

Index by Subject*

Accounts. *See also* Deposits.

- checking, 495, 505n
- deposit, 32, 32n, 486, 505n
- loan, 505n
- money market deposits, 420, 495, 505n, 570, 579n
- money orders, 505n
- official checks, 505n
- passbook, 27, 34, 486
- regular savings, 505n
- retirement, 505n
- savings and loan passbook, 26, 30, 31
- savings bank passbook, 31, 32, 32n
- time deposits, 37, 505n

Additive preferences. *See* Separability (strong).

Adjustment costs, 28, 550

Affine transformation, 491n

Aggregates/aggregation (monetary), 217, 383, 388, 445, 568, 591. *See also* Aggregator functions; Aggregation theory; Divisia indexes/aggregates; Fisher ideal indexes; Monetary aggregate(s); Price aggregates; Quantity aggregates; Simple sum indexes/aggregates.

- bias, 169
- broad, 362, 579
- category utility, 251
- Cobb-Douglas, 264
- conditions, 37, 387
- conformable, 99
- demand side, 238, 441n
- economic, 12, 12n, 13, 15, 21, 23, 24, 31, 33n, 34, 44n, 45, 47, 51, 104, 114-116, 124, 135, 139, 141, 152, 153, 156, 157, 237, 269, 305, 330, 337, 391, 392, 424, 439, 441n, 566, 595
- error, 167-194, 380, 383, 388
- estimated theoretical, 246, 485, 512

- exact, 75, 84, 168, 169, 186, 193, 268, 245-273, 495, 496, 603
- Hicksian approach, 59, 390, 396
- inexact, 167, 169
- input, 59
- labor, 509n
- Malmquist demand, 443n
- Malmquist supply, 443n
- material, 509n
- methodology, 143, 217
- multi-stage recursive, 75
- neoclassical, 456
- nonhomothetic, 63
- official, 142, 143n, 145, 365, 367, 373, 417
- output, 58, 59, 80, 482, 496, 517, 528
- parametric, 529
- passbook savings, 31
- perfect economic, 141
- recursive, 87
- stochastic, 168
- subaggregation, 75, 87-88, 90, 565
- supply side, 94, 238, 441n, 495-497, 538
- theoretical, 30n, 38, 45, 49, 53, 63-75, 327, 485, 496, 519, 520, 522, 604
- under homogeneity, 63-75
- under risk, 195-216
- user cost, 24, 25, 34, 47, 65
- velocity, 98
- weighted, 396

Aggregation

- over consumers, 51, 88-90, 97, 153n, 167-169, 186-193, 328, 494n
- over economic agents, 167, 586, 590n, 596, 598, 603
- over factors of production, 62
- over firms, 88, 153n, 494n
- over goods, 14, 51, 54, 88-90, 97, 167, 168, 248, 391, 424, 479, 497, 595, 598, 603
- over outputs, 59
- over primary inputs, 93

Aggregation theory, 30n, 11-48, 80-85, 113-114, 118-120, 124, 126, 134, 135, 135n, 137n, 138, 138n, 139, 141, 146, 147, 151-

*Page numbers appear in italics, when the referenced subject is in either a figure or table. Page numbers are followed by n, when the referenced subject is in a footnote.

- 154, 160, 211, 212, 239, 248,
249, 271, 304, 308, 327, 331,
360, 383, 390, 391, 394, 397,
400–407, 423, 425, 427, 434–
437, 441n, 455, 462, 463, 496,
532n, 570, 582, 586, 596–598,
603, 604
and two-stage budgeting, 464
demand side, 433
economic, 124, 193, 329, 464, 483,
484, 566, 568
exact, 119, 482
macroeconomic, 597, 598
microeconomic, 596, 598, 599, 603
stochastic, 168
supply-side, 433, 434, 456
Aggregator functions, 29n, 11–49, 51, 74,
82, 113–115, 118, 138n, 139,
139n, 153, 154, 199, 201, 204,
206, 207, 209, 215–219, 221,
223, 227, 229, 230, 238, 239,
245, 246, 251, 253, 257, 264,
268, 272, 277, 300, 306, 329,
330, 387, 394n, 400, 400n, 401,
404, 408n, 410, 410n, 412, 415,
423, 454, 463–465, 476, 478–
480, 495, 512, 531n, 532–534,
538, 538n, 540, 542n, 546, 546,
551, 553, 553, 555n, 557, 596.
See also Category utility func-
tions.
and homotheticity, 465, 466
demand side, 279n
direct, 412n
economic, 157, 220, 404n, 533
estimation of, 43, 44, 76, 218, 219,
246, 553, 555
exact, 12, 75, 76, 87, 114, 211, 237,
253, 262–264, 279n, 422, 424,
437, 496, 557
flexible, 114, 115, 466
global, 498n
indirect, 412, 412n
input, 59, 91
linear, 583
linear homogeneous, 114, 251, 423
nonlinear, 38, 248, 401
nonparametric approximations of,
496
output, 59, 463, 484, 496
price, 24, 66, 72, 74, 75, 116, 278
quantity, 24, 47, 66, 67, 74, 75, 80,
116, 154, 283, 437, 439n, 464,
566, 583, 583n, 584
rational expectations, 422
separable, 228, 484
simple sum, 273
supply side, 279n
theoretical, 220
tracking ability of, 268, 269, 534
tracking error of, 268
translog, 130n, 189
under perfect certainty, 247
under risk, 212, 248
user cost, 412
Akaike Information Criterion (AIC), 174,
174n, 418
Allen indexes and variants, 84, 84n, 86,
87, 476. *See also* Index num-
bers.
nonparametric approximations of,
86
Allen-Uzawa elasticities, 477
Analytic functions, 328, 340–341, 355–
357
Analytic part, 343–345, 355, 356
Approximation
and Weierstrass theorem, 341
center of, 507
error, 168, 340
exact aggregates, 496
in discrete time, 113, 140n, 154, 302,
440, 567
linear, 368
local, 344, 353, 355, 507
nonparametric, 76, 86, 496
of generalized Leontief, 344
of minflex Laurent, 353
of Taylor series, 328, 340–342, 344,
345, 348, 355–357
parameter-free, 330
remainder term of, 328
second order, 338–340, 342, 353–
355, 497, 499n
statistical, 87
superlative, 423
Törnqvist-Theil, 77, 79, 102n, 103,
105, 116, 121, 140n, 302, 440,
567, 588n
Arrow-Pratt risk aversion. *See* Risk aver-
sion.
Asset loan portfolio, 486
Asymptotically Ideal Model (AIM), 188,
189n, 401n, 416n, 497n

- Atomistic approach, 89
Autocorrelation, 509
Axioms. *See* Tests.
- Balance sheets, 487, 505, 506
Bank of Canada, 330
Banking sector (industry), 90, 92, 483, 485, 494, 505, 515, 517, 522, 523, 528
 balance sheet, 505
 capital, 529
 commercial, 485
 earnings, 508n
 economies of scale, 529
 outputs, 512, 528
 runs on, 484
 scope, 529
 structural change, 97
 technological change, 529
 technology, specification of, 485
 value added, 529
Barnett and Zhou model, 535n
Barnett critique, 246, 246n, 530, 532–534, 556, 591
Barnett-Yue model, 223, 224, 228
Baumol-Tobin model, 548n
Bellman equations (method), 201–203, 205, 228, 252, 488–490, 537, 550
Bellman's principle, 201, 228, 490
Benchmark asset, 8n, 51, 52, 54, 119, 120, 196, 197, 197n, 226, 250, 256, 266, 304, 398, 398n, 413, 413n, 583, 583n
Benchmark rate (yield), 8n, 119, 123, 129, 140n, 160n, 198, 251, 256, 259, 259n, 261, 261n, 282, 304–305, 314, 318n, 436, 515
 risk adjusted, 259, 259n
Benveniste and Scheinkman equations, 203, 204n, 490, 537, 550
Blocking of components, 495
Bonds, 8, 17, 22, 334
Bretton-Woods system, 427
Budget constraint, 22n, 25n, 28, 35, 201, 248, 277n, 278, 279, 291, 398n, 442, 569, 602
Budget decision, 23n, 23–25. *See also* Two-stage decision (budgeting).
- Cagan's velocity function, 148
Capital, 58, 62, 506
Capital Asset Pricing Model (CAPM), 245–273, 484, 531n, 557n. *See also* Risk; Risk aversion.
 consumption based (CCAPM), 256, 258–261, 261n, 262, 271
 risk adjusted, 260
Capital notes, 505n
Capital stocks, 95, 315–317
Cash balances, 470, 472, 474–480, 486, 506, 508, 535
Cash flow, 487
Cash reserves, 472
Category production functions, 67, 74, 81, 329
 subproduction, 63, 87, 88, 93
Category utility functions, 18, 48, 74, 81, 84, 199, 209, 227, 251, 278, 538, 596. *See also* Utility functions (subutility).
 subutility, 17, 52, 67, 81, 83, 85, 87, 88
Causality tests, 146, 169, 174n, 367, 371. *See also* Tests.
 Divisia moments to income, 175, 176, 177
 Granger, 122, 148, 174–177
 lag lengths in, 174
Central bank policy (instruments), 96, 273, 426, 528, 531, 603
Certainty equivalence assumption, 55n
Changing tastes, 86, 87
Checkable deposits. *See* Deposits.
Cobb-Douglas
 aggregates, 264
 model, 328
 utility function, 401
Cochrane-Orcutt technique, 378n
Commerce Department, 191, 348
Complete contingent claims market, 493, 523
Complex variables, 356
Component cluster, 495
Component quantity growth rates, 169
Composite function, 495. *See also* Separability.
Conditional allocation, 22. *See also* Two-stage decision (budgeting).
 current-period, 53n
Conjugate price and quantity, 83
Consistency conditions, 137
Consistency in aggregation. *See* Aggregates/aggregation (monetary).

