

**Table 1.**  
**The Demand for International Reserves: Benchmark Specification (Constant, Log GNP, Import Share, Export Variability)**

**A. Dependent Variable: Total Reserves**

Period	Constant	Log GNP	Import Share	Export Variability	R <sup>2</sup>	n
Total 1882-95	-3.87 (-13.43)	1.02 (240.08)	1.94 ( 12.65)	-0.03 ( -0.90)	0.99	1499
Gold 1882-13	-1.85 ( -4.96)	0.79 ( 27.32)	0.27 ( 1.21)	4.93 ( 0.86)	0.73	376
Interwar 1923-39	-5.02 ( -9.19)	1.11 ( 28.28)	4.13 ( 5.84)	4.25 ( 3.88)	0.77	278
Interwar 1925-35	-4.81 ( -8.98)	1.11 ( 26.47)	3.52 ( 4.61)	3.66 ( 3.52)	0.80	194
Bretton 1951-70	-3.43 ( -9.57)	1.02 (170.28)	3.80 ( 11.22)	-3.78 ( -3.88)	0.99	323
Bretton 1959-70	-3.89 (-17.91)	1.02 (181.70)	3.83 ( 10.42)	-3.52 ( -3.90)	1.00	241
Floating 1973-95	-3.47 (-16.41)	1.00 (172.05)	2.93 ( 10.93)	-0.04 ( -1.23)	0.99	480

**B. Dependent Variable: Gold Reserves**

Period	Constant	Log GNP	Import Share	Export Variability	R <sup>2</sup>	n
Total 1882-95	-4.66 (-10.66)	1.06 (164.90)	2.47 ( 10.58)	0.11 ( 2.11)	0.99	1497
Gold 1882-13	-2.79 ( -7.75)	0.87 ( 31.06)	0.28 ( 1.28)	6.67 ( 1.17)	0.78	374
Interwar 1923-39	-7.34 ( -9.09)	1.29 ( 22.27)	6.23 ( 5.97)	4.94 ( 3.05)	0.66	278
Interwar 1925-35	-6.22 ( -8.56)	1.21 ( 21.22)	4.03 ( 3.90)	3.40 ( 2.42)	0.72	194
Bretton 1951-70	-4.11 ( -6.44)	1.04 ( 97.32)	4.04 ( 6.71)	-6.65 ( -3.84)	0.98	323
Bretton 1959-70	-5.23 (-12.85)	1.04 ( 98.83)	3.89 ( 5.65)	-6.04 ( -3.57)	0.99	241
Floating 1973-95	-7.08 (-17.30)	1.05 ( 93.52)	4.57 ( 8.80)	0.15 ( 2.50)	0.96	480

Notes: t-statistics in parentheses. Two-tailed critical values are 1.96 at the 95% confidence level and 2.58 at 99% level. Year dummies are included.

Variable definitions: Dependent variables are log values. Import share = imports/GNP. Export variability = three year moving standard deviation of log exports.

Sources: See Appendix 2.

**Table 2.**  
**The Demand for International Reserves: Including Money Supply (M0) Volatility**

**A. Dependent Variable: Total Reserves**

Period	Constant	Log GNP	Import Share	Export Variability	Money Supply Volatility	R <sup>2</sup>	n
Total 1882-95	-3.74 (-65.58)	1.02 (477.59)	1.78 (12.02)	-0.04 (-1.37)	1.43 (4.25)	0.99	1499
Gold 1882-13	-2.12 (-8.65)	0.82 (30.07)	0.53 (2.52)	12.11 (2.35)	1.23 (0.67)	0.72	376
Interwar 1923-39	-4.50 (-10.51)	1.10 (28.73)	3.31 (5.29)	3.17 (3.33)	0.11 (0.17)	0.76	278
Interwar 1925-35	-4.55 (-9.69)	1.10 (26.79)	2.99 (4.41)	2.92 (3.18)	0.93 (1.06)	0.80	194
Bretton 1951-70	-3.86 (-21.68)	1.02 (172.58)	3.78 (11.24)	-4.08 (-4.36)	-2.66 (-2.30)	0.99	323
Bretton 1959-70	-4.15 (-25.75)	1.02 (183.23)	3.79 (10.38)	-3.28 (-3.68)	0.16 (2.00)	1.00	241
Floating 1973-95	-3.74 (-22.29)	1.01 (179.26)	2.84 (10.60)	-0.02 (-0.49)	0.78 (1.33)	0.99	480

