

## Syllabus

<b>Name:</b>		
<b>Monetary Policy</b>		
<b>Responsible:</b>		
Prof. Dr. Maik Wolters, Chair of Monetary Economics and International Financial Markets		
<b>Programme:</b>	<b>Term:</b>	<b>ECTS:</b>
Master	Winter	6
<b>Contents &amp; Objectives:</b>		
<p>The purpose of this course is to gain a thorough understanding of monetary policy. Besides core monetary policy topics, we will devote quite a bit of time to discuss current challenges of monetary policy. Topics in this regard range from the zero lower bound on nominal interest rates, the reasons for hitting the zero lower bound, the ensuing usage of Quantitative Easing, the impact of decreasing inflation expectations, and the possibility to transition into a permanent zero interest rate equilibrium. We will discuss practical aspects of monetary policy that should be helpful for understanding policy debates and for assessing current macroeconomic developments. We will develop a macroeconomic framework that is a simplified version of the models used at central banks.</p> <p>We will use this framework throughout the course to understand the goals of monetary policy, its instruments, and transmission as well as its limits. Overall, the course aims at building a bridge between economic theory and the reality of practical economic policymaking. Students learn a conceptual framework to address real-life macroeconomic developments and monetary policy issues. The course will mainly abstract from open economy aspects. These are subject of the ensuing course on International Money and Finance in the summer term.</p>		
<b>Prerequisites:</b>		
Basic knowledge on Macroeconomics and Microeconomics on the Bachelor level would be helpful.		
<b>Course Structure:</b>		
<b>Week</b>	<b>Content</b>	
1-3	Part 1: Basic Macroeconomic Concepts	
1	Output, Potential Output, and the Output Gap	
2	The Long Run: Solow Model, Equilibrium Unemployment, Quantity Theory	
3	The Short Run: The IS-MP-PC Model	
4-6	Part 2: Conventional Monetary Policy	
4	Monetary Policy Framework, Optimal Rate of Inflation, Inflation Targeting	
5	Monetary Policy Rules, The Complete IS-MP-PC Model	
6	Solving the IS-MP-PC Model, Rational Expectations, Time-Inconsistency, and Credibility	
7-8	Part 3: Monetary Policy at the Zero Lower Bound on Nominal Interest Rate	
7	Monetary Policy Transmission, Zero Lower Bound in the IS-MP-PC model	
8	Unconventional Monetary Policy, Natural Interest Rate, Zero Interest Equilibrium	

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9-10	Part 4: Monetary and Fiscal Interactions	
9	Fundamental Connections Between Monetary and Fiscal Policy	
10	Fiscal Policy and the ZLB	

<b>Literature:</b>
Will be announced throughout the course.
<b>Exam:</b>
60-minute final written exam
<b>Contact:</b>
Maik.Wolters@uni-wuerzburg.de