**Monetary Economics**

## Prof. Andrea Terzi

***COURSE AIMS AND INTENDED LEARNING OUTCOMES***

The course aims to provide students with the basic tools for understanding the meaning and consequences of monetary flows and financial stocks, introducing them to the theoretical debate and the practice of monetary policy and its effects on financial markets and macroeconomic variables. The course is divided into four parts: A) The monetary scope of the economy; B) The operational frameworks of monetary policy; C) Monetary policy and real economy; D) The monetary policy of the European Central Bank.

At the end of the course, students will be able to describe the fundamental mechanics of the payment system, illustrate the main techniques of conventional monetary policy, outline the operational set-up of the Eurosystem, identify the variables that explain the structure of interest rates, compare different hypotheses on the role of monetary aggregates and if interest rates in alternative macroeconomic models, outline the characteristics of unconventional policies and express an evaluation on the effectiveness of the monetary policy transmission channels.

***COURSE CONTENT***

**The monetary dimension of the economy**

Economic and financial transactions

Settlement activities

Economic and financial accounting

**Payment settlement**

Central bank currency and bank currency

The interbank settlement

International payments

**Monetary and financial aggregates**

Private liabilities and monetary liabilities

Bank credit and deposit

Central bank and system financing

**Official system rates and market yields**

The official system rates of the central bank

Operational framework of monetary policy

Monetary policy and the term structure of yields

**The monetary policy of the European Central Bank**

Pre-crisis tools and operation

Passive and active balance heet policies

The monetary policy response to the pandemic

**Methods and problems of menetary theory**

Monetary and real dimension of the economic system

The currency in the general economic balance

The debate on the nature and the consequences of financial savings

**The policies for the monetary government**

Monetarist and Keynesian recipes

Effects and limits of monetary policy

Effects and limits of fiscal policy

***READING LIST***

Banca Centrale Europea (2004). *L’attuazione della politica monetaria*, Chapter 4 of *La politica monetaria della BCE,* with addition from *Monetary policy implementation*, Chapter 4 of European Central Bank (2011) The Monetary Policy of the ECB.

Banca Centrale Europea (2015). *Il ruolo del bilancio della banca centrale nella politica monetaria*, Bollettino Economico, N.4, pp.69-88.

Mishkin, F. S.-S. G. Eakins-G. Forestieri (2015). Capitolo 3, Capitolo 5, Capitolo 9 di *Istituzioni e mercati finanziari*, Pearson Prentice Hall.

A. Terzi, (2023). *Il governo della moneta*, Giappichelli, Torino, 2nd edition, in publishing.

Slides by the lecturer.

***TEACHING METHOD***

Frontal lectures, use of the Blackboard platform.

***ASSESSMENT METHOD AND CRITERIA***

Students are assessed through a written test that includes applicative open and close ended questions and exercises. The exam commission may request an oral test to confirm the mark of the written exam. There will be an interim test for all students enrolled in the course. The mark will count 1/3 of the final mark only for those students who complete the test in the first session of the summer session and under the condition that the mark is higher than that obtained in the final exam. After this date the mark of the interim test will expire. Further details will be published on *Blackboard*.

The final exam aims to assess students’ preparation in relation to the learning objectives. Through questions on relevant points of the syllabus, students will be assessed on their level of overall knowledge acquired and their ability to critically deal with the topics studied, also by connecting different parts of the syllabus. The final mark is also based on students’ logical organisation, their analytical skills, their ability to summarise and their mastery of language demonstrated during the exam.

***NOTES AND PREREQUISITES***

Regular attendance and active participation are strongly recommended. Students must have knowledge in microeconomics and macroeconomics, which are necessary for an appropriate understanding of lectures.

In case the current Covid-19 health emergency does not allow frontal teaching, remote teaching will be carried out following procedures that will be promptly notified to students.

Further information can be found on the lecturer's webpage at http://docenti.unicatt.it/web/searchByName.do?language=ENG, or on the Faculty notice board.