

ABSTRACT FORM

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Paper title	Another Reason for Non-Neutrality of Financial Liquidity
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Abstract	<p>This paper reinterprets the non-neutrality of financial liquidity under a general equilibrium model with multiple financial liquidities, but without price stickiness. Non-neutrality opens the possibility of effective monetary or financial policy on the crisis-prone real economy and thus revisiting its nature is worthwhile. We find that models with only one asset and money limit our perspectives to see the nature of financial liquidities interacting with real economy. Departing from abstracting an economy with only one interest rate allows us to see the underlying reason of non-neutrality of financial liquidities, i.e., industry-specific rates of return distinguishable from the representative rate of return. Without the assumption of price stickiness but with a wider frame of multiple liquidities, this paper provides another reason of non-neutrality of financial liquidity and naturally clarifies the meaning of money neutrality.</p>