

Abstract

The income elasticity of money demand represents an important economic variable which affects money demand function. Precise evaluation of money demand is important for central banking and for determining the transmission mechanism. Nevertheless, there is no general agreement on the exact structure of the function of money demand and income elasticity values neither in theoretical nor practical context. Many different economic theories concerning this field were developed by various economists during the 20th century. There was also a large amount of empirical research whose goal was to estimate the value of income elasticity based on real economic data. However, these studies are characterized by strong heterogeneity of the respective results. The method of meta-analysis is considered to be an effective statistical instrument that allows systematic evaluation of these inconsistent estimates. This method was applied to the dataset consisting of 985 empirical estimates from more than 70 primary studies. The publication selection bias was detected only in the case of using broad monetary aggregates. The resulting estimates adjusted for publication bias range from 0.784 for narrow monetary aggregates to 0.93 for the broadly defined money. In addition, meta-regression analysis revealed correlation between income elasticity and economic development in observed regions and variables that are included in the function of money demand.

JEL Classification: C83, E41, E52

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