

Instructor: Andrea Orame  
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Office Hours: by appointment

**Course Description:** the course develops a set of tools to analyze the interaction between money, financial markets and banks. The role of central banks and the conduct of monetary policy is taken into account. Relevant theory is then tested to get a better understanding of the recent financial crises.

**Text:** Frederic S. Mishkin, *The Economics of Money , Banking and Financial Markets*, Global Edition, 11/E (Pearson).

<http://catalogue.pearsoned.co.uk/catalog/academic/product?ISBN=9781292094182-IS>

Required and optional readings will be made available.

**Rules:** there will be a final written exam. No problem sets or midterms are scheduled. Please, limit emails to contact me: for personal advise, take advantage of my presence at the end of lectures.

## Course Outline:

- Part 1** Money: definitions and empirical evidence  
Interest rates I  
Demand for money  
The quantitative equation (theory) of money  
Inflation and deflation
- Part 2** Diamond-Dybvig model: liquidity insurance and bank runs  
The supply of money  
The IS-LM model  
Poole analysis
- Part 3** Interest rates II  
The behavior of interest rates  
The risk and the term structure of interest rates  
Inflation derivatives: basics  
Inflation expectation
- Part 4** Phillips curve and monetary policy rule  
Time inconsistency: discretion versus commitment  
The transmission mechanism of monetary policy: money and credit view  
Monetary policy at the zero lower bound
- Part 5** The recent financial crises: a recap