

MakØk3, Fall 2012 (Blok 2)

Business cycles and monetary stabilization policies

Teaching:

6 hours of combined lecturing and exercises per week

Contents:

The classical Monetary Model. The Basic New-Keynesian Model. Monetary stabilization policy in the New Keynesian Model. Credibility issues in stabilization policy. Sticky wages and prices and stabilization policy. Applications: Unconventional monetary policy; fiscal policy at the zero lower bound.

Aim of course:

To give the student knowledge about:

1. the scope and limits of macroeconomic stabilization policy with an emphasis on monetary policy
2. welfare rationales for stabilization policies.

To make the student capable of:

1. understanding of the scope and limits of macroeconomic stabilization policy with an emphasis on monetary policy
2. solving simple versions of modern theoretical models of the business cycle
3. understanding the economic mechanisms at work in the mathematical models.

To facilitate the student's competences in:

1. addressing real-life policy issues using the methods used in the course.

Curriculum:

Jordi Galí, 2008, "Monetary Policy, Inflation and the Business Cycle" (Princeton University Press).

Furthermore, some articles will be used

Prerequisites:

MakØk1 and MakØk2.

Exam:

Final exam with censor and with grade given for a 3 hours written exam (closed book). The exam mainly tests the knowledge and capabilities acquired during the course.

Re-evaluation: Same as the ordinary evaluation.