Review of: "Necessity of budget deficit in a growing economy where people hold money and leave a bequest"

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Potential competing interests: No potential competing interests to declare.

This study is based on an overlapping generations model. The study investigates the presence of budget deficits in an economy in which economic growth occurs. The paper is an example of an analysis using an overlapping generations model and it is also based on the argument of J.M.Keynes. According to the result of the study, "if money is held in reserve by the people, then the idea of a balanced budget is inconsistent with economic growth."

This study contains an important claim and proof. On the other hand, there are some issues that need to be explained.

The study is theoretically based on the work of Keynes. If theoretically based on Keynes' work, the symbol m should represent the demand for idle cash.

According to J.M.Keynes the demand for idle money is due to speculative-motive.

If there is a demand for money due to speculative-motive, there is an idle demand for money only today; tomorrow, today's idle money demand will turn into a given debt (In the case of a liquidity trap, a different explanation may be required.). On the other hand, tomorrow, there will be an idle demand for money again, under tomorrow's conditions. This is the basic explanation of underemployment and short-term analysis. When there is no demand for idle money, then the economy reaches full employment.

Does the model cover this situation? Is it necessary to explain this situation? If so, how can this be explained?

Friedman's famous work's results show that the demand for money is dependent on income, not interest rate, and money can be defined as a commodity that benefits the individual. In other words, demand for money due to speculative-motivate can be neglected. This is a challenge to Keynes' theory of money demand.

In the present study, money both provides a benefit to the person as a commodity without a speculative-motive and confirms Keynes' argument. How can this be explained?