

ECON 736 – Monetary Economics

Semester 2, AY 2022-23

Instructor: Nicolas L. Jacquet

Outline of the Course:

- 1. Financial Intermediation I: Banks as Delegated Monitors**
 - a. Costly State Verification: Townsend (JET 1979); Gale-Hellwig (ReStud, 1985).
 - b. Moral Hazard: Holmstrom-Tirole (QJE 1997).
- 2. Financial Intermediation II: Banks as Providers of Liquidity and Crises**
 - a. To Households: Diamond-Dybvig (JPE 1983); Diamond (JPE 1997); Diamond-Rajan (JPE 2001); Ennis-Keister (AER 2009).
 - b. To Firms: Holmstrom-Tirole (JPE 1998); Farhi-Tirole (AER 2009).
- 3. Micro-founded Monetary Economics**
 - a. Generations 1 and 2: Kiyotaki-Wright (AER 1993) and Trejos-Wright (JPE 1995)
 - b. Generation 3 (the “New Monetarist” framework): Lagos-Wright (JPE 2005); Rocheteau-Wright (ECMA 2005).
- 4. Micro-founded Monetary Economics (cont’d)**
 - a. Inflation and cost of inflation: Lagos-Wright (JPE 2005); Rocheteau-Wright (ECMA 2005).
 - b. Money, credit, and banking: Berentsen-Camera-Waller (JET 2007); Monnet et al. (ReStud 2013); Andolfatto-Berentsen-Martin (ReStud 2020)
- 5. More on Credit**
 - a. Credit cycles: Bernanke-Gertler (AER 1989); Kiyotaki-Moore, (JPE 1997), Gu et al. (JPE 2013); Gorton and Ordonez (AER 2014).
 - b. Credit Chains (Kiyotaki and Moore, Clarendon Lecture); Bigio (2022)
 - c. Credit and Monetary Policy: Monetary Policy: Williamson (AER 2012); Rocheteau, Wright, and Zhang (AER 2018); Kiyotaki-Moore (JPE 2019).
- 6. Asset Pricing**
 - a. Liquidity-augmented C-CAPM: Geromichalos et al. (RED 2008); Lagos (JME 2010); Li et al. (JPE 2012); Jacquet (JPE 2021); Holmstrom-Tirole (JF 2001).
 - b. Money, inflation, and asset pricing: Rocheteau (JME 2011), Jacquet-Tan (JME 2012).
- 7. Student Presentations**
 - a. Referee reports
 - b. Complete paper presentation

References

The course will not be following any particular textbook. Additional references to relevant journal articles will be provided in class.

Here is a (incomplete) list of textbooks that cover some of the topics we will be discussing:

- E. Nosal and G. Rocheteau, *Money, Payments and Liquidity*, MIT Press
- F. Allen and D. Gale, *Understanding Financial Crises*, Oxford University Press.
- B. Holmstrom and J. Tirole, *Inside and Outside Liquidity*, MIT Press.
- C. Walsh, *Monetary Theory and Policy*, Second Edition, MIT Press

Evaluation

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| 1. Referee Reports (2, with a short presentation for the second one) | 15%+25% |
| 2. In-Class Presentation of a paper | : 30% |
| 3. Research Proposal (due 14th December) | 30% |

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Consultations: By appointment