ECON 269A

MONETARY POLICY I

Winter 2008

Professor: Fabio Milani, fmilani@uci.edu

Office Hours: SSPA 3145, Tue 3.30-5.00 PM

Time and Location: Tu-Th 11.00-12.20 PM, SSL 117

Course Webpage: http://www.socsci.uci.edu/~fmilani/econ269a.html

Grading:

Assignments	**10%**
Referee Report	**10%**
Presentations	**10%**
Paper	**70%**

Textbook: There is no single textbook required.
We won't follow a particular book, but some of the following can serve as reference if you are interested in macro

The two books that are closest to the course focus on monetary economics are:

· **Woodford**, *Interest and Prices. Foundations for a Theory of Monetary Policy.*
· **Walsh**, *Monetary Theory and Policy*

Other books that you can check, depending on your interests, are
· **Obstfeld and Rogoff**, *Foundations of International Macroeconomics*
· **Heer and Maussner**, *Dynamic General Equilibrium Modelling: Computational Methods and Applications*
· **Pissarides**, *Equilibrium Unemployment*

For the econometrics used in the course, these books might be useful:

· **Gary Koop**, *Bayesian Econometrics*
· **Fabio Canova**, *Methods for Applied Macroeconomic Research*
· **Dejong…**   *Structural Macroeconometrics*

· **John Geweke**, *Contemporary Bayesian Econometrics and Statistics*.

Referee Report

   You will need to write a referee report on one of the papers listed on the course webpage. I have chosen job market papers by students in macroeconomics in different departments. Instructions on how to write a referee report are available there. Deadline: **February 7.**

In-Class Presentation

   There will be an in-class presentation on one of the following (we can decide):
   - your idea for the course paper (present literature, what is missing, your idea, etc.)
   - paper at an early stage
   - one topic from the syllabus

In addition there will be some 5-minutes presentations in which you can present in a concise way the main message of a paper that you have read. We will do this for a variety of topics.

Paper

   In the course, you will write a paper, which will count for 70% of your final grade. The paper can consist of:
- an estimation of a macroeconomic model of your choice using Bayesian methods to study a particular research question. The paper can focus on each of the topics studied in the course (or mentioned in the syllabus), or another macroeconomic topic of your choice;
- any paper in which you explore a research idea related to one of the Topics section listed on the website (there you will also find a collection of relevant papers). In the paper, discuss the literature, describe the question you wish to answer, the methods you want to use, and go as far as you can in answering the question.

In both cases, we need to discuss the topic before you start working on it. I will provide some possible ideas at the beginning of the course.

Topics (see course webpage for readings)

   1. **Why is there Money? How to introduce Money in macro models**
   2. **Empirical Evidence on the Effects of Monetary Policy**
   3. **New Keynesian Model: Assumptions, Derivation, Optimal Policy**
   4. **Sticky Prices: Empirical Evidence; Time-Dependent vs. State-dependent pricing, Heterogeneity in Price Setting.**

5. **New Keynesian Model: Empirical Evidence, Model Estimation**
6. **Rational Expectations vs. Adaptive Learning**
7. **Topics: The Great Moderation, Inflation and Stabilization Policy**
8. **Topics: Effect of Globalization**
9. **Topics: Monetary and Fiscal Policy Interactions**
10. **Topics: The Changing Relationship between Oil and the Macroeconomy**
11. **NK Model Extensions: Asset Prices, Housing, Open Economy, Labor Frictions,…**