

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