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

MAGKS PhD course

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

10. October 2024, 11. October 2024, 25. October 2024 and 22. November 2024

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:
The course will be in person at the University of Giessen. Details will follow.

Schedule:
Day 1: October 10, 2024
Day 2: October 11, 2024
Day 3: October 25, 2024
Day 4: November 22, 2024

The morning sessions (10 am to 1 pm) will consist of lectures. The afternoon sessions (2 pm to 5 pm) will consist of student presentations. Of course, we have enough flexibility to extend the lectures into the afternoon if needed.

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:
<u>Each</u> participant should give a presentation (about 45 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 asap 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. Information Effects: An Alternative Interpretation
Bauer, M. D. and E. T Swanson (2023): "An Alternative Explanation for the 'Fed Information Effect' ", *American Economic Review* 113, 664-700.

4. Perceived Policy Rules
Bauer, M. D., C. E. Pflueger and A. Sunderam (2024): "Perceptions about Monetary Policy",*Quarterly Journal of Economics,* forthcoming*.

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
Shapiro, H. and D. Wilson (2022): „Taking the Fed at its Word: A New Approach to Estimating Central Bank Objectives Using Text Analysis", *Review of Economic Studies* 89, 2768-2805.

7. The effects of Quantitative Easing

B. Fabo, M. Jancokova, E. Kempf and L. Pástor (2021): „Fifty Shades of QE: Comparing Findings of Central Bankers and Academics", *Journal of Monetary Economics* 120, 1-20.

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. Risk-Taking and Monetary Transmission

Bauer, M. D., B. S. Bernanke and E. Milstein (2023): "Risk Appetite and the Risk-Taking Channel of Monetary Policy", Journal of Economic Perspectives 37, 77-100.