- Constant elasticity of substitution (CES),
31, 32, 264. *See also* Elasticities.
functional form, 230, 555n
- Constant relative risk aversion (CRRA),
491
- Consumer demand for monetary assets
(applied), 25–45, 143–149, 174–
193, 230–237, 263–272, 288–
290, 314–318, 325–359, 372–
382, 410–421
- Consumer demand for monetary assets
(theory), 16–25, 51–54, 64–66,
76–78, 81–84, 86–90, 170–173,
195–216, 245–273, 276–288, 397–
415
- Consumer durables, 331
- Consumer price index, 25, 26n, 108, 151,
191n, 217, 218, 221, 402, 545n,
564, 576
- Consumers, 64–66, 483n
expenditure, 31
survival set, 357
- Contingency, 523
fixed, 523
- Continuous time, 76, 115, 116, 121, 140n,
204, 245, 278, 437, 557, 583,
584, 584n
- Control variables, 201, 205
- Controllability, 334
- Convexity, 511, 522, 528
conditions, 508
global, 500, 502, 503, 511
local, 503
- Convolution, 342
- Corner solutions, 510n
- Corporate office, 67, 68, 71
- Cost functions, 64, 71n, 83, 85, 87. *See also* Duality; Subfunctions; Unit
cost functions.
subcost, 69
unit cost, 65, 74, 75, 82, 83
- Cost of living index, 18, 52, 82, 84, 87,
102, 140n, 152, 196, 217, 218,
221, 226, 250, 331, 364, 398,
398n, 436n, 459, 474, 545n,
548, 552n, 567, 583n
- Costs
holding, 486n
real resource, 486
variable, 460
- Credit unions, 31n, 40
- Currency, 12, 13, 55, 57, 123, 129, 159,
210, 231, 249, 307, 313, 362,
392n, 420n, 459, 528, 552n,
569, 570, 584
- Currency equivalent (CE) indexes, 209–
211, 296, 312, 317, 318, 318n,
405, 405n, 485, 485n, 496n,
512, 513, 514, 515–517, 517,
519–521. *See also* Rotemberg
money stock index.
growth rate of, 513
M1, 315
M2, 316
M2+, 316
smoothed, 513, 513, 514, 515, 518–
520, 522
stock, 317
tracking ability of, 496
unsmoothed, 513, 515
- Curvature conditions, 455, 497, 500, 511,
539
- Debentures, 505n
- Debt/equity ratios, 62
- Decentralizing, 67–71
- Deflators
input, 61n
output, 61n
- Demand deposits, 31n, 107, 123, 159,
231, 299n, 307, 308, 313, 392,
411n, 420n, 456, 458, 470, 472–
481, 486, 495, 505, 505n, 506–
509, 510n, 534, 535, 535n, 542,
543, 545n, 552n, 565, 570, 584,
584n. *See also* Deposits.
interest-bearing, 473
money market, 231
- Demand for money functions, 146, 148n,
169, 221, 222, 327, 334, 368,
369, 372–378, 386, 387, 389–
427, 483n, 532n, 577–592, 603
single equation, 327
- Demand functions, 14, 141, 327, 376, 389,
531, 586
input, 462
money. *See* Demand for money func-
tions
- Demand systems, 27, 186, 327, 328, 337,
341, 351, 352, 391, 414, 421,
597. *See also* Cobb-Douglas;
Generalized Leontief model;
Laurent demand model; Trans-

- log model.
 - approach, 418–421
 - full Laurent, 346–348, 350, 351, 359
 - generalized Leontief, 345
 - Laurent, 325–328, 353
 - Müntz-Szatz, 351, 416n
 - Taylor, 326
- Demand theory, 586
- Deposits. *See also* Accounts; Demand deposits; Savings deposits; Time deposits.
 - checkable, 570
 - large time, 570
 - money market demand, 231
 - multipliers, 483
 - small time, 570
- Derived demand, 58
- Deterministic point, 198, 200, 201, 227, 250, 272, 273. *See also* Utility functions.
- Diewert indexes, 86, 116, 328, 483. *See also* Index numbers.
 - superlative, 140
- Direct production function. *See* Aggregator functions; Production function.
- Direct utility function. *See* Aggregator functions; Utility functions.
- Discount factor, 19, 61
 - subjective rate of time, 493
- Discount rate, 57n
- Discrete time, 116, 121, 130n, 140n, 253, 263, 440, 584n
- Disintermediation, 333
- Dispersion measures, 168
 - macroeconomic effects of, 169
- Dispersion-dependency diagnostic test, 189n, 167–194, 194n
- Distance function, 82, 83, 85–87, 92, 173n, 443n, 538n
 - input, 87
 - output, 87
- Distributions
 - first moments, 424
 - income, 167–194
 - second moments, 424
- Dividends, 58, 487
- Divisia approach, 170–173. *See also* Divisia indexes/aggregates.
- Divisia indexes/aggregates, 41–44, 44n, 76, 79, 86, 88, 89, 100–108, 113–125, 128–130, 130n, 131–134, 140, 140n, 144n, 143–145, 145n, 146, 148, 149, 154–156, 158, 159, 168, 171, 174n, 181, 182, 185, 190, 194, 204, 205, 207–211, 211n, 212, 219, 223, 229, 231, 232, 237, 245–248, 252, 257, 258, 262, 263, 266, 268, 268–270, 278, 283, 288, 297, 299, 299n, 300–305, 309, 318, 318n, 319, 330–334, 360–388, 391, 402n, 404, 404n, 405, 408–409, 411, 417, 418, 422–424, 425, 426n, 427, 427n, 434, 437, 441, 441n, 443, 443n, 449, 451, 474, 483, 485, 496n, 512, 513, 513–515, 517, 519, 520, 531n, 538, 546, 547, 553, 554, 555, 557, 563–576, 579, 579n, 581, 587, 587n, 588, 588n, 589, 591, 603. *See also* Divisia approach; Index numbers; Price (user cost) indexes; Quantity indexes; Törnqvist-Theil indexes and variants.
 - chained, 473
 - continuous time, 76, 77, 115–116, 121, 245, 363, 387, 437, 440
 - covariances, 169, 194
 - demand, 237, 238, 434, 435, 440, 441, 441n, 442, 443, 443n, 444–446, 448, 448, 449, 449, 450–453
 - discrete time, 79, 86, 113, 116–117, 121, 253, 330, 363, 404, 437, 440, 567
 - exact, 247
 - extended to account for risk, 245–247, 249, 257, 262, 264, 271, 283
 - first moments, 174, 175, 176, 177, 194, 305
 - flow, 405n
 - generalized, 247, 253–258
 - implicit, 78, 80
 - L, 128, 132, 148, 150, 176, 178, 179, 181–185, 333, 362, 366, 371, 373, 374, 376, 378, 380–384, 387, 406, 407, 579, 580
 - M1, 176, 178, 179, 181, 182, 182–185, 288, 367, 373n, 374, 376, 378, 381, 383, 384, 405, 406,

