

# Quantity Theory of Money

The classical version of the **Quantity Theory of Money** says that any increase in the money supply simply leads to a proportional increase in prices with no effect on the real economy.

The modern version of Quantity Theory of Money says that an increase in the money supply may increase the real economy temporarily. However, if the economy is at full employment, in the long run there is still no effect on the real economy; and any increase in the money supply will only manifest itself in an increase in prices.