1   Money Market Deposit Account

In October 1982, the Garn-St. Germain Depository Institutions Act established the money market deposit accounts (MMDA), which were not subject to interest rate limits.[1] These accounts have as main characteristics: (i) they pay interest; (ii) deposit holders are permitted to write checks and use debit cards to make withdraws; (iii) the number of transactions per month is restricted. Although MMDAs could be used for transactions, they were classified as savings under Regulation D of the Federal Reserve Board.[2]

1.1   Data

Although MMDAs were established in October 1982 by the Garn-St. Germain Depository Institutions Act (see above), the data on MMDA balances that we have available only begins in 1984Q3.[3] Therefore, we input values for MMDA in 1982Q4–1984Q2. In this section, we describe the method we used to input such values.

In Figure 1 we plot the time series for savings (blue) together with the time series for savings minus MMDA (red), both at quarterly frequency. Figure 1 clearly suggests that right after the change in regulation in October 1982, most of the increase in savings was due to the increase in MMDA. This can be seen by the following two facts. First, the timing of the increase in savings. Notice that it happened exactly in the period following the change in regulation. Second, by the fact that the magnitude of the increase in savings following the regulation is very similar to the MMDA balance in 1984Q3 (equivalent to the distance between the blue and red lines).

In order to input the values for MMDA in 1982Q4–1984Q2, we estimate the series of savings that we would have observed if it did not include MMDA. We do that by linearly interpolating savings in 1982Q2 and savings minus MMDA in 1984Q3. It corresponds to the red dashed line in Figure 1. Therefore, the values of MMDA for the period between 1982Q4–1984Q2 correspond to the distance between the red and dashed red lines in Figure 1 in that period.

In Figure 2 we plot the same series presented in Figure 1 divided by GDP. Figure 2 shows that we would obtain (approximately) the same series for savings minus MMDA in 1982Q4–1984Q2 if we instead assumed that the ratio of savings minus MMDA to GDP remained constant in that period.

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[1]Garn-St Germain Depository Institutions Act of 1982. Pub. L. 97-320. 96 Stat. 1501. It is available online at https://www.gpo.gov/fdsys/pkg/STATUTE-96/pdf/STATUTE-96-Pg1469.pdf.

[2]12 C.F.R. 204, Regulation D (Federal Reserve Board). It is available at https://www.ecfr.gov/cgi-bin/text-idx?SID=3ecde660b9521e8cbd7207e20e44ff41&mc=true&node=se12.2.204_12&rgn=div8.

[3]The source of the data is described in the data appendix. It is in the .xls file that contains the data, in the spreadsheet named "README_". It is available at https://www.minneapolisfed.org/research/working-papers/on-the-stability-of-money-demand.
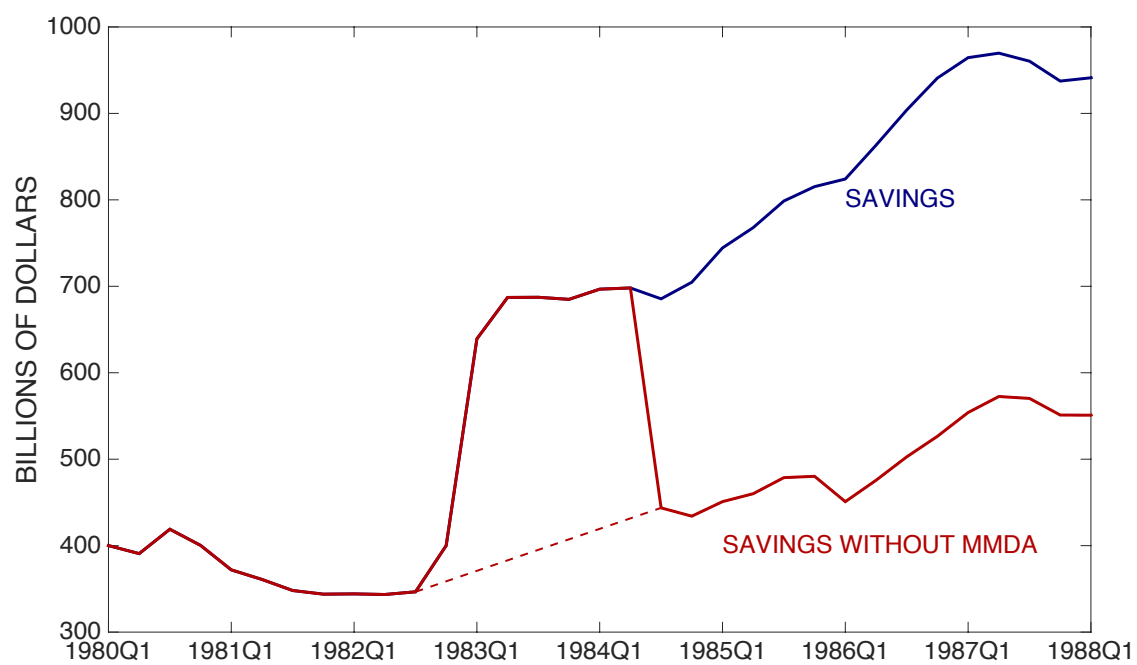
Figure 1: Savings and MMDA (levels)

Figure 2: Savings and MMDA (percent of GDP)