German aggregate.

Some critical remarks concerning the whole procedure of estimating aggregate European money demand functions are expressed by Arnold (1994). He does not believe in the argument that these aggregate functions are more stable than national ones because they incorporate the effects of currency substitution. In his cross-sectional analysis he cannot find evidence that

smaller countries show greater instability of money demand functions than larger countries. However, a different position is maintained in Lane and Poloz (1992), Angeloni et al. (1994) and Spencer (1997), who argue that currency substitution is important.

This study seeks to extend the literature in several directions. First, a somewhat more developed econometric methodology is applied for estimating the European money demand. Some evidence is presented that some of the money demand estimates reported in the literature should have taken place within a system context. Second, the actual group of countries which will form EMU in 1999 is used in the analysis. Third, a much greater emphasis is placed on evaluating the forecasting properties of the estimated European money demand functions than in the other studies.

In the following section, some important methodological problems are addressed. Section three explains the econometric approach, and the data base is briefly described. Then in section four we come to the estimation of long-run money demand equations for a group consisting of ten countries likely to form EMU. Finally, in the conclusion, the preceding results are brought together and are evaluated with respect to the overall statistical performance and policy relevance.

2. Some Methodological Problems

It needs to be stressed that there exist a number of problems with drawing conclusions from European money demand estimates for monetary policy. The most prominent problem on a theoretical level is the one connected with the idea of the 'Lucas' critique': To be able to put any economic meaning into the estimates of aggregate money demand functions for countries forming EMU, we have to assume that the future behaviour can be derived from past data. In other words, we assume that the creation of EMU and the use of the money demand estimates by the ECB will not lead to a structural break in people's behaviour.

A priori, this does not appear to be very likely, and Arnold and De Vries (1998) argue that there are indeed strong reasons to expect structural changes to occur. However, at least three arguments can be set forth to support the relevance of conclusions based on past behaviour. The first one builds upon the distinction between temporary and permanent effects of the economic shock. As an example, take the experiences from German monetary union. A considerable amount of research has been undertaken to examine the effects of German

monetary union on national money demand. The results are not clear-cut, but a majority of studies point towards either finding no great effect or only a temporary one (see OECD (1993), von Hagen (1993), Falk and Funke (1995), Hansen and Kim (1995) or Wolters and Lütkepohl (1997)).¹ Thus even though the creation of EMU will cause a shock on the money market, this effect may well be only of a temporary nature. In this case, the ECB would have no great problems in accounting for the break and employing data from the pre-unification period as a guideline to monetary policy making. But there can be no doubt that EMU is a much greater undertaking than German monetary union, where the whole West-German political and economical system – including the way monetary policy is performed - was basically imposed onto East-Germany. Hence this comparison should only be seen as suggestive, but not compelling.

A second argument can be based on the potentially stabilising effects brought about by creating a monetary union of countries already forming a zone of free capital mobility - like the EU - whose respective citizens engage in mutual, i.e. intra-EU, currency substitution. Since economic agents can switch in and out of a national money very easily, their individually optimal economic action may cause the respective national money demand to become highly unstable. Now, if the countries which experience the biggest share of mutual currency substitution entered into a monetary union, these destabilising currency substitution effects would be removed by definition.

Empirical studies trying to measure the substitution effects are neither fully convincing on a methodological level, nor are the conclusions entirely clear (see e.g. Lane and Poloz (1992), Angeloni et al. (1994) or Arnold (1994)). In the analysis of national money demand functions presented by Hayo (1998, p. 164ff), for instance, little evidence of empirically important currency substitution was found. However, it is likely that even if currency substitution is not very important at present, it will become more important in the future due to an increasing degree of money market integration and the computerisation of trading patterns. Thus the reasoning would be that by forming a (large) monetary union, important prospective opportunities for currency substitution will be removed today and thereby future fluctuations in national money demand due to these currency substitution effects can be avoided.²

Third, there will be behavioural inertia in adapting to the new monetary framework. This is considered here as the most persuasive reason for the usefulness of European money demand

¹ However, Funke (1996) claims to have found permanent effects.

² But there can still be currency substitution between the Euro and all other currencies left in the world economy, with much the same negative effect on the stability of European money demand.

estimates based on historical data. At the beginning of EMU, market participants will have to adjust to a situation which they cannot evaluate very precisely. They will need time to gain experience and learn about the new monetary environment. While this takes place they will likely continue to behave in the same way as they did before EMU, updating their behaviour when new information appears. After some time, say a couple of years, it will become clear how monetary policy will be conducted by the ECB and the adjustment process of economic agents will be complete. Therefore, the information gained by using past data is likely to yield only temporary insights and is bound to become obsolete with time.

If one of these lines of reasoning is accepted, past data can be used by the ECB as a basis for monetary policy. In any case, an attempt has to be made to make the best possible guess for the future.

Whether a future European money demand will be more stable is difficult to assess. As a stabilising force there is the increase of the currency area which will reduce the likelihood of idiosyncratic shocks and lessen the impact of destabilising currency substitution. This effect could be offset by a convergence in the behaviour of economic agents when they face an identical monetary policy environment in EMU. Moreover, there may be an increasing amount of currency substitution between the Euro and other monies in the rest of the world. Finally, money demand instability may also be due to the effects originating from financial innovations. The basic argument is that the creation of a monetary union will lead to increased competition between financial intermediaries, forcing them to offer more differentiated financial products and, consequently, that money demand instability will rise as a result of EMU.³

3. Aggregation, Econometric Specification and Data Base

Next we can address some of the numerous technical difficulties involved in the estimation of a European money demand function.

First, how do we aggregate the national economic values into 'European' variables? This could be seen as an important technical problem, and is regarded as such in many articles in the literature briefly reviewed above. However, much more difficult than the actual technical problems involved in computing these European values are the questions of interpretation.

³ It is also possible, see for example Thornton (1994), that financial innovations eliminate monetary transmission mechanisms - like the credit channel - which are difficult to control by the central bank.

Even assuming that we are indeed measuring something like European variables, there remain many uncertainties. Apart from the general econometric problem that the empirically employed variables do not fully reflect their theoretical counterparts, we have to face the danger of getting aggregation biases (cf. Lovell (1973), Pesaran et al. (1989)). However, as pointed out theoretically by Grunfeld and Griliches (1960), there may also exist aggregation gains if we encounter specification problems at the micro level. Applying this reasoning, we would expect to find specification biases in the individual money demand estimates (a recent survey of the literature is given in Laidler (1993)), which may offset each other in the aggregation process. This can be seen as another argument in favour of aggregating money demand functions.

The net effect of gains and losses from aggregation is difficult to assess in theory. Judging from the comparison of empirical studies of money demand in European countries (see Monticelli and Strauss-Kahn (1992) or Fase (1994)), we cannot a priori expect the aggregation bias to be negligible. This is a conclusion reached also by Wesche (1994), who uses a more formal empirical analysis to investigate the basis for aggregation of the four largest EU countries. A study by Hayo (1998, p. 164ff) demonstrates, however, that for almost all EU countries stable long-run money demand functions based on very similar specifications can be estimated. In particular, an income elasticity of unity was found for about half of the countries, while the variation in the estimates of the interest-rate semi-elasticity appeared to be somewhat higher. Hence it is unlikely that aggregation biases are excessively large.

The agreement reached by the European Council says that 11 countries will join EMU from the beginning. Since there are no separate data on money aggregates for Luxembourg available due to its monetary union with Belgium, we in fact only use 10 countries. But since this will not affect our results, the constructed aggregate is called EMU11 and it includes the following states:

EMU11 = Germany, France, Netherlands, Belgium, Ireland, Austria, Finland, Italy, Spain,
Portugal.

Regarding the issue of econometric methodology, the approach applied here is similar to the one put forward by Clements and Mizon (1991) or Hendry and Mizon (1993). We start from a general VAR system and proceed by a sequential testing down process to simplify the model. This procedure has been termed 'general-to-specific' modelling (see Hendry (1993)).⁴

⁴ A recent survey of econometric methodology is presented by Hayo (1997).

After analysing the univariate time-series properties, with the finding of difference stationarity, the modelling of European money demand starts from an unrestricted VAR with five lags. This is sufficient to remove the autocorrelation of the residuals according to LM-tests. Then, in a sequential testing-down process, the lags are removed based on an F-test at a 5% (nominal) significance level. To capture the long-run characteristics of money demand functions, we estimate a stationary cointegrating vector, which can be interpreted as the long-run equilibrium of the model.

The testing and estimation of the cointegration vectors is done using the reduced rank procedure introduced by Johansen (1988). The main criteria guiding the specification are a theoretically consistent sign on the estimated parameters, and a negative α -value, which is the adjustment coefficient of the long-run equilibrium in an error-correction model. A plausible adjustment parameter should be negative and large enough in absolute terms. The former is necessary to interpret the relationship as an error-correction mechanism, while the latter ensures that the cointegrating relationship influences the short-run dynamics in an economically, and not only statistically, significant way (see McCloskey and Ziliak (1996)).

Moreover, the estimates of the adjustment vector can be used to test for weak exogeneity of the included variables, which has been demonstrated by Johansen (1992a, 1992b). As discussed in Engle et al. (1983), when the variables are weakly exogenous with respect to the parameters of interest, we do not have to model the marginal process. In other words, if it should turn out that the adjustment parameters were not significantly different from zero for the equations explaining GDP growth and interest rate changes, no significant information would be lost when modelling the money demand equation using just a single equation instead of a three-variable system.

A crucial point to note is the dependence of the whole analysis on the stability of the estimated money demand relationship. Only if the resulting equation is stable can we claim to have estimated a money demand function at all, as the dependent variable is a monetary aggregate, which is a reduced form of the effects of money demand and supply. To be able to identify the equation as a money demand function, it needs to be stable, and all the movement must be attributable to changes in money supply.⁵ To stress the importance of this aspect, as well as the significance of stability from the point of view of monetary policy, we have reserved 20 observations for forecasting purposes.

⁵ Alternatively, identification would be possible by assuming a perfectly elastic money supply. However, this does not appear to be very realistic.

The variables employed in this study are both narrow (usually M1) and broad (usually M3) money, income as a scale variable (GDP), and long-run interest rates (typically government bonds rates) as a measure of the opportunity costs of holding money. We use long-term interest rates for the analysis, as recommended, for instance, by Poole (1988).⁶ The long-run interest rate can be viewed as an average of future expected short-term rates assuming that the expectations hypothesis of the term structure holds. While the money and income variables enter in logarithms, the interest rate is in levels, i.e. in percent per year. This is standard practice, rationalised, for example, in Fair (1987).

Adding other variables, like US interest rates or exchange rates, does not appear to improve the estimates very much. Rather, the forecasting performance of the system tends to decrease. And since it is believed that simplicity is important in econometric modelling (see Hayo (forthcoming) for some methodological arguments) it was decided to work within the framework of this small VAR system. Thus, we specify the long-run equation in the following form:

$$LM_t \text{ (or } LMQ_t) = \beta_1 LGDP_t + \beta_2 INT_t + v_t \quad (1)$$

where: LM = log of real narrow money
 LMQ = log of real broad money
 LGDP = log of GDP
 INT = aggregate interest rate
 β_1 = income elasticity of money demand
 β_2 = interest rate semi-elasticity of money demand
 v_t = white-noise error.

These are aggregate values, and it is necessary to at least sketch the derivation of these variables. Most of the national variables have been taken from the OECD data base on CD-Rom (Main Economic Indicators 1996/1), but some are also added from the International Financial Statistics series. Quarterly data are utilised, ranging from 1964:1 to 1994:4. Many of the series are seasonally adjusted, but some are not. Hence deterministic dummies are included in all of the regressions. Some national series had to be estimated from annual data or related series, using univariate representations, multivariate models or the procedure described in Chow and Lin (1973).⁷

⁶ Due to problems of data availability, a short-term interest rate was employed for Greece, Spain and Finland. Considering their relatively low income weight, this should not bias the results very much.

⁷ A complete source list of the variables, as well as the used data sets, are available from the author upon request.

