# Monetary economics

## Prof. Marco Lossani

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

The primary purpose of this course is to give participants a sound grounding in monetary economics. The course aims at providing the logical framework and the basic tools useful to understand the reasons why money exists; the link – in the short as well as in the long run – between money, interest rates and prices; the way monetary policy is managed. Theoretical lectures will be supplemented by several case-studies taken from the recent evolution of monetary and financial markets.

At the end of the course students will:

1. know the most important determinants of money demand and supply;
2. understand the role played by Banks and the influence of asymmetric information on credit markets.
3. understand the role played by Central Banks and the relevance of the institutional framework;
4. understand the main features of monetary policy strategy and transmission mechanisms;
5. command the technical jargon useful to communicate efficiently the acquired knowledge;
6. command the knowledge of stylized facts and theoretical models that enable them to attend successfully advanced monetary economics courses.

***COURSE CONTENT***

The course is divided in two units:

*Money and Banking.* Definitions and functions of money. Definitions and determinants of interest rates: risk structure and term structure of interest rates. Money demand models. Money supply: the relation between monetary base and money. Banks and the credit market. The role of asymmetric information on credit: moral hazard and adverse selection. Bank Regulation.

*Central Banks and Monetary policy.* Goals and structure of Central Banks. Central Bank independence. Monetary policy strategy: from Monetary Targeting to Inflation Targeting. Monetary policy tactics: the Taylor rule. Transmission mechanisms of monetary policy. The crucial role of expectations. Comparing monetary policy before and after the Great Recession. Monetary policy after COVID-19. The return of inflation and the crucial role of expectations.

***READING LIST***

F.S. Mishkin-K. Matthews-M. Giuliodori, *The economics of money,* *banking and financial markets*, European edition, 2013.

F.S. Mishkin, *Macroeconomics. Policy and Practice,* New York, Pearson, Global Edition, 2015.

Additional material will be provided on Blackboard.

***TEACHING METHOD***

Lectures and discussion of case studies

***ASSESSMENT METHOD AND CRITERIA***

Students can choose between a “multiple assessment route” and a “single assessment ruote”.

Single assessment route

Written exam, open ended questions on the whole program, ninety minutes long. The exam will assess the knowledge of the theoretical models and stylized facts of monetary economics and the understanding of the basic features of monetary policy.

Multiple assessment route

Two partial written exams, each fourtyfive minutes long, both concurring on equal terms to the definition of the final grade. The mid-term test will be organized during the break of the second quarter (February 2024) while the second test will be organized at the end of the second quarter (students that pass the mid-term can complete the exam sitting in the first or in the second appello, but not in both).

Active class participation will count up to 10% of the overall final grade obtained with the written exams.

***NOTES AND PREREQUISITES***

*Notes*

Class attendance and active participation in class are highly recommended.