Course Name

Monetary Economics: Macro Aspects (Monetær økonomi: Makroøkonomiske aspekter)

Chronology

MSc. Spring terms

ECTS

7.5

Teacher

Henrik Jensen. Department of Economics, University of Copenhagen. E-mail: Henrik.Jensen@econ.ku.dk

Academic Aims

In this course, students are trained to use formal macroeconomic theory to assess real-life monetary policy issues as well as being able to understand modern research papers in the area. The course is based on a combination of lectures and classes where the lecturer and students together solve various problems.

In order to follow this course, students must be familiar with advanced macroeconomic theory. Hence, basic intertemporal optimization techniques (as used in, for example, Ramsey growth models), and analyses of static and dynamic systems with rational expectations should be known. Students should therefore not be afraid of mathematical rigor.

Notably, students are expected to be able to move beyond the mere mechanics of the theories and be capable of presenting formal results in economic and intuitive terms. This provides the students with valuable skills for later employment in both public and private institutions with financial and macroeconomic focus.

The evaluation is based on a four-hour closed-book written exam, where students will be tested in their skills in mathematical derivation of central results in the macroeconomics of monetary theory as well as in their capabilities of explaining results in plain words. Hence, in order to pass the course with the highest grade, the students must demonstrate both knowledge about the mathematical details of various models covered in the course, as well as showing a solid understanding of the economic mechanisms that are behind the mathematical results.

Course Content

The aim of the course is to offer an understanding of several aspects of money and the macro economy, thereby providing insights into how and why monetary phenomena and policy affect important macroeconomic aggregates such as output, consumption, inflation and unemployment. Moreover, focus will be on the characteristics of “good” monetary policymaking in the sense of assessing the advantages and disadvantages of various monetary policy strategies.

To secure a firm foundation for the aspects covered, emphasis will be on rigorously formulated theoretical models. Economic intuition, however, is just as important as mathematical formalism. Although the curriculum will be mainly theoretical, the empirical relevance of the material will not be underplayed.

Particular aspects to be covered include: money’s role in flexible-price general equilibrium models; money’s role with incomplete nominal adjustment; credibility problems in monetary policy; the importance of institutional frameworks for monetary policy; international monetary policy coordination; inflation targeting...

Syllabus

Language

English

Prerequisites

Recommended qualifications: As some of the material requires a thorough understanding of macroeconomic general equilibrium models, it is a prerequisite to master economic theory at a level corresponding to David Romer (2006): Advanced Macroeconomics, McGraw-Hill (currently covered in Macro C in the new studyplan). In particular, the chapter on the Ramsey model should be known. One should therefore be familiar with basic intertemporal optimization, and analyses of static and dynamic systems with rational expectations.

Most importantly, one should not be afraid of mathematical rigor. At the end of the day it merely serves to create conclusions and policy implications that are internally consistent. Not a bad starting point for organizing your thoughts. And remember that it’s the economics which is the important stuff; the math is just a helpful tool!

Teaching and Work Forms

2/3 lectures and 1/3 classes where students and teacher solve problems together.

Formal Requirements

No formal requirements

Examination

Written 4-hour exam; closed book. Students can answer in Danish or English (the assignment will only be in English)