In constructing aggregate variables, the following procedure, adapted from Kremers and Lane (1990), has been followed. First, purchasing power parities (OECD) from 1990 were employed to convert national currencies into Deutschmarks. Then aggregate nominal and real European income values are constructed by adding up the converted national values. From these two aggregates, a European income deflator is derived. This deflator is used to get real European money from the sum of converted national money aggregates. Finally, a European interest rate is created through weighing the national rates by the ratio of respective national real income to European real income, and adding them up.

Since the problems of avoiding strong movements of the actual exchange rates and the ones connected with using an arbitrarily fixed exchange rate are difficult to avoid, the use of purchasing power parities, in spite of its own weaknesses, appears to be the best choice. Artis et al. (1993), who use fixed exchange rates, report that their findings are similar to Kremers and Lane's (1990) results based on applying purchasing power parities. Monticelli and Strauss-Kahn (1993) also report that their results are relatively insensitive to the way the conversion into a common currency is done. This indicates some robustness of the estimates with respect to the conversion procedure.⁸

Finally, we have to look at the time series properties of the created variables. In this paper, we have applied augmented Dickey-Fuller tests to investigate this question (see Table A1 in the Appendix). The results clearly show that the variables are difference stationary, in short I(1). These findings appear to be quite robust in respect of the way the augmentation is done. Therefore suffice to say that we excluded the lags using a sequential testing-down procedure, and checked the success of the augmentation with the help of LM-tests for autocorrelation (a more detailed description can be found in Hayo (1994)).

We commence our discussion with the core of the paper: the empirical analysis of the European demand for the EMU candidates. Drawing on the large theoretical and empirical literature on this issue (see Laidler (1993, 160f)), we estimate a demand function for real money. The deflator for money is the implicit price deflator derived from the construction of European nominal and real GDP.

⁸ One may also think of using 'fundamental equilibrium exchange rates' for converting the values. But there still exist numerous difficulties connected with this approach, which are even admitted by some of its main proponents (see Williamson (1994)).

4. Cointegration Analysis and Long-run Money Demand

We start off our analysis by looking at the results of modelling the aggregate demand for money for the prospective member countries. In Table 1, the estimates for the cointegrating vector of the EMU11-variables are given. In addition to the variables named above, a constant, deterministic dummies and a trend term were added as unrestricted variables to the analysis.

Tab. 1: Estimating and testing the cointegration vectors for EMU11

	Narrow Money			Broad Money		
No. of lags	3			2		
H_0	Eigenvalue	LR(r,r+1)	LR(r,N)	Eigenvalue	LR(r,r+1)	LR(r,N)
$r = 0$	0.26	26.6*	41.9**	0.23	26.2*	43.9**
$r \leq 1$	0.09	9.8	15.2	0.12	12.7	17.6
$r \leq 2$	0.05	5.4	5.4	0.05	4.9	4.9
	LMEMU11	LGDPEMU11	INTEMU11	LMQEMU11	LGDPEMU11	INTEMU11
$\hat{\beta}'$	1	-1.55	0.21	1	-1.16	0.03
$\hat{\alpha}'$	-0.02	-0.01	-0.26	-0.15	-0.02	-1.02

Notes: LR(r,r+1) are the test statistics for the maximum eigenvalue test, and LR(r, N) for the trace test. The critical values are taken from Osterwald-Lenum (1992). $\hat{\beta}$ is the cointegrating vector and $\hat{\alpha}$ the corresponding adjustment vector. * (**) indicates significance at a 5% (1%) level.

In the first vertical part of the table, the outcomes for narrow money, and in the second part the ones for broad money, are displayed. The second row of the table indicates the remaining number of lags of the respective VAR. In the following section of the table, the tests on the cointegrating vectors are given. Two likelihood ratio tests are calculated, the maximum eigenvalue test (LR(r,r+1)) and the trace test (LR(r,N)) (see Johansen and Juselius (1990) for more details). Throughout this study, one (two) asterisk(s) indicates a rejection of the null hypothesis at a 5% (1%) level.

In the next row, the actual estimates of the significant cointegrating vector, named $\hat{\beta}$, are recorded. Finally, in the last part of the table, the estimates of the relevant adjustment vector for cointegrating vector $\hat{\beta}$, labelled $\hat{\alpha}$, are collected. The first element of $\hat{\alpha}$ gives the weight attached to the cointegration vector, $\hat{\beta}$, standardised with respect to money.

4.1 Narrow Money Cointegration Vector

Starting off with narrow money, we find that exactly one significant cointegrating vector can be extracted. The relevant adjustment coefficient (-0.02) is small in absolute terms and negative.

In another step we test restrictions on the cointegration and adjustment vectors by applying likelihood ratio tests involving the eigenvalues of the system - which are distributed as Chi^2 random variables - and setting the rank equal to one. The results are given in Table 2:

Tab. 2: Testing restrictions on cointegrating and adjustment vectors for narrow money

Restrictions on $\hat{\beta}'$	$\hat{\beta}'=(1,-1,0)$	$\hat{\beta}'=(1,-1,u)$	$\hat{\beta}'=(1,-1,u)$	$\hat{\beta}'=(1,-1,u)$	$\hat{\beta}'=(1,-1,u)$
Restrictions on $\hat{\alpha}$	$\hat{\alpha}$ unrestricted	$\hat{\alpha}$ unrestricted	$\hat{\alpha}=(u,0,0)$	$\hat{\alpha}=(u,0,u)$	$\hat{\alpha}=(u,u,0)$
Test statistics	$\text{Chi}^2(2)=16.8^{**}$	$\text{Chi}^2(1)=0.27$	$\text{Chi}^2(3)=8.6^*$	$\text{Chi}^2(2)=7.1^*$	$\text{Chi}^2(2)=3.3$

Note: 'u' indicates unrestricted estimation of the respective parameter. * (**) indicates significance at a 5% (1%) level.

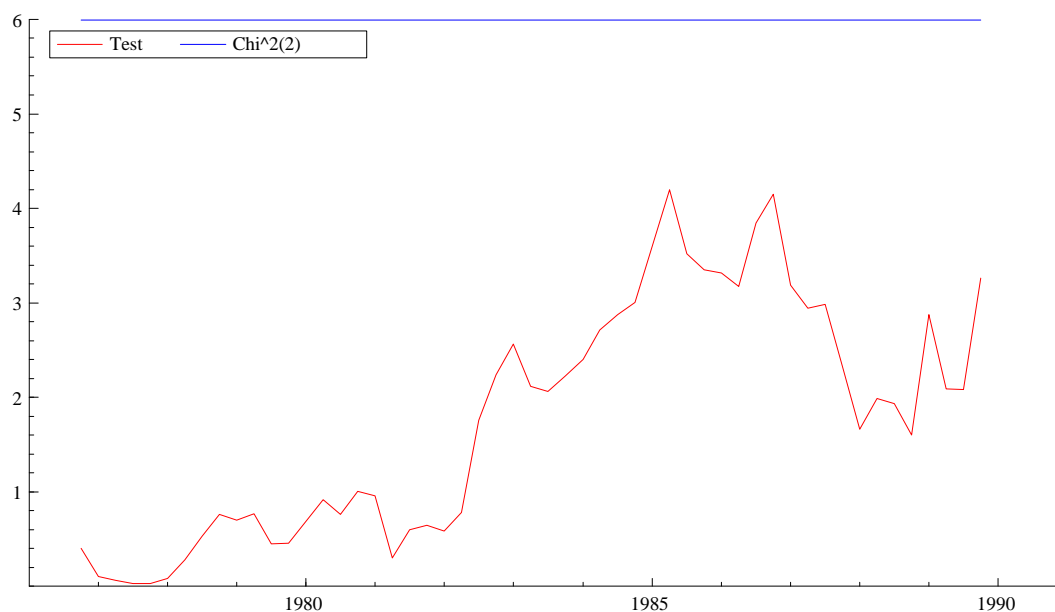
In the second column of this table, restrictions reflecting the strong version of a classical money demand function are being tested, namely assuming a unit income elasticity of money demand and a zero interest rate semi-elasticity. The test statistic given in the last line of the table shows that the restrictions have to be rejected. But dropping the constraint on the interest rate - as shown in column three - leads to a restriction that cannot be rejected at a 5%-significance level. In the next step, restrictions on the adjustment vector are introduced. In column four the unit coefficient restriction on the cointegration vector is carried over, and it is jointly tested with the hypothesis that the income and interest variables are weakly exogenous with respect to the money demand equation. We reject this hypothesis, as well as the one where the zero constraint on the income variable has been dropped presented in column five. In column six, the joint hypothesis of an income elasticity of unity and money being weakly exogenous with respect to the interest rate variable cannot be rejected. The restricted cointegration vector based on the last column in Table 2 takes the following form:

$$\text{ECLM}_t = \text{LM}_t - \text{LGDP}_t + 0.10 \text{INT}_t \quad (2)$$

As can be seen when comparing this result with the unrestricted estimate given in Table 1, both income and interest rate semi-elasticity estimates are lower now. To see whether this

restriction holds up over time, the LR-test of this restriction has been computed recursively and printed in Figure 1. As is apparent from the graph, the restriction does not even come close to a rejection at the 5%-level. Thus in the estimation of the dynamic model presented below, an error-correction term is used, the computation of which is based on Equation (2).

Fig. 1: Recursively computed test of cointegration restriction for narrow money



Moreover, the estimation will take place within the framework of a two-equation system, i.e. using equations for money and income.

4.2 Broad Money Cointegration Vector

Results for the cointegration analysis for broad money are shown in the right part of Table 1. Again we find one significant cointegrating vector. Proceeding as before for narrow money, we test a number of restrictions on the results of the cointegration analysis, the results of which are given in Table 3. Here only the zero restriction on the interest rate in the cointegrating vector is rejected. Hence both income and interest rate can be regarded as weakly exogenous with respect to the money demand equation.

Tab. 3: Testing restrictions on cointegrating and adjustment vectors for broad money

Restrictions on $\hat{\beta}'$	$\hat{\beta}'=(1,-1,0)$	$\hat{\beta}'=(1,-1,u)$	$\hat{\beta}'=(1,-1,u)$	$\hat{\beta}'=(1,-1,u)$	$\hat{\beta}'=(1,-1,u)$
Restrictions on $\hat{\alpha}$	$\hat{\alpha}$ unrestricted	$\hat{\alpha}$ unrestricted	$\hat{\alpha}=(u,0,0)$	$\hat{\alpha}=(u,0,u)$	$\hat{\alpha}=(u,u,0)$
Test statistics	$\text{Chi}^2(2)=13.1^{**}$	$\text{Chi}^2(1)=1.21$	$\text{Chi}^2(3)=2.36$	$\text{Chi}^2(2)=2.03$	$\text{Chi}^2(2)=1.88$

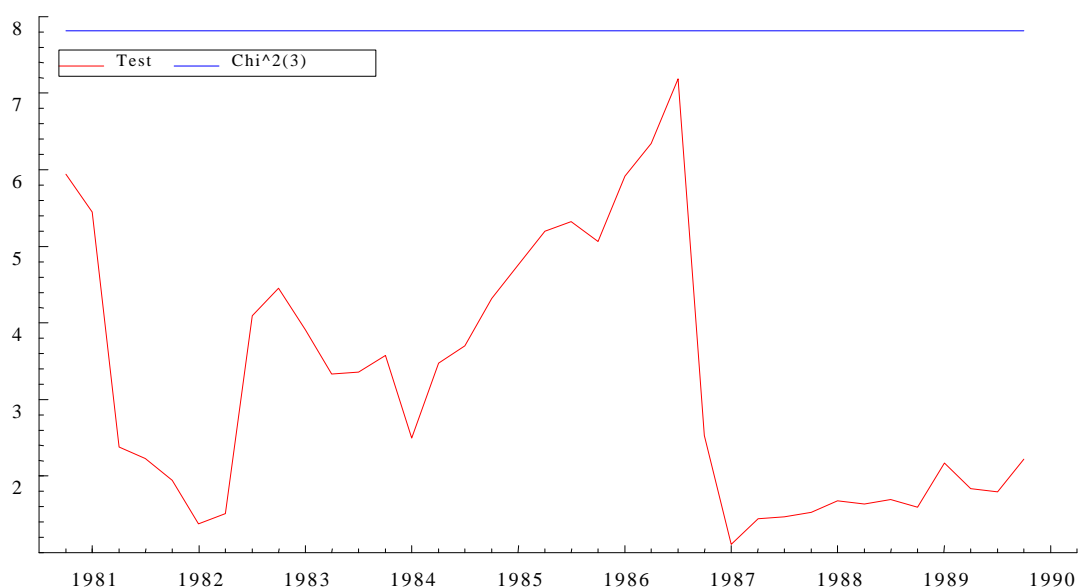
Note: 'u' indicates unrestricted estimation of the respective parameter. * (**) indicates significance at a 5% (1%) level.