**B. Dependent Variable: Ratio of Gold Reserves to Total Reserves**

Period	Constant	Log GNP	Import Share	Export Variability	Money Supply Volatility	R <sup>2</sup>	n
Total 1882-95	0.88 (41.06)	-0.02 (-22.37)	0.04 (0.65)	-0.06 (-5.10)	-0.48 (-3.74)	0.27	1499
Gold 1882-13	0.46 (6.39)	0.05 (5.73)	-0.03 (-0.53)	-1.23 (-0.80)	-0.10 (-0.18)	0.09	376
Interwar 1923-39	0.46 (2.88)	0.02 (1.71)	0.14 (0.61)	0.05 (0.13)	0.10 (0.41)	0.01	278
Interwar 1925-35	0.69 (3.42)	0.01 (0.55)	-0.26 (-0.89)	-0.28 (-0.70)	-0.01 (-0.03)	0.01	194
Bretton 1951-70	0.36 (4.65)	0.01 (2.51)	0.14 (0.98)	-0.70 (-1.74)	-0.75 (-1.51)	0.08	323
Bretton 1959-70	0.20 (3.14)	0.00 (2.16)	0.20 (1.40)	-0.03 (-0.10)	0.25 (8.07)	0.28	241
Floating 1973-95	0.00 (0.03)	0.01 (3.53)	0.25 (3.29)	0.02 (2.22)	0.13 (0.78)	0.06	480

Notes: t-statistics in parentheses. Two-tailed critical values are 1.96 at the 95% confidence level and 2.58 at 99% level. Year dummies are not included. Variable definitions: Ratio of gold reserves to total reserves = log (gold reserves) / log (gold reserve + foreign reserves). Money supply volatility = three year moving standard deviation of log M0 of major countries; gold standard (UK), interwar (US, UK and France), Bretton Woods (US), floating (US, German and Japan).

Sources: See Appendix 2.

**Table 3.**  
**The Demand for International Reserves: Including Exchange Rate Volatility**

**A. Dependent Variable: Gold Reserves**

Period	Constant	Log GNP	Import Share	Export Variability	Exchange Rate Volatility	R <sup>2</sup>	n
Total 1923-95	-4.58 (-32.59)	0.97 (184.14)	4.06 ( 9.88)	-0.14 (-2.27)	0.02 ( 3.87)	0.97	1073
Interwar 1923-39	-7.03 (-11.28)	1.27 ( 22.61)	5.42 ( 5.83)	3.79 ( 2.70)	0.00 ( 0.90)	0.65	278
Interwar 1925-35	-5.89 ( -9.50)	1.19 ( 21.44)	3.50 ( 3.72)	2.50 ( 2.02)	0.00 ( 0.77)	0.71	194
Bretton 1951-70	-5.29 (-15.74)	1.04 ( 97.05)	4.09 ( 6.19)	-6.87 (-4.02)	-0.47 (-1.74)	0.98	273
Bretton 1959-70	-5.35 (-16.12)	1.04 ( 99.03)	3.81 ( 5.53)	-6.43 (-3.84)	-0.45 (-1.59)	0.99	241
Floating 1973-95	-7.47 (-23.04)	1.05 ( 97.82)	4.66 ( 9.13)	0.14 ( 2.39)	0.08 ( 2.24)	0.96	480

