Article

The popularity of economic ideologies: The case of monetarism

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Abstract
How the popularity of economic ideas shifts has been a contentious subject with historians of economic thought, who mainly address this topic qualitatively. This paper attempts to answer this question empirically, using monetarism as a case study. I firstly analyze the applicability of the Quantity Theory of Money to the economic data of the USA and the UK, generating two regression residuals to measure this for each country. I then regress yearly mentions of monetarism in Google Scholar papers with the country residuals and two controls denoting the pandemic and financial crisis episodes of quantitative easing. I find significant, positive effects on the UK residual and the pandemic dummy, with the rest of the effects being insignificant. However, further research utilizing a more advanced keyword detection algorithm is required to validate these results and their interpretations.

Keywords: Monetarism, Quantity Theory of Money, Quantitative easing

1. Introduction

In the history of economic thought, scholars aim to explain how certain ideas are conceptualized and then become prominent. However, empirical approaches are not common, with the consensus preferring the more traditional qualitative argumentation instead (Edwards et al., 2018). The paper presents a quantitative framework to analyze how economic ideas are popularized, using monetarism as a case study. The focus is placed on monetarism because it has enjoyed varying levels of popularity in the past 30 years, allowing for more variation to analyze causally.

The contribution to the existing literature of the history of economic thought is twofold. Firstly, the proposed framework can be applied to a larger number of economic ideas. Hence, the model's implementation can complement existing qualitative narratives surrounding their changes in popularity and potentially provide new insights. Secondly, this paper aims to change the view that certain surveyed historians of economic thought display, which is that the field should focus on interpreting the works of "great economists" rather than commenting on findings surrounding whole bodies of literature on a particular concept (ibid.). Since doing the latter would be time-consuming to execute without more empirical techniques, these views may explain why such methods have not emerged earlier and are currently developing slowly (ibid.).

In this paper, I firstly evaluate the historical dynamics of how economic ideologies become popular. Subsequently, to assess these dynamics quantitatively, I estimate monetarism's "always and everywhere theory" (IIMR, 2024), the Quantity Theory of Money (QTM), for the UK and USA, deriving two country-specific estimation residuals. These residuals measure the ability of monetarist theories to explain macroeconomic data, by capturing the fit of the QTM on current inflation for the two countries. Then, I regress the popularity of monetarism, as measured through keyword mentions in Google Scholar publications, against the two residuals. For controlling, two event dummies are utilized, capturing the great financial crisis and COVID pandemic quantitative easing episodes.

The results indicate that a change in the country-specific residual of the UK yields statistically significant effects on mentions, along with the COVID pandemic as an event. The effects for the country-specific residual of the USA and the Global Financial Crisis as an event are statistically insignificant.

2. Literature Review

In this section I aim to understand what factors influence the popularity of economic ideas, and particularly monetarism. Hence, by viewing the qualitative arguments surrounding this topic, I can construct an empirical model that accurately reflects its process. Social sciences, in general, attempt to explain sociological accounts, observations of how humans interact with each other, through their theories (Maki, 2012). However, economics ascertains its disciplinary credibility by not only attempting to explain them, but also actively including them in its models (ibid.). In fact, economists are noted to insist that the subject is closer to a positive science out of all social sciences, as it is based on quantifying and replicating observed phenomena through its models (Samuels, 1977). Hence, when contrasting models explain the same observed phenomenon, inflation in the case of this paper, economists select the one which is more capable of replicating it (DeMartino, 2011), leading one to prevail over the other. Thus, the extent by which monetarism replicates inflation data should be a main factor in modelling changes to its popularity.

There exist numerous historical examples of the popularity of an economic idea changing due to shifts in its ability to replicate, or generally be applied to, data. The Keynesian revolution in the early 1930s began from the homonymous economist observing that the implications of the so-called "classical theory" did not materialize in the aftermath of the Great Depression, leading to Keynesianism's dominance (Ayres, 1946). Keynesianism and its modification, neo-Keynesianism, then commanded economic thinking in 1945-70, since its policy implications proved successful to create significant economic growth in developed countries (Frimpong, 2018), a sign that the

models behind these ideologies reflected real-world outcomes. In the shift from neo-Keynesianism to neoliberalism in the 1970s, Palley (2004) ascertains the weakness of the former in explaining the reasons for higher unemployment, giving more sway to the latter.

However, the above assumes that economists make efforts for their models to reflect new economic data as much as possible. The run-up to the Great Financial Crisis challenges this assumption. Specifically, economists faced significant criticism that they disregarded significant elements of the economy, the financial sector in this case, in their models (Colander et. al, 2009). But, bibliometric analysis of publications in 2009 shows a statistically significant increase in the topic of financial instability from pre-crisis levels (Aigner et. al, 2018). This suggests that economists indeed modified their methodology to reflect new economic developments.

