

The paper sets out a monetary business cycle model with three alternative exchange technologies: the cash-only, shopping time and credit production models. The goods productivity and money shocks affect all three models, while the credit model has in addition a credit productivity shock. The paper compares the performance of the models in explaining the puzzles of the monetary business cycle theory. The credit model improves the ability to explain the procyclic movement of monetary aggregates, inflation and the nominal interest rate.