

# **Monetarist Business Cycle Theories: A Critique**

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## **Abstract:**

There are a number of monetarist business cycle theories explaining recessions as a consequence of monetary shocks to the economy. The effects these theories centre on are effects on the labour supply, real wages, real prices and outstanding real debts, while effects on interest rates and on the capital market hardly get any attention. This paper argues that compared to these latter effects (stressed by the Austrians), the effects used in monetarist theories do not cause great harm to the economy as a whole, as they do not cause a general misallocation of the factors of production.