The resulting error-correction term for the dynamic model of broad money is calculated as:

$$\text{ECLMQ}_t = \text{LMQ}_t - \text{LGDP}_t + 0.023 \text{INT}_t \quad (3)$$

Again we test the restriction recursively and the result can be found in Figure 2.

Fig. 2: Recursively computed test of cointegration restriction for broad money



The restriction is valid over the estimated period at all data points, especially from 1987 onwards. Consequently, the relation given in Equation (3) is used as an error-correction term for broad money in the subsequent analysis.

5. Estimating Short-Run Money Demand Functions

In this section, short-run, dynamic money demand functions are estimated with the help of error-correction models. In addition to the variables presented in the preceding sections, the change in the inflation rate and some dummy variables were added to the models.

Starting with the latter, impulse dummies for the last quarter of 1986 and the first quarter of 1987 have been included. The reason for that is that there is a break in the money variables for France based on a change in the series as given in the IFS. In the case of broad money, another impulse dummy - for the last quarter of 1969 - was added, since the observation appeared to be an outlier, causing some problems with non-normality of the residuals.

More importantly, the change in the European inflation rate – defined as first differences of the change of the GDP deflator (ΔINF_t) – was also added as a regressor. In a world without any rigidities, the inflation rate should play no role in money demand estimates, since both money and income are measured in real terms. At least two arguments can be brought forward which rationalise the inclusion of the inflation rate. First, when investors hold real assets as a large proportion of their portfolios, and assuming that the inflation rate measures the yield of real assets, then changes in the inflation rate can have an effect on the demand for money. Second, it is possible that interest rate and inflation rate are not perfectly correlated (see Baba et al. (1992)) due to reasons such as distorted money and capital markets or administrative influences on the formation of interest rates.

But including the inflation rate - which was found to be $I(1)$ - in the cointegration relationship destroys the theoretically consistent estimates obtained from the three variable vector. Therefore it was decided to include it in the short-run but not in the long-run part of the model. Moreover, the contribution to the modelling success by the inflation variable lies only in the reduction of the standard error of regression, while it does not improve the forecasting performance.

5.1 Modelling Narrow Money

Incorporating the considerations given in the previous paragraphs into the modelling process, we commence the discussion with the case of narrow money. A full error-correction system containing the variables in differences (Δ is the first-order differences operator) is estimated, including the first lag of the error-correction term computed in Equation (2) in levels. Then a

general-to-specific reduction process based on F-tests at a 5%-significance level is used to eliminate the number of lagged variables. Finally, the parsimonious model presented later in Table 5 is estimated employing full maximum likelihood estimation techniques.

Before we come to the interpretation of the results, a number of diagnostic tests have been computed in Table 4 to evaluate the statistical properties of the model. None of the tests computed here indicates a violation of statistical assumptions.⁹ The standard error is small for both money and income equations. A very positive impression is also conveyed by the forecasting statistics. The null of stable parameters of the model can neither be rejected in the Chi^2 -form of the test, nor in its approximate F-test form.

Tab. 4: Diagnostics for dynamic model of narrow money demand

Vector-Residual-Tests:	Equation-Based Tests:	
	ΔLM	ΔLGDP
Vector AR Test: $F(20,164) = 0.6$	AR Test: $F(5,84) = 1.6$	AR Test: $F(5,84) = 1.9$
Vector Normality Test: $\text{Chi}^2(4) = 6.6$	Normality Test: $\text{Chi}^2(2) = 3.0$	Normality Test: $\text{Chi}^2(2) = 3.5$
Vector White-Test (A): $F(45,223) = 1.2$	White-Test (A): $F(15,73) = 1.4$	White-Test (A): $F(12,80) = 1.1$
Vector White-Test (B): $F(126,144) = 1.0$	White-Test (B): $F(42,46) = 0.99$	White-Test (B): $F(42,46) = 0.85$
	ARCH-Test: $F(4,81) = 0.49$	ARCH-Test: $F(4,81) = 0.94$
Standard Errors:	0.011	0.009
Forecasting Tests:		
Standard Chow-type test: $\text{Chi}^2(40) = 50.9$, $F(40,93) = 1.27$		
Allowing for parameter uncertainty: $\text{Chi}^2(40) = 48.3$, $F(40,93)=1.21$		

LR-Test against the system: $\text{Chi}^2(7) = 8.5$

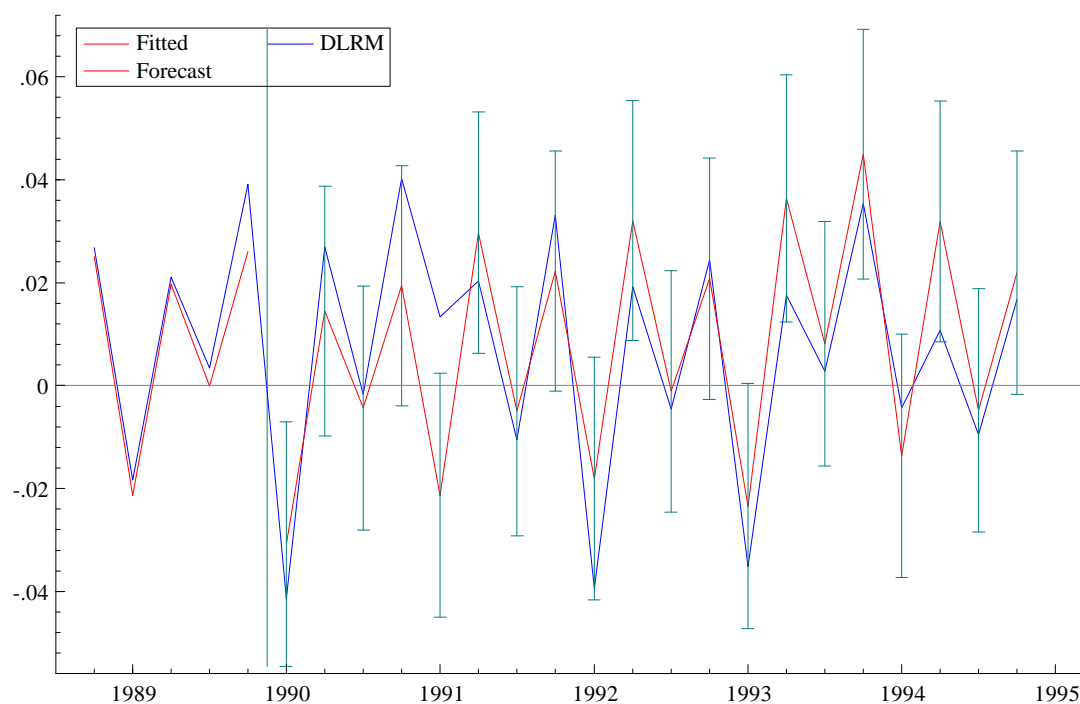
Note: White-Test (A) includes only squared regressors in the auxiliary regression, while White-Test (B) also includes cross-products of the regressors. The latter may also be interpreted as a test for functional form. * (**) indicates significance at a 5% (1%) level.

The predictive ability of the money demand equation is graphically demonstrated in Figure 3. In this graph, one-step ahead forecasts with their corresponding 95%-confidence intervals are printed (+/- two standard errors) along with the actual values for these data points. It can be seen that the actual values never fall outside the confidence intervals except in 1991:1. This failing is readily explainable, though: it is simply connected with the economic consequences of

⁹ A detailed description of the tests can be found in Doornik and Hendry (1997).

German re-unification. Note how closely the forecasts track the actual values even at the end of the forecasting period.

Fig. 3: Out-of-sample forecasts of narrow money demand equation

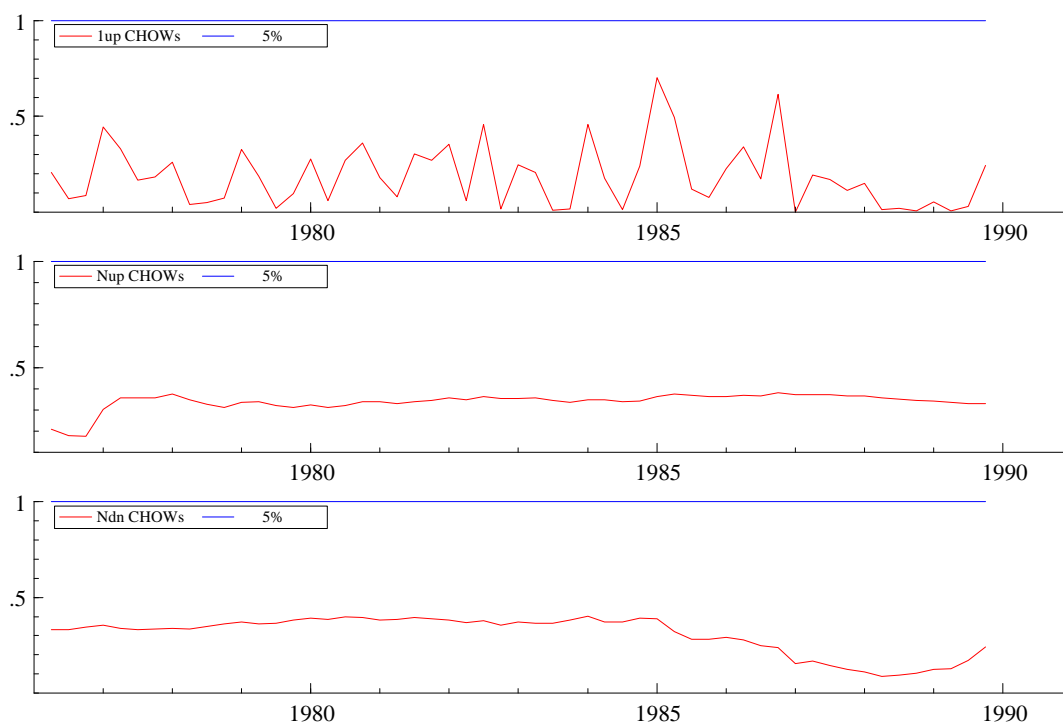


Connecting this finding with the literature on the effects of German monetary union mentioned above, we can support the view that this event only caused temporary instability, at least in the European aggregates.

Using recursive estimation, the stability characteristics can be further analysed. In Figure 4, the results of three variants of the Chow-test are plotted. In the first of the three graphs, the Chow-test is computed in a one-step progression from the start of the sample (1up). In the second graph, the test statistic is computed against the starting point of the sample while moving toward the end of the sample (Nup), and in the last graph the statistic is calculated against the sample endpoint while also steadily approaching this endpoint (Ndn). It is apparent that none of the tests comes even close to rejecting the null hypothesis of stable parameters at a 5% significance level.