- 418, 423n, 443, 444, 450, 555,
556, 570, 571, 573, 574, 576
- M1B, 144, 144n, 148–150
- M2, 144n, 150, 176, 178, 179, 181,
182, 182–185, 222, 366, 367,
373, 374, 376, 378, 381, 386,
406, 443, 450, 453, 555n, 556,
570, 571, 571, 573, 574, 574,
581
- M3, 133, 135, 136, 148, 150, 155,
176, 178, 179, 181–185, 336,
366, 370, 371, 371, 372, 373n,
374, 376, 378, 381, 382, 382,
383, 386, 406, 407, 443, 450,
570, 571, 572, 573, 574, 574,
581
- M3+, 157
- mean, 170–172, 174, 175, 177, 183,
193
- multilateral, 473
- non-risk neutrality case, 246
- output, 514
- price, 373, 403, 474, 545n, 568
- price variance, 172
- price-quantity covariance, 173
- quantity, 80, 87, 106–108, 115, 127,
129n, 140n, 545n, 129–568
- quantity variance, 172, 174, 387,
388
- risk adjusted, 262, 263, 269, 271
- risk aversion, 257–258
- second moments, 169, 172–174, 176,
177–188, 190, 193, 194, 305,
380, 383, 387, 388, 388, 425
- share mean, 173
- share variance, 173, 388
- share weights, 104, 106, 150n, 318n,
403, 591
- subindices, 155
- supply, 94, 96, 237, 238, 434, 435,
441, 441n, 443, 443n, 444–446,
448, 448, 449–453
- third or higher-order moments, 193,
194
- tracking ability, 246, 258, 266, 268,
278, 302, 496, 529, 530, 546,
557
- tracking error, 271, 302
- unadjusted, 246
- under perfect certainty, 246, 247
- under risk, 257, 262
- user cost, 89, 211, 369, 370, 372–
374, 386, 387
- user cost variance, 387
- variances, 169, 175, 177, 181–184,
186, 187, 193, 194, 221n
- velocity, 131, 155–157, 333
- weights, 100, 101, 103–105, 155, 388,
565, 591
- Double deflation, 93
- Duality, 18, 23, 26, 47–48, 61n, 66, 73,
75, 80–84, 116–117, 141n, 195,
217, 219, 229, 238, 292, 295,
403, 436n, 466, 468, 473, 498,
566, 583, 583n, 584, 589
- Durable goods, 95n, 331, 352
- Dynamic (stochastic) choice problem,
265, 487, 498
- Dynamic programming, 489n, 531, 594
- Dynamic risk, 482–484
- Dynamics, 421, 494, 516, 532
- nontrivial, 489n
- stochastic choice, 485
- uncertainty, 482–529
- Economies of scale, 457, 529, 530, 534
- Eisenpress, 349
- Elasticities, 477
- Allen-Uzawa partial, 477
- demand, 477, 530
- Hicks-Allen, 476, 478
- income, 421
- of substitution, 29, 31n, 33, 35–37,
137, 154, 230, 328, 342, 391,
401, 414, 418–420, 420, 457,
476, 477, 477
- of transformation, 476, 477, 477
- price, 104, 457
- supply, 530
- Engel curves, 32, 186, 424
- linear, 597
- Equilibria, 523, 524, 525, 525
- Equilibrium theory, 484n
- Equity capital, 505n, 506, 506n
- Errors in the variables, 314, 485, 527n,
526–528
- demand side, 526
- supply side, 527
- Euler equations, 204, 204n, 207, 208, 228,
247, 252, 253, 257, 265–270,
483, 485, 488, 492, 493n, 494,
497, 504, 506, 517, 528–534,
537, 542, 542n, 543, 545, 547,
550, 551, 555, 555n, 556, 589

- risk averse, 493n, 518n
- risk neutral, 493, 494n
- under risk, 271
- Exact index numbers. *See* Index numbers; Superlative indexes.
- Existence condition, 135, 495
- Expenditure distribution over consumers. *See* Income distribution; Total expenditure distribution.
- Expenditure minimization, 65
- Expenditure shares, 28, 116, 229, 252, 568
- Explicit taxes, 439n
- Factor demand, 463
 - function, 58
 - monetary, 61n
- Factor intensities, 75
- Factor markets, 60n
- Factor prices, 58, 461
- Factor productivity, 90
- Factor requirements function, 59, 74, 85, 463
- Factor reversal test (Fisher's), 48, 64–66, 71, 73, 78, 83, 83n, 87, 89, 98, 116, 229, 278, 283, 293, 295, 301, 350, 402n, 403, 408, 464, 473, 474, 545n, 568. *See also* Tests (Fisher's system).
- Factors of production, 60, 61
 - durable variable, 56
 - fixed, 57n
 - primary, 92
- FDIC, 508n
- Federal funds, 56, 505n
 - rate, 56
- Federal Reserve System/Board/Bank, 11, 56, 106, 126, 128, 142, 143, 144n, 145, 151, 151n, 191, 194, 221, 230, 262, 275, 288, 290, 296, 307, 307n, 325n, 326, 327, 337, 360, 361n, 362, 364, 382, 392, 392n, 393, 404, 404n, 410, 433, 434n, 443n, 461, 470, 473, 474, 481, 482n, 485n, 508, 508n, 544, 545n, 556, 563, 564, 570–572, 575, 577–581, 588n, 603
 - policy, 56, 97
- Financial assets, 23n, 23–25, 245–273, 420n
- Financial capital, 57n
- Financial division, 67, 68, 71
- Financial intermediaries, 55, 58, 72–74, 78–80, 85, 87, 224, 434, 438, 439, 439n, 440, 454–481, 484–486, 523, 524, 528, 529, 534–547, 551
 - asset portfolio, 486
 - behavior, 457, 472, 483
 - capital stock, 535
 - decision problem, 463
 - implicit tax, 95, 439, 442, 450, 486n
 - inputs, 55n, 535
 - models, 224, 457–462, 483, 484
 - opportunity cost, 486n
 - outputs, 55n, 61n, 62, 73, 74, 78, 80, 85, 87, 438, 456–459, 482, 484, 535
 - produced liabilities of, 486, 487
 - production, 55, 79, 438, 452, 456–459, 476, 480, 483n, 482–529, 535–537
 - production technology, 454, 455, 459, 462, 464, 466, 467, 469, 475, 478–481
 - profits, 72, 460, 461, 486, 536
 - reserves, 425, 441, 452, 486, 524, 525
 - supply, 55–59
 - technology, 58, 59, 91, 92, 457, 459, 466, 530, 546, 548n, 551, 556
 - transformation technology, 547
- Financial intermediation, 55, 55n, 434, 454, 455, 459, 462, 482, 495
- Financial markets
 - primary, 486
- Financial services, 67, 534
 - demand, 530
 - supply, 530
- Financial transactions, 535
- Firms, 56
 - corporate office, 67
 - financial. *See* Financial intermediaries.
 - manufacturing, 60–63, 66–68, 74, 76, 79–85, 89, 97, 224, 483, 483n, 549, 551, 553, 554, 555, 556. *See also* Manufacturing firms.
 - multiple-output, 68
 - multiproduct, 55
 - technology, 469, 548, 553
- Fisher ideal indexes, 26n, 39–41, 45, 77, 97, 98, 104, 108, 154, 218, 219,

- 309, 330, 361, 402–404, 404n, 405, 459, 474, 533, 552n, 567–569, 576, 588n, 589, 590. *See also* Index numbers.
 - money stock, 365n
 - price, 25, 191, 403, 459, 545n
 - quantity, 403
- Fisher's factor reversal test. *See* Factor reversal test (Fisher's).
- Fisher's system of tests, 15, 402, 402n
- Fixed factors, 460, 506
- Flexibility properties, 221, 455, 469, 480, 485n, 499n, 497–505, 528, 539, 539, 540n, 544
 - Diewert, 353, 539n
 - global, 497n
 - local, 499, 500, 503, 540
 - Minflex Laurent, 358–359
 - second-order, 539n
 - Sobolev, 539n
- Flexible functional forms, 27n, 188, 239, 267, 330, 337, 346, 353, 401, 404, 413, 414, 414n, 415, 418, 419, 419n, 427, 454, 485, 497, 497n, 498, 499n, 500, 502–504, 539, 540, 540n, 551–552
 - and demand models, 341
 - Asymptotically Ideal Model (AIM), 188, 188n, 497n
 - Diewert's class, 341
 - Fourier, 497n
 - generalized Leontief, 413
 - generalized McFadden, 498, 528
 - generalized symmetric Barnett, 454–481
 - generalized symmetric McFadden, 539, 545, 551, 553
 - local, 328, 338, 342, 345–347, 358, 415
 - quadratic, 114
 - second order, 497n
 - semi-nonparametric, 497n
 - translog, 114, 189n, 401, 413, 415, 465
- Flows, 107, 310
 - current period service, 206
 - investment yield, 312
 - monetary service, 204, 215, 229, 248, 297, 299, 300, 310, 331, 362, 371, 382, 394, 434, 538, 565, 578
- Forecasting, 512
 - vector autoregression (VAR), 311, 318
- Fourier functional form, 346, 401n, 415, 419, 419n, 497n
- Fourier series expansion, 328, 346, 415. *See also* Series expansion.
- Free parameters, 499, 503
- Function valued estimator, 342
- Functional approximation methods, 338–340
- Functional cost analysis, 508, 508n
- Functional forms, 585–586
 - nonlinear, 586
- Fund-providing functions, 505
- Fund-using functions, 505
- Funds
 - bond, 309
 - bond mutual, 317, 532n
 - borrowed, 486, 486n, 487, 495, 505, 506
 - common stock, 317
 - money market mutual, 291, 565, 570
 - mutual, 307, 310, 313, 317, 318
 - non-deposit, 505, 505n, 506
 - sources, 505
 - stock, 309, 532n
 - uses, 506
- Gallant's model, 346
- General equilibrium theory, 94–99, 485, 493
- Generalized Barnett model, 189n, 193, 454–481, 498n, 528, 539n, 553
- Generalized Leontief model, 344–347, 357, 413, 415
- Generalized McFadden functional form, 498, 528, 539, 545, 551, 553
- Generalized method of moments (GMM), 485, 497, 504, 504n, 509, 510, 511, 511n, 519, 529, 530, 542, 545, 546, 547n, 550–553, 554n, 555, 589n
- Generating function, 327
- Global behavior, 345
- Global theoretical regularity conditions, 328, 347, 349, 351, 351, 352, 353, 359, 512
- Gorman's conditions/method, 169, 186–190, 280, 305, 425, 603
- Gorman's polar form, 597
- Government agencies, 330