Hence, a model to quantify changes in the popularity of monetarism should primarily use measures of its applicability to economic data. This is because there exist multiple instances where economists shifted their research patterns to include ideas whose implications better replicate reality.

3. Methodology

3.1 Review of Methodology and Stationarity

Using the findings from previous literature, I construct a 2-regression model that reflects the process of monetarism's shifts in popularity for the period of 1983-2023. The first regression aims to gather country-specific residuals for the QTM in the USA and UK that measure the applicability of monetarism to current macroeconomic data. Only these two countries are included in estimations since they are by far the largest producers of economic research globally (White, 2019). The second regression includes these residuals in explaining changes in mentions of the keywords "monetarism" and "monetarist" in Google Scholar academic papers. The hypothesized causal chain of this model is presented in Figure 1.

Before moving to the first regression, I explain the reasoning behind using Google scholar as a database. Primarily, it is because it is considered the largest available academic search engine, estimated to include 389 million records of both books and articles (Gusenbauer, 2018). As a result, the sample of papers where monetarism is mentioned is as complete as technically possible. However, other databases often used in the field of "nowcasting", such as Google Trends which uses Google searches (Matias, 2013), could have also been utilized. But, this paper is focused on popularity within economists rather than generally, making Google Scholar the most ideal database. Additionally, I search for the keywords "monetarism" and "monetarist" in particular, as searching for related keywords, such as "monetary" for example, would likely yield many false positives, decreasing the accuracy of the sample.

It is also important to establish the stationarity of the dependent variables for both regressions. These are the UK and US inflation rates for the first and mentions of monetarism for the second regression. Regarding inflation data, a preliminary viewing of the series, presented in Figure 2, suggests no particular trend which would imply non-stationarity. Qualitatively, I argue that the series is stationary since in most years of the period studied, central banks have been artificially trying to keep the inflation rate of both nations to the 2% target, keeping the average constant. Literature suggests that inflation loses stationarity due to excessive persistence (Charemza et al., 2006), an event which was observed over the 1980s (Anderton, 1997). Certain literature also describes a structural break in inflation in 2020 due to the pandemic (Ha et. al, 2023). As these cover a small portion of the dataset, this is unlikely to have a large effect on overall stationarity. Moreover, I calculate Augmented Dickey-Fuller test statistics with one lag, yielding a rejection of the null hypothesis of a unit root at a 5% significance level. Therefore, I conclude that inflation is a stationary time series.

	ADF test statistic	5% significance level
US inflation	-3.851	-2.961

UK Inflation	-2.976	-2.961

Table 1: Augmented Dickey Fuller (ADF) test results for UK and US inflation 1983-2023

I now address the stationarity of mentions of monetarism. Preliminary viewings of the data, presented in Figure 3, show an obvious trend, violating stationarity. Thus, I transform the time series by dividing each year's value with the overall mentions of the keyword "economics". This attempts to gauge the popularity of monetarism in context with the attention to economics as a field of study. The transformed series is depicted in Figure 4. Hence, the transformation yields a U-shape series, a likely deterministic trend. In addition, I use a Philipps Perron test, with 1 lag considered, to test for stationarity, accounting for the reversing sign of autocorrelation caused by the series' shape. The null hypothesis of a unit root for the transformed mentions series can be rejected only at a 10% significance level, revealing a high probability of a Type 1 error. Thus, regressors in the 2nd regression can be adjusted by adding a geometric function in order to account for the trend. However, this study supports that further transformation would lead to overfitting, an excessive stationarity correction at the cost of establishing causality. Moreover, keyword data is treated as stationary in a section of the literature (Poulos et. al, 2017). Therefore, I will assume stationarity for the transformed keyword data.

	PP test statistic	5% significance level	10% significance level
Adjusted Mentions	-2.653	-2.958	-2.612

Table 2: Phillips Perron (PP) test results for the transformed mentions time series

3.2 1st Stage Regression

A key idea for modeling the inflation-money supply relationship is the QTM, which states that:

$$Money\ Supply * Velocity\ of\ Money = Price\ Level * Output$$
$$MV = PT$$
$$Ln(M) + Ln(V) = \ln(P) + \ln(T)$$
$$\%\Delta M + \%\Delta V \simeq \%\Delta P + \%\Delta T$$

Classical Monetarists support that money supply and price level growth rates have a long-run 1:1 relationship. This is based on the assumptions that the velocity of money and the growth rate are constant in the long run (Friedman, 1987).