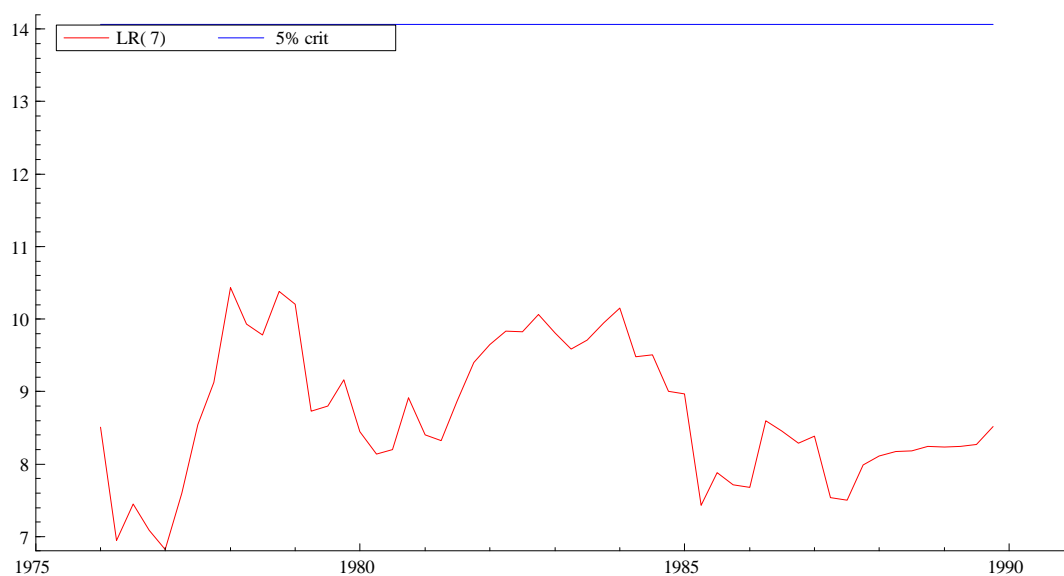
In the last row of Table 4, the encompassing test is presented, which does not reject. This means that the model can be seen as a valid reduction of the underlying unrestricted VAR.

Fig. 4: Recursive Chow-tests for narrow money model



To see whether the over-identifying restrictions hold up over time, the encompassing test is also calculated recursively and printed in Figure 5.

Fig. 5: Recursive encompassing test for narrow money



Again we can conclude that there is no rejection of the null hypothesis, the over-identifying restrictions would be valid over the whole sample period. In view of these excellent results, we can now look at the actual estimates given in Table 5.

Tab. 5: Estimating a dynamic model of narrow money

Variable	Coefficient	Std. Error	t-value	t-prob.	HCSE
Equation for ΔLM					
ΔINT_{t-1}	-0.01	0.003	-3.55	0.0006	0.003
ΔINF_t	-1.03	0.278	-3.71	0.0004	0.262
ΔINF_{t-1}	-0.55	0.252	-2.17	0.0323	0.221
$ECMLM_{t-1}$	-0.02	0.006	-3.88	0.0002	0.005
DU87Q1	0.05	0.011	4.39	0.0000	0.003
Constant	-0.02	0.004	-4.29	0.0000	0.003
Seasonal _t	-0.05	0.003	-14.6	0.0000	0.004
Seasonal _{t-2}	-0.03	0.003	-9.70	0.0000	0.003
Equation for $\Delta LGDP$					
ΔLM_{t-1}	0.21	0.044	4.76	0.0000	0.052
$\Delta LGDP_{t-3}$	0.18	0.079	2.32	0.0225	0.092
$ECMLM_{t-1}$	-0.02	0.002	-8.03	0.0000	0.002
DU87Q1	-0.01	0.009	-1.52	0.1325	0.002
Seasonal _t	-0.02	0.002	-8.15	0.0000	0.003

In the money demand equation, only three dynamic variables are left. First we find an interest rate variable lagged by one period with a negative coefficient. This means that additionally to the negative impact of the interest rate as captured within the long-run equilibrium, there is a negative short-run influence, strengthening the adjustment of money demand to interest rate changes. This is similarly true of a change in the inflation rate, since both the current and a lagged value are negative and significantly different from zero. Thus although the inflation rate does not appear to be important for the long-run equilibrium of money demand, it has an effect in the short-run. The opposite seems to be the case for the income variable.

The error-correction term is highly significant and it shows the theory-consistent negative sign. However, the absolute influence of deviations from the long-run equilibrium is relatively small. Consequently, when money demand is pushed out of equilibrium by exogenous shocks, the forces pulling it back are comparatively small. Finally, the dummy capturing the break in the statistical definition, a constant and some seasonal dummies are of importance too.

Income growth is characterised by being positively influenced through one-period lagged money growth. This finding can be regarded as evidence of Granger-causality going from money to output. Another determinant is the value of GDP growth lagged three periods. As the sign is also positive, there are persistency effects in growth rates present, even though the variables are stationary and the model allows for interdependencies with other factors.

The parameter of the error-correction term is also significantly negative and as small as the one present in the money equation. The dummy for the first quarter of 1987 is not significant employing normal standard errors. Even though the diagnostic tests do not indicate deviations from homoscedasticity, the value of the heteroscedasticity consistent standard error is much lower. In view of that, the variable has been left in the equation.

5.2 Modelling Broad Money

Based on the results of the cointegration tests, we can specify the money demand function as a single equation.

Tab. 6: Diagnostics for dynamic model of broad money demand

Equation-Based Tests:	
	ΔLM
	AR Test:
	$F(5,82) = 0.66$
	Normality Test:
	$\text{Chi}^2(2) = 1.04$
	White-Test (A):
	$F(16,70) = 0.76$
	White-Test (B):
	$F(41,45) = 0.65$
	ARCH-Test:
	$F(4,79) = 1.17$
Standard Errors:	0.0065
Forecasting Tests:	
Standard Chow-type test: $\text{Chi}^2(20) = 22.3$, $F(20,87) = 1.11$	
Allowing for parameter uncertainty: $\text{Chi}^2(20) = 20.1$, $F(20,87)=1.01$	
LR-Test against the system: $\text{Chi}^2(10) = 9.5$	

Note: White-Test (A) includes only squared regressors in the auxiliary regression, while White-Test (B) also includes cross-products of the regressors. The latter may also be interpreted as a test for functional form. * (**) indicates significance at a 5% (1%) level.

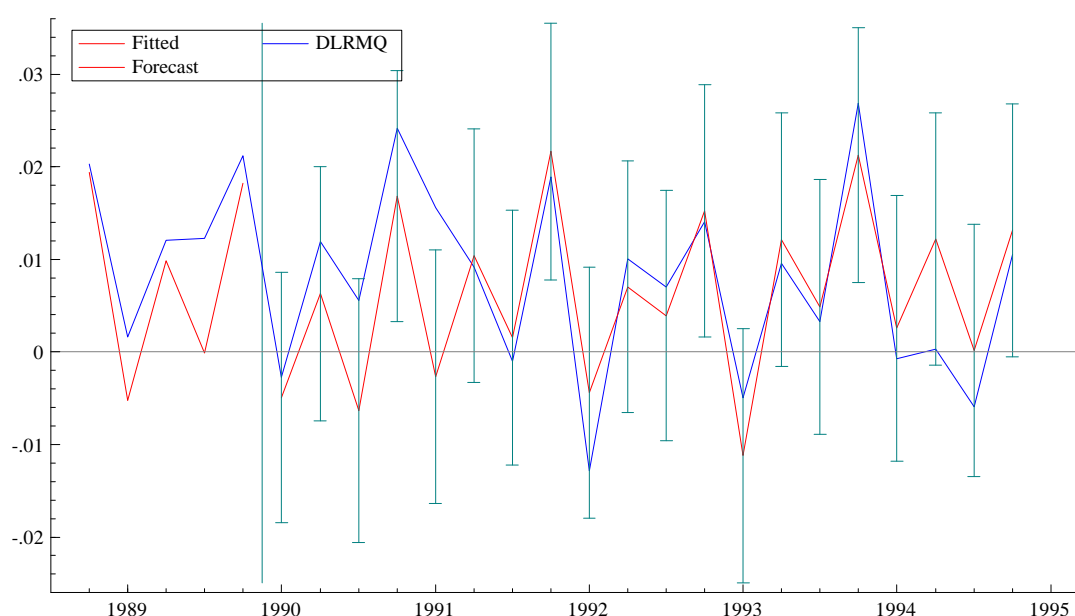
As indicated above, an additional dummy variable is used for the last quarter of 1969. The choice of this variable is not theory driven, and one needs to be careful not to introduce too

many sample specific variables into the model. The resulting gain in fit will then often be lost in terms of forecasting performance.

The model estimates are presented in Table 7, but before looking at them we have to analyse the statistical adequacy of the equation. Diagnostic test results are displayed in Table 6. As before, none of the test statistics indicate a violation of the null hypotheses. The standard error of the regression is very small.

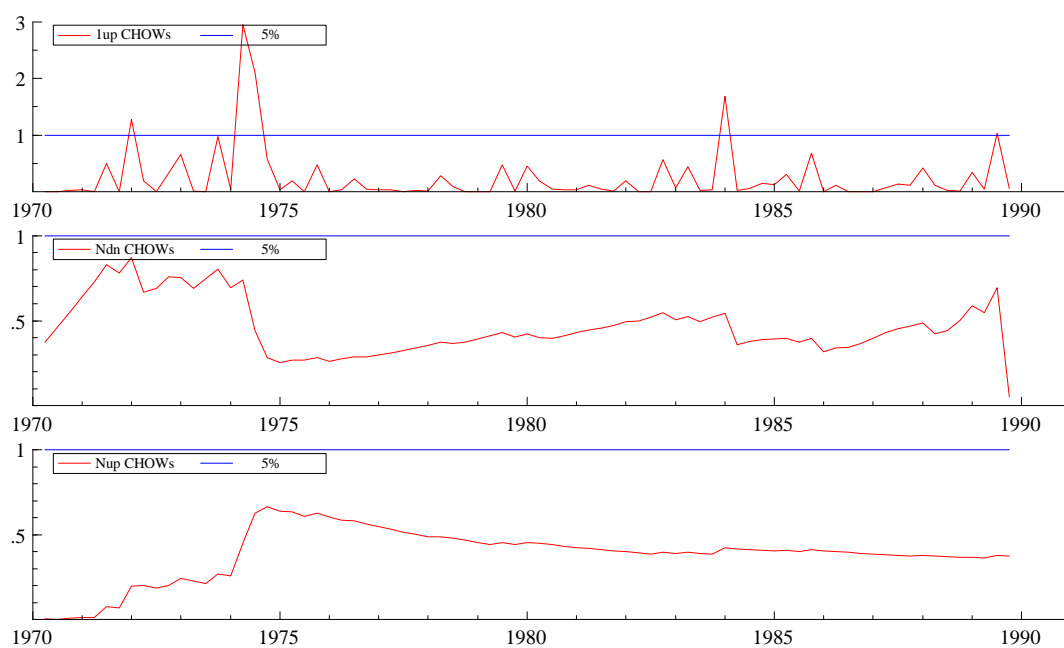
The forecasting properties are good, as can be seen from Figure 6. We find the temporary break in the beginning of 1991 again, which is connected with the turbulence of German money after reunification. If the model was extended to estimate the money demand function including the observations from the 1990s, a dummy variable was sufficient to take account of this outlier. Apart from that, all observations stay within their respective confidence intervals. It is reassuring to see that the inclusion of an additional impulse dummy has not improved the fit of the model at the expense of its out-of-sample stability.

