



You are cordially invited to

UCLouvain Economics Seminar

**On Thursday October 13, 2016 from 12:45 to 14:00 at
Doyen 22, Place des Doyens, 1**

Nuno Palma

(European University Institute and University of Groningen)

Will give a presentation on

The existence and persistence of liquidity effects: evidence from a large-scale historical natural experiment

Abstract: The discovery of mines of precious metals in Central and South America led to a massive exogenous monetary injection to Europe's money supply. I argue this episode can be helpful to identifying the causal effects of money in a macroeconomic setting. Using a panel of six European countries for the period 1531-1790, I find strong evidence in favor of non-neutrality of money for changes in real economic activity. The magnitudes are substantial and persist for a long time: an exogenous 10% increase in production of precious metals in America leads to a hump-shaped positive response of real GDP, peaking at an average increase of 1.3% four years later. The evidence suggests this is because prices responded to monetary injections only with considerable lags. Several exogeneity tests and robustness checks confirm the results.

<http://www.ggdc.net/publications/memorandum/gd158.pdf>

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