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The Monetary Theory of Production

In mainstream economic theory money functions as an instrument for the circulation of commodities or for keeping a stock of liquid wealth. In neither case is it considered fundamental to the production of goods or the distribution of income. Augusto Graziani challenges traditional theories of monetary production, arguing that a modern economy based on credit cannot be understood without a focus on the administration of credit flows. He argues that market asset configuration depends not upon consumer preferences and available technologies but on how money and credit are managed. A strong exponent of the circulation theory of monetary production, Graziani presents an original and perhaps controversial argument which will stimulate debate on the topic.

Augusto Graziani is Professor of Economics in the University of Rome La Sapienza. He is the author of *Teoria Economica* (4th edition, 2002).

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Federico Caffè Lectures

This series of annual lectures was initiated to honour the memory of Federico Caffè. They are jointly sponsored by the Department of Public Economics at the University of Rome, where Caffè held a chair from 1959 to 1987, and the Bank of Italy, where he served for many years as an adviser. The publication of the lectures will provide a vehicle for leading scholars in the economics profession, and for the interested general reader, to reflect on the pressing economic and social issues of the times.

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Contents

<i>Acknowledgements</i>	<i>page ix</i>
1 Introduction	1
2 Neoclassical monetary theory	33
3 A monetary economy	58
4 The creation of bank money	82
5 The distribution of income	96
6 The role of financial markets	114
7 Real and monetary interest	129
8 Implications for monetary policy	138
9 Concluding remarks	144
<i>References</i>	159
<i>Index</i>	170

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Rome, May 2002