

Monetary Theory

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Week 1: Credit

- Trust and limited commitment
- Intermediating trust: the role of banks
- Financial fragility

Week 2: Money

- Commodities as money
- Assets as money
- The terms of trade
- Intermediation

Week 3: Money

- The benchmark model with divisible money
- Extensions
- The cost of inflation
- Liquidity in finance

Readings

Gu, Chao, Fabrizio Mattesini, Cyril Monnet, and Randall Wright. 2013a. "Banking: A New Monetarist Approach." *Review of Economic Studies* 80 (2): 636–62.

Holmstrom Bengt and Jean Tirole "Financial Intermediation, Loanable Funds, and the Real Sector" *The Quarterly Journal of Economics*, Vol. 112, No. 3. (Aug., 1997), pp. 663-691.

Diamond Douglas W. and Philip H. Dybvig "Bank Runs, Deposit Insurance, and Liquidity" *Journal of Political Economy*" Vol. 91, No. 3 (Jun., 1983), pp. 401-419

Allen Franklin and Douglas Gale "Understanding Financial Crises" Oxford University. Press, Oxford. 2007

Lagos Ricardo, Rochetau Guillaume and Randall Wright "Liquidity: a New Monetarist Perspective" *Journal of Economic Literature* 2017, 55(2), 371–440

Kiyotaki, Nobuhiro, and Randall Wright. 1989. "On Money as a Medium of Exchange." *Journal of Political Economy* 97 (4): 927–54.

Lagos, Ricardo, and Randall Wright. 2005. "A Unified Framework for Monetary Theory and Policy Analysis." *Journal of Political Economy* 113 (3): 463–84.

Nosal, Ed, and Guillaume Rocheteau. 2011. *Money, Payments, and Liquidity*. Chicago and London: MIT Press

Berentsen, Aleksander, Guido Menzies, and Randall Wright. 2011. "Inflation and Unemployment in the Long Run." *American Economic Review* 101 (1): 371–98

Duffie, Darrell, Nicolae Garleanu, and Lasse Heje Pedersen. 2005. "Over-the-Counter Markets." *Econometrica* 73 (6): 1815–47.