《SUMMARY》

DEMAND FOR AND SUPPLY OF THE COMMERCIAL LOAN
AND THEIR EFFECTS ON THE LOAN INTEREST RATE

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The first aim of this paper is to estimate the demand and supply functions of the commercial loan market, based on the separation of periods into excess-demand and excess-supply ones. The second aim is to extend a model developed by Hamada et al. in order to include equations which explain the loan rate changes and determine the call rates. Policy implications are derived after estimating these equations.

The estimation period is 1964 III—1973 I. A period is classified as belonging to an excess-supply or excess-demand group depending on whether its Fund Position Diffusion Index in the Bank of Japan's *Short-Term Economic Survey* ("Tankan") is plus or minus. According to this standard, the number of excess-demand periods exceeds that of excess-supply periods, as is expected, and the demand and supply equations are well estimated.

The extended model is block-triangular. The quantities demanded in excess-demend periods and the quantities supplied in excess-supply periods, which are not assumed to be observable, are estimated by two methods. Using these estimates, this model can be measured. The estimation results imply that the relationship between the demand for and supply of commercial loans changes the loan rate significantly.

The examination of the above models shows that, in many periods the Bank of Japan's operation of the discount rate and reserve rates does not tend to equilibrate the demand and supply of the commercial loan market.

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