



Monetary Economics

Winter Term 2019/20

Prof. Lutz Weinke, Ph. D.

Institute for Economic Policy
Humboldt-Universität zu Berlin
Spandauer Straße 1
10178 Berlin

October 15th 2019

1 Schedule

Lecture (VL) ¹	Thu	14:00–16:00	SPA 1, 125
Class (UE)	Tue	08:30-10:00	SPA 1, 125

2 Lecturers

	Office Hours	Room	E-Mail
Prof. Lutz Weinke (VL)	Tue 14:30–15:30, registration at: wpol@wiwi.hu-berlin.de	331	lutz.weinke@wiwi.hu-berlin.de
Mauricio Salgado Moreno (UE)	On appointment	329	mauricio.salgado.moreno@wiwi.hu-berlin.de
Konrad Kuhmann (UE)	On appointment	330	konrad.kuhmann@wiwi.hu-berlin.de

3 Content and structure of the course

Micro-founded dynamic general equilibrium models have become the standard tool for macroeconomic analysis. This course will provide an introduction on how to work with these models. Our baseline New Keynesian model features sticky prices combined with monopolistic competition. That framework has emerged as a powerful tool for monetary policy analysis. Its adoption as the backbone of medium-scale models currently developed by central banks and policy institutions is a clear reflection of its success.

Unfortunately, this success has not (yet) inspired anybody to write a textbook which introduces that material to undergraduate students. That's a pity, but this course provides a nice opportunity to learn about the most recent developments in the field of monetary economics in a way that is appropriate for undergraduate students. Related to this, I should also mention that the textbook which is indicated below goes (slightly) beyond the level of this course.

This course is offered in English.

¹ Please see the exception in the course outline.

4 Literature

The course is based mainly on the book Galí, Jordi (2015): *Monetary Policy, Inflation and the Business Cycle*, Princeton University Press. Most of the topics covered in this course can be found in this book, it does however go beyond the level of our course.

We will also study some seminal papers in the field of monetary economics:

- Clarida, Richard; Galí, Jordi and Gertler, Mark (1999): *The Science of Monetary Policy: A New Keynesian Perspective*, Journal of Economic Literature, Vol. 37, No. 4, 1661-1707.
- Cúrdia, Vasco; Woodford, Michael (2011): "The Central-Bank Balance Sheet as an Instrument of Monetary Policy", *Journal of Monetary Economics*, 58, 54-79.
- Galí, Jordi (2003): *New Perspectives on Monetary Policy, Inflation and the Business Cycle*, Advances in Economic Theory, edited by: M. Dewatripont, L. Hansen, and S. Turnovsky, Vol. III, 151-197, Cambridge.

5 Overview of the Course

	Date	Topic of the Lecture
1	17.10	Introduction: Why are Economic Models Useful?
2	24.10.	Elements of Equilibrium I Literature: Galí (2003) & Galí (2015), Ch. 2
3	31.10.	Elements of Equilibrium II Literature: Galí (2003) & Galí (2015), Ch. 2
4	05.11. ²	Equilibrium with Flexible Prices Literature: Galí (2003) & Galí (2015), Ch. 2
5	14.11.	The New Keynesian Model and its Empirical Relevance Literature: Galí (2003) & Galí (2015), Ch. 3
6	21.11.	Quiz
7	28.11.	Welfare Based Evaluation of Monetary Policy I Literature: Galí (2003) & Galí (2015), Ch. 4
8	05.12.	Welfare Based Evaluation of Monetary Policy II Literature: Galí (2003) & Galí (2015), Ch. 4

² In this week, lecture and tutorial are switched.

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9	12.12.	Welfare Based Evaluation of Monetary Policy III Literature: Galí (2003) & Galí (2015), Ch. 4
10	19.12.	Unconventional Monetary Policy (not relevant for the exam) Literature: Cúrdia, Woodford (2011)
11	09.01.	Rules vs. Discretion Literature: Clarida, Galí, Gertler (1999) & Galí (2015), Ch. 5
12	16.01.	Optimal Monetary Policy under Discretion Literature: Clarida, Galí, Gertler (1999) & Galí (2015), Ch. 5
13	23.01.	Optimal Monetary Policy under Commitment Literature: Clarida, Galí, Gertler (1999) & Galí (2015), Ch. 5
14	30.01.	Wrapping it up
15	06.02	Topic
16	13.02.	Exam