For this study, the assumption that velocity of money is constant is rejected, resonating criticisms by Friedman's contemporaries (Kaldor, 1970). But including broad money velocity as a regressor would be an issue. This is because it is calculated by dividing nominal GDP with the broad money base, creating collinearity issues if it is included. Instead, I use narrow money velocity, calculated by dividing nominal GDP with the narrow money base instead. It is a fitting proxy for broad money velocity as, according to the Bank of England, narrow money velocity still measures financial innovation in the economy and the rate by which actors spend, affecting inflation (1996).

Moreover, by including narrow money velocity, I indirectly introduce output to the regression, which is also not assumed to be constant. This is because changes in the growth rate of output are baked into changes in narrow money velocity, given the latter's derivation. Therefore, I make no further steps to include the growth rate of

output, as it could lead to collinearity issues if included in the regressors and distort the regression fit if included in the regressand. Thus, for the rest of the section the focus is upon impacts on inflation.

Hence, I estimate the following specification as an autoregressive distributed lag model for each country using annual data. "Π" indicates inflation that is also autoregressed to account for its persistence. "s" denotes percentage change of the money supply and "v" is the percentage change of the velocity of money. As it is more realistic to assume that a change in money supply and velocity slowly feeds into each inflation with each lag, summations are created with the lags. "α" denotes the constant.

$$\Pi_t = \alpha + \sum_{j=1}^{p}(\beta^j \Pi_{t-j}) + \sum_{j=0}^{p}(\beta^j s_{t-j}) + \sum_{j=0}^{p}(\beta^j v_{t-j}) + u_t$$

It is imperative to establish the optimal lag structure "p" for each country. Thus, the Bayesian Information Criterion is applied to determine this, presented below for each value of "p". Minimizing the value of the BIC entails optimizing the tradeoff between bias and variance in the regression. The lack of country-specific keyword mention data in the second regression creates a need to decide on one lag value for both countries, maintaining consistency. So, I calculate average BICs to optimize for the USA and UK together. I consider this appropriate, given the structural similarity of the two nations as developed economies.

	1	2	3	4	5
USA	138.1	136.7	130.6	137.0	138.0
UK	130.6	132.6	115.7	111.1	116.6
Average	134.4	134.7	123.2	124.1	127.3

Table 3: BIC calculations for the QTM regressions

As shown, the average BIC is minimized at the lag value of 3, with all BIC values relatively close to each other. The goal of this process is to isolate a single monetary shock, so I select the lag value of 2 rather than the lag with the lowest average BIC as that is the time most associated as being the average time required for a single shock to completely fizzle out of the economy (Romer and Romer, 2004). Moreover, for the lag value of 2, the BICs of the two countries are the closest to each other, providing the greatest consistency in the bias variance tradeoff across the estimations for each country.

Given the maximum lag of 2, I estimate the regressions for both countries as autoregressive distributed lag (ARDL) models. This allows for the computation of the desired residuals, presented in Figure 5, that measure the ability of monetarism to replicate current inflation data in the USA and UK. Causality is not addressed here, as it is outside of the focus of the study.

3.3 2nd Stage Regression

With the computation of country-specific residuals, I describe the specification for the second-stage regression, seen below. "M" denotes the adjusted mentions of monetarism as the dependent variable, also autoregressed for persistence purposes. "UK" and "USA" are the country-specific residuals estimated in 3.2. "C" and "F" are dummy variables placed as controls, denoting the quantitative easing episodes of the COVID pandemic in 2020 and the financial crisis in 2009 respectively. The reasoning for their inclusion is that they were two major instances

of the artificial expansion of the money supply, an event which is expected to increase mentions of monetarism. Finally, ”γ” denotes the constant.

$$M_t = \gamma + \sum_{j=1}^{p}(\beta^j M)_{t-j}) + \sum_{j=0}^{p}(\beta^j UK)_{t-j}) + \sum_{j=0}^{p}(\beta^j USA_{t-j}) + \sum_{j=0}^{p}(\beta^j C_{t-j}) + \sum_{j=0}^{p}(\beta^j F_{t-j}) + u_t$$

As before, I address the optimal lag structure by estimating the model as an ARDL. In the context of the model, the maximum lag denotes the highest number of years in the past a publication can look back to when commenting on the fit of the QTM. I present the Bayesian Information Criterion (BIC) calculations below. I did not calculate more than 3 lags, due to time sample constraints caused by the pandemic dummy. The most negative BIC is present with 3 lags. However, I select the shorter lag value of 2, the second lowest BIC, in order to limit the occurrence of other signals from the economy that could happen during the lag period, affecting economists' research topic selections.