- Granger causality tests, 122, 148, 174–177, 193, 365–367, 418
 Akaike's FPE criterion, 174, 175n
 Divisia moments to income, 175, 177
 lag lengths, 174
 Schwarz's criterion, 174n
 Gross National Product (GNP), 378, 585
 Growth models, 373n, 489n, 529
- Hansen and Singleton's estimator, 231
 Hansen's asymptotic χ^2 statistic, 543n, 546n, 554
 Heteroskedasticity, 509
 Hicks-Allen elasticities, 476, 478
 Higher order terms, 340
 Hilbert transformation estimator, 238, 382n, 435, 449, 447–450, 453
 Hinich test, 232
 Hinich-Weber method, 448
 Holding costs, 486n
 Holding period yield, 8, 17, 102, 119, 129, 140n, 159, 160, 196, 197n, 226, 237, 250, 276, 297, 310, 318n, 364, 365, 398, 398n. *See also* Interest rate(s).
- Homogeneity. *See also* Aggregator functions.
 linear, 21, 101, 102, 114, 208, 209, 211, 252n, 257, 278, 408, 408, 409n, 423, 441n, 443n, 464, 466, 468, 498, 499n, 502, 538, 538n, 539, 567
 Homotheticity, 81, 400n, 410, 412n, 454, 465, 466, 480
 nonhomothetic aggregation, 63
 separability, 455
 taste and technology, 408n
- Hotelling's lemma, 462
 Humphrey-Hawkins targets, 223
 Hyperbolic Absolute Risk Aversion (HARA) class, 491, 509, 510, 510
 Hyperbolic functions, 510n
 Hypothesis testing, 37
- Implicit function theorem, 463
 Implicit GNP deflator, 509
 Implicit interest rates, 159, 473, 584n
 Implicit price deflator, 191, 191n, 509, 564, 576
 Implicit price index, 78, 80, 403
 Implicit quantity index, 87
- Implicit taxes, 434, 435n, 439, 439n, 442, 450–452, 452, 461, 486n, 514, 515, 523
 on financial intermediaries, 95
 on reserves, 461
 Implied indexes. *See* Index numbers.
 Income, 190, 585
 Income distribution, 167–194
 Income effects, 394
 Income taxes, 54, 95
 Index number theory, 11–50, 53, 76–80, 86–88, 114–115, 118–120, 126, 126n, 128, 131, 134, 139, 146, 151–155, 160, 204, 211, 212, 238, 246–248, 308, 309, 327, 330–331, 365, 402–407, 425, 434–437, 437n, 438–440, 441n, 456, 483, 494, 533, 564, 567, 570, 582, 588, 588n, 590, 591, 603. *See also* Index numbers.
 Divisia, 170–173
 economic, 49, 118, 271
 nonparametric, 252
 risk extended, 248
 statistical, 119, 120
 stochastic, 172
 Index numbers, 25, 26, 26n, 45, 116, 126n, 131, 140, 151, 154, 217, 220, 222, 304, 361, 362, 387, 397, 416–418, 533, 570, 588n. *See also* Allen indexes and variants; Consumer price index; Cost of living index; Currency equivalent (CE) indexes; Diewert indexes; Divisia indexes/aggregates; Fisher ideal indexes; Laspeyres indexes and variants; Leontief indexes; Index number theory; Malmquist indexes and variants; Paasche indexes and variants; Price (user cost) indexes; Quantity indexes; Simple sum indexes/aggregates; Statistical index numbers; Superlative indexes; Vartia indexes.
 chained, 86, 87, 303
 continuous time, 113, 140n
 dual, 84
 dual price, 34
 dual yield, 473
 errors, 576

- exact, 84
- fixed base, 35, 239, 302, 303
- flow, 302
- functional, 34, 114, 400
- implied, 26
- monetary services, 434n
- monetary stock, 365n, 496n
- Roper-Turnovsky, 405
- Rotemberg. *See* Rotemberg money stock index.
- smoothed, 512
- superlative, 39, 41, 77, 119, 121, 140
- theoretical, 49, 50, 76, 529, 547, 554, 555
- tracking ability, 229, 246, 247, 253, 368, 494, 523, 533, 546
- translog, 473
- user cost (price), 31n, 34, 47, 48, 87, 349
- value added, 93
- velocity, 41
- Indicators
 - monetary, 94
- Indifference curve, 35, 443n
- Indirect aggregator functions. *See* Aggregator functions.
- Indirect utility function, 64, 75n, 101n
- Industry
 - management, 494
- Inflation rates, 20
- Inner function, 495
- Input requirement function, 73, 74, 79
- Inputs
 - intermediate, 92, 92n
- Instrumental variables, 509, 510n, 522n
- Integrability, 31n
- Integral equations, 504
- Interest rate cycle, 333, 334
- Interest rate spread, 486
- Interest rate(s), 20, 35, 103, 141, 148, 207, 214, 286, 308, 311, 368, 372, 388. *See also* Holding period; Holding period yield; Yields.
 - bank's portfolio, 509, 510n
 - benchmark, 282
 - bond rate (yield), 17, 334, 335
 - composite bond, 509, 510n
 - corporate bond, 335, 336, 369, 370, 371
 - covariances, 275, 290
 - discount, 56, 522n
 - discount window, 509, 510n
 - dual, 473
 - excess reserves, 56
 - federal funds, 509, 510n
 - free reserves, 56
 - holding period yield, 8, 17
 - implicit, 159, 473, 584n
 - investment, 313, 588
 - on required reserves, 515
 - own, 392n
 - real, 294
 - risk, 308
 - stochastic, 274, 275
 - stochastic volatility, 274–295
 - T-bill, 510n
 - uncertainty, 276, 286, 290, 294
 - yield, 313, 473
 - yield curve, 364
 - yield curve adjusted, 288n, 304, 318n
- Intertemporal allocation (decision), 197
- Intertemporal optimization, 398, 422
- Introduction of new monetary assets. *See* Monetary assets.
- Invariance tests. *See* Tests.
- Investment, 58, 505
 - yield, 309, 310, 312
- Joint Committee on Taxation, 350
- Joint products, 315, 316, 317, 307–319
- Keynesian theory, 389, 594, 599–600, 602, 604
- Konüs indexes and aggregates, 82, 83n, 84, 85, 87. *See also* Index numbers.
- Labor, 8, 17, 56, 57, 475
 - input, 507
 - managerial, 506n
 - nonmanagerial, 506n
- Labor quantities, 8, 17, 55, 460, 474
 - Divisia, 474
- Laspeyres indexes and variants, 26, 26n, 29, 34, 44, 45, 104, 108, 118, 131, 151, 157, 191n, 217, 218, 239, 302, 302, 303n, 304, 309, 332, 333, 348, 362, 402, 403n, 459, 474, 538, 545n, 564, 576, 583, 589. *See also* Index numbers.

- M3+, 157
 price, 402
 quantity, 157, 402
- Laurent demand model, 325–359
- Laurent series expansion, 325, 325n, 326, 343–346, 348, 351, 353, 357–358, 415
 basis, 348
 remainder term, 328
 second order, 328, 337
- Laws of motion, 489n, 529
- Learning by doing, 492, 493, 529
- Lending rates, 62
- Leontief indexes, 29, 35, 350, 583, 583n.
See also Index numbers.
- Liabilities, 505n
- Likelihood ratio test, 30n, 366, 475, 479
- Liquidity, 30, 30n, 158–160, 258, 261n, 307, 418
- Loans, 55–58, 486
 asset portfolio, 486
 credit card, 505
 industrial, 505
 installment, 505
 portfolio, 487
 primary market, 56
 rates, 62
 real estate mortgage, 505
- Lucas critique, 246, 530–534, 556, 589
- Macroeconomic policy, 594
- Macroeconomic theory, 94, 99, 593–605
 policy simulations, 94
- Malmquist indexes and variants, 82, 83n, 84–87, 92, 363, 410n, 423, 423n, 436n, 439n, 443n. *See also* Index numbers.
 nonparametric approximations, 86
- Manufacturing firms, 60–62, 66–68, 74, 76, 79–85, 89, 97, 224, 483, 549, 551, 553, 554, 555, 556
 demand, 483, 483n
 returns to scale, 492
 technology, 60n, 553
- Marginal tax rate. *See* Tax rates.
- Markov process, 225, 489
- Materials, 506n
- Maximum likelihood (ML) estimator, 27, 29, 33, 33n, 34, 475, 476
- Microeconomic theory, 49–99, 327, 397–410, 593–598, 601, 604
- Miller-Modigliani theorem, 484
- Minflex Laurent model, 188, 188, 189n, 346–348, 350, 351, 353, 358–359, 401n, 415
- Monetarism, 577
- Monetarist policy, 578, 580–582, 594, 602, 603
- Monetary aggregate(s), 49–99, 101, 126, 131, 134, 145, 147, 149, 160, 198–201, 206, 215–216, 220–222, 227, 256, 262, 282, 307, 308n, 318, 360, 379, 390–392, 400, 401, 417, 455, 466–468, 480, 533, 546, 547, 554, 556, 564, 587n, 596, 602, 603. *See also* Aggregates/aggregation (monetary); Divisia indexes/aggregates; Fisher ideal indexes; Monetary aggregation; Simple sum indexes/aggregates; Superlative indexes.
 aggregation theoretic, 433–453
 base multiplier, 133, 333
 broad, 309, 579
 demand side, 425, 426, 433–453
 economic, 11–48, 151, 153, 205, 547
 exact, 199, 208, 215, 227, 251, 252, 264, 272, 278, 279, 281, 282, 426, 483, 575, 601
 flow, 302–303
 for consumers, 198, 251
 growth rates, 573, 574
- L, 139n, 147, 191, 362, 371, 374, 376, 378, 392, 409, 410, 579
- M1, 191, 315, 315, 362, 372, 374, 376, 380, 383, 392, 405, 409, 410, 411n, 416, 416, 417, 417, 423n, 445, 446, 556, 565, 570, 575
- M1+, 411n
- M1B, 139n
- M2, 139n, 147, 191, 313, 315, 316, 362, 371, 374, 376, 383, 392, 409, 410, 412n, 416, 416, 417, 444, 447, 556, 565, 571, 575, 579
- M2+, 316, 307–319
- M3, 139n, 147, 362, 374, 375, 376, 378, 392, 409, 410, 416, 416, 417, 445, 451, 451, 565, 572, 575
- MQ, 97, 405, 435
 nested, 75