Fig. 6: Out-of-sample forecasts of broad money demand equation



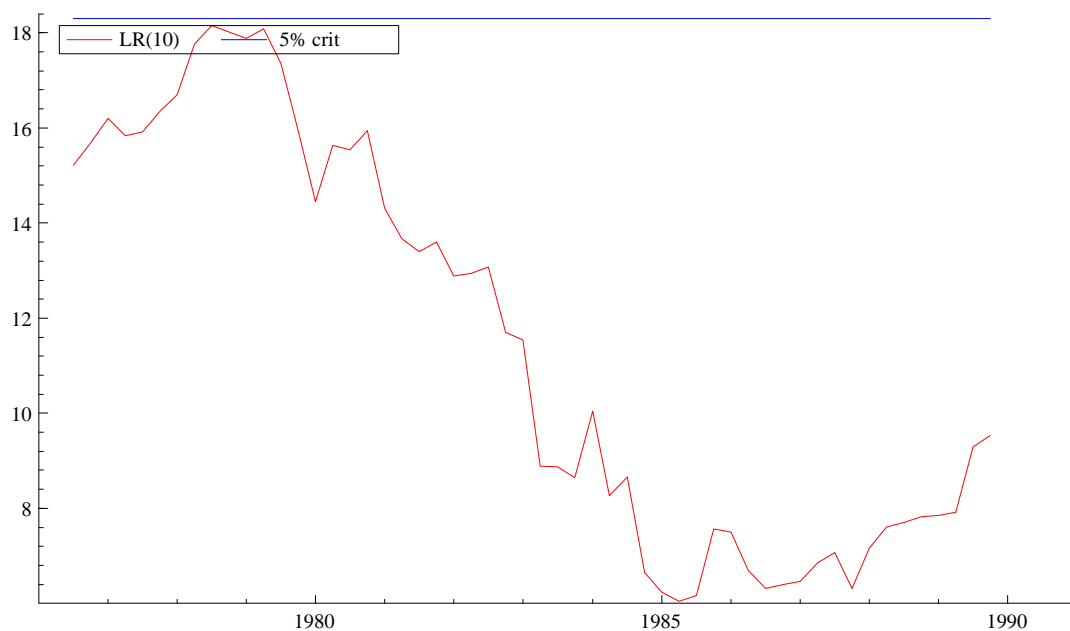
Computing recursive Chow-tests to further explore the stability properties reveals the following picture (see Figure 7). Here we observe some violation of the one-step stability tests. It can be argued, though, that most of these are simply outliers, especially the ones connected with the oil crisis in 1973. This conclusion is strengthened by the finding that none of the other two tests – decreasing and increasing test period – show any violations.

Fig. 7: Recursive Chow-tests for narrow money model



Finally, we look at the test of overidentifying restrictions computed recursively in Figure 8.

Fig. 8: Recursive encompassing test for broad money



It is apparent that the test never rejects even though it gets close to being significant at the end of the 1970s. Thus the restriction on the VAR appears to be valid over the sample period.

Next we come to the actual estimates of broad money demand in the short-run (see Table 7).

Tab. 7: Estimating a dynamic model of broad money

Variable	Coefficient	Std. Error	t-value	t-prob.	HCSE
Equation for ΔLMQ					
ΔLMQ_{t-1}	0.18	0.066	2.78	0.0066	0.058
ΔLMQ_{t-3}	0.13	0.055	2.36	0.0205	0.048
ΔINT_{t-2}	-0.01	0.002	-3.24	0.0017	0.002
ΔINF_t	-0.43	0.145	-2.95	0.0040	0.148
ECMLMQ_{t-1}	-0.02	0.004	-5.79	0.0000	0.004
DU69Q4	-0.03	0.007	-4.55	0.0000	0.002
DU86Q4	0.05	0.007	7.71	0.0000	0.003
DU87Q1	0.06	0.008	6.97	0.0000	0.004
Constant	0.01	0.003	3.91	0.0002	0.002
Seasonal _t	-0.03	0.002	-11.9	0.0000	0.002
Seasonal _{t-1}	-0.01	0.002	-5.01	0.0000	0.002
Seasonal _{t-2}	-0.02	0.003	-8.50	0.0000	0.003

The first regressors explaining short-run money demand are money lagged one and three periods. Hence inertia appears to be important in explaining the actual value of money growth. Both parameters are positive indicating that higher money growth in one period has a positive influence on money growth in the future.

The second influence is the change in the interest rate. Economic agents react to changes in opportunity cost with a lag of two quarters. But then money holdings will be reduced. Thus in addition to the importance of the interest rate for the long-run equilibrium, we also observe a negative short-run effect. Again we find that current inflation plays a role and - as in the case of narrow money - it has a restraining effect on money demand. The error-correction term shows a negative coefficient and is significantly different from zero, while its absolute value is small. Consequently, deviations from the long-run equilibrium do not exert a strong influence on actual money growth. Finally we have the dummy variables capturing breaks, outliers and seasonal effects.

It is interesting to note that in the short-run GDP growth does not appear to play a role in this system apart from its influence via the error-correction term. This might be due to the fact that its influence through the long-run equilibrium is relatively stronger compared to the case of

narrow money resulting from the much lower weight of the interest rate in the cointegrating relation. Moreover, the decision to hold broad money is less dependent on transaction purposes.

6. Conclusion

To summarise the results of this paper, we should note the following: The estimated money demand functions for prospective EMU member countries appear to be stable over time. For both narrow and broad money aggregates do we find an income elasticity of money demand of unity. With respect to interest rate (semi-)elasticities, a value of 0.10 was estimated for narrow and 0.023 for broad money. The higher sensitivity of narrow money aggregate to changes in the interest rate could reflect the fact that it contains less interest bearing components and thus people suffer relatively higher opportunity costs after a rise in interest rates than by holding broad money.

Coming back to some of the points raised in the introduction or discussed in section 2, the following, more or less tentative, additional conclusions can be drawn from this study:

First, can we say something more about the aggregate series we have been working with, are they making any economic sense? Looking at the results, the answer is a clear yes. They are consistent with the other estimates presented in the literature, even though this does not say much about the general admissibility of modelling European aggregate demand functions. But the estimated long-run parameters are very reasonable from a theoretical point of view too, they are robust with respect to the size of country group, and they fall within the interval spanned by estimating the long-run component of national money demand functions as well (see Hayo (1998)). If one believes in the fruitfulness of estimating money demand functions in this way (see Hoffman and Rasche (1996) for some forceful arguments), the backward induction from the reasonableness of the results to the validity of the employed series suggests taking the analysis seriously. It should be clear, though, that the methodological basis of backward justification is rather questionable, especially if one does not adhere to a strictly instrumentalist view of science.

Unsurprisingly, the aggregate series are much smoother than the underlying national ones. While the number of lags needed to remove any autocorrelation from the residuals can be quite large for some countries, this is no problem at all for the aggregate series. The VAR can be

modelled with only few lags and, correspondingly, the short-run dynamics of the aggregate series are somewhat underdeveloped. This is a discovery also reported by almost all European money demand studies. Using a slightly different econometric approach, Clausen (forthcoming) systematically compares the estimated adjustment lags of national versus European money demand functions for the actual EMU founding members. Based on the result of shorter adjustment lags for the European money demand equation, he goes on to argue that the ECB will find it easier to pursue monetary policy than the national central banks.

The finding of relatively short adjustment lags may not be a problem in principle, but it leaves unanswered the uncomfortable question: why is it the case that adjustment is, generally speaking, complicated and long at the national level and simple and swift at the aggregate level? One possible answer to this is to argue that shocks to money demand functions are asymmetric across countries and by aggregating the series these shocks cancel each other out, leading to a smoother overall appearance. If, after entering EMU, there is only the Euro left, we cannot be sure that this smoothing effect will prevail.

A similar point can be raised regarding the finding of cointegrating vectors. At a national level it can be quite difficult to obtain theoretically consistent and significant cointegrating vectors for some countries, while this is not a problem at all for the European series. For example, the sensitivity of estimated aggregate cointegrating vectors with respect to the chosen lag length is low. Beside the asymmetric shock smoothing argument, we could bring in the points related to money market integration, especially involving currency substitution. But it is unclear how much weight this argument can bear. We have used data ranging back to the sixties, and therefore the parameter estimates are very much influenced by an era when currency substitution definitely did not play a decisive role.

As indicated above, seen from the standpoint of a policy maker, the results of this study are quite encouraging. The finding that a stable aggregate money demand appears to exist would make a successful operation of money targeting at a European level possible. Moreover, the short-run adjustment periods are extremely low, thus also helping to foster the execution of monetary policies. After accounting for the likely occurrence of temporary and short-term post-unification noise in the data, the ECB should be able to rely on past data to estimate a European money demand and maybe other characteristics of the aggregate money market. However, we can also expect an adjustment of economic agents to this new situation, which may invalidate the information drawn from past observations in the longer term.

Finally, at least with respect to the stability of the money demand function, the actual decision by the European Council on EMU membership can be seen as relatively uncontroversial. The characteristics of aggregate European money demand functions are very similar over different country groupings (see Hayo (1998, p. 172ff)). This would make it unlikely that European money demand would be significantly negatively affected if countries with a relatively less stable national money demand, like Sweden or the UK, entered EMU at a later stage.

Appendix

Tab. A1: Variables and Unit-Root Tests

Variable	Description	ADF-Value	Variable	ADF-Value
LM	log of real narrow money	-0.06 [C,S,T,4]	Δ LM	-0.88** [C,S]
LMQ	log of real broad money	-0.007 [C,S,1]	Δ LMQ	-0.64** [C,S,T]
LGDP	log of real GDP	-0.009 [C,S,1,3,6]	Δ LGDP	-0.83** [C,S,T,3,4,5]
INT	Aggregate interest rate	-0.02 [S,1]	Δ INT	-0.53** [1]
INF	Inflation rate based on aggregate GDP deflator	-0.07 [S,1,2]	Δ INF	-1.8** [1]

Notes: Δ is the first difference operator. One (two) asterisk(s) indicates a rejection of the Null at the 5% (1%) significance level. The critical values are taken from MacKinnon (1991). The lags and deterministic variables (constant, seasonals, trend) used in the final specification of the ADF-test are given in square brackets.

References

- Angeloni, I., C. Cotarelli and A. Levy (1994), Cross-Border Deposits, Aggregation, and Money Demand in the Transition to EMU, *Journal of Policy Modeling* 16, p. 27-54.
- Arnold, I.J.M. (1992), The Derivation of the Liquidity Ratio in the EMS, *IMF Staff Papers* 39, p. 195-202.
- Arnold, I.J.M. (1994), The Myth of a Stable European Money Demand, *Open Economies Review* 5, p. 249-259.
- Arnold, I.J.M. and C.G. de Vries (1998), The Euro, Prudent Coherence?, Paper presented at the conference "Common Money, Uncommon Regions", 24-25 July, ZEI, Bonn.
- Artis, M.J., R.C. Bladen-Hovell and W. Zhang (1993), A European Money Demand Function, in: P.R. Masson and M.P. Taylor (eds.), *Policy Issues in the Operation of Currency Unions*, Cambridge: Cambridge University Press, p. 240-263.
- Baba, Y., D.F. Hendry and R.M. Starr (1992), The Demand for M1 in the USA, 1960 to 1988, *Review of Economic Studies* 59, p. 25-61.
- Barr, D. (1992), The Demand for Money in Europe, *IMF Staff Papers* 39, p. 718-729.
- Browne, F.X., G. Fagan and J. Henry (1997), Money Demand in EU Countries: A Survey, *EMI Staff Paper* 7, European Monetary Institute, Frankfurt.
- Bruggeman, A. (1997a), EU-Wide Money Demand Functions – A Review of the Empirical Literature, *Tijdschrift voor Economie en Management* 42, p. 229-251.
- Bruggeman, A. (1997b), Can Monetary Aggregates Play a Role in the Monetary Policy Strategy of the ECB?, Paper presented at the annual Money, Macro and Finance Group conference in Durham, September.
- Cassard, M., T.D. Lane and P.R. Masson (1997), Core ERM Money Demand and Effects on Inflation, *The Manchester School* 65, p. 1-24.
- Chow, G.C. and A. Lin (1971), Best Linear Unbiased Interpolation, Distribution, and Extrapolation of Time Series by Related Series, *Review of Economics and Statistics* 53, p. 372-375.
- Clausen, V. (forthcoming), Money Demand and Monetary Policy in Europe, *Weltwirtschaftliches Archiv*.
- Clements, M.P. and G.E. Mizon (1991), Empirical Analysis of Macroeconomic Time Series, *European Economic Review* 35, p. 887-932.

