

[Presidential Address]

ON FUNDAMENTAL ISSUES OF MONEY AND BANK
CREDITS IN THE MACROECONOMIC FRAMEWORK

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〈SUMMARY〉

We investigate how to combine partial models for credit and money creation with general equilibrium models. We also examine the manner in which the economy in disequilibrium adjusts to the equilibrium in the unified general equilibrium models and study the characteristic of the equilibrium. If we assume a constant ratio of currency demand to deposit demand in specifying the money multiplier, money market must be continuously in equilibrium. On the other hand, if we assume deposit supply is demand-determined, security market has to be continuously in equilibrium, which changes both the adjustment path and the characteristic of the equilibrium.

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