Measuring Money: What assets should be considered as money?

1. Various assets, from gold, silver, and shells, to paper currency and checking deposits, had been used as money, with/without the interference of government. Some liquid assets function like MOE, even though they are not as liquid as currency and checking account deposits.
   But this does not tell us precisely which assets should be considered as money.

2. From the central banker's view, a good measure of money should work best in predicting movements of macroeconomic variables that money is supposed to explain.
   (1) But a measure that predicts well in short-run may not do well in the longer run; and a measure that predicts inflation well may not be the best measure for predicting business cycles or certain markets (such as stock market), because different measures of money may not move closely together. Thus, we need various measures.
   (2) Regulations/ Deregulations and Financial innovations: Which measure of money to focus for policymaking (monetary target)?
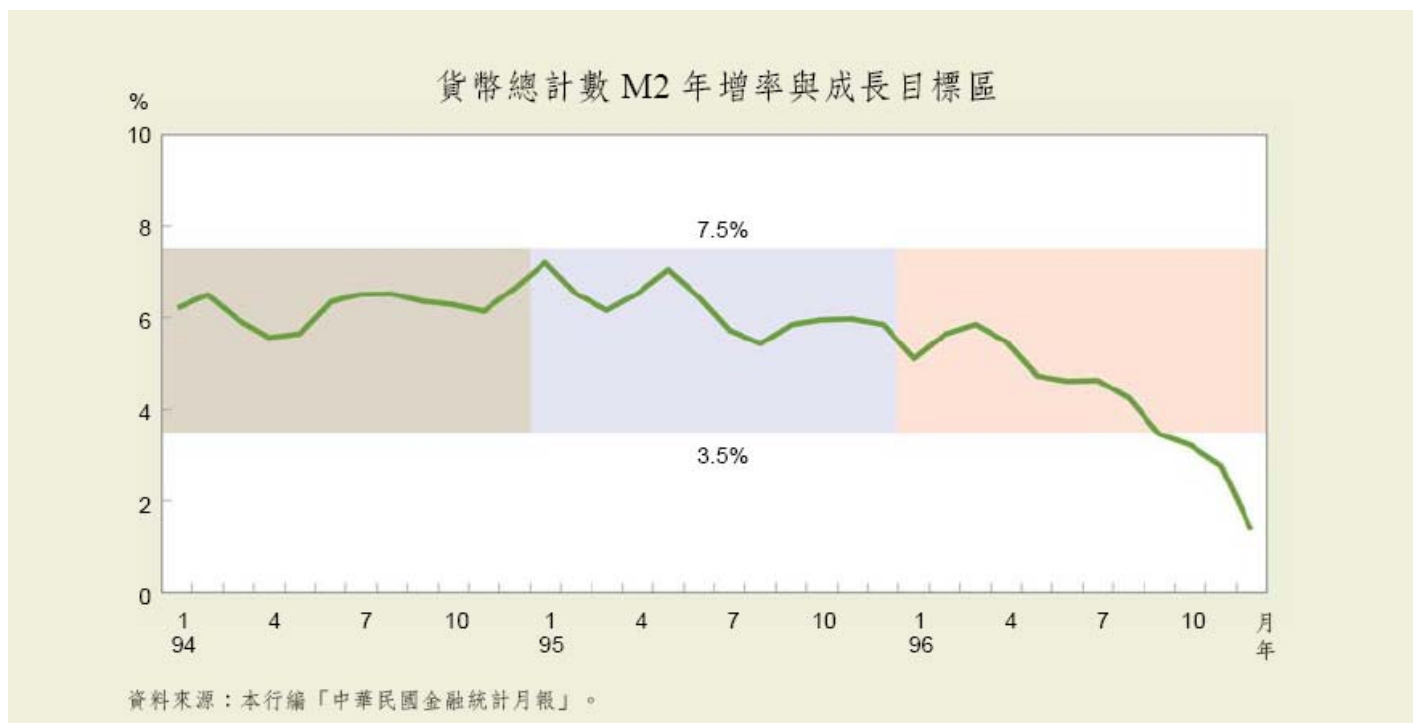
M1B = 流通中通貨+存款貨幣

(存款貨幣=支票存款+活期存款+活期儲蓄存款)