**B. Dependent Variable: Ratio of Gold Reserves to Total Reserves**

Period	Constant	Log GNP	Import Share	Export Variability	Exchange Rate Volatility	R <sup>2</sup>	n
Total 1923-95	0.64 ( 22.16)	-0.01 (-11.38)	0.12 ( 1.42)	-0.04 ( -3.57)	0.00 ( 4.74)	0.17	1073
Interwar 1923-39	0.45 ( 2.80)	0.03 ( 1.77)	0.19 ( 0.80)	-0.01 ( -0.03)	0.00 ( 1.05)	0.01	278
Interwar 1925-35	0.65 ( 3.30)	0.01 ( 0.63)	-0.19 ( -0.64)	-0.35 ( -0.89)	0.00 ( 1.05)	0.02	194
Bretton 1951-70	0.32 ( 4.06)	0.01 ( 2.41)	0.20 ( 1.25)	-0.60 ( -1.47)	-0.07 ( -1.14)	0.08	273
Bretton 1959-70	0.32 ( 4.14)	0.01 ( 2.46)	0.22 ( 1.35)	-0.52 ( -1.31)	-0.10 ( -1.54)	0.10	241
Floating 1973-95	-0.02 ( -0.42)	0.01 ( 3.57)	0.24 ( 3.18)	0.02 ( 2.26)	0.01 ( 1.90)	0.06	480

Notes: t-statistics in parentheses. Two-tailed critical values are 1.96 at the 95% confidence level and 2.58 at 99% level. Year dummies are not included. Variable definitions: Exchange rate volatility = standard deviation of monthly exchange rates of major currencies; interwar(pound/dollar), post war(index of trade weighted dollar). Sources: See Appendix 2.

**Table 4.**  
**The Demand for International Reserves: Including World Inflation**

**A. Dependent Variable: Gold Reserves**

Period	Constant	Log GNP	Import Share	Export Variability	World Inflation	R <sup>2</sup>	n
Floating <sup>(1)</sup> 1973-94	-7.45 (-21.15)	1.05 (95.01)	4.66 (9.11)	0.15 (2.46)	0.03 (1.41)	0.96	480
Floating <sup>(2)</sup> 1973-94	-7.41 (-22.37)	1.05 (96.32)	4.64 (9.06)	0.14 (2.41)	0.21 (1.57)	0.96	480
Floating <sup>(3)</sup> 1973-94	-7.36 (-22.39)	1.05 (94.76)	4.67 (9.14)	0.15 (2.48)	0.16 (1.27)	0.96	480

**B. Dependent Variable: Ratio of Gold Reserves to Total Reserves**

Period	Constant	Log GNP	Import Share	Export Variability	World Inflation	R <sup>2</sup>	n
Floating <sup>(1)</sup> 1973-94	-0.10 (-2.01)	0.01 (4.53)	0.23 (3.04)	0.02 (2.72)	0.02 (4.40)	0.09	480
Floating <sup>(2)</sup> 1973-94	-0.06 (-1.23)	0.01 (4.14)	0.23 (2.99)	0.02 (2.43)	0.07 (3.64)	0.08	480
Floating <sup>(3)</sup> 1973-94	-0.07 (-1.51)	0.01 (4.59)	0.23 (3.09)	0.03 (2.87)	0.08 (4.52)	0.09	480

Notes: t-statistics in parentheses. Two-tailed critical values are 1.96 at the 95% confidence level and 2.58 at 99% level. Year dummies are not included. Variable definitions: (1) World inflation = the GDP weighted average of the G-5 (US, UK, France, German and Japan) inflation rate (2) World inflation = 1 if the GDP weighted average of G-5 inflation rate exceeds 3%, 0 otherwise (3) World inflation = 1 if high inflation period (1973-83), 0 otherwise. Sources: See Appendix 2.

Table 5.

