

## Research Project

### Financial Innovations, Money Demand and the Welfare Cost of Inflation

#### Project funded by own resources

**Project title** Financial Innovations, Money Demand and the Welfare Cost of Inflation

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**Project Members** [Huber, Samuel](#) ; [Marchesiani, Alessandro](#) ;

**Organisation / Research unit**

Departement Wirtschaftswissenschaften / Wirtschaftstheorie (Berentsen)

**Project Website** <https://ideas.repec.org/p/zur/econwp/136.html>

**Project start** 01.12.2013

**Probable end** 31.12.2027

**Status** Active

In the 1990s, the empirical relation between money demand and interest rates began to fall apart. We analyze to what extent improved access to money markets can explain this break-down. For this purpose, we construct a microfounded monetary model with a money market, which provides insurance against liquidity shocks by offering short-term loans and by paying interest on money market deposits. We calibrate the model to U.S. data and find that improved access to money markets can explain the behavior of money demand very well. Furthermore, we show that, by allocating money more efficiently, better access to money markets decrease the welfare cost of inflation substantially.

#### Financed by

University funds

#### Add publication

#### Published results

3322155, Berentsen, Aleksander; Huber, Samuel; Marchesiani, Alessandro, Financial Innovations, Money Demand, and the Welfare Cost of Inflation, 1538-4616, Journal of Money, Credit and Banking, Publication: JournalArticle (Originalarbeit in einer wissenschaftlichen Zeitschrift)

#### Add documents

#### Specify cooperation partners

ID	Kreditinhaber	Kooperationspartner	Institution	Laufzeit - von	Laufzeit - bis
2740247	Berentsen, Aleksander	Huber, Samuel	University of Basel	01.12.2013	31.12.2015
2740251	Berentsen, Aleksander	Marchesiani, Alessandro	University of Minho	01.12.2013	31.12.2015