M2= M1B+準貨幣(Quasi-money)

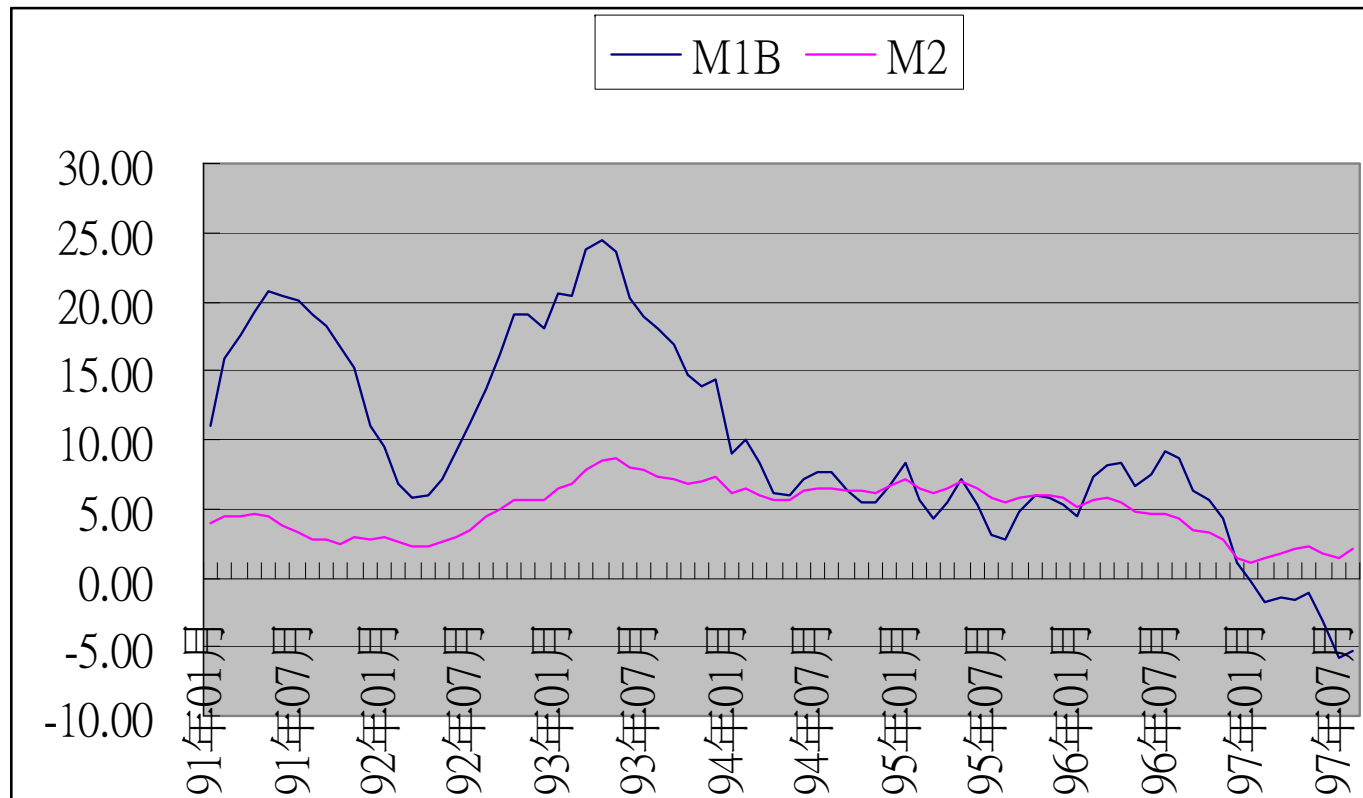(準貨幣=定期存款與定期儲蓄存款+外幣存款+郵政儲金+附買回交易餘額+外國人新台幣存款+貨幣市場共同基金)

Notes

Vault cash, interbank deposits, and government deposits, are not included, because they do not affect banks', government 's, and the general public's expenditure behavior.

貨幣總計數 M2 年增率與成長目標區

Notes: The band in the first figure is the target ranges of M2 growth rates.

Growth Rates of M1B and M2

Notes:　Growth rates of M1B and M2 do not move closely together.