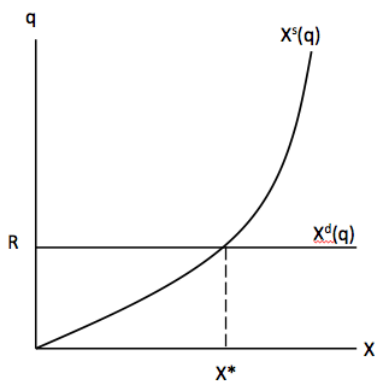


EE312 Macroeconomics, 1/2014 (Sec. 046402)  
Chapter 7. A Monetary Intertemporal Model: A Short Note

## 1 Ms, Credit Card, Md, Neutrality of Money and Shifts in Md

- Money Supply : total amount of “money” in the hand of public at a specific time. It is a ..... concept.
- M1 = currency + demand deposits + other checkable accounts.
- Inflation Rate ( $i$ ) :  $1 + i = \dots\dots\dots$
- Fisher Relation :  $1 + r = \dots\dots\dots$  ,  $(1 + R) = (1 + r)(\dots\dots\dots)$  , simplified Fisher :  $r = \dots\dots\dots$  .
- Rate of Return on Money :  $1 + r^m = \dots\dots\dots < 1 + r$

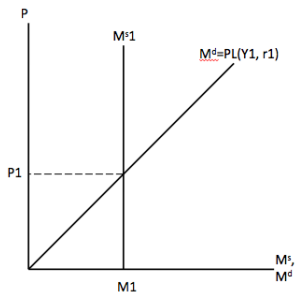
- **Market for Credit Card Services :**



- $MC = \dots\dots\dots$ ,  $MB = \dots\dots\dots$
- $X^d = X^*(R)$  while  $R = q$ .

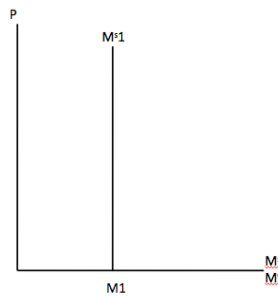
- Government :  $PG + (1 + R^-)B^- = PT + B + (M - M^-)$

- **Neutrality of Money:**



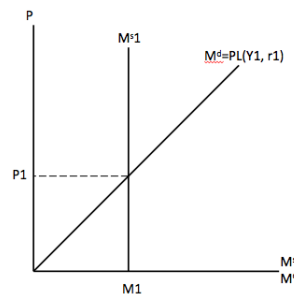
- $M^s \uparrow$ . In the long run, .....
- In the short run, .....

- **Money Market**



- $M^d = \dots\dots\dots = \dots\dots\dots$
- $R = r + \dots$  ,  $M^d = \dots\dots\dots$

- **Shifts in Money Demand**



- $X(q)$  shifts left  $\Rightarrow M^d \dots\dots\dots$
- $P \dots\dots$  , other markets .....

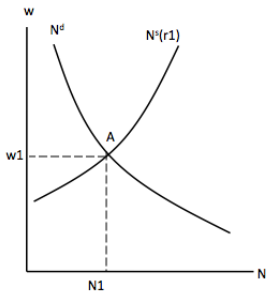
## 2 Monetary Policy

- **Discretionary** : Keynesians - inefficient market, fiscal policy to stabilize the economy.
- Imperfect information  $\Rightarrow$  Discretionary monetary policy is difficult and costly
- **Monetary policy rules** : (1) Money supply targeting (2) Interest rate targeting (3) Inflation targeting (4) Nominal GDP (NGDP) targeting

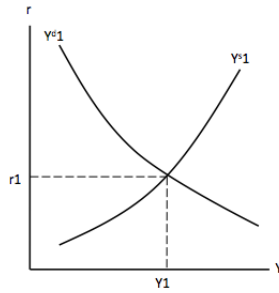
### 3 Shocks Experiments

#### 3.1 Current government purchases increase temporarily (G);

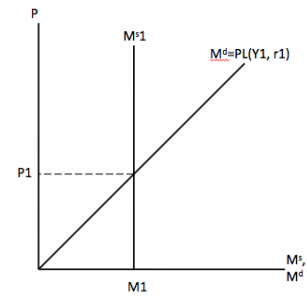
Labour Market



Output Market

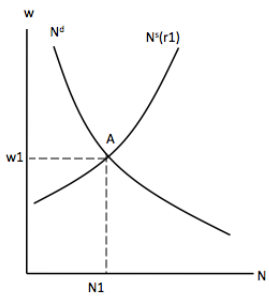


Money Market

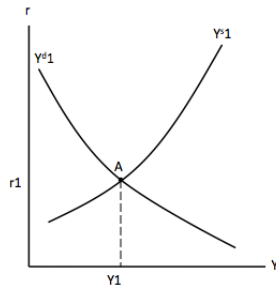


#### 3.2 A decrease in current capital stock (K)

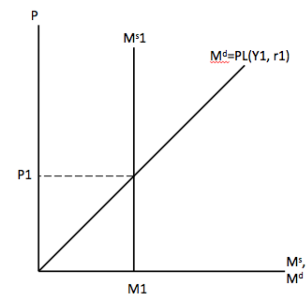
Labour Market



Output Market

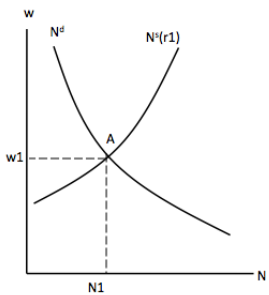


Money Market

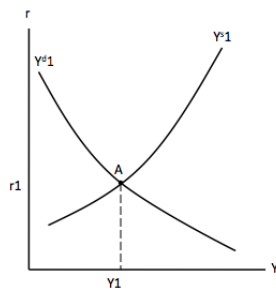


#### 3.3 An increase in Current Total Factor Productivity (Z)

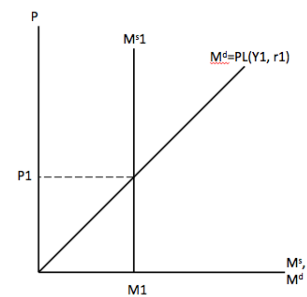
Labour Market



Output Market

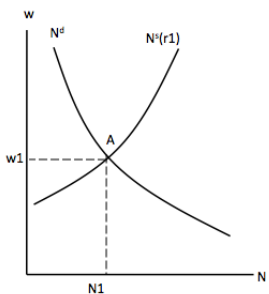


Money Market

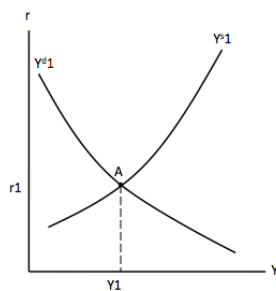


#### 3.4 An increase in future Total Factor Productivity (Z')

Labour Market



Output Market



Money Market