- official, 372, 374, 390, 393, 579n
- optimal, 126–150
- stock, 302–303
- supply side, 425, 426, 433–453, 455, 456, 482–529, 534, 538
- theoretical, 212, 263, 266, 455, 512, 513–518, 521, 522
- under risk aversion, 217–244
- weighted, 326, 532, 579
- weights, 569, 570
- Monetary aggregation, 124, 140, 151–160, 211, 212, 252, 263, 266, 327, 368n, 390, 402–403, 483, 564, 566, 569–575, 590n. *See also* Monetary aggregate(s).
- demand-side, 483, 550–551
- subaggregation, 409–410
- supply-side, 279, 434n, 454, 455, 462–464, 480, 494–505, 528
- theoretical, 279
- Monetary assets, 8, 16, 17, 20–22, 25, 56, 57, 77n, 101, 119, 120, 137–139, 196, 198, 209, 226, 238, 249–251, 253, 258, 264, 276, 310, 311, 331, 361, 392, 397, 398, 439, 455, 456, 459, 463, 533, 547, 601, 602. *See also* Accounts; Aggregates/aggregation (monetary); Deposits.
- consumer demand for, 225–227
- currency, 55
- demand for, 60–63, 250–252, 436, 452, 456
- discounted present value, 214
- introduction of, 16, 55–59, 90
- linear homogeneity, 209
- rates of return, 17, 249
- real balances, 250, 459
- services of, 107, 259, 585
- stock, 297
- substitutability, 154
- supply of, 277, 454, 463
- under risk, 254
- user cost (price). *See* User cost of monetary assets.
- Monetary base, 96
- Monetary policy, 12, 158, 201, 205–206, 334, 387, 391, 427, 454, 556, 563–576, 594
- transmission mechanism, 529
- Monetary services, 35, 129, 152, 155, 159, 160, 211–213, 224, 237, 253, 254, 259, 277, 285, 300, 308–310, 313, 314, 364, 392, 398n, 399, 400, 404, 410, 412–415, 426, 436, 438, 440, 447, 452, 454, 456, 484, 485, 514, 569, 583–585, 588, 588n, 591
- demand, 237, 246, 281, 450, 451, 483n, 531, 532, 556
- discounted, 318
- flow, 120, 122, 129, 132, 204, 229, 248, 300, 301, 307, 310, 318, 331, 362, 371, 382, 394, 405, 434, 473, 485, 538, 565, 578, 579, 602
- growth, 318
- indexes, 434n
- marginal rate of substitution between consumption goods and, 284
- marginal utility of, 309
- price of, 404, 514
- production of, 454–481, 483, 483n, 486, 505, 528
- quantity, 589
- real, 575
- separability, 400
- supply, 450, 451, 456, 531
- Monetary substitutes, 156
- Monetary targets/indicators, 94, 331
- Monetary theory, 158, 167–194
- Monetary wealth, 95, 229, 301. *See also* Rotemberg money stock; Money.
- Money, 249, 277, 309, 390, 411
- and GNP, 378
- base, 58, 92, 95–97, 150, 206
- base multiplier, 196, 148, 150, 333, 334, 396, 352, 381, 382, 382
- borrowed, 505n
- broader measures, 392
- consumer demand for, 196–206
- definition of, 392–397
- degree of moneyiness, 361, 390, 392, 396, 591
- demand, 50, 146, 147, 148n, 221, 305, 327, 334, 368, 369, 372–378, 386, 387, 389–427, 435, 483n, 531, 532n, 586n, 577–592, 603
- economy, 397–410
- growth, 286, 287, 290, 378
- high-powered, 58, 92, 93, 95

- holding, 249, 397n
- inside, 92, 484–486, 495, 517, 528, 529
- multiplier, 95, 97, 333
- outside, 92, 601
- price of, 15, 583, 585
- role of, 138
- Rotemberg stock, 230, 297–299, 299n, 301, 303, 304
- stock, 229, 297, 299–301, 303, 310–312, 419, 517
- superneutrality, 178, 179, 184
- supply, 55, 276, 277, 325–359, 382, 435, 455, 456, 481, 531, 563, 565, 578
- variable, 138
- velocity, 12, 149, 274, 275, 280–288, 290
- wealth, 299
- Money market, 138, 141, 144n, 156, 157, 237, 371, 435n, 441, 442, 538, 555, 565. *See also* Accounts; Demand deposits; Funds.
 - cleared, 94
 - equilibrium, 523
 - function shifts, 334
 - instruments, 472, 505n
 - new assets, 77n, 150
 - primary securities, 486
 - short maturity assets, 486
 - substitution, 156
 - supply-side, 462, 485
- Monotonicity, 497, 500–502, 510, 512, 522, 528, 539, 541, 542, 544, 546, 553
 - conditions, 508, 528, 548
 - local, 501–503, 510, 541
- Monte Carlo studies, 191n, 345
- Moral suasion, 56n
- Moving average processes, 444, 445n, 512
 - centered, 512, 513
 - serial correlation, 509
 - smoothed, 512
- MQ index, 97, 405, 435
- Muellbauer's approach, 424, 425, 425n
- Multi-stage decision, 23–25, 27n. *See also* Two-stage decision (budgeting).
 - N-level hierarchy, 75
 - N-stage decision, 75
- Multiple products, 58. *See also* Financial intermediaries; Output aggregate(s).
- Mutual funds. *See* Funds.
- Nesting, 75
- Net worth, 58
- Neutrality/superneutrality of money, 178, 179, 184
- New assets, 77, 150
- Nonhomogeneous case, 85–88
- Nonhomothetic approach, 63, 78–85, 91
 - Divisia, 86
- Nonidentification
 - local, 351
- Nonlinear dynamics, 600–602
- Nonlinear functional forms. *See* Flexible functional forms.
- Nonparametric approximation, 497
- Nonparametric revealed preference procedure (NONPAR). *See* Revealed preference theory.
- Nonseparability, 91
- Normalization, 27n, 28, 349, 350
- Normalizing restriction, 346
- Official aggregates. *See* Aggregates/aggregation (monetary).
- OLS estimation, 448, 449
- Opportunity cost, 365, 368, 369, 372, 373, 398, 486n, 583, 584, 589, 591
- Optimal control problem, 224, 489n, 531, 594
 - stochastic, 488
- Ordinality, 83
- Ordinary least squares (OLS) estimators, 465
- Output aggregate(s), 59, 483, 496
 - exact, 484, 496
 - theoretical, 484
- Output aggregation, 55, 58, 78, 80, 85, 538
- Outputs
 - by financial intermediaries. *See* Financial intermediaries.
 - demand, 61n
 - expected output prices, 61
 - output quantities, 60
- Overidentifying restrictions, 504, 511
- Paasche indexes and variants, 26, 104, 108, 118, 191n, 217, 218, 309, 402, 403n, 459, 474, 545n, 564, 576, 583, 589. *See also* Index numbers.

