

Preface

An old song has it that *money makes the world go round*. Indeed, money, the universally accepted means of exchange, plays a pivotal role in turning the wheels of an increasingly globalized world economy, characterised by increasing cross-border trade in goods and services and financial transactions. Given the undeniable importance of money for domestic and international economic dispositions, we therefore do not heed the old saying *The best advice about money is not to talk about it* in this book. On the contrary, we will talk about money quite extensively.

At the time of writing, the global monetary architecture experiences an unprecedented credit market turmoil, which started in the US subprime mortgage market in July/August 2007 and spread to virtually all major financial markets. The ultimate consequences of this financial earthquake are hard to predict in terms of their impact on the global economy and its monetary order in the years to come. Nevertheless, throughout our book the reader will find plenty of analyses of the factors and events which may have sown the seeds of the current crisis.

With this book we want to provide students with an integrated overview about the major building blocks of monetary economics – that are monetary theory, capital market theory and monetary policy theory. In doing so, we will draw heavily on the work of many leading scholars. On top of that, we will provide numerous graphs and econometric examples, which may help illustrating, and thereby improving the understanding of, the theoretical issues under review.

We also want to show that one can address nearly all the core issues in monetary economics with a systematic modern approach which does not neglect econometrics but that also pays attention to the nuances of micro foundations. The book is aimed at second- and third-year undergraduate and graduate courses in monetary economics and international finance.

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