- Doornik, J.A. and D.F. Hendry (1997), *PcFiml 9.0*, London: International Thomson Publishing.
- Engle, R.F. and C. Granger (1987), Co-integration and Error Correction: Representation, Estimation and Testing, *Econometrica* 55, p. 251-276.
- Engle, R.F., D.F. Hendry and J.-F. Richard (1983), Exogeneity, *Econometrica* 51, p. 277-304.
- Fair, R.C. (1987), International Evidence on the Demand for Money, *The Review of Economics and Statistics* 69, p. 473-480.
- Falk, M. and N. Funke (1995), The Stability of Money Demand in Germany and in the EMS: Impact of German Unification, *Weltwirtschaftliches Archiv* 131, p. 470-488.
- Fase, M.M.G. (1994), In Search for Stability: An Empirical Appraisal of the Demand for Money in the G7 and EC Countries, *De Economist* 142, p. 421-454.
- Funke, N. (1996), The Stability of the Demand for Money Function in Germany: Myth or Reality?, *Zeitschrift für Wirtschafts- und Sozialwissenschaften* 116, p. 185-198.
- Grunfeld, Y. and Z. Griliches (1960), Is Aggregation Necessarily Bad?, *The Review of Economics and Statistics* 17, p. 1-13.
- Hansen, G. and J.-R. Kim (1995), The Stability of German Money Demand: Tests of the Cointegrating Relation, *Weltwirtschaftliches Archiv* 131, p. 386-301.
- Hayo, B. (1994), No Further Evidence of Wagner's Law for Mexico, *Public Finance* 49, p. 287-294.
- Hayo, B. (1997), Alternative methodologische Ansätze in der Ökonometrie: Eine Einführung, *Allgemeines Statistisches Archiv* 81, p. 266-289.
- Hayo, B. (1998), *Empirische und theoretische Studien zur Europäischen Währungsunion*, Frankfurt: Peter Lang.
- Hayo, B. (forthcoming), Simplicity in Econometric Modelling: Some Methodological Considerations, *Journal of Economic Methodology*.
- Hendry, D.F. (1993), *Econometrics: Alchemy or Science?*, Oxford: Blackwell.
- Hendry, D.F. and G.E. Mizon (1993), Evaluating Dynamic Econometric Models by Encompassing the VAR, in: P.C.B. Phillips, *Models, Methods, and Applications of Econometrics*, (ed.), Cambridge (Mass.): Blackwell, p. 272-300.
- Hoffman, D.L. and R.H. Rasche (1996), *Aggregate Money Demand Functions*, Boston: Kluwer.
- Issing, O. (1998), Welche geldpolitische Strategie für die EZB?, Paper presented at the 26. Volkswirtschaftliche Tagung of the Oesterreichische Nationalbank on 8 May in Vienna.

- Janssen, N.G.J. and A.J. Bhundia (1998), Aggregation-Theoretic and Statistical Issues in Estimating EU Money Demand, *mimeo*, Bank of England.
- Johansen, S. (1988), Statistical Analysis of Cointegration Vectors, *Journal of Economic Dynamics and Control* 12, p. 231-254.
- Johansen, S. (1992a), Cointegration in Partial Systems and the Efficiency of Single-Equation Analysis, *Journal of Econometrics* 52, p. 389-402.
- Johansen, S. (1992b), Testing Weak Exogeneity and the Order of Cointegration in UK Money Demand Data, *Journal of Policy Modeling* 14, p. 313-334.
- Johansen, S. and K. Juselius (1990), Maximum Likelihood Estimation and Inference on Cointegration - With Applications to the Demand for Money, *Oxford Bulletin of Economics and Statistics* 52, p.169-210.
- Kremers, J.J.M. and T.D. Lane (1990), Economic and Monetary Integration and the Aggregate Demand for Money in the EMS, *IMF Staff Papers* 37, p. 777-805.
- Laidler, D.E.W. (1993), *The Demand for Money*, 4th ed., New York: Harper Collins College Publishers.
- Lane, T.D. and S.S. Poloz (1992), Currency Substitution and Cross-Border Monetary Aggregation: Evidence from the G-7, *IMF Working Paper* No. 81, October.
- Lovell, C.A.K. (1973), A Note on Aggregation Biases and Loss, *Journal of Econometrics* 1, p. 301-311.
- MacKinnon, J.G. (1991), Critical Values for Cointegration Tests, in: R.F. Engle and C. Granger (eds.), *Long-Run Economic Relationships*, Oxford: Oxford University Press, p. 267-276.
- McCloskey, D.N. and S.T. Ziliak (1996), The Standard Error of Regression, *Journal of Economic Literature* 34, p. 97-114.
- Monticelli, C. and L. Papi (1996), *European Integration, Monetary Co-ordination, and the Demand for Money*, Oxford: Oxford University Press.
- Monticelli, C. and M.-O. Strauss-Kahn (1992), Broad Monetary Aggregates and National Money Demand in Europe, *Economies et Sociétés*, Série Economie monétaire 9, p. 147-197.
- Monticelli, C. and M.-O. Strauss-Kahn (1993), European Integration and the Demand for Broad Money, *The Manchester School* 61, p. 345-366.
- OECD (1993), *Economic Surveys: Germany*, Paris: OECD.

- Osterwald-Lenum, M. (1992), A Note With Quantiles of the Asymptotic Distribution of the Maximum Likelihood Cointegration Rank Test Statistics, *Oxford Bulletin of Economics and Statistics* 54, p. 461-471.
- Pesaran, M.H., R.G. Pierse and M.S. Kumar (1989), Econometric Analysis of Aggregation in the Context of Linear Prediction Models, *Econometrica* 57, p. 861-888.
- Poole, W. (1988), Monetary Policy Lessons of Recent Inflation and Disinflation, *Journal of Economic Perspectives* 2, p. 73-100.
- Riet, A.G. van (1993), Studies of EC Money Demand: Survey and Assessment, *De Nederlandsche Bank Quarterly Bulletin* p. 63-75.
- Spencer, P. (1997), Monetary Integration and Currency Substitution in the EMS: The Case for a European Monetary Aggregate, *European Economic Review* 41, p. 1403-1419.
- Thornton, D.L. (1994), Financial Innovations, Deregulation, and the 'Credit View' of Monetary Policy, *Review* 76, Federal Reserve Bank of St. Louis, p. 31-49.
- von Hagen, J. (1993), Monetary Union, Money Demand, and Money Supply, *European Economic Review* 37, p. 803-836.
- Wesche, K. (1994), Aggregierte Geldnachfrage in Europa, *SFB Discussion Paper* No. B-296, Bonn, Februar.
- Wesche, K. (1997), The Demand for Divisia Money in a Core Monetary Union, *Review* 79, Federal Reserve Bank of St. Louis, p. 51-60.
- Williamson, J. (1994), *Estimating Equilibrium Exchange Rates*, (ed.), Washington: Institute for International Economics.
- Wolters, J. and H. Lütkepohl (1997), Die Geldnachfrage für M3: Neue Ergebnisse für das vereinigte Deutschland, *Ifo-Studien* 43, p. 35-54.

2008		
B01-08	Euro-Diplomatie durch gemeinsame „Wirtschaftsregierung“	<i>Martin Seidel</i>
2007		
B03-07	Löhne und Steuern im Systemwettbewerb der Mitgliedstaaten der Europäischen Union	<i>Martin Seidel</i>
B02-07	Konsolidierung und Reform der Europäischen Union	<i>Martin Seidel</i>
B01-07	The Ratification of European Treaties - Legal and Constitutional Basis of a European Referendum.	<i>Martin Seidel</i>
2006		
B03-06	Financial Frictions, Capital Reallocation, and Aggregate Fluctuations	<i>Jürgen von Hagen, Haiping Zhang</i>
B02-06	Financial Openness and Macroeconomic Volatility	<i>Jürgen von Hagen, Haiping Zhang</i>
B01-06	A Welfare Analysis of Capital Account Liberalization	<i>Jürgen von Hagen, Haiping Zhang</i>
2005		
B11-05	Das Kompetenz- und Entscheidungssystem des Vertrages von Rom im Wandel seiner Funktion und Verfassung	<i>Martin Seidel</i>
B10-05	Die Schutzklauseln der Beitrittsverträge	<i>Martin Seidel</i>
B09-05	Measuring Tax Burdens in Europe	<i>Guntram B. Wolff</i>
B08-05	Remittances as Investment in the Absence of Altruism	<i>Gabriel González-König</i>
B07-05	Economic Integration in a Multicore World?	<i>Christian Volpe Martinicus, Jennifer Pédussel Wu</i>
B06-05	Banking Sector (Under?)Development in Central and Eastern Europe	<i>Jürgen von Hagen, Valeriya Dinger</i>
B05-05	Regulatory Standards Can Lead to Predation	<i>Stefan Lutz</i>
B04-05	Währungspolitik als Sozialpolitik	<i>Martin Seidel</i>
B03-05	Public Education in an Integrated Europe: Studying to Migrate and Teaching to Stay?	<i>Panu Poutvaara</i>
B02-05	Voice of the Diaspora: An Analysis of Migrant Voting Behavior	<i>Jan Fidrmuc, Orla Doyle</i>
B01-05	Macroeconomic Adjustment in the New EU Member States	<i>Jürgen von Hagen, Iulia Traistaru</i>
2004		
B33-04	The Effects of Transition and Political Instability On Foreign Direct Investment Inflows: Central Europe and the Balkans	<i>Josef C. Brada, Ali M. Kutan, Tanner M. Yigit</i>
B32-04	The Choice of Exchange Rate Regimes in Developing Countries: A Multinomial Panel Analysis	<i>Jürgen von Hagen, Jizhong Zhou</i>
B31-04	Fear of Floating and Fear of Pegging: An Empirical Analysis of De Facto Exchange Rate Regimes in Developing Countries	<i>Jürgen von Hagen, Jizhong Zhou</i>
B30-04	Der Vollzug von Gemeinschaftsrecht über die Mitgliedstaaten und seine Rolle für die EU und den Beitrittsprozess	<i>Martin Seidel</i>
B29-04	Deutschlands Wirtschaft, seine Schulden und die Unzulänglichkeiten der einheitlichen Geldpolitik im Eurosystem	<i>Dieter Spethmann, Otto Steiger</i>
B28-04	Fiscal Crises in U.S. Cities: Structural and Non-structural Causes	<i>Guntram B. Wolff</i>
B27-04	Firm Performance and Privatization in Ukraine	<i>Galyna Grygorenko, Stefan Lutz</i>
B26-04	Analyzing Trade Opening in Ukraine: Effects of a Customs Union with the EU	<i>Oksana Harbuzyuk, Stefan Lutz</i>
B25-04	Exchange Rate Risk and Convergence to the Euro	<i>Lucjan T. Orlowski</i>
B24-04	The Endogeneity of Money and the Eurosystem	<i>Otto Steiger</i>
B23-04	Which Lender of Last Resort for the Eurosystem?	<i>Otto Steiger</i>
B22-04	Non-Discretionary Monetary Policy: The Answer for Transition Economies?	<i>Elham-Mafi Kreft, Steven F. Kreft</i>
B21-04	The Effectiveness of Subsidies Revisited: Accounting for Wage and Employment Effects in Business R+D	<i>Volker Reinthaler, Guntram B. Wolff</i>
B20-04	Money Market Pressure and the Determinants of Banking Crises	<i>Jürgen von Hagen, Tai-kuang Ho</i>
B19-04	Die Stellung der Europäischen Zentralbank nach dem Verfassungsvertrag	<i>Martin Seidel</i>

