

Another Example in which Lump-Sum Money Creation is Beneficial

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Abstract

A probabilistic version of lump-sum money creation is studied in a random matching model with indivisible money and individual holdings bounded at 2 units. Sufficient conditions are obtained for an ex ante optimum from among implementable steady states to involve lump-sum creation of money. The role of that creation is to change the distribution of money holdings to permit more trade to occur. Beneficial money creation is impossible in a version with a 1 unit upper bound on individual holdings, but can almost certainly happen for all higher bounds.

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