

THE QUANTITY THEORY OF MONEY : A SURVEY OF LITERATURE

Dissertation in part fulfilment of
M. Phil. Degree Course in
UNIVERSITY OF POONA

Submitted by
A. K. DOIFODE

Gokhale Institute of Politics and Economics

PUNE 411 004

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This purports to be a brief review of the main literature on 'The Quantity Theory of the Value of Money'. The secondary objective was to trace the interlinking ways of thinking of the great economists whose literature we reviewed. It is thought that these links show the inherent continuity and evolution of the main elements of the quantity theory.

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INTRODUCTION

An attempt is made here to make a critical review of the literature on the quantity theory of money. Almost over a period of three centuries, the controversy about the relationship between the quantity of money and the price level has continued unabated. Any quantity theory of money is related to the demand for money in the first instance. Determination of the general price level and of the fluctuations in it, is possible with the help of the quantity theory of money. But it does not explain the changes in the relative prices.

The paper is divided into seven chapters. First Chapter attempts a brief but critical explanation of pre-Fisherian quantity theory, mainly with reference to John Locke and Richard Cantillon. The Second Chapter discusses at length Fisherian quantity theory. The views of A. C. Pigou and D. H. Robertson are taken as representative of the Cambridge School and are examined in Chapter III. The analysis of the relationship between price level and money supply given by J. M. Keynes is examined in Chapter IV. Milton Friedman's views on quantity theory are explained briefly in Chapter V followed by a brief review of Don Patinkin's views in Chapter VI. Concluding remarks are given in Chapter VII.