



SDI Review Form 1.6

Journal Name:	Asian Journal of Agricultural Extension, Economics & Sociology
Manuscript Number:	2014_AJAEES_10429
Title of the Manuscript:	Accessing the Impact of Monetary Instrument towards Inflation in Malaysia
Type of the Article	

General guideline for Peer Review process:

This journal's peer review policy states that **NO** manuscript should be rejected only on the basis of '**lack of Novelty**', provided the manuscript is scientifically robust and technically sound.

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PART 1: Review Comments

	Reviewer's comment	Author's comment (if agreed with reviewer, correct the manuscript and highlight that part in the manuscript. It is mandatory that authors should write his/her feedback here)
Compulsory REVISION comments	1. The English needs to be fixed. For example, the last statement in the abstract is an incomplete sentence. 2. There are incorrect statements in the paper that need to be fixed. For example on line 40-41 of page 1 the authors say, "Many of the countries use expansionary monetary policy to curb their inflation problem." However, "expansionary" monetary policy would make inflation worse. The authors mean "contractionary" monetary policy. Other examples occur on lines 72-74 of page 2 – monetary authorities have not had great success "steering expectations" – and on line 98 of page 3 – the reserve requirement is not an "amount of interest" – and on page5 Table one "Bidirectional" should be "unidirectional." 3. The authors overstate some points. For example, on lines 36-37 of page 1 they say, "Most economist believe and agree that high inflation rate is due to excessive growth of money supply". The Monetarists clearly believe this, but many Keynesians would see excess demand as a possible cause of high inflation. Part of the problem is that the authors only mention the money supply here (and only use monetary variables in their	1. We have changed the sentence. 2. The mistake has been corrected. expansionary --- Contractionary steer ---- steering the ----- an bidirectional ----- unidirectional 3. Thank you for the highlight. Instead of using most economists, we change the word into monetarists. We also have add more explanation on the inflation based on Keynesian point of view. 4&5&6. The model has been reconstructed. All the variable used are changed into the log form as it is the standard procedure to avoid heteroscedasticity done by many other research involved in time series analysis. Besides, we dropped the monetarist point of view in the model in order to make the findings more universal regards to any school of



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	model) when other forces are recognized as causing inflation. 4. The authors “transform” equation 1 into equation 2 by taking the natural log of every item on both sides. This is mathematically incorrect. $Y = a + bS + cT$ cannot be changed into $\ln Y = a + b\ln S + c\ln T$. Only $Y = aS^bT^c$ can be transformed into $\ln Y = \ln a + b\ln S + c\ln T$. In essence, equation 2 implies that interest rates, fiat money, and the reserve requirement are multiplied by each other to get the inflation rate. This is not justified, and I think it is impossible to justify this in a reasonable way. 5. The authors identify each independent variable on page 2 by its coefficient, instead of by its symbol. 6. The authors repeatedly switch between a Keynesian and a Monetarist view as if these two groups agree! 7. The authors have too few observations (38) after the data has been first differenced and two lags used. 8. The authors need to clarify whether they are using the discount rate (line 85, page 2) or the deposit rate (line 310, page 8)	thought. 7. As stated by Gujarati, as long as the data span 30 above, it is considered valid. 8. Deposit rate is used as proxy for interest rate, not the discount rate. We have removed discount rate in the paragraph
<u>Minor</u> REVISION comments		
<u>Optional/General</u> comments		