

The impact of monetization on the money demand in Poland.

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Abstract

This paper analyses the impact of the changes in monetization on the broad money demand in Poland. A new broad money aggregate is proposed. The improbably high income elasticity of money, which is a usual result of standard money demand framework estimations on the Polish data from mid-nineties on, can be lowered when including the monetization trend into the money demand equation. Doing so gives the income elasticity of 1.19 that stays in line with the economic theory and empirical evidence from other countries

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