B18-04	Transmission Channels of Business Cycles Synchronization in an Enlarged EMU	<i>Iulia Traistaru</i>
B17-04	Foreign Exchange Regime, the Real Exchange Rate and Current Account Sustainability: The Case of Turkey	<i>Sübidey Togan, Hasan Ersel</i>
B16-04	Does It Matter Where Immigrants Work? Traded Goods, Non-traded Goods, and Sector Specific Employment	<i>Harry P. Bowen, Jennifer Pédussel Wu</i>
B15-04	Do Economic Integration and Fiscal Competition Help to Explain Local Patterns?	<i>Christian Volpe Martincus</i>
B14-04	Euro Adoption and Maastricht Criteria: Rules or Discretion?	<i>Jiri Jonas</i>
B13-04	The Role of Electoral and Party Systems in the Development of Fiscal Institutions in the Central and Eastern European Countries	<i>Sami Yläoutinen</i>
B12-04	Measuring and Explaining Levels of Regional Economic Integration	<i>Jennifer Pédussel Wu</i>
B11-04	Economic Integration and Location of Manufacturing Activities: Evidence from MERCOSUR	<i>Pablo Sanguinetti, Iulia Traistaru, Christian Volpe Martincus</i>
B10-04	Economic Integration and Industry Location in Transition Countries	<i>Laura Resmini</i>
B09-04	Testing Creditor Moral Hazard in Sovereign Bond Markets: A Unified Theoretical Approach and Empirical Evidence	<i>Ayse Y. Evrensel, Ali M. Kutan</i>
B08-04	European Integration, Productivity Growth and Real Convergence	<i>Taner M. Yigit, Ali M. Kutan</i>
B07-04	The Contribution of Income, Social Capital, and Institutions to Human Well-being in Africa	<i>Mina Balamoune-Lutz, Stefan H. Lutz</i>
B06-04	Rural Urban Inequality in Africa: A Panel Study of the Effects of Trade Liberalization and Financial Deepening	<i>Mina Balamoune-Lutz, Stefan H. Lutz</i>
B05-04	Money Rules for the Eurozone Candidate Countries	<i>Lucjan T. Orłowski</i>
B04-04	Who is in Favor of Enlargement? Determinants of Support for EU Membership in the Candidate Countries' Referenda	<i>Orla Doyle, Jan Fidrmuc</i>
B03-04	Over- and Underbidding in Central Bank Open Market Operations Conducted as Fixed Rate Tender	<i>Ulrich Bindseil</i>
B02-04	Total Factor Productivity and Economic Freedom Implications for EU Enlargement	<i>Ronald L. Moomaw, Euy Seok Yang</i>
B01-04	Die neuen Schutzklauseln der Artikel 38 und 39 des Beitrittsvertrages: Schutz der alten Mitgliedstaaten vor Störungen durch die neuen Mitgliedstaaten	<i>Martin Seidel</i>
2003		
B29-03	Macroeconomic Implications of Low Inflation in the Euro Area	<i>Jürgen von Hagen, Boris Hofmann</i>
B28-03	The Effects of Transition and Political Instability on Foreign Direct Investment: Central Europe and the Balkans	<i>Josef C. Brada, Ali M. Kutan, Taner M. Yigit</i>
B27-03	The Performance of the Euribor Futures Market: Efficiency and the Impact of ECB Policy Announcements (Electronic Version of International Finance)	<i>Kerstin Bernoth, Juergen von Hagen</i>
B26-03	Sovereign Risk Premia in the European Government Bond Market (überarbeitete Version zum Herunterladen)	<i>Kerstin Bernoth, Juergen von Hagen, Ludger Schulknecht</i>
B25-03	How Flexible are Wages in EU Accession Countries?	<i>Anna Iara, Iulia Traistaru</i>
B24-03	Monetary Policy Reaction Functions: ECB versus Bundesbank	<i>Bernd Hayo, Boris Hofmann</i>
B23-03	Economic Integration and Manufacturing Concentration Patterns: Evidence from Mercosur	<i>Iulia Traistaru, Christian Volpe Martincus</i>
B22-03	Reformzwänge innerhalb der EU angesichts der Osterweiterung	<i>Martin Seidel</i>
B21-03	Reputation Flows: Contractual Disputes and the Channels for Inter-Firm Communication	<i>William Pyle</i>
B20-03	Urban Primacy, Gigantism, and International Trade: Evidence from Asia and the Americas	<i>Ronald L. Moomaw, Mohammed A. Alwosabi</i>
B19-03	An Empirical Analysis of Competing Explanations of Urban Primacy Evidence from Asia and the Americas	<i>Ronald L. Moomaw, Mohammed A. Alwosabi</i>

B18-03	The Effects of Regional and Industry-Wide FDI Spillovers on Export of Ukrainian Firms	<i>Stefan H. Lutz, Oleksandr Talavera, Sang-Min Park</i>
B17-03	Determinants of Inter-Regional Migration in the Baltic States	<i>Mihails Hazans</i>
B16-03	South-East Europe: Economic Performance, Perspectives, and Policy Challenges	<i>Iulia Traistaru, Jürgen von Hagen</i>
B15-03	Employed and Unemployed Search: The Marginal Willingness to Pay for Attributes in Lithuania, the US and the Netherlands	<i>Jos van Ommeren, Mihails Hazans</i>
B14-03	FICs and Economic Activity: Some International Evidence	<i>Charles Goodhart, Boris Hofmann</i>
B13-03	The IS Curve and the Transmission of Monetary Policy: Is there a Puzzle?	<i>Charles Goodhart, Boris Hofmann</i>
B12-03	What Makes Regions in Eastern Europe Catching Up? The Role of Foreign Investment, Human Resources, and Geography	<i>Gabriele Tondl, Goran Vuksic</i>
B11-03	Die Weisungs- und Herrschaftsmacht der Europäischen Zentralbank im europäischen System der Zentralbanken - eine rechtliche Analyse	<i>Martin Seidel</i>
B10-03	Foreign Direct Investment and Perceptions of Vulnerability to Foreign Exchange Crises: Evidence from Transition Economies	<i>Josef C. Brada, Vladimír Tomsík</i>
B09-03	The European Central Bank and the Eurosystem: An Analysis of the Missing Central Monetary Institution in European Monetary Union	<i>Gunnar Heinsohn, Otto Steiger</i>
B08-03	The Determination of Capital Controls: Which Role Do Exchange Rate Regimes Play?	<i>Jürgen von Hagen, Jizhong Zhou</i>
B07-03	Nach Nizza und Stockholm: Stand des Binnenmarktes und Prioritäten für die Zukunft	<i>Martin Seidel</i>
B06-03	Fiscal Discipline and Growth in Euroland. Experiences with the Stability and Growth Pact	<i>Jürgen von Hagen</i>
B05-03	Reconsidering the Evidence: Are Eurozone Business Cycles Converging?	<i>Michael Massmann, James Mitchell</i>
B04-03	Do Ukrainian Firms Benefit from FDI?	<i>Stefan H. Lutz, Oleksandr Talavera</i>
B03-03	Europäische Steuerkoordination und die Schweiz	<i>Stefan H. Lutz</i>
B02-03	Commuting in the Baltic States: Patterns, Determinants, and Gains	<i>Mihails Hazans</i>
B01-03	Die Wirtschafts- und Währungsunion im rechtlichen und politischen Gefüge der Europäischen Union	<i>Martin Seidel</i>
2002		
B30-02	An Adverse Selection Model of Optimal Unemployment Assurance	<i>Marcus Hagedorn, Ashok Kaul, Tim Mennel</i>
B29B-02	Trade Agreements as Self-protection	<i>Jennifer Pédussel Wu</i>
B29A-02	Growth and Business Cycles with Imperfect Credit Markets	<i>Debajyoti Chakrabarty</i>
B28-02	Inequality, Politics and Economic Growth	<i>Debajyoti Chakrabarty</i>
B27-02	Poverty Traps and Growth in a Model of Endogenous Time Preference	<i>Debajyoti Chakrabarty</i>
B26-02	Monetary Convergence and Risk Premiums in the EU Candidate Countries	<i>Lucjan T. Orlowski</i>
B25-02	Trade Policy: Institutional Vs. Economic Factors	<i>Stefan Lutz</i>
B24-02	The Effects of Quotas on Vertical Intra-industry Trade	<i>Stefan Lutz</i>
B23-02	Legal Aspects of European Economic and Monetary Union	<i>Martin Seidel</i>
B22-02	Der Staat als Lender of Last Resort - oder: Die Achillesverse des Eurosystems	<i>Otto Steiger</i>
B21-02	Nominal and Real Stochastic Convergence Within the Transition Economies and to the European Union: Evidence from Panel Data	<i>Ali M. Kutan, Taner M. Yigit</i>
B20-02	The Impact of News, Oil Prices, and International Spillovers on Russian Financial Markets	<i>Bernd Hayo, Ali M. Kutan</i>

B19-02	East Germany: Transition with Unification, Experiments and Experiences	<i>Jürgen von Hagen, Rolf R. Strauch, Guntram B. Wolff</i>
B18-02	Regional Specialization and Employment Dynamics in Transition Countries	<i>Iulia Traistaru, Guntram B. Wolff</i>
B17-02	Specialization and Growth Patterns in Border Regions of Accession Countries	<i>Laura Resmini</i>
B16-02	Regional Specialization and Concentration of Industrial Activity in Accession Countries	<i>Iulia Traistaru, Peter Nijkamp, Simonetta Longhi</i>
B15-02	Does Broad Money Matter for Interest Rate Policy?	<i>Matthias Brückner, Andreas Schaber</i>
B14-02	The Long and Short of It: Global Liberalization, Poverty and Inequality	<i>Christian E. Weller, Adam Hersch</i>
B13-02	De Facto and Official Exchange Rate Regimes in Transition Economies	<i>Jürgen von Hagen, Jizhong Zhou</i>
B12-02	Argentina: The Anatomy of A Crisis	<i>Jiri Jonas</i>
B11-02	The Eurosystem and the Art of Central Banking	<i>Gunnar Heinsohn, Otto Steiger</i>
B10-02	National Origins of European Law: Towards an Autonomous System of European Law?	<i>Martin Seidel</i>
B09-02	Monetary Policy in the Euro Area - Lessons from the First Years	<i>Volker Clausen, Bernd Hayo</i>
B08-02	Has the Link Between the Spot and Forward Exchange Rates Broken Down? Evidence From Rolling Cointegration Tests	<i>Ali M. Kutan, Su Zhou</i>
B07-02	Perspektiven der Erweiterung der Europäischen Union	<i>Martin Seidel</i>
B06-02	Is There Asymmetry in Forward Exchange Rate Bias? Multi-Country Evidence	<i>Su Zhou, Ali M. Kutan</i>
B05-02	Real and Monetary Convergence Within the European Union and Between the European Union and Candidate Countries: A Rolling Cointegration Approach	<i>Josef C. Brada, Ali M. Kutan, Su Zhou</i>
B04-02	Asymmetric Monetary Policy Effects in EMU	<i>Volker Clausen, Bernd Hayo</i>
B03-02	The Choice of Exchange Rate Regimes: An Empirical Analysis for Transition Economies	<i>Jürgen von Hagen, Jizhong Zhou</i>
B02-02	The Euro System and the Federal Reserve System Compared: Facts and Challenges	<i>Karlheinz Ruckriegel, Franz Seitz</i>
B01-02	Does Inflation Targeting Matter?	<i>Manfred J. M. Neumann, Jürgen von Hagen</i>
2001		
B29-01	Is Kazakhstan Vulnerable to the Dutch Disease?	<i>Karlygash Kuralbayeva, Ali M. Kutan, Michael L. Wyzan</i>
B28-01	Political Economy of the Nice Treaty: Rebalancing the EU Council. The Future of European Agricultural Policies	<i>Deutsch-Französisches Wirtschaftspolitisches Forum</i>
B27-01	Investor Panic, IMF Actions, and Emerging Stock Market Returns and Volatility: A Panel Investigation	<i>Bernd Hayo, Ali M. Kutan</i>
B26-01	Regional Effects of Terrorism on Tourism: Evidence from Three Mediterranean Countries	<i>Konstantinos Drakos, Ali M. Kutan</i>
B25-01	Monetary Convergence of the EU Candidates to the Euro: A Theoretical Framework and Policy Implications	<i>Lucjan T. Orłowski</i>
B24-01	Disintegration and Trade	<i>Jarko and Jan Fidrmuc</i>
B23-01	Migration and Adjustment to Shocks in Transition Economies	<i>Jan Fidrmuc</i>
B22-01	Strategic Delegation and International Capital Taxation	<i>Matthias Brückner</i>
B21-01	Balkan and Mediterranean Candidates for European Union Membership: The Convergence of Their Monetary Policy With That of the European Central Bank	<i>Josef C. Brada, Ali M. Kutan</i>
B20-01	An Empirical Inquiry of the Efficiency of Intergovernmental Transfers for Water Projects Based on the WRDA Data	<i>Anna Rubinchik-Pessach</i>
B19-01	Detrending and the Money-Output Link: International Evidence	<i>R.W. Hafer, Ali M. Kutan</i>

