

MAGKS PhD course

**Recent Developments in Monetary Policy:  
Theory and Evidence**

**July 20 2015 – July 24 2015**

**Content:**

The course will deal with the design of monetary policy. Based on the benchmark New-Keynesian model we will discuss issues such as optimal monetary policy, instrument rules and policymaking under uncertainty. We will also study recent empirical research on the effectiveness and the transmission channels of unconventional monetary policy.

**Prerequisites:**

PhD students with an interest in modern macroeconomics and monetary policy are welcome. The course requires a solid background in undergraduate macroeconomics and a basic understanding of monetary policy. Advanced issues such as loglinearization or the solution of models under Rational Expectations will be introduced in class.

**Organisation:**

The course consists of lectures and student presentations. The active participation of students is required. Students should present and discuss selected papers related to the main topics of the course. Upon registration, students should send an email to the address given below in order to organize these presentations.

**Language:**

English or German, depending on the audience. The lecture slides will be in English.

**Location:**

Justus-Liebig-University Giessen, Licher Str. 66, 35394 Giessen, Room 601.

**Schedule:**

We start July 20 at 10am. The morning sessions (10am to 1pm) will consist of lectures. The afternoon sessions (2pm to 5pm) will consist of students' presentations. A detailed schedule will be distributed in due course.

**Literature:**

The lectures will be based on Jordi Galí's textbook:

Jordi Galí (2008): *Monetary Policy, Inflation and the Business Cycle: An Introduction to the New Keynesian Framework*, Princeton University Press.

The lecture notes will be provided on the MAGKS website.

**Student presentations:**

Each participant should give a presentation (about 60 minutes) covering one of the papers listed below. These papers often address, in contrast to the material covered in the lectures, empirical and/or applied issues. Please email me your preferences about these papers. I will then allocate the papers among the participants.

**Registration:**

To register, students should use the new website under [www.magks.de](http://www.magks.de). Please address all questions to [peter.tillmann@wirtschaft.uni-giessen.de](mailto:peter.tillmann@wirtschaft.uni-giessen.de).

**List of topics:**

**1. Forward Guidance I**

Campbell, J. R., C. Evans, J.D. Fisher and A. Justiniano (2012): "Macroeconomic effects of Federal Reserve Forward Guidance", Working Paper No. 2012-03, Federal Reserve Bank of Chicago.

**2. Forward Guidance II**

Filardo, A. and B. Hofmann (2014): "Forward guidance at the zero lower bound", *BIS Quarterly Review*, March 2014, Bank for International Settlements.

Kool, C. J. M. and D. L. Thornton (2012): "How effective is central bank forward guidance?", Working Paper 2012-063A, Federal Reserve Bank St. Louis.

**3. Quantitative easing: lessons from Japan**

Schenkelberg, H. and S. Watzka (2013): "Real effects of quantitative easing at the zero lower bound: structural VAR-based evidence from Japan", *Journal of International Money and Finance* 33, 327-357.

**4. The effectiveness of unconventional monetary policy**

Gambacorta, L., B. Hofmann and G. Peersman (2013): "The effectiveness of unconventional monetary policy at the zero lower bound: a cross-country analysis", forthcoming, *Journal of Money, Credit and Banking*.

**5. The effectiveness of unconventional monetary policy: cross-country evidence**

Rogers, J. H., C. Scotti and J. H. Wright (2014): "Evaluating asset-market effects of unconventional monetary policy: a multi-country review", *Economic Policy* 29, 749-799.

## **6. The International effects of unconventional monetary policies**

Neely, C. J. (2013): "Unconventional monetary policy had large international effects", *Working Paper No. 210-013D*, Federal Reserve Bank of St. Louis.

Bauer, M. D. and C. J. Neely (2013): "International channels of the Fed's unconventional monetary policy", *Journal of International Money and Finance* 44, 24-46.

## **7. Spillovers of unconventional monetary policy**

Fratzscher, M., M. Lo Duca and R. Straub (2013): "On the international spillovers of US Quantitative Easing", *Working Paper*, German Institute for Economic Research (DIW).

## **8. Survey evidence on the effects of unconventional policies**

Altavilla, C. and D. Giannone (2014): "The effectiveness of non-standard monetary policy measures: evidence from survey data", unpublished, Federal Reserve Bank of New York.

## **9. The effects of tapering talk on emerging economies**

Mishra, P. K. Moriyama, P. N'Diaye and L. Nguyen (2014): "Impact of Fed tapering announcements on emerging markets", *IMF Working Paper No. 14/109*, International Monetary Fund.

Aizenman, J., M. Binici and M. H. Hutchison (2014): "The transmission of Federal Reserve tapering news to emerging financial markets", *NBER Working Paper No. 19980*, National Bureau of Economic Research.

Eichengreen, B. and P. Gupta (2013): "Tapering talk: the impact of expectations of Reduced Federal Reserve security purchases on emerging markets", *unpublished*, University of Berkeley.

## **10. Central bank transparency and policy deliberation**

Hansen, S., M. McMahon and A. Prat (2015): "Transparency and deliberation within the FOMC: a computational linguistics approach", *unpublished*, University of Warwick.

## **11. The risk-taking channel of monetary policy**

Bekaert, G. , M. Hoerova and M. Lo Duca (2013): "Risk, uncertainty and monetary policy", *Journal of Monetary Economics* 60, 771-798.

## **12. Transparency of monetary policy**

Meade, E. E. and D. Stasavage (2008): "Publicity of Debate and the Incentive to Dissent: Evidence from the US Federal Reserve", *The Economic Journal* 118, 695-717.

### **13. Financial frictions and optimal monetary policy**

Cúrdia, V. and M. Woodford (2010): "Credit spreads and monetary policy", *Journal of Money, Credit and Banking* 42, 3-35.