

Advanced Monetary and Fiscal Policy Analysis

Stefan Niemann

University of Konstanz

M.Sc. in Economics, Summer Semester 2024

Outline

The course covers topics in the analysis of monetary and fiscal policy. Departing from the real business cycle benchmark, this course emphasizes the theoretical foundations and effects of monetary and fiscal policy in dynamic general equilibrium. Financial frictions will receive particular attention in this context. The course will also provide an introduction to solving and analyzing relevant models via Dynare. Time permitting, the last lectures will apply these methods to topics from the recent literature.

Prerequisites

Advanced Macroeconomics I.

Lectures

Lectures take place on Monday, 15:15-16:45, in room F 420.

Tutorials

Tutorials take place on Wednesday, 8:15-9:45 (every other week), in room F 420.

Grading

The course grade is based on the final exam (60%) and on homework assignments (40%). Students are expected to submit all n assignments and be ready to present their solution approaches in the tutorials. Printouts of the assignments must be submitted before the respective tutorial. Only the best $n - 1$ assignments will be considered for the final grade. Students are allowed to work together with classmates but have to submit individual solutions.

Office Hours

Please send an e-mail to stefan.niemann@uni-konstanz.de to schedule an appointment. My office is F 223.

Course material

The course is based on material from different sources. Lecture presentation slides as well as videos/screencasts will be available in ILIAS. Most topics can be found in one of the following books or lecture notes which are available in the library. Additional references will be mentioned in the lectures.

[G] Galí, J., Monetary Policy, Inflation and the Business Cycle: An Introduction to the New Keynesian Framework, 2nd ed., Princeton University Press, 2015.

[LS] Ljungqvist, L. and T. Sargent, Recursive Macroeconomic Theory, 4th ed., MIT Press, 2018.

[M] Miao, J., Economic Dynamics in Discrete Time, MIT Press, 2014.

[Q] Quadrini, V., Financial Frictions in Macroeconomic Fluctuations, Federal Reserve Bank of Richmond Economic Quarterly 97 (2011) 209-254.

[R] Romer, D., Advanced Macroeconomics, 4th ed., Mc Graw Hill, 2011.

[W] Walsh, C., Monetary Theory and Policy, 4th ed., MIT Press, 2017.

Schedule

1. The real business cycle model
[M] Ch. 14; [R] Ch. 5
2. Fiscal policy
[LS] Ch. 11; [R] Ch. 5, 12
3. The basic New Keynesian model
[G] Ch. 3; [M] Ch. 19; [R] Ch. 7; [W] Ch. 8
4. Monetary policy design
[G] Ch. 4; [M] Ch. 19; [R] Ch. 11; [W] Ch. 8
5. Monetary policy tradeoffs: Discretion versus commitment
[G] Ch. 5; [M] Ch. 19; [R] Ch. 11; [W] Ch. 8
6. Financial frictions
[Q]; [W] Ch. 5
7. Recent topics
Relevant journal articles