Index

Akerlof, George T. 2
Arrow, Kenneth J. 182
asymmetric information 133
autonomous money demand 72–3, 79, 82, 84, 177
impact on price level 72

Bailey, Martin 222
bank money 42–3, 72
Baumol, William J. 11
benchmark interest rate 88, 95, 97, 102, 194
Blinder, A. 4, 7
Boianovsky, Mauras 85
bonds
demand for 128, 147, 229–31
‘price’ of 127
supply of 129, 197, 227, 230–31
Bretton-Woods Agreement 152
Burke, Edmund 245
central banks 3, 103, 109, 153, 196–7, 200
coefficient of reaction 88, 108–9, 189
coinage 32
centrification costs of supply of inside money 36
compensations of inflation 239–42
cost of inflation risk 231
quantifications of 238–9
credibility costs of supply of inside money 36, 44–5, 48, 183, 219, 221
debt
determinants of quantity of 132
social function of 113–15, 123, 133–6
demand price of credit 84, 89, 89–90, 94–6, 185–217, 252
under risk 186
efficient consumption, 119–20, 133, 136, 140, 142, 155, 231, 236–7, 239, 245
efficient markets hypothesis 178, 180, 184
elasticity of money demand
to consumption 33
to nominal rate of return on capital 27, 28
and optimal rate of inflation 211–13, 223
endogenous money supply 3, 35, 42–3, 47, 64–5, 81–2, 86, 87, 104–5, 220
exchange rates
falling 196
pegged 108, 152, 200
expectations
and heterogeneous information 178–82
Federal Reserve of the United States 4
Fiscal Theory of the Price Level 4, 6
Fisher Condition 89–91, 94, 106–7, 187
Forster, E.M. 137
Friedman, M. 208, 214
Fujiki, Hiroshi 223
Gibson’s Paradox 101
government debt 134, 152–3, 156
Great Depression 183, 243
Great Inflation 3, 196–7
hedgers 122, 124–6, 137, 229
Hicks, J.R. 33, 35, 52
Hicks neutral technical change 125, 132, 134, 232
Hume, David 156
implicit yield on money 1–3, 33, 161, 204
inflation
and banking 95
private benefits of 218–19, 221–2
social benefits of 239–42
inflation rate
and money demand 27–9, 32
optimal rate of 213–14, 217
Quantity Theory determinants of 76–7, 171–4, 188
seasonal pattern 84
and semi-elasticity of money
demand 50–51
Wicksellian determinants of 99–100,
188–91, 196–8
inflation risk
social cost of 231, 235–41
inflation risk premium 146, 155, 162,
252
and the bond market 227–32
and the demand for money 163
and the demand price of credit 186
and the liquidity trap 167
and price level determination 87
and shoe leather costs 207, 215–16
and the supply of inside money 165
inflation target
see reference inflation rate
inside money
autonomous supply of 71–2, 95
elasticity of supply of to total
money demand 44
elasticity of supply to return on
capital 44
impact of supply of on prices 71–2
infinite elasticity of supply of 81
interest upon 47
semi-elasticity of supply of 50
social cost of supply 40, 217–19,
221–2
supply of 41–2, 164–5
interest rate 89
determination of 101
and inflation 247
and relation to price level 100–102,
192–5
stability 77, 195–6
zero bound 91, 106
interest rate reaction function 87–8,
92–3, 186, 200
international capital mobility 241–2
Kaldor, N. 36, 46, 82
Keynes, J.M. 137, 245
Knell, Markus 207, 209
lags
in the impact of the money supply
174–7
in impact of reference price level
191–2
‘long and variable’ 176
liquidation costs 12–18, 19, 21, 25,
32–3, 59, 62, 204, 218
liquidity trap 77–81, 85, 108, 167–8,
251
LM curve 4
Lucas, R. 4
M3 4
marginal benefit of money 13–14, 16,
33
and direct costs of money holding
15
marginal utility of money 17–18, 52,
62, 165
Marty, Alvin L. 211
Monetarism 3, 46, 103
see also Quantity Theory of Money
monetary equilibrium
existence 63–5, 166
uniqueness 57–62
monetary policy 76–7, 102–3
see also Price Stabilisation; Central
Banks
money debt
determinants of size of 152, 230
money bonds
demand for in the absence of real
bonds 22–9
‘price’ of 147, 148
social function of 138, 140–48
supply of in the absence of real
bonds 227–9
money demand
aggregate 30
coefficient of 27, 75, 84–5, 205,
213–14, 223–4
elasticity 27–8, 33, 75, 211–13
empirical studies 223
functional forms 25
minimum level of 24–6
semi-elasticity of 27–8, 75, 68, 80, 161, 164, 169, 211, 223
sensitivity of 27
theory of under risk 160–64
money neutrality 33
see also non-neutrality of money
money supply
permanent shocks to 70–71, 106, 157, 172–3, 175
permanent measures of 74–6, 171
money wage rates 85
Mulligan, Casey B. 223

