

Regional Financial Markets

Issues and Policies

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CHAPTER 7

Linking Commercial Bank Lending into Determinants of Price Level in Malaysia

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INTRODUCTION

The monetarists advocate that inflation is a pure monetary phenomenon that refers not only to movements in the quantity of money, but also to the factors that influence the public's willingness to hold money. All monetary economies, during certain phases of their development, have experienced mild or severe bouts of inflation (Kotwal, 1987). Inflation is usually a burning problem of monetary economies. In the future, it will be one of the unsolved chronic problems facing many of the developing countries around the world. The monster is never dead forever; therefore,