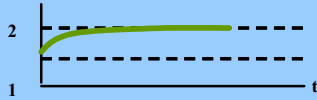
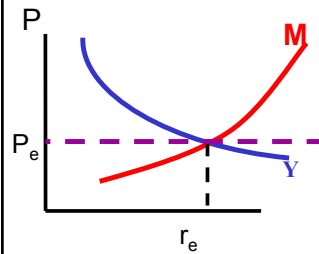


Lessons Learned

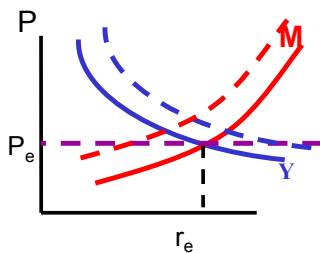


The Y and M Curves



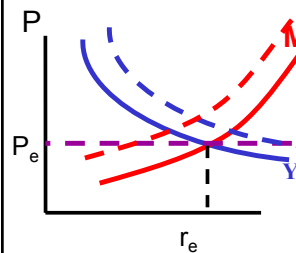
With the Y and M curves we can see how different government policies impact P and r,

The Christmas Eve Caper



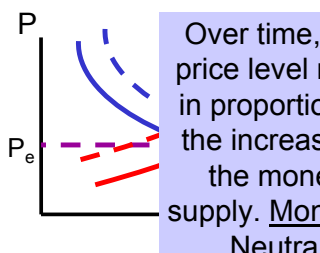
If all assets are denominated in real terms the price level goes up in proportion to the increase in money.

The Christmas Eve Caper



If all assets are denominated in real terms the price level goes up.

The Christmas Eve Caper



Over time, the price level rises in proportion to the increase in the money supply. Money is Neutral.

Some General Propositions

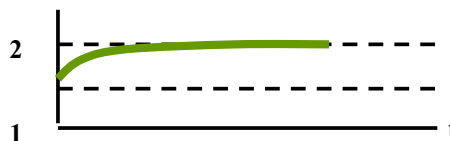
- In Mudville,
 - $Y_R = 100$
 - $M_S = 100$
 - $V = 1$
 - $P = 1$

Some General Propositions

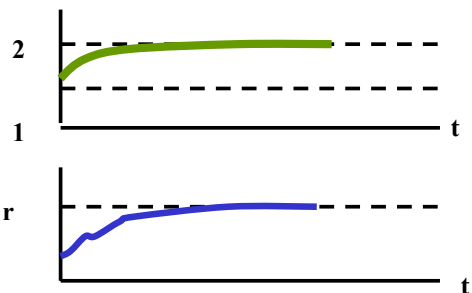
- In Mudville,
 - $Y_R = 100$
 - $M_S = 100$
 - $V = 1$
 - $P = 1$

*Now Mudville
doubles its
money supply*

Prices in Mudville



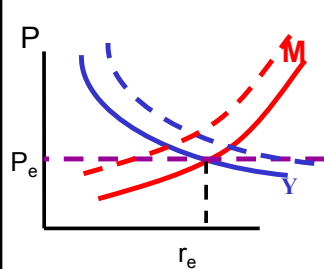
Prices and Interest Rates in Mudville



Conclusions

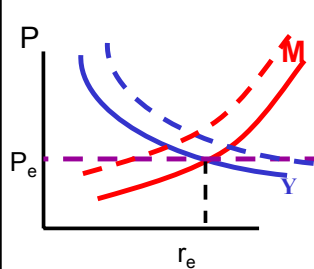
- Money is Neutral
 - Not necessarily initially
 - But certainly over time

A Temporary Spending Increase



*P will rise, and
perhaps r.*

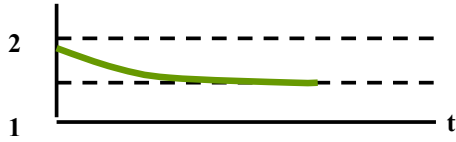
A Temporary Spending Increase



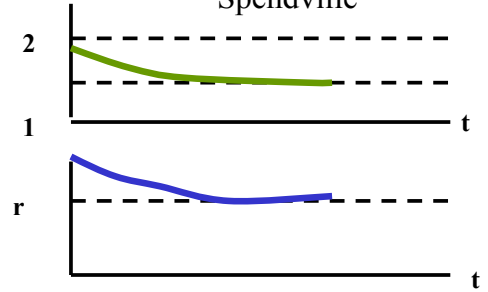
*P will rise, and
perhaps r.*

*These effects
are temporary.*

Prices in Spendville



Prices and Interest Rates in Spendville



Conclusions

- Temporary Programs Have Temporary Effects

End

©2004 Charles W. Upton.
All rights reserved