SDI FINAL EVALUATION FORM 1.1

PART 1:

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**

PART 2:

FINAL EVALUATOR'S comments on revised paper (if any)	Authors' response to final evaluator's comments
1. **In my first set of comments, I said that the English in this paper needs to be fixed. I then gave one example of an English grammar mistake. The authors have fixed the one example of a mistake, but not the many, many other mistakes in the paper. I can sympathize with someone trying to write a paper in their second language – I know that I could not do it. However, the English language problems need to be fixed. The authors need to get a native English speaker to check the entire paper for mistakes. For example, on page 1, line 4, "research paper" should be "literature". On page 1, line 5, "can be the sign" should be "can be a sign." Also on page 1, line 5, the "Therefore" does not fit – what is after the "therefore" is not a logical consequence of what is before the "therefore." I have given you three examples from the first two lines of the Abstract. It is not my job as a referee to re-write the paper in correct English.** 2. **In my first set of comments, I said that there were incorrect statements in the paper that need to be fixed. I then gave some examples. Again the authors have tried to fix my examples, but not some others. For example, the authors claim on line 169 that transforming the model into log form will avoid heteroscedasticity problems. Heteroscedasticity occurs when the error is related to a characteristic of one of the independent variables. Why would using a log form avoid this problem? It would not. For example, if as the reserve requirement is increased, there is less variability in inflation, using a log form does not fix this problem.** 3. **In my first set of comments, I said that the authors overstate some points. The authors have made a good effort to fix this. However, I also said, "part of the problem is that the authors only mention the money supply here (and only use monetary variables in their model) when other forces are recognized as causing inflation." For example excess demand or a falling exchange rate can cause inflation. The authors do not address this very serious concern.** 4. **In my first set of comments, I write, "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." The authors responded by changing equation 1 into a generic equation without a functional form. However, they do not justify (nor do I think it is possible to justify) viewing inflation = $B_0MS^{B1}RS^{B2}I^{B3}$. Why would MS, RS, and I be multiplied by each other? Especially since I is the interest rate and MS is the money supply, and since I is determined by MS, it makes no sense to multiply them by each other. This and with my point in 3 above are fatal flaws in the**	

paper. 5. I continue to think that the authors have too little data. Furthermore, this is a problem that they can probably fix – most countries have monthly data on inflation, the money supply, interest rates, and the reserve requirement. However, (I freely admit that) if the authors adjust the model to include demand factors (which a Keynesian perspective would require), then getting monthly data on those demand factors might be impossible to acquire. However, monthly data on the exchange rate is easy to acquire. Although the authors cite someone who says that 30 observations are sufficient (a view that I do not share), it is also widely accepted that researchers should use the maximum number of observations possible under most circumstances. 6. The fatal flaws in the paper are given in 3 and 4 above.	

Note: Anonymous Reviewer