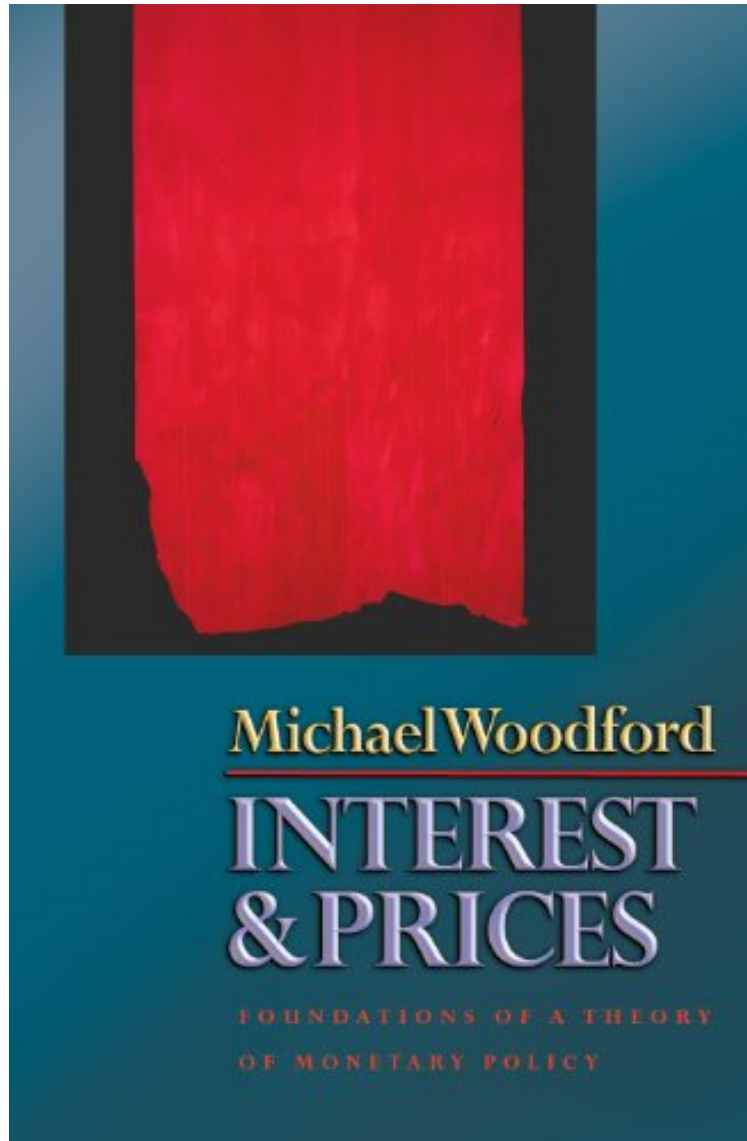


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Interest and Prices: Foundations of a Theory of Monetary Policy

Michael Woodford

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subject. However the book has the following caveats:- It is too verbose. That means that you might have the same deepness with less words. As a consequence the reader often gets tired, bored and misses the main point;- It does not talk about conventional monetary policy as you could find in Walsh's "Monetary Theory and Policy";- Trying to make the exposition easier, the models are presented in separated too far apart pieces. This makes it difficult to fully grasp the details at once. In view of this, I must say that Walsh's book might become a necessary complement to Woodford's. Notice that the styles and goals of both books are different. Therefore, buying one or another depends on your intentions. In addition I'd say that Woodford's overall strategy is right in terms of the sequence of subjects treated. However, shorter and more numerous chapters might improve the exposition tactics. 12 of 14 people found the following review helpful. must read text for students in monetary economics

By A Customer
This book is written by one of the giants in modern macroeconomics. Although a little bit lengthy, the book contains nearly all the recent advance in monetary economics, especially in the interest rate rules and optimal monetary policy. Of course, you should be familiar with log linearization and simple matrix algebra in order to access the mathematics of the book. Woodford's Interest and Prices and Walsh's Monetary Theory and Policy (2nd edition) would definitely become the required text for every graduate course in monetary economics around the world.

With the collapse of the Bretton Woods system, any pretense of a connection of the world's currencies to any real commodity has been abandoned. Yet since the 1980s, most central banks have abandoned money-growth targets as practical guidelines for monetary policy as well. How then can pure "fiat" currencies be managed so as to create confidence in the stability of national units of account? Interest and Prices seeks to provide theoretical foundations for a rule-based approach to monetary policy suitable for a world of instant communications and ever more efficient financial markets. In such a world, effective monetary policy requires that central banks construct a conscious and articulate account of what they are doing. Michael Woodford reexamines the foundations of monetary economics, and shows how interest-rate policy can be used to achieve an inflation target in the absence of either commodity backing or control of a monetary aggregate. The book further shows how the tools of modern macroeconomic theory can be used to design an optimal inflation-targeting regime--one that balances stabilization goals with the pursuit of price stability in a way that is grounded in an explicit welfare analysis, and that takes account of the "New Classical" critique of traditional policy evaluation exercises. It thus argues that rule-based policymaking need not mean adherence to a rigid framework unrelated to stabilization objectives for the sake of credibility, while at the same time showing the advantages of rule-based over purely discretionary policymaking.

Winner of the 2003 Award for Best Professional/Scholarly Book in Economics, Association of American Publishers

From the Inside Flap
"This long-awaited book by master macroeconomist Michael Woodford belongs on the bookshelf of every economist. Woodford is well-known as one of the world's current most original thinkers in economics. In this book you will find not only a unified treatment of the theoretical foundations of monetary policy, optimal policy inertia, indicator variables for optimal policy, monetary policy in a world without money, fiscal requirements for price stability, optimal rules for setting interest rates, and much more, but also practical details of implementation such as methods used by various central banks for controlling interest rates."--William A. Brock, University of Wisconsin, Madison
"Michael Woodford's Interest and Prices is a major contribution to economics. The book it most resembles is Patinkin's classic Money, Interest, and Prices now nearly 40 years old--and it may well have the same impact. Woodford's book illustrates the immense progress that macroeconomics has made in the past generation, from its careful treatment of dynamics and of optimizing behavior, to its discussion of optimal monetary policy. It is an impressive intellectual achievement, all the way from abstract theory to Taylor rules for central banks. I have gone to it, pen and paper in hand, many times over the past few years when it was still a manuscript. Each time, I found it illuminating. This book is a classic."--Olivier Blanchard, Massachusetts Institute of Technology
"The ideas contained in Michael Woodford's book Interest and Prices have influenced the way central bank economists--to say nothing of academic economists--in every corner of the world think about the conduct of monetary policy. These ideas form the most significant original book-length contribution to monetary economics since Don Patinkin's Money, Interest, and Prices. Woodford's insights into a cashless world will prove enduring."--Fumio Hayashi, University of Tokyo, author of Econometrics
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