

## **EMPLOYMENT AND THE QUANTITY OF MONEY IN THE SHORT RUN:**

### **GENOVESI AND HUME**

(ABSTRACT)

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The dichotomy of economy between a real and a monetary sector characterized classical and neoclassical economics. According to it, the structure of relative prices (including the rate of interest) was determined by real factors (such as relative inputs of labour, time-preferences, etc.), and the absolute level of prices (or the value of money) was determined by the money supply and its velocity of circulation. Keynes broke up the dichotomy by determining interest through the demand for and supply of money; and as interest determined the level of activity, the quantity of money, in the short run, was associated with certain level of employment. That trend of reasoning goes back to Hume's 1752 essays. Genovesi's economic teaching, from 1754 on, drew several ideas from Hume. In particular, Genovesi stated the notion of an "optimum" quantity of money –as he did with the "optimum" quantity of population–, which maximizes the level of national income, below which an increase in money supply stimulates employment, and above which an increase in money supply hinders employment: "Il denaro è l'olio del carro del traffico ... Gli assi di questi carri non girano senza denaro: ma se il denaro è troppo, sarà un diluvio d'untume che arresta ogni moto".