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Monetary Economics: Macro Aspects Spring 2008

Curriculum

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

Walsh (2003, Chapter 1).

Recommended reading (not required): Romer and Romer (2004).

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

Walsh (2003, Chapter 2);

Walsh (2003, Chapter 3, pp. 95-120; pp. 126-131);

Walsh (2003, Chapter 4, pp. 135-164; 172-187; 192-195).

3. Money’s role with incomplete nominal adjustment

Walsh (2003, Chapter 5, pp. 199-223)

Recommended reading (not required): Jensen (2003)

4. Rules versus discretion: Credibility problems (I)

Walsh (2003, Chapter 8, pp. 363-384; pp. 393-425).

5. Operating Procedures, Interest Rates and Monetary Policy

Walsh (2003, Chapter 9, pp. 429-448);

Walsh (2003, Chapter 10, pp. 473-480, 488-515).

Taylor (1993); Clarida et al. (1998).

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

Clarida et al. (1999), Jensen (2002, excluding the appendix).

Recommended reading (not required): Clarida et al. (2000); Woodford (1999), Walsh (2003, Chapter 5, 230-254).

7. Open-economy Aspects and Monetary Policy Coordination

Walsh (2003, Chapter 6, pp. 269-297).

Recommended reading (not required): Clarida et al. (2002); Benigno (2002); Walsh (2003, Chapter 6, pp. 297-304).

8. Inflation Targeting

Bernanke and Mishkin (1997); Svensson (1997).

Recommended reading (not required): Svensson (1999, 2000a,b).

References

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- Bernanke, B.S. and F. Mishkin, 1997, Inflation Targeting: A New Framework for Monetary Policy? *Journal of Economic Perspectives* 11, 97-116.
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- 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.
- Jensen, H., 2002, Targeting Nominal Income Growth or Inflation?, *American Economic Review* 92, 928-956.
- Jensen, H., 2003, Explaining an Inflation Bias without Using the Word “Surprise”, working paper, University of Copenhagen.
- Romer, C. D. and D. H. Romer, 2004, A New Measure of Monetary Shocks: Derivation and Implications, *American Economic Review* 94, 1055-1084.
- Svensson, L.E.O., 1997, Inflation Forecast Targeting: Implementing and Monitoring Inflation Targets, *European Economic Review* 41, 1111-1146.
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- Svensson, L.E.O., 2000a, The First Year of the Eurosystem: Inflation Targeting or Not? *American Economic Review: Papers and Proceedings* 90, 95-99.
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- 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.
- 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.