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area below. In principle, of course, still other paths are possible. For example, it is conceptually possible for the adjustment to be explosive rather than damped. Restricting ourselves to damped paths is an empirical judgment.

14. Conclusion

In concluding this discussion of a theoretical framework, it may be worth stating that it is not a framework special to me or to those economists who view the operation of the economy in terms of the quantity theory either in its simple form or in the form of the monetary theory of nominal income. No doubt other economists would expand the framework differently, stress different parts of it, elaborate points I have skimmed over, and skim over points I have elaborated. But almost all economists would accept the framework, and this is true even, I believe, of the least thorough part, the sketch of the adjustment process in the preceding two sections.

One purpose of setting forth this framework is to document my belief that the basic differences among economists are empirical, not theoretical: How important are changes in the supply of money compared with changes in the demand for money? Are transactions variables or asset variables most important in determining the demand for money? How elastic is the demand for money with respect to interest rates? With respect to the rate of change in prices? When changes in demand or supply occur that produce discrepancies between the quantity of money that the public holds and the quantity it desires to hold, how rapidly do these discrepancies tend to be eliminated? Does the adjustment impinge mostly on prices or mostly on quantities? Is the adjustment process cyclical or asymptotic? Is the adjustment to sharp changes over short periods different in kind or only in degree from the adjustment to slower changes over longer periods? How long does it take for people to alter their anticipations in light of experience?

Much of the controversy that has swirled about the role of money in economic affairs reflects, in my opinion, different implicit or explicit answers to these empirical questions. The reason such differences have been able to persist is, I believe, that full adjustment to monetary disturbances takes a very long time and affects many economic magnitudes. If adjustment were swift, immediate, and mechanical, as some earlier quantity theorists may have believed, or, more likely, as was attributed to them by their critics, the role of money would be clearly and sharply etched even in the imperfect figures that have been avail-

able. But, if the adjustment is slow, delayed, and sophisticated, then crude evidence may be misleading, and a more subtle examination of the record may be needed to disentangle what is systematic from what is random and erratic. That, not the elaboration of the theory, is the primary aim of the monograph from which this paper is adapted, as well as of the other monetary studies of the National Bureau.

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