

The Ontological Reflection of the Monetary Theories

Jiří Štekláč

Abstract: The aim of the thesis is to create money market model throughout ontological reflection in order to reach the more realistic assumptions than current economic theories may offer. The study concludes that the least realistic is vertical model which is unfortunately the most common in mainstream economic textbooks. The author has some reservations even about the more realistic Post Keynesian models as well and therefore the alternative realistic model which assumes endogenous money supply and exogenous interest rate is created. In this model, money supply is given by credit supply and credit demand. Central banks control the short-term interest rate and cannot control monetary base because these two goals are in direct conflict. Under the certain conditions, central bank is able to influence money supply indirectly. Liquidity market (reserve market) and money market must be strictly separated.

Keywords: money supply and credit, central bank, monetary policy, interest rate, banks and other depository institutions

JEL Classification: E51, E52, E58, E43, G21