	1	2	3
BIC	-397.4	-407.2	-451.3

Table 4: BIC calculations for the 2nd stage regression

Given the maximum lag of 2 years, I compute the following integrated response functions (IRFs), using the established model specification. The coefficients “φ” are now the dynamic multipliers at a certain period and “ρ” is the constant:

$M_t = \rho + \sum_{j=1}^{8}(\varphi^j UK)_{t-j}) + u_t$

$$M_t = \rho + \sum_{j=1}^{8}(\varphi^j USA)_{t-j}) + u_t$$

$$M_t = \rho + \sum_{j=1}^{8}(\varphi^j C)_{t-j}) + u_t$$

$$M_t = \rho + \sum_{j=1}^{8}(\varphi^j F)_{t-j}) + u_t$$

I present the graphical results of the IRFs in Figure 10. In the rest of this section, I move to address other assumptions of time series regression in the context of the model except for stationarity, which is tackled in 3.1.

I firstly argue that all 4 IRF regressors are exogenous. This is because they denote predetermined information that comes to the attention of researchers from real world data. As a result, reverse causality is ruled out as there is no reason to believe that researchers can feasibly act to influence macroeconomic occurrences substantially. Moreover, it is unlikely that mentions of monetarism and the residuals are jointly determined by another variable. Perhaps government actions influence both the economy and mentions of monetarism with economic policies and grants respectively. But this point is not convincing enough to be considered since the volume of grants is likely not large enough to significantly affect mentions of monetarism. Thus, I assume strict exogeneity for this case, which is an important step toward causality.

Moreover, I assess the possibility of other linear relationships. I do so by constructing a simple viewing of the linear fitted value of the ARDL specification against the residuals, shown in Figure 6. It depicts that the U-shape of the dependent variable is captured with the terms for the residuals at values close to zero, showing the good fit of the established linear model. Thus, there is no significant reason to suspect model misspecification and other linear terms possibly being included.

Furthermore, I move on to address potential collinearity between regressors. The structural similarity of the UK and US economies could suggest collinearity between the country residual variables. A preliminary viewing of a scatter plot of the two variables, presented in Figure 7, indicates this is a possibility, shown by the fitted line. To check for the collinearity's severity, I remove any one of the suspected collinear variables from the ARDL specification, noticing the impact on the fit. If the effect on the fit is large, the collinearity is severe. Doing so yields no large changes in the residuals, as seen in Figure 8. Therefore, collinearity is not a cause for concern in this case. This is also confirmed by calculating the mean variance inflation factor (VIF) score of the specification, which equals to 3.58. A common rule of thumb is that if the mean VIF exceeds 5, collinearity is high enough to be problematic. Given that the estimated mean VIF is lower than 5, I reinforce the conclusion that collinearity across the specification is not a cause for concern.

Finally, although not required for unbiasedness, I consider weak dependance. To do so I construct an autocorrelation plot of the error term of the ARDL specification, presented in Figure 9. It depicts a situation where all lag coefficients except the first are statistically insignificant. The magnitude of the coefficients roughly falls as lags rise, a prerequisite for weak dependance. Thus, this condition is satisfactorily met.

In summary, all assumptions of time series regression are met satisfactorily, increasing confidence in assuming that the results are unbiased and consistent.

4. Output

4.1 Results and Discussion

I present the plots for the impulse response functions for each variable in Figure 10. Given that statistical significance at a 5% level is established when the 95% confidence intervals do not touch the value of zero, I conclude that the effect of the UK-specific residuals is significant at periods 2 and 3 whilst the effect of COVID is significant until period 5. I observe no statistical significance in the rest of the effects. I move on to establish reasoning for these results.

Firstly, I address the discrepancy between the coefficient significance of the country-specific residuals. These findings imply that changes in the applicability of the QTM in UK data yield a much more significant effect on overall mentions of monetarism than those for the USA.

For the following argument, I assume that economists are more likely to research their domestic economy rather than others. This is quite reasonable to assume given that a country with more research institutions has been found to be more analyzed in economic journals (Robinson et. al, 2006). However, this may be since nations with more research institutions are larger or more significant, leading to them being studied more. But, other evidence is more supportive of the assumption. In a survey of 10 000 academic economists, responders tended to favor conducting research that is applicable and important to society (Falk and Andre, 2021), so it is logical that they would prefer researching the domestic economy to affect society around them. Moreover, bibliometric analysis has found economic journals to exhibit bias towards accepting more authors from the same country (Lutmar and

Reingewertz, 2021). For example, more than 70% of articles in the American Economic Review were written by authors in US institutions (Yuret, 2022). Thus, as it is observed that journals of a certain country mainly publish articles about the domestic economy (Lutmar and Reingewertz, 2021), this could infer that economists favor researching their home country. Reinforcing the argument is that economists may have better access to data for their domestic economies, for example through physical archives, disincentivizing the study of other countries. Hence, it is logical to assume that economists are more likely to research their domestic economy rather than others.