The Demand for International Reserves: Including Instrumented Lagged Dependent Variable, Global Gold Ratio, Dummy for Statutory Gold Reserve Requirements

**A. Dependent Variable: Gold Reserves**

Period	Constant	Log GNP	Import Share	Export Var.	Lagged Dep.	Global Gold	Statutory Requirements	R <sup>2</sup>	n
Total 1882-70	-0.51 ( -0.67)	-0.02 ( -0.19)	0.02 ( 0.08)	0.48 ( 0.48)	1.03 ( 12.65)	0.48 ( 0.81)	0.14 ( 1.93)	0.98	955
Gold 1882-13	3.11 ( 1.25)	0.15 ( 0.50)	0.30 ( 1.39)	-3.20 ( -0.64)	0.85 ( 2.47)	-3.49 ( -1.05)	-0.66 ( -8.27)	0.81	374
Interwar 1923-39	-1.91 ( -0.72)	0.11 ( 0.32)	1.00 ( 0.62)	1.41 ( 0.88)	0.96 ( 3.55)	0.93 ( 0.61)	0.17 ( 1.02)	0.67	278
Interwar 1925-35	-0.20 ( -0.07)	0.10 ( 0.32)	-0.67 ( -0.42)	0.08 ( 0.06)	0.90 ( 3.56)	-0.25 ( -0.16)	0.24 ( 1.48)	0.74	194
Bretton 1951-70	-3.45 ( -1.48)	0.28 ( 0.99)	1.50 ( 1.14)	2.20 ( 0.83)	0.76 ( 2.82)	1.00 ( 0.92)	0.97 ( 7.91)	0.87	303
Bretton 1959-70	-6.21 ( -1.46)	0.58 ( 1.03)	2.40 ( 0.99)	2.54 ( 0.86)	0.50 ( 0.93)	2.33 ( 1.37)	0.88 ( 6.10)	0.89	221

**B. Dependent Variable: Ratio of Gold Reserves to Total Reserves**

Period	Constant	Log GNP	Import Share	Export Var.	Lagged Dep.	Global Gold	Statutory Requirements	R <sup>2</sup>	n
Total 1882-70	-0.55 ( -2.95)	0.06 ( 2.62)	0.04 ( 0.61)	0.05 ( 0.18)	-0.06 ( -2.57)	1.13 ( 7.46)	0.13 ( 6.68)	0.25	955
Gold 1882-13	-0.17 ( -0.18)	0.11 ( 1.33)	0.01 ( 0.13)	0.07 ( 0.04)	-0.08 ( -0.73)	0.51 ( 0.44)	0.01 ( 0.37)	0.10	374
Interwar 1923-39	0.13 ( 0.23)	-0.11 ( -1.22)	-0.15 ( -0.42)	-0.14 ( -0.32)	0.13 ( 1.58)	0.86 ( 2.24)	0.09 ( 2.01)	0.06	278
Interwar 1925-35	0.27 ( 0.38)	-0.14 ( -1.25)	-0.55 ( -1.20)	-0.50 ( -1.02)	0.14 ( 1.45)	0.91 ( 1.91)	0.15 ( 2.97)	0.09	194
Bretton 1951-70	-0.19 ( -0.32)	-0.11 ( -1.01)	-0.02 ( -0.04)	1.27 ( 2.08)	0.13 ( 1.24)	0.50 ( 1.87)	0.30 ( 10.84)	0.34	303
Bretton 1959-70	-0.35 ( -0.32)	-0.07 ( -0.32)	0.12 ( 0.17)	1.24 ( 1.78)	0.09 ( 0.44)	0.50 ( 1.25)	0.27 ( 8.63)	0.31	221

Notes: t-statistics in parentheses. Two-tailed critical values are 1.96 at the 95% confidence level and 2.58 at 99% level. Year dummies are not included.

Two-stage least squares estimates.

Variable definitions: Lagged dependent variable is instrumented by the benchmark specification. Global Gold Ratios are calculated using our data; gold standard(16 countries), interwar and post war(21 countries). Dummy for statutory gold reserve requirements = 1 if requirements are present, 0 otherwise.

Sources: See Appendix 2.

