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Monetary Economics: Macro Aspects

Information and preliminary course plan and reading list

This is the preliminary plan and reading list for the masters course “Monetary Economics: Macro Aspects”.

Note, however, first the following pieces of relevant information:

- a) The main text will be Carl Walsh (2003): “Monetary Theory and Policy. Second edition” (note it must be the second edition); so this you need to buy. In addition, several journal articles and working papers will be on the reading list. The journal articles are all available through the Institute’s library (most in electronic form), while unpublished working papers will be available on the web site of the course.
- b) The web site of the course is www.econ.ku.dk/personal/henrikj/monec2004/, and it will be essential to visit this site on a regular basis, as it will be frequently updated and contain lots of relevant information.
- c) The curriculum may change during the course (most likely in the form of various reductions, as well as some articles being “only” recommended readings). Hence it is not advisable to acquire all the articles of the reading list at once.
- d) The lectures will be held on Mondays and Wednesdays, both days 12-14 in HO 5 (in main building at Vor Frue Plads)
- e) First, introductory, lecture, will be on **Monday, February 2**.

Course plan: Subjects and Literature

1. Introduction and “Does monetary policy matter for output?”

Literature: Walsh (2003, Chapter 1)

2. Money’s role in flexible-price general equilibrium models

Literature: Walsh (2003, Chapters 2, 3 and 4)

3. Money’s role with incomplete nominal adjustment

Literature: Walsh (2003, Chapter 5).

4. Rules versus discretion: Credibility problems (I)

Literature: Walsh (2003, Chapter 8); Jensen (2003).

5. Operating Procedures, Interest Rates and Monetary Policy

Literature: Walsh (2003, Chapters 9 and 10); Taylor (1993); Clarida et al. (1998)

6. Monetary policy conduct in “New Keynesian” settings: Credibility problems (II)

Literature: Clarida et al. (1999, 2000); Walsh (2003, Chapter 11); Woodford (1999); Jensen (2002a).

7. Open-economy Aspects and Monetary Policy Coordination

Literature: Walsh (2003, Chapter 6); Benigno (2002); Obstfeld and Rogoff (2002); Clarida et al. (2002).

8. Inflation Targeting

Literature: Bernanke and Mishkin (1997); Svensson (1997, 1999, 2000a,b); Walsh (2001).

9. Transparency of Monetary Policymaking

Literature: Faust and Svensson (2001); Jensen (2002b); Geraats (2002).

Reading list

Benigno, P., 2002, A Simple Approach to International Monetary Policy Coordination, *Journal of International Economics* 57, 177-196.

Bernanke, B.S. and F. Mishkin, 1997, Inflation Targeting: A New Framework for Monetary Policy? *Journal of Economic Perspectives* 11, 97-116.

Clarida, R., J. Galí and M. Gertler, 1998, Monetary Policy Rules in Practice: Some International Evidence, *European Economic Review* 42, 1033-1067.

Clarida, R., J. Galí and M. Gertler, 1999, The Science of Monetary Policy: A New Keynesian Perspective, *Journal of Economic Literature* 37, 1661-1707.

Clarida, R., J. Galí and M. Gertler, 2000, Monetary Policy Rules and Macroeconomic Stability: Evidence and Some Theory, *Quarterly Journal of Economics* 115, 147-180.

Clarida, R., J. Galí and M. Gertler, 2002, A Simple Framework for International Monetary Policy Analysis, *Journal of Monetary Economics* 49, 879-904.

Faust, J. and L.E.O. Svensson, 2001, Transparency and Credibility: Monetary Policy with Unobservable Goals, *International Economic Review* 42, 369-397.

Geraats, P.M., 2002, Central Bank Transparency, *The Economic Journal* 112, F532-F565

Jensen, H., 2003, Explaining an Inflation Bias without Using the Word “Surprise”, working paper, University of Copenhagen.

Jensen, H., 2002a, Targeting Nominal Income Growth or Inflation?, *American Economic Review* 92, 928-956

Jensen, H., 2002b, Optimal Degrees of Transparency in Monetary Policymaking, *Scandinavian Journal of Economics* 104, 399-422.

Obstfeld, M. and K.S. Rogoff, 2002, Global Implications of Self-Oriented National Monetary Rules, *Quarterly Journal of Economics* 117, 503-535.

Svensson, L.E.O., 1997, Inflation Forecast Targeting: Implementing and Monitoring Inflation Targets, *European Economic Review* 41, 1111-1146.

Svensson, L.E.O., 1999, Inflation Targeting as a Monetary Policy Rule, *Journal of Monetary Economics* 43, 607-654.

Svensson, L.E.O., 2000a, The First Year of the Eurosystem: Inflation Targeting or Not? *American Economic Review: Papers and Proceedings* 90, 95-99.

Svensson, L.E.O., 2000b, Open-Economy Inflation Targeting, *Journal of International Economics* 50, 155-183.

Taylor, J.B., 1993, Discretion versus Policy Rules in Practice, *Carnegie-Rochester Conference Series on Public Policy* 39, 195-214.

Walsh, C.E., 2003, *Monetary Theory and Policy*. Second edition The MIT Press.

Walsh, C.E., 2001, Teaching Inflation Targeting: An Analysis for Intermediate Macro, working paper, University of Santa Cruz.

Woodford, M., 1999, Commentary: How Should Monetary Policy Be Conducted in an Era of Price Stability?, in *New Challenges for Monetary Policy*, A symposium sponsored by the Federal Reserve Bank of Kansas City, 277-316.