Topics in Monetary Economics *

Francesco Lippi
University of Sassari and EIEF
flippi‘at’uniss.it

September 30, 2009

In this class we study monetary models with a focus on money demand. In most of the models considered real balances will be derived as ways to economize on various transactions. We will study properties of both individual (i.e. households and firms) as well as aggregate money demand. Both theory and empirics will be employed to assess the fit of different models and discuss the welfare consequence of different policies. The class will have mostly a theoretical bent, but we will also review a selection of the empirical evidence, both aggregate and micro, on both long-run and short-run properties of money demand, properties of interest rates, inflation, and the use of means of payments.

---

*This is a class prepared for the Doctoral program of Tor Vergata University and the EIEF graduate students in the fall 2009.
Main Topics

1. Money, velocity, prices, interest rates, and the optimal quantity of money.

   - Money, neutrality and superneutrality in a simple OLG economy (Samuelson) Lucas (1996)

2. Inventory Theoretic Transactions based models of money.

   - Households/workers: Baumol (1952), Tobin (1956), Attanasio et al. (2002)


4. Broader money aggregates (with information and transaction frictions)

   - The savings problem with information frictions Duffie & Sun (1990), Abel et al. (2007), Abel et al. (2009)
   - Durable consumption with Transactions and information costs Alvarez et al. (2009), chapter 10 of Stokey (2009).


Further readings

6. Nominal Rigidities: sticky prices
   - One Period Prices Set in Advance: Blanchard & Kiyotaki (1987)
   - Revisiting the Friedman Rule: optimality of stable price level:
     Khan et al. (2003), Yun (2005).


9. Cost of Inflation with Heterogeneous agents.
References


URL: [http://ideas.repec.org/a/aea/aecrev/v73y1983i5p871-80.html](http://ideas.repec.org/a/aea/aecrev/v73y1983i5p871-80.html)


URL: [http://ideas.repec.org/a/ucp/jpolec/v104y1996i4p661-82.html](http://ideas.repec.org/a/ucp/jpolec/v104y1996i4p661-82.html)


URL: [http://ideas.repec.org/a/ecm/emetrp/v55y1987i3p491-513.html](http://ideas.repec.org/a/ecm/emetrp/v55y1987i3p491-513.html)


URL: [http://ideas.repec.org/a/cje/issued/v17y1984i1p138-45.html](http://ideas.repec.org/a/cje/issued/v17y1984i1p138-45.html)


URL: [http://ideas.repec.org/a/red/issued/v7y2004i1p181-197.html](http://ideas.repec.org/a/red/issued/v7y2004i1p181-197.html)


URL: [http://ideas.repec.org/a/ucp/jpolec/v92y1984i1p40-58.html](http://ideas.repec.org/a/ucp/jpolec/v92y1984i1p40-58.html)

URL: http://ideas.repec.org/a/ecm/emetrp/v61y1993i4p783-820.html