**Table 6.**  
**The Demand for International Reserves: Including an Exchange Rate Regime Dummy Variable**

**A. Dependent Variable: Total Reserves**

Period	Constant	Log GNP	Import Share	Export Variability	Exchange Rate Regime	R <sup>2</sup>	n
Total 1882-95	-3.81 (-13.52)	1.02 (243.87)	1.77 ( 11.54)	-0.01 ( -0.24)	-0.36 ( -6.24)	0.99	1499
Gold 1882-13	-1.81 ( -5.22)	0.80 ( 29.48)	0.03 ( 0.13)	4.12 ( 0.77)	-0.90 ( -7.40)	0.77	376
Interwar 1923-39	-4.58 ( -7.78)	1.09 ( 27.53)	4.25 ( 5.90)	3.76 ( 3.34)	-0.31 ( -2.21)	0.77	278
Interwar 1925-35	-4.34 ( -7.65)	1.09 ( 25.52)	3.64 ( 4.68)	3.03 ( 2.85)	-0.34 ( -2.59)	0.81	194
Bretton 1951-70	-3.68 ( -9.95)	1.02 (184.78)	3.63 ( 11.56)	-3.69 ( -4.12)	0.55 ( 3.63)	0.99	323
Bretton 1959-70	-4.11 (-19.23)	1.02 (191.21)	3.71 ( 10.61)	-3.60 ( -4.19)	0.72 ( 3.61)	1.00	241
Floating 1973-95	-3.35 (-15.19)	1.00 (172.46)	2.70 ( 9.87)	-0.03 ( -0.96)	-0.23 ( -3.15)	0.99	480

**B. Dependent Variable: Gold Reserves**

Period	Constant	Log GNP	Import Share	Export Variability	Exchange Rate Regime	R <sup>2</sup>	n
Total 1882-95	-4.60 (-10.73)	1.06 (167.32)	2.26 ( 9.73)	0.13 ( 2.61)	-0.41 (-4.76)	0.99	1497
Gold 1882-13	-2.76 ( -8.02)	0.87 ( 32.59)	0.09 ( 0.41)	6.24 ( 1.15)	-0.70 (-5.82)	0.80	374
Interwar 1923-39	-6.74 ( -7.76)	1.26 ( 21.62)	6.47 ( 6.09)	4.29 ( 2.58)	-0.44 (-2.08)	0.67	278
Interwar 1925-35	-5.48 ( -7.21)	1.17 ( 20.50)	4.21 ( 4.04)	2.43 ( 1.70)	-0.53 (-3.08)	0.74	194
Bretton 1951-70	-4.40 ( -6.44)	1.04 (101.95)	3.74 ( 6.46)	-6.46 (-3.91)	0.56 ( 1.97)	0.98	323
Bretton 1959-70	-5.52 (-13.45)	1.04 (101.51)	3.68 ( 5.48)	-6.10 (-3.70)	0.84 ( 2.18)	0.99	241
Floating 1973-95	-6.97 (-16.29)	1.05 ( 93.48)	4.33 ( 8.14)	0.16 ( 2.67)	-0.27 (-1.91)	0.96	480

Notes: t-statistics in parentheses. Two-tailed critical values are 1.96 at the 95% confidence level and 2.58 at 99% level. Year dummies are included. Variable definitions: Exchange rate regime dummy = 0 if a country has a fixed exchange rate regime, 1 if a country has a floating exchange rate regime. Sources: See Appendix 2.

