

Money Demand and Seigniorage in Transition

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Abstract

The major objective of the paper is to provide estimates of a money demand function and of the optimal seigniorage in the Czech Republic and compare it to other transition countries such as Bulgaria, Poland and Romania, and analyze the scope of budget deficit financing through money printing. To calculate the optimal seigniorage the steady-state condition is applied to the seigniorage maximizing rate of money growth. Hence, the discussion on using models of this type in a transition economy is an important part of the paper.

An inherent part of this analysis is an estimate of money demand functions. Besides standard methods such as OLS or instrumental variables the possibility of a simultaneous estimate of the money demand function for the Czech Republic with the function of a reference country through seemingly unrelated regression is considered. This approach removes seasonality in data without losing observations or freedom, and consequently improves the estimate.

The analysis shows that the interest rate started to play its role in the demand for money in spite of extensive use of direct measures in monetary policy and extensive credit rationing. It is emphasized that the Czech Republic applied restrictive fiscal and monetary policies with the pegged exchange rate as a nominal anchor during transition. This cannot be considered as a general framework for the transition period but it is possible because of the relatively stable macroeconomic situation and sufficient international reserves. The analysis confirms that Czech Republic does not tend to use seigniorage to finance its deficit.

Abstrakt

Článek se zabývá odhadem funkce poptávky po penězích a odhadem optimálního ražebného v České republice. Získané výsledky jsou porovnány s ostatními transformujícími zeměmi jako jsou Bulharsko, Polsko a Rumunsko. K výpočtu optimálního ražebného jsou použity modely pro optimální ražebné platící ve stabilních ekonomikách, a vhodnost těchto modelů pro transformující země je ve článku diskutována.

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Nedělitelnou součástí článku je odhad funkce poptávky po penězích. Parametry poptávkové funkce jsou odhadovány metodou nejmenších čtverců se zvolenými instrumenty a pomocí simultánního odhadu („seemingly unrelated regression“).

Analýza ukazuje, že úroková míra začíná hrát důležitou roli v poptávce po penězích. Mimo jiné se ukazuje, že Česká republika nepoužívá ražebné k financování svého dluhu.