

Instructor: Andrea Orame
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Office Hours: by appointment

Course Description: the course develops the 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. The possibility to get extra points will be provided. 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
- Part 2** The financial structure and the asymmetric information problem: an overview
Financial intermediation as delegated monitoring
Diamond-Dybvig: liquidity insurance and bank runs
The supply of money
- Part 3** The IS-LM model in the short run
The IS-LM model in the long run
The aggregate demand and the aggregate supply
- Part 4** How central banks set the interest rates
On inflation and deflation
Time inconsistency: discretion versus commitment (Barro-Gordon)
Taylor rule and Inflation targeting (or the foreign exchange market)
Inflation derivatives and inflation expectations: basics
- Part 5** Interest rates II
The risk and the term structure of interest rates
Monetary policy at the zero lower bound
Forward guidance
The recent financial crises: a recap