

Accepted Manuscript

Monitoring Money for Price Stability

Constantino Hevia, Juan Pablo Nicolini

PII: S0165-1889(18)30011-3
DOI: [10.1016/j.jedc.2018.01.011](https://doi.org/10.1016/j.jedc.2018.01.011)
Reference: DYNCON 3516

To appear in: *Journal of Economic Dynamics & Control*

Received date: 13 November 2017
Revised date: 19 December 2017
Accepted date: 3 January 2018

Please cite this article as: Constantino Hevia, Juan Pablo Nicolini, Monitoring Money for Price Stability, *Journal of Economic Dynamics & Control* (2018), doi: [10.1016/j.jedc.2018.01.011](https://doi.org/10.1016/j.jedc.2018.01.011)



This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

Monitoring Money for Price Stability*

Constantino Hevia
Universidad Torcuato Di Tella

Juan Pablo Nicolini
Federal Reserve Bank of Minneapolis and Universidad Torcuato Di Tella

January 19, 2018

Abstract

In this paper, we use a simple model of money demand to characterize the behavior of monetary aggregates in the United States from 1960 to 2016. We argue that the demand for the currency component of the monetary base has been remarkably stable during this period. We use the model to make projections of the nominal quantity of cash in circulation under alternative future paths for the federal funds rate. Our calculations suggest that if the federal funds rate is lifted up as suggested by the survey of economic projections made by the members of the Federal Open Market Committee (FOMC), the fall in total currency demanded in the next two years ranges between 50 and 200 billion. Our discussion suggests that specific measures by the Federal Reserve to absorb that cash could be worth considering to make the future path of the price level consistent with the price stability mandate.

Keywords: Inflation, Money Demand, Currency in Circulation

JEL codes: E31, E41, E51

*We thank Pedro Teles, Marco Bassetto, and Martin Uribe for helpful discussions and Han Gao for outstanding assistance. The views expressed herein are those of the authors and not necessarily those of the Federal Reserve Bank of Minneapolis or the Federal Reserve System.

Download English Version:

<https://daneshyari.com/en/article/7358768>

Download Persian Version:

<https://daneshyari.com/article/7358768>

[Daneshyari.com](https://daneshyari.com)