Abstract

The main goal of this thesis is to discuss the famous Milton Friedman's concept of Helicopter Drop of Money in context of its applicability in the real world as a possible solution to liquidity trap. For better understanding, the thesis briefly describes conduct of traditional and unconventional monetary policies. Key focus is put on describing assumptions necessary for the concept to yield desirable economic outcomes, and on detailed analysis of periods when zero lower bound on nominal interest rates is binding. Furthermore, roles of agents involved in execution of the concept, and important channels of transmission process are discussed from idealised theoretical view to real world possibilities of feasible execution. Additionally, practical experience with direct cash distribution in Australia, and with quantitative easing programmes in Japan and the USA are explained. The last part analyses effects of increased monetary base on CPI inflation, money multiplier M2, and GDP in Japan and the USA using vector autoregression.