- price, 402
- Parameterized Expectations Approach (PEA), 266, 267
- Parametric stability, 374–378, 380
- Pareto optimality, 602
- Pareto's stratification approach, 424, 602, 603
- Passbook deposits, 34
- Perfect competition, 489, 493, 494, 494n, 548, 549
- Perfect substitutes, 15, 29, 35, 100, 104, 107, 124, 129, 130, 142, 143, 154, 201, 210, 216, 248, 249, 268, 277, 360, 362, 383, 394, 394n, 396, 396n, 400, 401, 495, 557, 565, 583, 584, 596
- Planning horizon, 21, 51, 53, 214, 226, 227, 297, 311. *See also* Utility functions.
 finite, 51–225
 infinite, 53–54, 198, 201
- Policy criteria, 327
- Policy simulations
 macroeconomic, 94
- Power functions, 491n
- Price (user cost) indexes, 15, 23–26, 28, 29, 31n, 34, 47, 80, 105–107, 116–118, 217, 349, 474, 486, 563, 566, 567, 583, 589. *See also* Index numbers; Divisia indexes/aggregates; Fisher ideal indexes; Konüs indexes and aggregates; Laspeyres indexes and variants; Leontief indexes; Paasche indexes and variants; Price aggregates; Simple sum indexes/aggregates; Statistical index numbers; Törnqvist-Theil indexes and variants; Vartia indexes.
- Divisia, 78, 80, 89, 108, 128, 169, 172, 173, 211, 219, 370, 372–374, 386, 387, 403, 474, 568, 589
- dual, 78, 350, 408, 473
- Fisher ideal, 25, 26, 108, 191, 219, 403, 459, 474, 545, 545n, 589
- implied, 403
- Könus, 82–85, 87
- Laspeyres, 25, 26, 108, 151, 191, 217, 218, 239, 402, 459, 474, 545n, 564, 576, 589
- Leontief, 29, 35, 350, 583
- Paasche, 26, 108, 191n, 402, 403n, 459, 474, 545n, 564, 576, 583, 589
- Törnqvist-Theil, 103, 116, 552
- Vartia, 88
- Price aggregates, 74, 80, 118, 141, 141n, 229, 280, 292, 295, 545n, 566. *See also* Aggregates/aggregation (monetary); Divisia indexes/aggregates; Konüs indexes and aggregates; Monetary aggregate(s); Price (user cost) indexes; Simple sum indexes/aggregates.
 dual, 82
 dual monetary, 74
 dual user cost, 74, 75
 economic, 71, 151
 exact, 64, 83, 204, 252n
 output, 73, 74, 85, 464
 user cost, 67, 278, 282, 301, 337
- Price function, 65
- Price of leisure, 51n
- Price of money, 15, 24, 103, 583–585. *See also* User cost of monetary assets.
- Primary securities, 55
- Principal part, 343, 344
- Produced financial liabilities, 486, 487
- Produced monetary asset, 57
- Producer price indexes. *See* Price (user cost) indexes.
- Producer's cost functions. *See* Cost functions; Costs.
- Producer's variable profit function. *See* Variable profit.
- Production, 455, 459, 462, 464, 466, 475, 477, 478, 480–529, 535–537. *See also* Financial intermediaries.
 factors of, 548, 548n, 549
 joint, 505
 technology, 530
 theory for the financial firm, 55
 under uncertainty, 484
- Production cost models, 457
- Production function, 14, 59, 71n, 113, 137, 213, 329, 463, 464, 548, 548n, 569. *See also* Aggregator functions; Duality.
 community, 337
 derived, 60n, 329

- economy-wide, 88
- output, 59, 463
- subproduction, 436. *See also* Category production functions.
- utility, 95–96
- Production possibility set, 459
- Production technology, 55, 454, 455, 457, 459, 462, 464, 466, 467, 469, 475, 478–481, 530
- Production transformation surfaces, 88
- Production tree, 75, 87
- Productivity measurement. *See* Divisia indexes/aggregates; Index numbers.
- Profit, 58
 - variable, 56, 57, 57n, 58, 62, 459
- Profit function, 467, 487, 569
 - translog, 465
 - variable, 454
- Profit maximization problem, 463, 464, 468
 - expected, 55n
 - second-order conditions, 492
- Quadratic function, 114
- Quantity aggregates, 24, 30, 33n, 36, 38, 47, 66, 74, 101, 103, 116, 118, 141, 252, 278, 288, 292, 361, 423, 437, 440, 441, 443n, 545n, 565, 566, 589. *See also* Aggregates/aggregation (monetary); Divisia indexes/aggregates; Monetary aggregate(s); Quantity indexes; Simple sum indexes/aggregates.
 - aggregation theoretic, 495, 538
 - demand side, 443n
 - economic, 34, 47, 90, 101, 104, 114, 130, 131, 151–153, 329, 408, 436, 439, 464, 575
 - exact, 64, 71, 74, 83, 204, 282, 495, 538
 - exact monetary, 74
 - nonlinear, 427
 - output, 73, 74, 464
 - supply side, 443n
- Quantity equation, 98
- Quantity indexes, 14, 25, 25n, 26, 28, 29, 31n, 34, 48, 84, 104–107, 114, 116, 118, 119, 128, 131, 139–141, 143n, 145, 153, 158, 217, 329–332, 394, 400, 437, 444, 473, 474, 563, 565, 567. *See also* Allen indexes and variants; Divisia indexes/aggregates; Fisher ideal indexes; Index numbers; Laspeyres indexes and variants; Malmquist indexes and variants; Quantity aggregates; Simple sum indexes/aggregates; Statistical index numbers; Törnqvist-Theil indexes and variants.
- Allen, 84, 86, 87
- Diewert's superlative class, 360
- discrete time, 437
- Divisia, 80, 87, 100, 106–108, 115, 127, 129, 129n, 130, 131, 140, 145, 151, 155, 169, 172–174, 190, 211, 219, 231, 232, 295, 309, 330, 331, 333, 337, 352, 361, 364, 380, 383, 387, 388, 403, 437, 440, 442–445, 450, 473, 474, 514, 538, 545n, 568, 575, 588n
- dual, 84
- economic, 15, 35
- Fisher ideal, 39, 40, 98, 104, 219, 309, 361, 403, 568, 588n
- Laspeyres, 29, 45, 104, 131, 157, 309, 333, 348, 362, 402, 403n, 538, 564, 583
- linear, 583
- Malmquist, 82, 84, 86, 436n, 439n, 443n
- nonparametric, 84
- Paasche, 104, 309
- simple sum, 35, 131, 192, 232, 333, 337, 350, 352, 383, 402, 575, 576, 583, 584
- statistical, 437, 566, 576
- Törnqvist-Theil, 39, 40, 86, 154, 192, 437, 440, 473, 552, 588n
- Vartia, 88
- Radius of convergence, 356, 357
- Rate of time discount, 493n
 - subjective, 493
- Rate of time preference, 227, 250, 537
 - subjective, 53, 488
- Rational expectations, 53n, 302, 392, 497
 - nonlinear, 504
- Real business cycle, 586, 586n, 590, 590n, 594

- Real resource costs, 486
- Real resource models, 457. *See also* Production cost models.
- Recursive structures, 16
- Reduced form equations, 95, 147, 177–185, 379
- Reduced form estimation, 169, 378–382
constrained, 147
unconstrained, 147
- Reference input vector, 85
- Reference prices, 93
user cost vector, 84
- Reference utility level, 86
- Region of convergence, 342, 343, 348, 355, 357
- Region of divergence, 356
- Regularity, 528
conditions/constraints, 267, 491, 497, 497n, 505, 551–552
properties, 485n, 497n, 497–539
- Regulatory wedge, 425, 435n, 433–453, 523–525, 527n
- Remainder term, 189, 338–345, 355
big O order, 339
little O order, 339
- Rental market, 331
- Rental price of monetary assets, 331. *See also* User cost of monetary assets.
- Replanning, 52
- Representative consumer/agent, 18, 97, 101, 189, 193, 225, 250, 263, 276, 277, 279, 280, 287, 305, 398n, 424, 586, 586n, 597, 603
Gorman's, 425
Muellbauer, 425, 425n
- Representative firm, 494, 494n, 542n, 603
- Required reserves, 434, 435n, 439, 441, 442, 450, 483n, 486n, 487
reserve ratio, 461
- Rescaling
of prices, 507
of quantities, 507
- Reservation price, 78n
- Reserve requirements, 55, 58, 80, 95, 124, 440, 441n, 442, 452, 452, 459, 461, 472, 473, 486n, 515, 523, 536, 543, 545n
implicit tax, 525
ratio, 438, 484, 487, 509
- Reserves, 56, 472, 506n
cash, 472
excess, 55–57, 459, 461, 472, 486, 487, 506, 509, 522n, 536, 542, 545n, 548n
free, 56
required, 56, 58, 425, 483n, 487, 506, 514, 515, 523, 524, 524, 525, 525, 536
valuation, 506n
- Restricted cost function. *See* Cost functions; Expenditure shares.
- Restricted profit function. *See* Profit function; Variable profit.
- Returns to scale, 492
constant, 466
- Revealed preference theory, 76, 106, 497
nonparametric revealed preference procedure (NONPAR), 411, 411n, 412
- Revenue, 72, 85, 87, 460
maximizing problem, 461, 466
unit, 73–75
variable, 56–58, 459
- Reversal tests. *See* Factor reversal test (Fisher's); Tests.
- Risk, 55n, 195–216, 245, 246, 251, 308, 482, 483, 528, 532, 532n, 546, 557, 589n. *See also* Uncertainty; Capital Asset Pricing Model (CAPM).
behavior, 491n
dynamic, 483, 484
nominal, 280–282
risky assets, 256, 261n
risky investments, 256
tracking ability, 533
- Risk aversion, 195, 196, 204, 205, 207, 208, 217–244, 246, 247, 253–260, 260, 261n, 266, 267, 269, 271, 276, 278, 282, 285, 286, 288, 290, 302, 304, 308, 392, 422, 493, 494, 494n, 497, 509, 512, 513, 514, 515–518, 518n, 522, 528, 529, 544, 546, 551, 555
absolute, 259
hyperbolic absolute, 491, 509, 510n
relative, 261, 264, 268, 280, 512
- Risk neutrality, 195, 206–207, 209, 219–221, 228–230, 237, 239, 246, 254, 255, 258, 269, 308, 311, 422, 422n, 491, 493, 493n, 494, 497, 512, 517, 518, 519–521,