Given this assumption, the primary reason for the difference in coefficient significance could be that US economists might not be as open to unconventional ideas in economics. Thus, they tend to comment less on issues like monetarism post-1990s, a period which takes up most of the dataset. Frey and Eichenberger's (1993) arguments support this, stating that "academic fads" often dominate the US economic research landscape, when compared to Europe. As a result, US economists may tend to prefer popular fields of research instead of more unconventional ones, in this case monetarism. Reinforcing this argument are comments by prominent American economist Paul Romer, who critiqued the study of economics in his country's prominent circles as too focused on complicating established models to fit the data rather than considering more unconventional ones (Romer, 2016). On the other hand, historical accounts show that British economists are keener to consider economic concepts outside of the status quo (Lee et. al, 2013). This entails the rise of heterodox economics as a field from 1970 to 1996 that happened in the UK rather than the US, with the latter being a much later adopter (Lee, 2009). Thus, the findings of this paper regarding the difference in significance of the two country coefficients can be explained by the idea that US economists are more rigid in their ideology. As a result, they do not consider ideas outside the status quo, monetarism in this case, as much as UK economists, leading to the changes in the USA residuals being insignificant in affecting mentions of monetarism.

Moreover, the comparison between the positive sign of the coefficient of the UK residual and the negative sign of the USA residual is noteworthy. I expect that the sign of the country coefficients would be negative rather than positive, as a decrease in residuals leads to a larger applicability of the QTM and more economists writing about monetarism, increasing mentions.

However, the fact that the effect is positive could be interpreted more as showing how UK economists are keener on criticizing monetarism when it doesn't work, rather than praising it when it works. Indeed, a more negative tone describing monetarism has been present in UK literature studies surrounding it (Pepper, 2001). A factor explaining this could be that monetarism is a term which carries more stigma in the UK than the US as the period by which monetary targets were implemented in the former was marked by more social woes such as higher unemployment (Bernanke and Snowdon, 2002), also due to the effects on deindustrialization (Viven, 2013). So, economists in the UK may be quicker to criticize monetary theory, remembering these social woes. Hence, there are certain factors that drive the interpretation that UK economists tend to criticize monetarism more.

Furthermore, I explain why the coefficient for COVID is significant whilst whereas that of the financial crisis is not. The most important reason lies in the scale and nature of quantitative easing in the two events. Principally, the amount of quantitative easing during the pandemic dwarfed that of the global financial crisis in size for both the UK and USA (Cukierman, 2021), leading to a much larger concern over increasing inflation in the case of COVID. Reinforcing this argument is that during the pandemic, cash transfers were also made to individuals. Hence, a larger stress was created about inflation when compared to conventional quantitative easing, as these transfers were more easily converted into broad money (Sandbu, 2020). On the other hand, it was anticipated that the effect on inflation caused by quantitative easing in the global financial crisis would be heavily checked by low bank confidence and liquidity hoarding (Bank of England, 2009) (Bank of England, 2011). Therefore, these key

differences in the two quantitative easing episodes convincingly explain the change in significance of the two coefficients.

In summary, interpretations of the study's results can certainly be backed up with existing literature. However, the results are not without limitations.

4.2 Limitations

The principal limitation lies in the measure of the popularity of monetarism. Firstly, DeLong (2014) argues that from the 1980s onwards, monetarist principles have baked themselves into conventional economic thinking, but with different terms. Thus, using keyword searches for the terms "monetarism" and "monetarist" to measure the theory's popularity may be wrong by principle, potentially introducing measurement error in the attained variable. Moreover, the keyword search only happens in English, meaning that publications mentioning monetarism in other languages are ignored, aggravating measurement error further.

Additionally, the keyword data can be suspected to be truncated. Perhaps older academic publications that reference monetarism would not be uploaded to the internet to the same extent as newer ones, thus being inaccessible to the keyword search algorithm. As a result, truncation exists which relies on the regressand, creating inconsistency in the second regression that could distort the acquired results.

