



Faculté des sciences économiques, sociales et politiques

ESPO

ECON3570 **Monetary Theory**

[30h] 3.5 credits

Teacher(s): Henri Sneessens
Language: english
Level: 3rd cycle course

Aims

The course aims at providing rigorous analytical tools to evaluate the role of monetary shocks and of monetary policy in actual economies.

The focus is on the understanding of the various " transmission mechanisms " by which money shocks can have the kind of aggregate real and nominal effects that the data suggest they (may) have.

The role of a Central Bank, what it can do or not do, what are the consequences of choosing specific policy instruments and operating procedures should be discussed against this background.

Main themes

More specifically, the focus will be on:

- brief comparisons of different ways of introducing money in an intertemporal general equilibrium framework (money in the utility function, cash-in-advance, shopping-time models);
- connections between money creation and public finance issues (inflation tax, hyperinflation, optimal quantity of money) ;
- real effects of monetary shocks in flexible vs sticky price models ;
- role of money in an open-economy with flexible or fixed exchange rates, either in a two-country setup or in a small open economy model ;
- credit channel of monetary policy (money in imperfect capital market setups) ;
- monetary policy issues (time consistency, instruments and objectives, interest rates and monetary policy).

Other information (prerequisite, evaluation (assessment methods), course materials recommended readings, ...)

Prerequisites : Advanced Macroeconomics I

Evaluation : homeworks + oral exam

Support : C.E. Walsh, Monetary Theory and Policy, MIT Press, 1998, ISBN 0-262-23199-9

Other credits in programs

ECGE3DS/EF Diplôme d'études spécialisées en économie et gestion (Master (5 credits) in business administration) (économie financière)