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

MAGKS PhD course

Recent Developments in Monetary Policy: Theory and Evidence

Juli 19 2021 – Juli 22 2021

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 and the effective lower bound. We will also study recent empirical research on the effectiveness and the transmission channels of unconventional monetary policy as well as central bank communication.

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 a paper from the list below.

Language:
English or German, depending on the audience. The presentation slides will be in English.

Location:
Due to the ongoing pandemic, the course will be online.

Schedule:
We start July 19 at 10am. The morning sessions (10am to 1pm) will consist of lectures. The afternoon sessions (2pm to 5pm) will consist of student presentations.

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*, 2nd edition, Princeton University Press.

The lecture notes will be provided in advance.

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:
Students should register under www.magks.de. Please address all questions to peter.tillmann@wirtschaft.uni-giessen.de.

List of topics:

1. The Central Bank 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.

2. Information Shocks
Karadi, P. and M. Jarocinski (2020): "Deconstructing Monetary Policy Surprises: The Role of Information Shocks", *American Economic Journal: Macroeconomics* 12, 1-43.

3. Central Bank Communication
Hansen, S., M. McMahon and M. Tong (2019): "The Long-Run Information Effects of Central Bank Communication", *Journal of Monetary Economics*, 108, 185-202.

4. Expectations Formation
C. Sutherland (2021): "Forward Guidance and Expectations Formation: A Narrative Approach", *unpublished*.

5. 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.

6. The Central Bank Loss Function
H. Shapiro and D. Wilson (2021): „Taking the Fed at its Word: A New Approach to Estimating Central Bank Objectives Using Text Analysis", Federal Reserve Bank of San Francisco.

7. The effects of Quantitative Easing
B. Fabo, M. Jancokova, E. Kempf and L. Pastor (2021): „Fifty Shades of QE: Comparing Findings of Central Bankers and Academics", *Journal of Monetary Economics*, forthcoming.

8. Average Inflation Targeting

F. Budianto, T. Nakata and S. Schmidt (2020): „Average Inflation Targeting and the Interest Rate Lower Bound“, *unpublished*.

9. Monetary Policy Shocks at the ZLB

E. T. Swanson (2021): „Measuring the Effect of Federal Reserve Forward Guidance and Asset Purchases on Financial Markets“, *Journal of Monetary Economics* 118, 32-53.

10. 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.