- 522, 522, 523, 529, 548, 549
- Role of money, 138. *See also* Money.
- Roper-Turnovsky indexes. *See* Index numbers.
- Rotemberg money stock index, 230, 296–306. *See also* Currency equivalent (CE) index; Index numbers; Money.
- Rotterdam model, 187, 187n, 188–193, 328, 412n
- Roy's identity/theorem, 189n, 337, 414, 414n, 415, 419n
- Savings and loans, 26, 31, 37
- Savings deposits, 16n, 23, 32, 32n, 33, 231, 395, 420
- Schwartz's criterion, 174n
- Seasonally adjusted data, 78n, 571, 572
- Separability, 59, 67, 71n, 104, 123, 135, 138, 141, 206, 227, 230, 399, 399n, 400, 411, 412, 414n, 420n, 424n, 455, 462, 464–469, 479, 498, 505, 533, 534. *See also* Weak separability (blockwise).
- additively, 487
- blockwise homogeneous, 337
- homothetic, 412n, 455
- in currency, 209–211
- intertemporal strong, 494n
- of technology, 462–464
- output, 91
- strong, 19, 104, 209–211, 226, 251, 251n, 422
- tests, 467, 468
- weak, 422
- Separability conditions, 14, 469
- technology, 62–63
- Separating hyperplane, 523
- Series expansion, 338. *See also* Fourier series expansion; Laurent series expansion; Remainder term; Taylor series expansion.
- globally regular, 352
- remainder term, 338
- second order, 357
- Service (monetary) flows, 107, 122, 124, 131, 140, 141, 206, 215, 297, 299, 300, 302, 303, 313, 382, 576, 588n. *See also* Monetary services.
- Service charges, 486n, 508n
- Shifts in structural functions, 334
- Simple sum indexes/aggregates, 12, 16, 26, 27n, 29, 30, 30n, 31, 34, 35, 37, 43, 44, 44n, 45, 46n, 106, 107, 118, 121–124, 127, 128, 130–134, 139, 140, 142, 143, 143n, 144–145, 145n, 146, 149, 149, 152, 154, 155, 157, 159, 192, 201, 206, 212, 216, 223, 231, 232, 237, 239, 248, 249, 264, 273, 277, 281, 282, 299, 299n, 300, 303, 305, 312, 313, 317, 318, 326, 327, 329–334, 348, 350, 352, 362, 365, 366, 372–376, 378, 380, 383, 384, 390, 392, 394, 394n, 396, 397, 401, 402, 404, 405n, 416, 417, 418n, 419, 420, 427, 443, 444, 450, 452, 480, 485, 496n, 512, 513, 513, 514, 516, 516, 517, 519–521, 526–528, 546, 547, 553, 554, 555, 557, 563–565, 567, 570, 572, 574–576, 579–583, 583n, 584, 585, 587–589, 596, 598, 603. *See also* Index numbers; Monetary aggregate(s); Quantity aggregates; Quantity indexes.
- L, 128, 132, 149, 333, 374, 376, 380, 381, 387, 406, 407
- M1, 313, 314, 315, 373n, 374, 374, 376, 378, 381, 383, 406, 423, 556, 565, 570, 571, 573, 574, 576
- M1B, 144, 144n, 149, 150
- M2, 143, 144n, 148–150, 222, 313, 315, 316, 366, 367, 374, 376, 378, 381, 383, 386, 406, 555n, 556, 570, 571, 571, 572, 573, 574, 575, 578, 579, 579n, 580, 581
- M2+, 316
- M3, 134, 136, 143n, 148, 149, 155, 156, 334, 335, 336, 369, 370, 371, 374, 376, 381, 381, 382, 386, 406, 407, 570–572, 572–574, 575, 581
- M3+, 157
- official, 97, 127, 143, 360, 367, 373, 374
- over currency, 249
- quantity, 131, 333, 337
- stock, 317

- tracking ability, 496, 530
- velocity, 41-43, 131, 155, 157
- weighted, 396
- Simpson's rule, 437
- Sims test, 366, 366n, 384
- Simulation, 512
- Simultaneity bias, 353
- Simultaneous equations structure, 391
- Simultaneous equations systems, 475
- Singular point, 340, 343, 348, 355-357
- Smoothing, 512, 515, 516
 - moving average, 512
 - weights, 516
- Specification error, 167, 368
- Stackelberg solution/game, 599, 600
- State variables, 201, 202, 205, 265
- Statics, 421
- Stationarity, 240
- Stationary expectations, 302, 312
- Statistical index numbers, 38-45, 45n, 114-115, 118-120, 154, 218-220, 223, 239, 247, 401-403, 422, 423, 440, 496, 512, 533, 534, 538, 557, 563, 564, 566-570. *See also* Divisia indexes/aggregates; Fisher ideal indexes; Index numbers; Price (user cost) indexes; Quantity indexes; Simple sum indexes/aggregates.
 - continuous-time, 25, 113
 - discrete-time, 25, 113, 116
 - nonparametric, 212, 217, 512, 528
 - nonparametric quantity, 84
 - parameter-free, 16
 - quantity, 154
 - theory, 118, 437, 496, 513, 569
 - tracking ability, 247, 404, 496, 512
- Step-wise estimation, 341
- Stochastic decision problem, 225
- Stochastic process, 200, 201, 227, 265, 311
- Stockholder capital, 58
- Stocks, 107, 318, 331
 - common, 506n
 - economic, 311
- Strong separability. *See* Separability.
- Strotz consistent planning, 53
- Subfunctions, 75, 75n, 495. *See also* Category production functions; Category utility functions; Separability.
 - subcost, 69
 - subutility, 278
 - weakly separable, 75
- Substitutability, 159, 268, 480
 - perfect, 154
- Substitution effects, 43, 45, 131, 156, 157, 266, 390, 394, 419, 477
- Superlative indexes, 39, 41, 43, 44, 44n, 49, 77, 79, 80, 86, 88, 116, 119, 121, 140, 145, 218, 220, 239, 330, 352, 361, 404, 434, 473, 483, 569, 588n, 589-591, 603. *See also* Divisia indexes/aggregates; Fisher ideal indexes; Index numbers.
 - Diewert's class, 140, 300, 360, 363
 - quantity, 591
 - velocity, 43, 43n
- Supply functions, 58, 464, 531. *See also* Financial intermediaries.
 - aggregates, 94
 - money, 382, 456, 481
 - multiplier type, 96
 - of money, 55, 95
 - output, 462
- Supporting hyperplane, 524
- Symmetry tests. *See* Tests.
- System-wide modeling, 326, 327
- Tax rates, 58, 62, 63, 461
 - explicit, 54
 - implicit, 434, 435n, 451, 452
 - marginal, 54, 331, 350, 351, 352
 - reserve requirement, 80
- Taylor series expansion, 325, 326, 328, 340-344, 346, 355-358, 415, 499
 - second order, 339
- Taylor series local approximation, 328, 340-342, 344, 348, 355-357
 - remainder term, 340-342, 344
 - second order, 340, 345
- Technical change, 58, 86, 87, 91n, 90-92, 493, 530, 534
 - in banking, 529
 - learning by doing, 492, 529
 - nonneutral, 92
 - progress. *See* Production.
 - rate of, 92
 - rate of disembodied, 90, 91, 91n
 - regress, 91n
- Technological constraint, 536