Furthermore, the nature of the keyword search algorithm cannot detect the light in which monetarism is described in, what country the author is referring to and where the author is from. Hence, certain assumptions and inferences made in the previous section, such as that UK economists talk about monetarism more negatively than positively or that economists more often analyze their domestic economy, cannot be confirmed. Thus, certain interpretations made in 4.1 should be viewed with suspicion until further research is made with more advanced algorithms.

The stationarity of the variable of weighted keyword mentions variable can also be criticized. As previously mentioned, it only passes the PP test at a 10% significance level, creating a case to adjust for non-stationarity further. As shown in Figure 11, it would require adding another variable to the right-hand side of the second regression that resembles the shape of the regressand. With this, a large portion of the attained statistical significance is lost. However, this article stands by the view that this would be overfitting.

Therefore, the main limitation of the results is the method of estimating monetarism's popularity. This calls for further research with more advanced algorithms that can account for the aforementioned nuances of a mention. This could lead to further transformations of the data, also improving stationarity.

5. Conclusion

In this article, I aim to provide a data-driven insight into how the popularity of economic ideologies changes using monetarism as a case study, assessing cross-country differences regarding how economists learn from economic data and change their beliefs. Firstly, I conduct a regression of the QTM with data from the USA and UK, acknowledging their dominant position as producers of economic research. With the estimation of residuals for both countries that measure the applicability of monetarist principles, I create regressions where mentions of monetarism were regressed against the two country residuals. Dummies for the COVID pandemic and the great financial crisis acting as controls were also included.

Overall, I found statistical significance in only the coefficients of the COVID pandemic and the UK-specific residuals. This implies that UK economists are much more likely to consider unconventional economic ideologies, like monetarism, than their US counterparts and that economists, in general, were much more anxious of the pandemic-related quantitative easing increasing inflation when compared to the quantitative easing under the great financial crisis. Moreover, the results show that UK economists are more prone to criticize monetarism when its implications, the QTM, fail to account for current inflation data rather than praise it when they do.

However, the main weakness of this paper relies on the measure of monetarism's popularity that does not account for nuances like the context in which it was mentioned. Certainly, this is an opportunity for further research that could reinforce the findings of the article. Until such research happens, certain interpretations should be viewed with some suspicion.

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Appendix A. (Appendix of Figures)

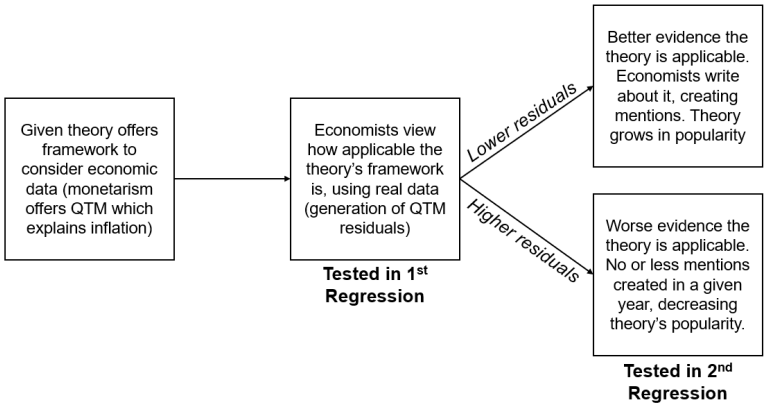

Figure 1: Summary of the hypothesized causal chain

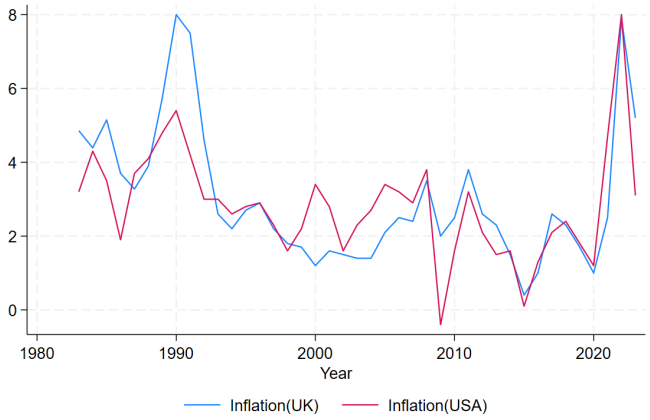

Figure 2: Time series plot of inflation in the UK and USA, 1983-2023

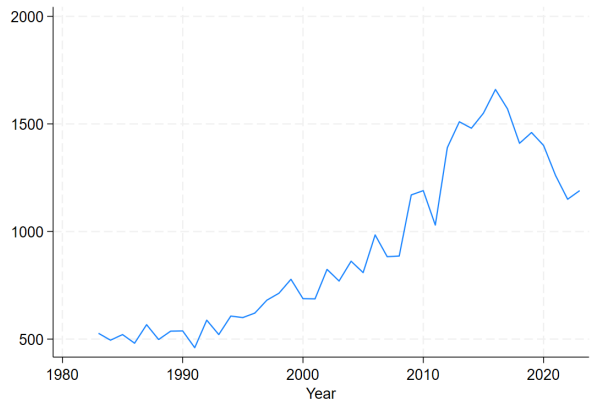

Figure 3: Time series plot of yearly mentions of monetarism in Google Scholar publications, 1983-2023

