

Justus-Liebig-Universität Giessen  
Prof. Dr. Peter Tillmann

MAGKS PhD course

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

**April 8 2019 – April 12 2019**

**Content:**

The course will deal with the design and the financial market effects of monetary policy. Based on the benchmark New-Keynesian model we will discuss issues such as optimal monetary policy, instrument rules, policymaking under uncertainty and the effective lower bound. 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.

**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 presentation slides will be in English.

**Location:**

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

**Schedule:**

We start April 8 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 (2015): *Monetary Policy, Inflation and the Business Cycle: An Introduction to the New Keynesian Framework*, 2<sup>nd</sup> edition, Princeton University Press.

The lecture notes will be provided on the MAGKS website.

**Student presentations:**

Each participant should give a presentation (about 60 minutes, including discussions) 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**

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. The Forward Guidance Puzzle**

Del Negro, M., M. Giannoni and C. Patterson (2015): "The Forward Guidance Puzzle", *Staff Report* No. 574, Federal Reserve Bank of New York.

**3. Effects of Unconventional Monetary Policy**

Swanson, E. T. (2018): "Measuring the Effects of Federal reserve Forward Guidance and Asset Purchases on Financial Markets", *unpublished*, University of California, Irvine.

**4. The Effects of the ZLB on Interest Rates**

Swanson, E. T. and J. C. Williams (2014): "Measuring the Effect of the Zero Lower Bound on Medium- and Longer-Term Interest Rates", *American Economic Review* 104, 3154-3185.

**5. Monetary Policy Uncertainty**

L. Husted, J. H. Rogers and B. Sun (2018): "Monetary Policy Uncertainty", *unpublished*, available here: <https://sites.google.com/site/bosun09/research>

**6. The Information Effect**

Nakamura, E and J. Steinsson (2018): "High Frequency Identification of Monetary Non-Neutrality: The Information Effect", *Quarterly Journal of Economics* 133, 1283-1330.

## **7. Information Shocks**

Karadi, P. and M. Jarocinski (2018): "Deconstructing Monetary Policy Surprises: The Role of Information Shocks", *unpublished*, available here: <https://sites.google.com/site/pkaradi696/research>

## **8. Forward Guidance and Beliefs**

Andrade, P., G. Gaballo, E. Mengus and B. Mojon (2018): "Forward Guidance and Heterogeneous Beliefs", *American Economic Journal: Macroeconomics*, forthcoming, available here: <https://sites.google.com/site/philippeandradeeconomics/home/research>

## **9. Central Bank Communication**

Hansen, S., M. McMahon and M. Tong (2018): "The Long-Run Information Effects of Central Bank Communication", *unpublished*, available here: <http://mcmahonecon.com/research/>

## **10. The Optimal Inflation Target**

Coibion, O., Y. Gorodnichenko and J. Wieland (2012): "The Optimal Inflation Rate in New Keynesian Models: Should Central banks Raise their Inflation Targets in Light of the ZLB?", *Review of Economic Studies* 79, 1371-1406.

## **11. Risk management and monetary policy**

Evans, C., J. Fisher, F. Gourio and S. Krane (2015): "Risk management for monetary policy near the zero lower bound", *Brookings Papers on Economic Activity*.

## **12. Conservatism and Liquidity Traps**

Nakata, T. and S. Schmidt (2018): "Conservatism and Liquidity Traps", *Journal of Monetary Economics*, forthcoming, available here: <https://sites.google.com/site/econschmidt/research>

## **13. The Pre-FOMC Announcement Drift**

Lucca, D. and E. Moench (2015): "The Pre-FOMC Announcement Drift", *The Journal of Finance* 70, 329-371.