

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. The possibility to get additional points with class presentations on approved relevant topics 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  
Poole analysis
- Part 4** How central banks set the interest rates  
On inflation and deflation  
Time inconsistency: discretion versus commitment  
Taylor rule and Inflation targeting  
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