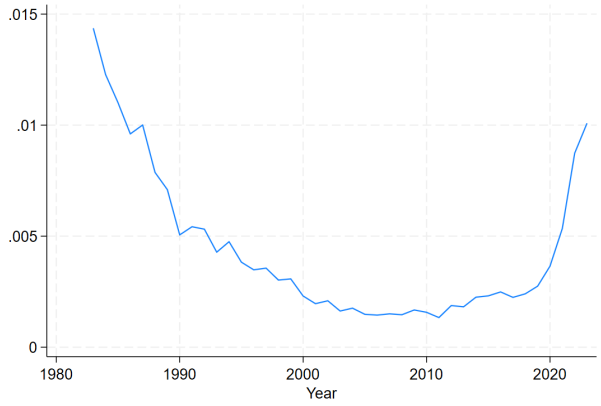

Figure 4: Times series plot of transformed yearly mentions of monetarism, 1983-2023

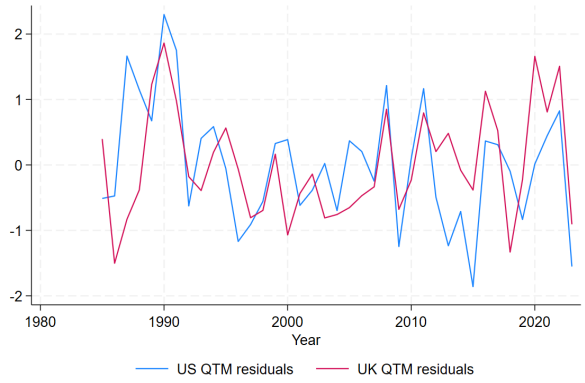

Figure 5: Estimated QTM residuals of the USA and UK

Figure 6: Fitted value and residual plot of the specification of the 2nd regression

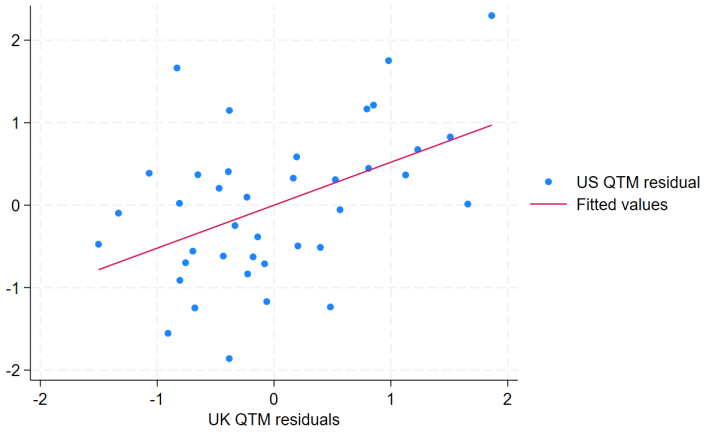

Figure 7: Scatter plot of UK residuals and US residuals with fitted correlation line

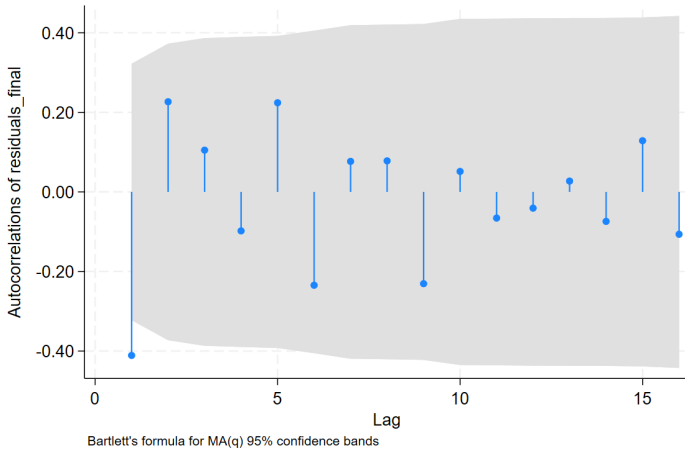

Figure 8: Residual plot of the original specification of the 2nd regression and the same specification excluding either the US residual or the UK residual variables

