Supporting Information to

The macroeconomic money-nature nexus: Are growing money supplies a relevant obstacle on the way to an ecologically sustainable global economy?
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S4 Appendix

Collection of quotations
**Irving Fisher** about the neutrality of money growth:

“There still remains one seeming way of escape from the conclusion that the sole effect of an increase in the quantity of money in circulation will be to increase prices. It may be claimed – in fact it has been claimed – that such an increase results in an increased volume of trade. We now proceed to show that (except during transition periods) the volume of trade, like the velocity of circulation of money, is independent of the quantity of money. An inflation of the currency cannot increase the product of farms and factories, nor the speed of freight trains or ships. The stream of business depends on natural resources and technical conditions, not on the quantity of money. The whole machinery of production, transportation, and sale is a matter of physical capacities and technique, none of which depend on the quantity of money.” [1Chapter VIII § 2]

**Irving Fisher** about the purchasing power of money:

“The purchasing power of money is indicated by the quantities of other goods which a given quantity of money will buy. The lower we find the prices of goods, the larger the quantities that can be bought by a given amount of money, and therefore the higher the purchasing power of money. The higher we find the prices of goods, the smaller the quantities that can be bought by a given amount of money, and therefore the lower the purchasing power of money. In short, the purchasing power of money is the reciprocal of the level of prices; so that the study of the purchasing power of money is identical with the study of price levels.” [1Chapter II § 1]

**John Maynard Keynes** about the Quantity Theory of Money:

“Thus if there is perfectly elastic supply so long as there is unemployment, and perfectly inelastic supply so soon as full employment is reached, and if effective demand changes in the same proportion as the quantity of money, the quantity theory of money can be enunciated as follows: 'So long as there is unemployment, employment will change in the same proportion as the quantity of money; and when there is full employment, prices will change in the same proportion as the quantity of money'.

Having, however, satisfied tradition by introducing a sufficient number of simplifying assumptions to enable us to enunciate a quantity theory of money, let us now consider the possible complications which will in fact influence events:

(1) Effective demand will not change in exact proportion to the quantity of money.

(2) Since resources are not homogeneous, there will be diminishing, and not constant, returns as employment gradually increases.

(3) Since resources are not interchangeable, some commodities will reach a condition of inelastic supply whilst there are still unemployed resources available for the production of other commodities.

(4) The wage-unit will tend to rise, before full employment has been reached.

(5) The remunerations of the factors entering into marginal cost will not all change in the same proportion.

Thus we must first consider the effect of changes in the quantity of money on the quantity of effective demand; and the increase in effective demand will, generally speaking, spend itself partly
in increasing the quantity of employment and partly in raising the level of prices. Thus instead of constant prices in conditions of unemployment, and of prices rising in proportion to the quantity of money in conditions of full employment, we have in fact a condition of prices rising gradually as employment increases. The theory of prices, that is to say, the analysis of the relation between changes in the quantity of money and changes in the price-level with a view to determining the elasticity of prices in response to changes in the quantity of money, must, therefore, direct itself to the five complicating factors set forth above.” [2Chapter 21]

Wynne Godley summarizes the Monetary Circuit as follows:

“In order to finance production, the entrepreneur must obtain the funds necessary to pay his workforce in advance of sales taking place. Starting from scratch, he must borrow from banks, at the beginning of each production cycle, the sum which is needed in order to pay wages, creating a debt for the entrepreneur and, thereby, an equivalent amount of credit money, which sits initially in the hands of the labour force. Production now takes place and the produced good is sold at a price which enables the debt to be repaid inclusive of interest, while hopefully generating a surplus – that is, a profit – for the entrepreneur. When the debt is repaid, the money originally created is extinguished. An entire monetary circuit is now complete.” [3abstract]
References

