

# I Introduction

This short monograph attempts a critical synthesis of modern contributions to monetary theory. It aims to give a coherent picture of the whole field by stressing the interrelations between its various elements. While it is not a summary of contending views, it does give numerous references to the literature in which such views can be studied in detail; extensive reviews of that literature are available elsewhere [23, 25]. Within the space available it is possible to consider only major aspects of the subject and to assess the state of current theory in relation to them. Selection and judgement in these respects are those of the author.

The concern here is with monetary *theory*, i.e. with the construction and analysis of hypotheses about the interaction of money and economic activity. But theory has to be tested. One of the distinctive features of monetary economics in the last decade or so has been the growth of econometric work. That is not discussed here.