



Monetary Economics

Winter Term 2021/22

Prof. Lutz Weinke, Ph. D.

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October 19th 2021

1 Schedule

| | | | |
|---------------|-----|-------------|------|
| Lecture (VL) | Tue | 14:00–16:00 | Zoom |
| Tutorial (UE) | Tue | 08:30–10:00 | Zoom |

2 Lecturers

| | Office Hour (Zoom) | Room | E-Mail |
|------------------------|--|------|--|
| Prof. Lutz Weinke (VL) | Mon 15:00–16:00, registration at: wpol@wiwi.hu-berlin.de | 331 | lutz.weinke@wiwi.hu-berlin.de |
| Vanessa Schmidt (UE) | On appointment | 329 | vanessa.barbara.schmidt@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.

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. The exam will be held online at the end of the semester.

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(4), 1661-1707.
- 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 University Press.
- Galí, Jordi (2018): *The State of New Keynesian Economics: A Partial Assessment*, Journal of Economic Perspectives, Vol. 32 (3), 87-112.

5 Overview of the Course

| | Date | Topic of the Lecture |
|---|-------------|--|
| 1 | 19.10. | Introduction: Why are Economic Models Useful? |
| 2 | 26.10. | Elements of Equilibrium I Literature: Galí (2003, 2018) & Galí (2015), Ch. 2 |
| 3 | 02.11. | Elements of Equilibrium II Literature: Galí (2003, 2018) & Galí (2015), Ch. 2 |
| 4 | 09.11. | Equilibrium with Flexible Prices Literature: Galí (2003, 2018) & Galí (2015), Ch. 2 |
| 5 | 16.11. | The New Keynesian Model and its Empirical Relevance I Literature: Galí (2003, 2018) & Galí (2015), Ch. 3 |
| 6 | 23.11. | The New Keynesian Model and its Empirical Relevance II Literature: Galí (2003, 2018) & Galí (2015), Ch. 3 |
| 7 | 30.11. | Welfare Based Evaluation of Monetary Policy I Literature: Galí (2003, 2018) & Galí (2015), Ch. 4 |
| 8 | 07.12. | Welfare Based Evaluation of Monetary Policy II Literature: Galí (2003, 2018) & Galí (2015), Ch. 4 |

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| 9 | 14.12. | Welfare Based Evaluation of Monetary Policy III Literature: Galí (2003, 2018) & Galí (2015), Ch. 4 |
| 10 | 04.01. | Unconventional Monetary Policy (not relevant for the exam) Literature: Cúrdia, Woodford (2011) |
| 11 | 11.01. | Rules vs. Discretion Literature: Clarida, Galí, Gertler (1999), Galí (2018) & Galí (2015), Ch. 5 |
| 12 | 18.01. | Optimal Monetary Policy under Discretion Literature: Clarida, Galí, Gertler (1999), Galí (2018) & Galí (2015), Ch. 5 |
| 13 | 25.01. | Optimal Monetary Policy under Commitment Literature: Clarida, Galí, Gertler (1999), Galí (2018) & Galí (2015), Ch. 5 |
| 14 | 01.02. | Wrapping it up |
| 15 | 08.02. | Topic (not relevant for the exam) |
| 16 | 15.02. | Online Exam |