

Velocity of Money

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The velocity of money is a key concept in monetary theory and its behavior is an important macroeconomic issue for Central Banks. In the monetarist tradition of Irving Fisher, we illustrate the relationship between money and economic activity according to the equation of exchange. Based on the quantity theory of money, the main objective of our study is to highlight the importance of the behavior of the velocity of money in conducting monetary policy in Lebanon. For this purpose, the first part lays out the theoretical approach of the quantity theory of money. The velocity of money in Lebanon is then calculated and monitored over the last twenty years. Finally, the main results of the study are pointed out.

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