Abstract

Monetary theory and policy are part of intertemporal public finance. The lecture reviews some interesting recent developments.

The two *ghosts* are the venerable liquidity trap and the Pigou effect or real balance effect. The *eccentricities* are negative nominal interest rates and the helicopter drop of base money - two unconventional policies for stimulating consumer demand even when nominal interest rates, short and long, present and future, are at their zero lower bounds.

The *fallacy* is the so-called Fiscal Theory of the Price Level, a logically inconsistent theory of the link between the government budget and the general price level.

The *mirage* is the prediction that financial deregulation and technical change in the payments and settlements technology (e-money etc.), will cause monetary policy to lose its capacity to influence even nominal economic variables.

Mythos refers to the independent central bank.

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