
Contents

1	Introduction	1
2	Economic and Econometric Concepts	5
2.1	Introduction	5
2.2	Economics of the Demand for Money	6
2.2.1	A Specific-to-General Approach	6
2.2.2	Economic Theory and Implications for Empirical Applications	11
2.3	System Analysis of Money Demand Functions	13
2.3.1	Choice of Variables	13
2.3.2	The Statistical Model, the Long- and Short-run	16
2.3.3	Economic Relationships & Cointegration Hypotheses	21
2.3.4	Efficient Estimation and Weak Exogeneity	27
2.3.5	Identification Issues	31
2.4	Summary: Econometric Analysis and Economic Interpretation	35
3	Unit Root Tests for Time Series with a Structural Break	39
3.1	Introduction	39
3.2	Models for Time Series with Level Shifts	41
3.2.1	Estimation of Nuisance Parameters	43
3.3	The Test Statistics	46

3.4	Flexible Shifts, Computational Issues and Extensions	48
3.4.1	Model Checking	51
3.4.2	Extensions	52
3.5	Examples	54
3.5.1	Data Description	55
3.5.2	Estimation of the Break Points	56
3.5.3	Graphical Analysis	58
3.5.4	Test Statistics and Test Decisions	63
3.6	Conclusions	69
3.A	Figures	72
 4	 Monetary Policy in France Prior to European Monetary Union	 85
4.1	Introduction	85
4.2	Preparing for the Euro: Implications for Money Demand Analysis	86
4.2.1	Brief Summary of the Events	87
4.2.2	An Economic Point of View	88
4.2.3	A Small Econometric Study	93
4.2.4	Comparison of Two Econometric Models of the CIP ...	103
4.2.5	CIP Analysis: Concluding Remarks	108
4.3	Money Supply in France Prior to EMU	112
4.3.1	On French Money Demand	112
4.3.2	Data and Model	114
4.3.3	Estimation of the Long-run Parameters	117
4.3.4	Determination of the Cointegration Matrix	124
4.3.5	Stability Analysis	130
4.3.6	Comparing Model Alternatives	141
4.3.7	Economic Interpretation	153
4.4	Summary and Conclusion	161

4.A	Data, Tables and Figures	163
5	Money Demand in Europe: Evidence from the Past	171
5.1	Introduction	171
5.2	Preliminary Considerations	172
5.2.1	Problems Related to Aggregation	173
5.2.2	Interpretation Problems	174
5.3	Constructing European Data	178
5.4	Cointegration Analysis	181
5.4.1	Uni-variate and Multi-variate Data Properties	182
5.4.2	Identification of Cointegration Vectors	190
5.4.3	Properties of the Long-run Dynamics in the System ...	197
5.4.4	A General Comparison of Two Alternative Models	201
5.4.5	Interpretation of the Long-run Relationships	208
5.5	Conclusions	211
5.A	Appendix: Tables, Figures and the Data	213
6	Summary and Outlooks	221
	List of Tables	225
	List of Figures	229
	References	231



<http://www.springer.com/978-3-7908-0064-7>

Money Demand in Europe

An Empirical Approach

Müller, C.

2003, XIV, 240 p., Softcover

ISBN: 978-3-7908-0064-7

A product of Physica-Verlag Heidelberg