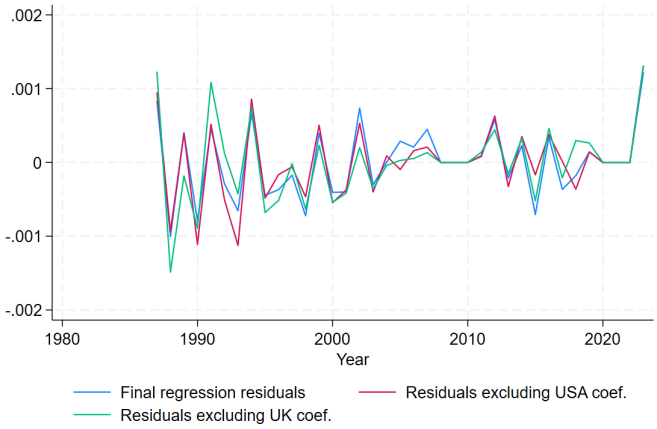

Figure 9: Lag autocorrelation plot of the residuals of the specification of the 2nd regression

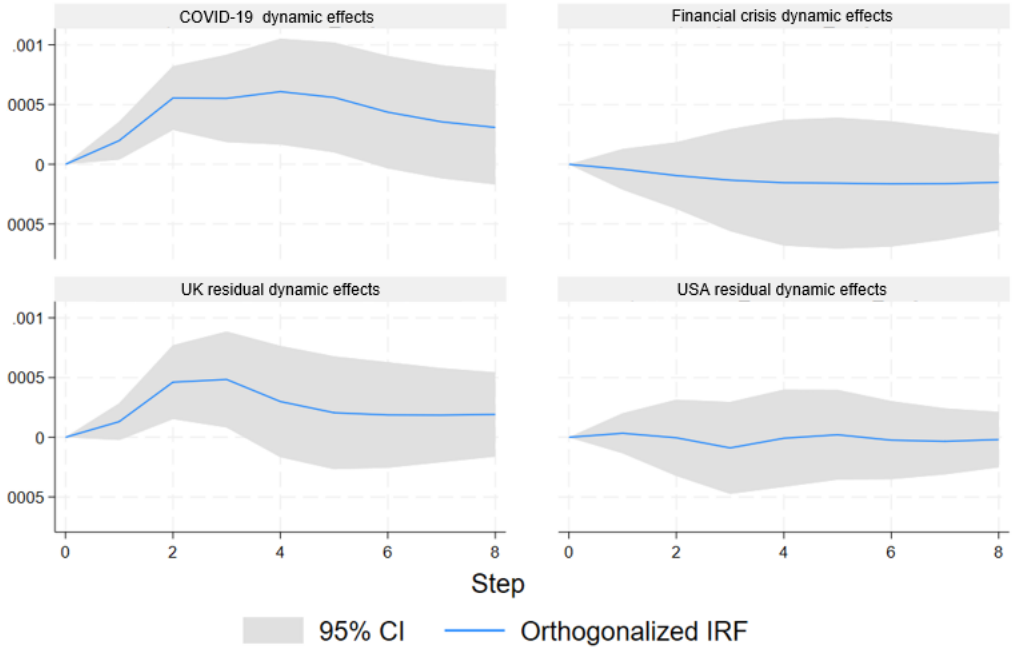

Figure 10: IRF results

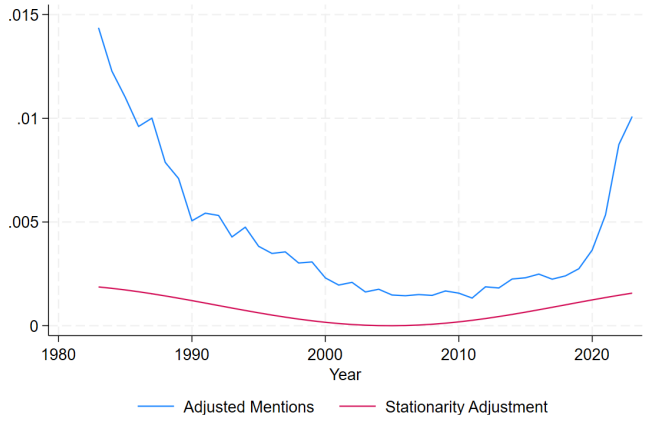

Figure 11: Time series plot of the hypothetical further stationarity correction variable and transformed mentions of monetarism