**Table 7.**  
**The Demand for International Reserves: Including a Capital Controls Dummy Variable (Current Account Restrictions)**

**A. Dependent Variable: Total Reserves**

Period	Constant	Log GNP	Import Share	Export Variability	Capital Controls	R <sup>2</sup>	n
Total 1951-94	-4.12 ( -6.38)	1.01 (220.18)	3.05 ( 15.34)	-0.04 ( -1.36)	0.22 ( 3.77)	0.99	826
Bretton 1951-70	-3.99 ( -6.37)	1.01 (104.17)	3.45 ( 10.72)	-1.41 ( -0.86)	-0.06 ( -0.82)	0.98	306
Bretton 1959-70	-3.75 (-12.88)	1.02 (110.73)	3.42 ( 9.90)	-1.40 ( -0.91)	0.02 ( 0.32)	0.99	224
Floating 1973-94	-3.89 (-19.10)	1.01 (182.63)	2.81 ( 11.03)	-0.09 ( -2.83)	0.52 ( 6.19)	0.99	480

**B. Dependent Variable: Gold Reserves**

Period	Constant	Log GNP	Import Share	Export Variability	Capital Controls	R <sup>2</sup>	n
Total 1951-94	-5.91 ( -4.73)	1.05 ( 88.75)	4.15 ( 10.86)	0.07 ( 1.24)	0.61 ( 5.47)	0.94	811
Bretton 1951-70	-5.62 ( -4.16)	1.07 ( 35.78)	3.88 ( 6.01)	-3.68 ( -1.16)	-0.01 ( -0.10)	0.86	303
Bretton 1959-70	-7.01 ( -7.51)	1.10 ( 35.17)	3.85 ( 5.21)	-2.96 ( -0.94)	0.23 ( 1.45)	0.88	221
Floating 1973-94	-7.17 (-15.51)	(1.05 ( 77.43)	4.26 ( 8.59)	-0.03 ( -0.44)	1.27 ( 7.64)	0.95	470

Notes: t-statistics in parentheses. Two-tailed critical values are 1.96 at the 95% confidence level and 2.58 at 99% level. Year dummies are included.

Variable definitions: Capital controls dummy = 1 if a country has restrictions on its current account, 0 otherwise.

Sources: See Appendix 2.

**Table 8.**  
**The Demand for International Reserves: Including a Capital Controls Dummy Variable (Capital Account Restrictions)**

**A. Dependent Variable: Total Reserves**

Period	Constant	Log GNP	Import Share	Export Variability	Capital Controls	R <sup>2</sup>	n
Total 1951-94	-4.29 ( -6.86)	1.01 (230.37)	3.14 (16.25)	-0.04 (-1.49)	0.39 ( 7.60)	0.99	826
Bretton 1951-70	-3.93 ( -6.31)	1.01 (104.85)	3.44 (10.78)	-1.27 (-0.80)	-0.15 (-1.87)	0.98	306
Bretton 1959-70	-3.70 (-12.73)	1.02 (110.73)	3.39 ( 9.87)	-1.09 (-0.73)	-0.06 (-0.78)	0.99	224
Floating 1973-94	-4.28 (-22.39)	1.01 (204.49)	3.11 (13.20)	-0.07 (-2.65)	0.71 (11.21)	0.99	480

**B. Dependent Variable: Gold Reserves**

Period	Constant	Log GNP	Import Share	Export Variability	Capital Controls	R <sup>2</sup>	n
Total 1951-94	-4.95 ( -3.88)	1.05 (86.69)	3.95 (10.11)	0.15 ( 2.59)	-0.12 (-1.13)	0.93	811
Bretton 1951-70	-4.52 ( -3.58)	1.06 (37.95)	3.71 ( 6.16)	-1.65 (-0.56)	-0.84 (-5.81)	0.87	303
Bretton 1959-70	-5.88 ( -6.65)	1.08 (36.59)	3.34 ( 4.78)	-0.37 (-0.12)	-0.75 (-4.60)	0.89	221
Floating 1973-94	-7.01 (-13.84)	1.04 (72.57)	4.28 ( 8.04)	0.11 ( 1.72)	0.34 ( 2.39)	0.95	470

Notes: t-statistics in parentheses. Two-tailed critical values are 1.96 at the 95% confidence level and 2.58 at 99% level. Year dummies are included. Variable definitions: Capital controls dummy = 1 if a country has restrictions on its capital account, 0 otherwise. Data Sources: See Appendix 2.