

Bavarian Graduate Program in Economics

Monetary Theory and Policy: August 1-5, 2022

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Goal: The goal of this course is to provide students with a conceptual framework for understanding monetary and fiscal policy. This course begins with an introduction to the theory of money and its relation to credit. It then develops, in stages, a basic theoretical framework to study government money and debt, with application to real-world issues. Related topics, such as banking, financial fragility and cryptocurrencies are also discussed.

Background: A course in basic microeconomic theory, knowledge of algebra and basic calculus.

Course webpage: <https://sites.google.com/site/davidandolfatto/courses/money-monetary-policy>

August 1, 2022

9.00-10.30 Lecture 1: The foundations of money demand. Limited commitment and limited information. Reciprocal gift-exchange and social credit. Money as a way to coordinate economic activity between strangers. Scaling social credit.

10.30-11.00 Coffee break

11.00-12.30 Lecture 2: Overlapping Generations (OLG) models. Multilateral gains to trade. Coordinating economic activity. Desirable allocations. Implementation. Social credit equilibrium. Competitive monetary equilibrium. Dynamic stability.

12.30-14.00 Lunch

14.00-15.30 Problem sets.

15.30-16.00 Coffee break

16.00-17.30 Discussion of problem sets and review.

17.30-19.00 Break

19.00 Dinner

August 2, 2022

9.00-10.30 Lecture 3: Seigniorage and inflation. The limits to money finance.

10.30-11.00 Coffee break

11.00-12.30 Lecture 4: Sustainable deficits. Does the National Debt Matter?

12.30-14.00 Lunch

14.00-15.30 Problem sets.

15.30-16.00 Coffee break

16.00-17.30 Discussion of problem sets and review.

17.30-19.00 Break

19.00 Dinner

August 3, 2022

9.00-10.30 Lecture 5: Ricardian and Non-Ricardian fiscal regimes. Unpleasant Monetarist arithmetic.

10.30-11.00 Coffee break

11.00-12.30 Lecture 6: International monetary systems. Fixed vs floating exchange rate regimes. Nominal exchange rate indeterminacy. Stablecoins.

12.30-14.00 Lunch

14.00-15.30 Problem sets.

15.30-16.00 Coffee break

16.00-17.30 Discussion of problem sets and review.

17.30-19.00 Break

19.00 Dinner

August 4, 2022

9.00-10.30 Lecture 7: An OLG model with money, bonds and capital. Using the model to interpret the the 2007-08 financial crisis and monetary policy response. Banking and endogenous money.

10.30-11.00 Coffee break

11.00-12.30 Lecture 8: Global imbalances. Exorbitant privilege. The Triffin dilemma. Redistributive and political implications of free trade.

12.30-14.00 Lunch

14.00-15.30 Problem sets.

15.30-16.00 Coffee break

16.00-17.30 Discussion of problem sets and review.

17.30-19.00 Break

19.00 Dinner

August 5, 2022

9.00-10.30 Lecture 9: Cryptocurrencies, decentralized autonomous organizations, stablecoins.

10.30-11.00 Coffee break

11.00-12.30 Lecture 10: Central bank digital currencies. Retail vs. Wholesale. Narrow banking.

12.30-14.00 Lunch

14.00-15.30 Q&A (Optional)

Course material: Links to slide decks, readings and problem sets will be made available on the course web page.

Textbook (optional). *Modeling Monetary Economies*, by Bruce Champ, Scott Freeman and Joseph Haslag. I recommend picking up any version of this well-written book (there are four editions) and reading through it to gain a basic understanding of the methodology employed in this course.