

# EMPIRICAL EVIDENCE ON THE LONG-RUN NEUTRALITY HYPOTHESIS USING DIVISIA MONEY

**Maggie May-Jean Tang, Chin-Hong Puah\* and A.M. Dayang-Affizzah**

*Department of Economics, Faculty of Economics and Business,*

*Universiti Malaysia Sarawak, 94300 Kota Samarahan, Sarawak, Malaysia.*

## ABSTRACT

By employing Fisher and Seater's (1993) long-run neutrality test, the researchers tested the monetary neutrality proposition in Singapore for the period of 1980-2009. Empirical findings show that monetary neutrality does not hold in Singapore when both the simple-sum money and Divisia money are employed. As both the simple-sum and Divisia monetary aggregates are non-neutral, monetary authorities may consider their use as a monetary policy tool affecting real economic activity.

**Keywords:** Monetary Neutrality, Divisia Money, ARIMA Model

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\* Corresponding author: Chin-Hong Puah, Department of Economics, Faculty of Economics and Business, Universiti Malaysia Sarawak, 94300 Kota Samarahan, Sarawak, Malaysia. E-mail: [chpuah@feb.unimas.my](mailto:chpuah@feb.unimas.my)