

TABLE OF CONTENTS

	Page
ABSTRACT	i
ACKNOWLEDGEMENTS	ii
TABLE OF CONTENTS	iii
LIST OF TABLES	v
LIST OF FIGURES	vii
Chapter	
1	1
INTRODUCTION	
2	6
LITERATURE REVIEW	
2.1 A Brief Review of Keynesian-Monetarist Controversy	6
2.2 A Brief Review Of The Past Macroeconometric Models Developed for Malaysia	9
3	13
THE MALAYSIAN ECONOMIC BACKGROUND	
3.1 Introduction	13
3.2 Growth And Structural Change	13
3.3 Price Development and Stability	19
3.4 The Balance Of Payments	20
3.5 Fiscal Management	23
3.6 Monetary Aggregates	27
3.7 Monetary Policy	30
4	36
SPECIFICATION AND ESTIMATION OF THE MODEL	
Introduction	36
4.1 Summary Statistics Used In The Selected Equations	36
4.2 Real Private Consumption	39
4.3 Real Private Investment	45
4.4 External Trade	52
4.4.1 Import Demand Function	53
4.4.2 Export Function	58
4.5 Government Sector	61
4.5.1 Real Government Consumption	62
4.5.2 Real Government Investment	63
4.5.3 Government Revenue	64
4.6 Money Supply	65
4.6.1 Money-Multiplier Analysis	67
4.6.2 Currency-Deposit Ratio	71
4.6.3 Excess Reserve Ratio	74
4.6.4 Price Level	76
4.7 Aggregate Demand And Other Identities	79

5	MODEL STRUCTURE AND SIMULATION ANALYSIS	87
5.1	The Complete Model	87
5.2	<i>Simulation Of The Model</i>	93
5.2.1	Method Of Simulation	95
5.2.2	Summary Statistics Of The Model Performance	96
5.2.3	Results Of The Simulation	97
5.2.4	One-Time Shock Simulation	110
5.2.5	Policy Simulations	114
6	SUMMARY AND CONCLUSIONS	129
	Appendix	132
	Bibliography	133

LIST OF TABLES

Table		Page
3.1	Malaysia : Annual Growth Rate (%) Of Gross Domestic Product At Constant Prices	14
3.2	Malaysia : Gross Domestic Product By Sector Of Origin 1960-90 (Percent Of Gross Domestic Product)	15
3.3	Malaysia : Distribution Of Gross National Product In Current Prices (%), 1961-1991	18
3.4	Malaysia : Average Annual Growth Rate (%) Of Consumer Prices (CPI)	20
3.5	The Balance Of Payment, 1960-1990 (Shown Cumulatively, In RM billion)	22
3.6	Consolidated Public Sector Finance, 1960-90 (At Current Prices, Rm Million)	25-26
3.7	Average Annual Growth Rates And Composition Of Money Supply And Private Sector Liquidity, 1961-90	28
3.8	Determinants Of Changes In The Money Supply (M1 And M2)	30
4.1	Estimates Of Real Private Consumption	43-44
4.2	Estimates Of Real Private Investment	50-51
4.3	Estimates Of Real Import Function	57
4.4	Estimates Of Real Export Function	60
4.5	Estimates Of Currency-Deposit Ratio Function	73
4.6	Estimates Of Excess Reserve Ratio Function	76
4.7	Estimates Of Price Function	78
5.1	Summary Statistics Of The Dynamic Simulations	100
5.2	Qualitative Effects Of Changes In Exogenous Variables	115

...cont.

5.3	The Effect Of 20 Percent Increase In Statutory Deposit Ratio On Selected Endogenous Variables	122
5.4	The Effect Of 10 Percent Increase In Real Government Investment On Selected Endogenous Variables	123
5.5	The Effect Of 10 Percent Increase In Exchange Rate On Selected Endogenous Variables	124
5.6	Relative Effectiveness Of Alternative Policy Instruments	125
5.7	Elasticity Of Price Level An Real Output With Respect To Money Stock	126

LIST OF FIGURES

Figure		Page
5.1	A Simplified Flowchart Of Malaysia Economy	94
5.2-I	Simulation : Real Private Consumption	101
5.2-II	Simulation : Real Private Investment	101
5.2-III	Simulation : Real Government Consumption	102
5.2-IV	Simulation : Real Government Investment	102
5.2-V	Simulation : Real Imports	103
5.2-VI	Simulation : Real Exports	103
5.2-VII	Simulation : Real Income	104
5.2-VIII	Simulation : Nominal Income	104
5.2-IX	Simulation : Disposable Income	105
5.2-X	Simulation : Direct Tax	105
5.2-XI	Simulation : Balance Of Payments	106
5.2-XII	Simulation : Net Foreign Assets	106
5.2-XIII	Simulation : Price Level	107
5.2-XIV	Simulation : Excess Reserve Ratio	107
5.2-XV	Simulation : Currency-Deposit Ratio	108
5.2-XVI	Simulation : Monetary Base	108
5.2-XVII	Simulation : Money Supply	109
5.2-XVIII	Simulation : Money Multiplier	109
5.3	Stability Of The Model	111-113