- Technology, 59, 60, 455, 459, 462, 464, 466, 475, 478, 480, 481, 548, 550, 551, 553, 554
 aggregated, 494n
 financial firm, 454, 469, 546. *See also* Financial intermediaries.
 firms, 548
 intertemporal, 60
 production, 530
- Tests
 Belongia and Chalfant, 418
 Den Haan and Marcet (DHM), 267
 detrending, 244
 Fisher's system, 402, 402n
 Granger causality, 365-367, 418
 Hansen's asymptotic χ^2 , 504, 507, 511, 554
 Hinich, 232, 240-241, 243, 244
 hypothesis, 37, 180, 181, 184, 185
 likelihood ratio, 366, 475, 479
 nonparametric approach, 497
 parametric approach, 497
 separability, 411, 467, 468
 Sims, 366, 384
 simulated forecasting, 180, 181, 184, 185
 weak separability, 485, 494-505, 539-542. *See also* Weak separability (blockwise).
- Theil's approach, 158
 Third order moments, 240, 241
 Time deposits, 12, 13, 37, 291, 411, 420n, 456, 470, 472, 474-481, 495, 505, 505n, 506-509, 510n, 534, 535, 535n, 542, 543, 545n, 552n
 large, 570
 small, 570
 Time shift, 489
 Time trends, 136
 linear, 133
 Törnqvist-Theil indexes and variants, 39, 40, 43-45, 45n, 77, 116, 118, 121, 154, 155, 160, 189, 192, 218, 239, 253, 330, 363, 403, 473, 552n, 567, 588n. *See also* Index numbers; Translog model.
 approximation, 77, 102, 103, 105, 116, 121, 140, 302, 440
 discrete-time, 86, 116, 402, 437
- Total cost diminution
 rate of, 90n
- Total expenditure distribution. *See also*
 Income distribution.
 moments of, 169
- Tracking ability, 229, 283, 533, 534, 546, 557
- Transactions
 approaches, 391
 balances, 16, 31n, 32n, 31-35, 40, 44, 47, 144n, 155, 159
 Baumol-Tobin model, 60n
 constraint, 329
 costs, 57n, 439n, 453, 461, 548n
 services, 454, 458, 569
 technology, 52n, 60n, 68, 101, 129, 135, 137, 137n, 141, 249, 329, 362n, 368n, 458, 480
- Transformation function, 55, 213, 215, 241, 436, 438, 455, 459, 462, 464, 466, 467, 469, 485, 488, 489, 492, 495, 496, 498, 499, 503, 504, 507, 508, 534, 537-540, 542, 546, 547, 548, 553
 globally regular, 498
 intertemporal, 436
 locally flexible, 498
 nonseparable, 503
 variable factors, 506
- Transformation technology, 548, 554
- Transition equations, 202, 203, 489, 489n
- Translog indexes and variants. *See* Index numbers; Törnqvist-Theil indexes and variants.
- Translog model, 77, 86, 91-93, 159, 415, 419. *See also* Aggregator functions; Demand systems; Flexible functional forms; Profit function; Variable profit; Weak separability (blockwise).
 dynamic, 421
 function, 79, 86, 87, 114, 189, 353, 356, 401, 404, 413, 415, 465, 466, 498
 profit function, 465
- Transmission mechanism, 94, 426, 454, 529, 587, 594
- Transversality condition, 251, 273
- Turnover rates, 97, 98
- Two-stage decision (budgeting), 23, 23n, 24, 47, 66-72, 75, 205, 206, 219, 228, 251, 398, 413, 422, 463. *See also* Multi-stage decision.
 decentralized, 464

- Uncertainty, 482–529, 600. *See also* Risk.
dynamic, 483, 485, 486
- Unit cost functions, 74, 75, 82, 83, 204.
See also Cost functions; Duality.
- Unit revenue functions, 73–75
- User cost of monetary assets, 20, 20n,
22, 24, 25, 29, 30n, 31, 34, 38,
47, 48, 53, 57n, 58, 62, 80, 84,
101, 103–105, 107, 119–121,
123, 127n, 129, 130, 140, 145,
152–153, 156, 158, 159, 171,
204, 212, 228, 229, 237, 245,
247, 248, 252, 253, 255, 257,
261, 261n, 266, 271, 278, 280–
283, 287, 295, 301, 309, 330–
332, 364, 365, 368, 392n, 396,
398, 398n, 406–408, 412–414,
416–418, 420, 425, 435, 436,
439, 440, 440, 441n, 442, 453,
455, 456, 459, 461, 473, 474,
480, 483n, 514, 523, 535n, 549n,
557, 570, 583–585, 585n, 588,
588, 589n, 590, 591. *See also*
Aggregates/aggregation (mon-
etary); Price aggregates; Rental
price of monetary assets.
- CCAPM adjustment, 271
- current period, 205, 364
- equilibrium, 524
- generalized, 284
- Hancock's, 439n
- Jorgensonian, 15, 16, 20
- nominal, 53, 54, 57, 206, 252, 398n,
460, 461, 583n
- real, 53, 120, 207, 228, 252, 253,
436, 438, 583
- risk adjusted, 253–258, 260, 261,
261n, 269
- under perfect certainty, 258
- Utility, 19, 28, 248, 510n
- intertemporal, 487
- linearly homogeneous, 424
- marginal, 309, 590n
- total, 590n
- Utility functions, 14, 15, 17, 18, 18n, 22–
25, 26n, 36, 47, 64, 65, 103,
113, 137, 197, 197n, 199, 250,
251, 254, 264, 272, 277–279,
329, 363, 397, 398, 422n, 423,
423n, 436, 441n, 443n, 569.
See also Aggregator functions;
- Constant relative risk aversion
(CRRA); Duality.
- category. *See* Category utility func-
tions.
- Cobb-Douglas, 401
- community, 337
- community indirect, 337
- community reciprocal indirect, 337
- concave cardinal, 590n
- constant elasticity of substitution
(CES), 31, 32
- derived, 52n, 60n, 248, 249, 250n,
329
- generalized Leontief reciprocal in-
direct, 345, 347
- HARA, 509, 510
- implied, 251
- indirect, 75n, 101n, 412, 414, 414n,
415
- intertemporal, 226, 397, 422
- isoelastic case, 491
- minflex Laurent reciprocal indirect,
347
- money in, 248–249, 277
- power, 491
- power (CRRA isoelastic), 509, 510,
511
- representative consumer, 18, 101.
See also Representative con-
sumer/agent.
- social, 88
- subutility, 17, 413–414, 436. *See
also* Category utility functions.
- under risk aversion, 255
- Utility tree, 75, 87
- Value added, 55, 92n, 92–93, 486, 495
- in banks, 529
- index, 93
- true index of real, 93
- Value added function, 58
- Variable cost, 57, 58, 68, 69, 460, 466,
467
- Variable factor, 58, 461, 506
- cost, 69
- Variable indirect utility function. *See*
Duality.
- Variable profit, 56, 57, 57n, 58, 59, 62,
72, 92, 93n, 454–481, 487, 488,
506, 535, 535n, 536, 537, 549
- conditional, 467–469
- translog, 465

- Variable revenue, 56–58, 459, 460
 from loans, 57
- Varian's nonparametric revealed preference procedure (NONPAR). *See* Revealed preference theory.
- Vartia indexes, 88
- Velocity, 13, 41, 44, 97, 131, 147, 148, 148, 155–157, 282, 333, 352, 369, 418, 585
 behavior, 146
 Divisia, 131, 155–157, 333, 335, 370, 371, 368–372
 nonlinearity, 274–295
 of M3, 132, 334
 of monetary base, 97, 274
 of money, 12, 13, 132, 146, 149, 274–276, 280–288, 289, 290, 291
 simple sum, 41–43, 131, 155, 157, 335, 369, 370
 superlative index, 43, 43n
 transactions balances, 156
- Velocity function, 96–98, 145, 147, 148, 282, 286–288, 289, 290, 291, 327, 334
 Cagan, 148
- Vending-machine model, 60n
- Volatility, 516
- Wage rates, 8, 17, 57, 460
- Weak separability (blockwise), 14, 17–19, 22, 23, 35, 36, 52, 75, 135n, 137n, 153, 153n, 191, 191n, 199, 201, 205, 208, 215, 220, 222, 224n, 227, 230, 251, 251n, 257, 262, 264, 272, 304, 308n, 329, 349, 363n, 364, 399, 400, 409, 410, 410n, 411, 411n, 412, 413, 422, 423n, 424, 424n, 436, 438, 444n, 454, 455, 457, 458, 462, 464, 479–481, 484, 485, 485n, 495–505, 528, 533, 538–540, 542, 542n, 546, 546n, 550–551, 554, 556, 557, 566, 580, 596. *See also* Separability.
 conditions, 496, 498n, 547
 global, 528, 539
 in outputs, 498n, 500, 510, 511, 522
 local, 498n
 nesting, 75
 of outputs, 509, 510
 of translog, 498
 parametric tests, 498
 tests, 498n, 494–505, 539–542, 543n
- Wealth, 19, 62, 299, 301. *See also* Monetary wealth.
 stock, 229
- Wealth constraints, 21, 22, 229, 298, 302
- Wealth effect, 92
- Wedges, 95
- Weierstrass approximation theorem, 341
- Weighting schemes, 327
- Weights, 103, 104, 106, 130, 150, 309, 364, 365, 388, 409, 496n, 591
 continuous time, 437
 Divisia index, 100, 101, 103–105, 155
 equal, 394
 linear, 394
 share, 106, 591
 smoothed, 516
- Yield curve adjustment, 364
- Yields, 103, 313
 curve, 364
 holding period, 129, 140n, 159, 160, 364