



American Economic Review

ISSN 0002-8282 (Print) | ISSN 1944-7981 (Online)

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Two Illustrations of the Quantity Theory of Money: Breakdowns and Revivals

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AMERICAN ECONOMIC REVIEW
VOL. 101, NO. 1, FEBRUARY 2011
(pp. 109–28)

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Article Information

Abstract

By extending his data, we document the instability of low-frequency regression coefficients that Lucas (1980) used to express the quantity theory of money. We impute the differences in these regression coefficients to differences in monetary policies across periods. A DSGE model estimated over a subsample like Lucas's implies values of the regression coefficients that confirm Lucas's results for his sample period. But

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Sargent, Thomas J., and Paolo Surico. 2011. "Two Illustrations of the Quantity Theory of Money: Breakdowns and Revivals." *American Economic Review*, 101 (1): 109–28.

DOI: 10.1257/aer.101.1.109

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