natural rate of interest see profit rate
nominal rate of return on capital defined 22, 33
see also profit rate
non-neutrality of money 176, 242–4
non-neutrality of price level 46

Obstfield, Maurice 235
O’Connell, Sean 52
operational costs of supply of inside money 36
‘Optimal Quantity of Money’ and costs of inflation risk 236–7
outside money
residual demand for 49–50
semi-elasticity of demand for 50

Pareto’s False Principle of Diminishing Marginal Substitution 18, 28, 33
Patinkin, Don 11, 34
permanent magnitudes 75–6, 99, 101, 171
permanent rate of growth of outside money 75–6
permanent rate of profit 75–6, 99
permanent reference price level 98–9, 190
Phelps, E.S. 214
Phillips Curve 4
Pope, Jeff 223
price level
determination of 86–7, 95
elasticity to inside money supply 72
elasticity to outside money supply 67–9, 81, 85
elasticity to reference price level 95
semi-elasticity to bench mark rate of interest 97

semi-elasticity to profit rate 73, 96
profit rate
determination of 36, 114
and inflation 99–100, 189
and price stability 102
profit risk premium 127, 162, 165, 252
and price level determination 187

Quantity Theory
and the classical dichotomy 30, 33
comparative statics 66–73, 166–70
defined 3
foundations of under risk 160–66
and the infinitely elastic supply of inside money 82
and the liquidity trap 79–80
mathematical expectations versions of 170–72
price level determinacy 57–61
and Wicksellianism 103–6

Ramsey-Solow model 30–32
real balance effects 24, 138, 141, 156, 157
real interest rate 133
and inflation risk 230, 234–5
and money shocks 176
reference inflation rate 99–101
reference price level 87, 95–6
and inflation 190
and the interest rate 193
and the price level 193
Residual demand for outside money see outside money
risk
and debt 113–15, 122–3
trade of 241
risk evening 113, 133
risk premium see inflation risk premium

Samuelson, P.A. 11
seigniorage 208
optimal quantity of 212–13
social cost of 209–11, 220, 223, 226
semi-elasticity of money demand
to nominal rate of return on capital 27, 28, 84
to rate of interest 161
Index

Shann, E.O.G. 52
shoe leather cost of inflation 204–5
and inside money 214
as a rationale for price stability 207
and sensitivity of money demand 206–7
speculators 122, 124–6
supply price of credit 86, 88, 90, 94–7, 185–7
taxation
compliance costs 223
technological change 115–16, 125–6, 140, 154, 225, 252

see also Hicks neutral technical change

unemployment 4, 80, 85

Wicksell, K. 102, 108
Wicksellian theory of prices
comparative-statics 95–9
equilibrium 94
existence of equilibrium 92–3
inflation 99–100
parallelism with Quantity Theory 103–6
and zero interest bound 106
Woodford, Michael 4