

Money Shocks and Output: A Contemporary Money Demand Approach*

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Abstract

We analyze the short-run effects of money shocks on output in the contemporary world. As our benchmark case, we visit Bernanke (1983) for the Turkish economy over the monthly period 2002M1-2006M10. We show that money shocks affect output with a lag of one month. After that, we introduce our contemporary model in which we include the effects of the usage of bank cards (i.e., credit and debit cards) into our analysis. Our contemporary model suggests that money shocks affect output for longer periods compared to the results obtained by the method of Bernanke (1983).

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Key Words: Money Shocks; Money demand; Growth; Turkey.

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