



Monetary Economics

Winter Term 2023/24

Prof. Lutz Weinke, Ph. D.

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

October 17th, 2023

1 Schedule

Lecture (VL)	Tue	14:15–15:45 (from 17.10.)	Spandauer Straße 1 – Room 22
Tutorial (UE)	Tue	10:15–11:45 (from 24.10.)	Spandauer Straße 1 – Room 125

2 Lecturers

	Office Hours (in person)	Room	E-Mail
Prof. Lutz Weinke (VL)	Mon 11:00 – 12:00, registration at: wpol@wiwi.hu-berlin.de	331	lutz.weinke@wiwi.hu-berlin.de
Vanessa Schmidt (UE)	On appointment	329	vanessa.barbara.schmidt@hu-berlin.de
Veljko Bojovic (UE)	On appointment	330	veljko.bojovic@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 and will take place in person. There will be a 90-minute in-person multiple choice exam at the end of the semester. This course (i.e., lecture and practical class) provides 6 ECTS points.

4 Literature

The course is mainly based 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, Jordi Galí and Mark Gertler (1999): "The Science of Monetary Policy: A New Keynesian Perspective," *Journal of Economic Literature*, Vol. 37(4), 1661-1707.
- Cúrdia, Vasco and Michael Woodford (2011): "The Central-Bank Balance Sheet as an Instrument of Monetary Policy," *Journal of Monetary Economics*, 58(1), 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 University Press.
- Galí, Jordi (2018): "The State of New Keynesian Economics: A Partial Assessment," *Journal of Economic Perspectives*, Vol. 32(3), 87-112.
- McKay, Alisdair and Christian K. Wolf (2023): "Monetary Policy and Inequality," *Journal of Economic Perspectives*, 37(1), 121-44.

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, 2018) & Galí (2015), Ch. 2
3	31.10.	Elements of Equilibrium II Literature: Galí (2003, 2018) & Galí (2015), Ch. 2
4	07.11.	Equilibrium with Flexible Prices Literature: Galí (2003, 2018) & Galí (2015), Ch. 2
5	14.11.	The New Keynesian Model and its Empirical Relevance I Literature: Galí (2003, 2018) & Galí (2015), Ch. 3
6	21.11.	The New Keynesian Model and its Empirical Relevance II Literature: Galí (2003, 2018) & Galí (2015), Ch. 3
7	28.11.	Welfare Based Evaluation of Monetary Policy I Literature: Galí (2003, 2018) & Galí (2015), Ch. 4
8	05.12.	Welfare Based Evaluation of Monetary Policy II Literature: Galí (2003, 2018) & Galí (2015), Ch. 4
9	12.12.	Welfare Based Evaluation of Monetary Policy III Literature: Galí (2003, 2018) & Galí (2015), Ch. 4
10	19.12.	Unconventional Monetary Policy (not relevant for the exam) Literature: Cúrdia and Woodford (2011)
11	09.01.	Rules vs. Discretion Literature: Clarida, Galí and Gertler (1999), Galí (2018) & Galí (2015), Ch. 5

Monetary Economics, WS 2023/2024

12	16.01.	Optimal Monetary Policy under Discretion Literature: Clarida, Galí and Gertler (1999), Galí (2018) & Galí (2015), Ch. 5
13	23.01.	Optimal Monetary Policy under Commitment Literature: Clarida, Galí and Gertler (1999), Galí (2018) & Galí (2015), Ch. 5
14	30.01.	Wrapping it up
15	06.02.	Monetary Policy and Consumption Inequality (not relevant for the exam) Literature: McKay and Wolf (2023)
16	13.02.	Exam