B18-01	Monetary Policy in Unknown Territory. The European Central Bank in the Early Years	<i>Jürgen von Hagen, Matthias Brückner</i>
B17-01	Executive Authority, the Personal Vote, and Budget Discipline in Latin American and Caribbean Countries	<i>Mark Hallerberg, Patrick Marier</i>
B16-01	Sources of Inflation and Output Fluctuations in Poland and Hungary: Implications for Full Membership in the European Union	<i>Selahattin Dibooglu, Ali M. Kutan</i>
B15-01	Programs Without Alternative: Public Pensions in the OECD	<i>Christian E. Weller</i>
B14-01	Formal Fiscal Restraints and Budget Processes As Solutions to a Deficit and Spending Bias in Public Finances - U.S. Experience and Possible Lessons for EMU	<i>Rolf R. Strauch, Jürgen von Hagen</i>
B13-01	German Public Finances: Recent Experiences and Future Challenges	<i>Jürgen von Hagen, Rolf R. Strauch</i>
B12-01	The Impact of Eastern Enlargement On EU-Labour Markets. Pensions Reform Between Economic and Political Problems	<i>Deutsch-Französisches Wirtschaftspolitisches Forum</i>
B11-01	Inflationary Performance in a Monetary Union With Large Wage Setters	<i>Lilia Cavallar</i>
B10-01	Integration of the Baltic States into the EU and Institutions of Fiscal Convergence: A Critical Evaluation of Key Issues and Empirical Evidence	<i>Ali M. Kutan, Niina Pautola-Mol</i>
B09-01	Democracy in Transition Economies: Grease or Sand in the Wheels of Growth?	<i>Jan Fidrmuc</i>
B08-01	The Functioning of Economic Policy Coordination	<i>Jürgen von Hagen, Susanne Mundschenk</i>
B07-01	The Convergence of Monetary Policy Between Candidate Countries and the European Union	<i>Josef C. Brada, Ali M. Kutan</i>
B06-01	Opposites Attract: The Case of Greek and Turkish Financial Markets	<i>Konstantinos Drakos, Ali M. Kutan</i>
B05-01	Trade Rules and Global Governance: A Long Term Agenda. The Future of Banking.	<i>Deutsch-Französisches Wirtschaftspolitisches Forum</i>
B04-01	The Determination of Unemployment Benefits	<i>Rafael di Tella, Robert J. McCulloch</i>
B03-01	Preferences Over Inflation and Unemployment: Evidence from Surveys of Happiness	<i>Rafael di Tella, Robert J. McCulloch, Andrew J. Oswald</i>
B02-01	The Konstanz Seminar on Monetary Theory and Policy at Thirty	<i>Michele Fratianni, Jürgen von Hagen</i>
B01-01	Divided Boards: Partisanship Through Delegated Monetary Policy	<i>Etienne Farvaque, Gael Lagadec</i>
2000		
B20-00	Breakin-up a Nation, From the Inside	<i>Etienne Farvaque</i>
B19-00	Income Dynamics and Stability in the Transition Process, general Reflections applied to the Czech Republic	<i>Jens Hölscher</i>
B18-00	Budget Processes: Theory and Experimental Evidence	<i>Karl-Martin Ehrhart, Roy Gardner, Jürgen von Hagen, Claudia Keser</i>
B17-00	Rückführung der Landwirtschaftspolitik in die Verantwortung der Mitgliedsstaaten? - Rechts- und Verfassungsfragen des Gemeinschaftsrechts	<i>Martin Seidel</i>
B16-00	The European Central Bank: Independence and Accountability	<i>Christa Randzio-Plath, Tomasso Padoa-Schioppa</i>
B15-00	Regional Risk Sharing and Redistribution in the German Federation	<i>Jürgen von Hagen, Ralf Hepp</i>
B14-00	Sources of Real Exchange Rate Fluctuations in Transition Economies: The Case of Poland and Hungary	<i>Selahattin Dibooglu, Ali M. Kutan</i>
B13-00	Back to the Future: The Growth Prospects of Transition Economies Reconsidered	<i>Nauro F. Campos</i>

B12-00	Rechtsetzung und Rechtsangleichung als Folge der Einheitlichen Europäischen Wahrung	<i>Martin Seidel</i>
B11-00	A Dynamic Approach to Inflation Targeting in Transition Economies	<i>Lucjan T. Orłowski</i>
B10-00	The Importance of Domestic Political Institutions: Why and How Belgium Qualified for EMU	<i>Marc Hallerberg</i>
B09-00	Rational Institutions Yield Hysteresis	<i>Rafael Di Tella, Robert MacCulloch</i>
B08-00	The Effectiveness of Self-Protection Policies for Safeguarding Emerging Market Economies from Crises	<i>Kenneth Kletzer</i>
B07-00	Financial Supervision and Policy Coordination in The EMU	<i>Deutsch-Franzosisches Wirtschaftspolitisches Forum</i>
B06-00	The Demand for Money in Austria	<i>Bernd Hayo</i>
B05-00	Liberalization, Democracy and Economic Performance during Transition	<i>Jan Fidrmuc</i>
B04-00	A New Political Culture in The EU - Democratic Accountability of the ECB	<i>Christa Randzio-Plath</i>
B03-00	Integration, Disintegration and Trade in Europe: Evolution of Trade Relations during the 1990's	<i>Jarko Fidrmuc, Jan Fidrmuc</i>
B02-00	Inflation Bias and Productivity Shocks in Transition Economies: The Case of the Czech Republic	<i>Josef C. Brada, Arthur E. King, Ali M. Kutan</i>
B01-00	Monetary Union and Fiscal Federalism	<i>Kenneth Kletzer, Jurgen von Hagen</i>
1999		
B26-99	Skills, Labour Costs, and Vertically Differentiated Industries: A General Equilibrium Analysis	<i>Stefan Lutz, Alessandro Turrini</i>
B25-99	Micro and Macro Determinants of Public Support for Market Reforms in Eastern Europe	<i>Bernd Hayo</i>
B24-99	What Makes a Revolution?	<i>Robert MacCulloch</i>
B23-99	Informal Family Insurance and the Design of the Welfare State	<i>Rafael Di Tella, Robert MacCulloch</i>
B22-99	Partisan Social Happiness	<i>Rafael Di Tella, Robert MacCulloch</i>
B21-99	The End of Moderate Inflation in Three Transition Economies?	<i>Josef C. Brada, Ali M. Kutan</i>
B20-99	Subnational Government Bailouts in Germany	<i>Helmut Seitz</i>
B19-99	The Evolution of Monetary Policy in Transition Economies	<i>Ali M. Kutan, Josef C. Brada</i>
B18-99	Why are Eastern Europe's Banks not failing when everybody else's are?	<i>Christian E. Weller, Bernard Morzuch</i>
B17-99	Stability of Monetary Unions: Lessons from the Break-Up of Czechoslovakia	<i>Jan Fidrmuc, Julius Horvath and Jarko Fidrmuc</i>
B16-99	Multinational Banks and Development Finance	<i>Christian E. Weller and Mark J. Scher</i>
B15-99	Financial Crises after Financial Liberalization: Exceptional Circumstances or Structural Weakness?	<i>Christian E. Weller</i>
B14-99	Industry Effects of Monetary Policy in Germany	<i>Bernd Hayo and Birgit Uhlenbrock</i>
B13-99	Financial Fragility or What Went Right and What Could Go Wrong in Central European Banking?	<i>Christian E. Weller and Jurgen von Hagen</i>
B12-99	Size Distortions of Tests of the Null Hypothesis of Stationarity: Evidence and Implications for Applied Work	<i>Mehmet Caner and Lutz Kilian</i>
B11-99	Financial Supervision and Policy Coordination in the EMU	<i>Deutsch-Franzosisches Wirtschaftspolitisches Forum</i>
B10-99	Financial Liberalization, Multinational Banks and Credit Supply: The Case of Poland	<i>Christian Weller</i>
B09-99	Monetary Policy, Parameter Uncertainty and Optimal Learning	<i>Volker Wieland</i>
B08-99	The Connection between more Multinational Banks and less Real Credit in Transition Economies	<i>Christian Weller</i>

- B07-99 **Comovement and Catch-up in Productivity across Sectors: Evidence from the OECD** *Christopher M. Cornwell and Jens-Uwe Wächter*
- B06-99 **Productivity Convergence and Economic Growth: A Frontier Production Function Approach** *Christopher M. Cornwell and Jens-Uwe Wächter*
- B05-99 **Tumbling Giant: Germany's Experience with the Maastricht Fiscal Criteria** *Jürgen von Hagen and Rolf Strauch*
- B04-99 **The Finance-Investment Link in a Transition Economy: Evidence for Poland from Panel Data** *Christian Weller*
- B03-99 **The Macroeconomics of Happiness** *Rafael Di Tella, Robert McCulloch and Andrew J. Oswald*
- B02-99 **The Consequences of Labour Market Flexibility: Panel Evidence Based on Survey Data** *Rafael Di Tella and Robert McCulloch*
- B01-99 **The Excess Volatility of Foreign Exchange Rates: Statistical Puzzle or Theoretical Artifact?** *Robert B.H. Hauswald*
- 1998**
- B16-98 **Labour Market + Tax Policy in the EMU** *Deutsch-Französisches Wirtschaftspolitisches Forum*
- B15-98 **Can Taxing Foreign Competition Harm the Domestic Industry?** *Stefan Lutz*
- B14-98 **Free Trade and Arms Races: Some Thoughts Regarding EU-Russian Trade** *Rafael Reuveny and John Maxwell*
- B13-98 **Fiscal Policy and Intranational Risk-Sharing** *Jürgen von Hagen*
- B12-98 **Price Stability and Monetary Policy Effectiveness when Nominal Interest Rates are Bounded at Zero** *Athanasios Orphanides and Volker Wieland*
- B11A-98 **Die Bewertung der "dauerhaft tragbaren öffentlichen Finanzlage" der EU Mitgliedstaaten beim Übergang zur dritten Stufe der EWWU** *Rolf Strauch*
- B11-98 **Exchange Rate Regimes in the Transition Economies: Case Study of the Czech Republic: 1990-1997** *Julius Horvath and Jiri Jonas*
- B10-98 **Der Wettbewerb der Rechts- und politischen Systeme in der Europäischen Union** *Martin Seidel*
- B09-98 **U.S. Monetary Policy and Monetary Policy and the ESCB** *Robert L. Hetzel*
- B08-98 **Money-Output Granger Causality Revisited: An Empirical Analysis of EU Countries (überarbeitete Version zum Herunterladen)** *Bernd Hayo*
- B07-98 **Designing Voluntary Environmental Agreements in Europe: Some Lessons from the U.S. EPA's 33/50 Program** *John W. Maxwell*
- B06-98 **Monetary Union, Asymmetric Productivity Shocks and Fiscal Insurance: an Analytical Discussion of Welfare Issues** *Kenneth Kletzer*
- B05-98 **Estimating a European Demand for Money (überarbeitete Version zum Herunterladen)** *Bernd Hayo*
- B04-98 **The EMU's Exchange Rate Policy** *Deutsch-Französisches Wirtschaftspolitisches Forum*
- B03-98 **Central Bank Policy in a More Perfect Financial System** *Jürgen von Hagen / Ingo Fender*
- B02-98 **Trade with Low-Wage Countries and Wage Inequality** *Jaleel Ahmad*
- B01-98 **Budgeting Institutions for Aggregate Fiscal Discipline** *Jürgen von Hagen*
- 1997**
- B04-97 **Macroeconomic Stabilization with a Common Currency: Does European Monetary Unification Create a Need for Fiscal Insurance or Federalism?** *Kenneth Kletzer*
- B-03-97 **Liberalising European Markets for Energy and Telecommunications: Some Lessons from the US Electric Utility Industry** *Tom Lyon / John Mayo*
- B02-97 **Employment and EMU** *Deutsch-Französisches Wirtschaftspolitisches Forum*
- B01-97 **A Stability Pact for Europe** *(a Forum organized by ZEI)*

ISSN 1436 - 6053

Zentrum für Europäische Integrationsforschung
Center for European Integration Studies
Rheinische Friedrich-Wilhelms-Universität Bonn

Walter-Flex-Strasse 3
D-53113 Bonn
Germany

Tel.: +49-228-73-1732
Fax: +49-228-73-1809
www.zei.de