



APPLIES TO ACADEMIC YEAR 2014/2015

GRA 6631 Monetary Theory and Policy

Programme

Master of Science in Business, Master of Science in Business (Economics), Specialization Course

Responsible for the course

Tommy Sveen

Department

Department of Economics

Term

According to study plan

ECTS Credits

6

Language of instruction

English

Introduction

This course offers an introduction to modern monetary theory and policy. Monetary economics studies the relationship between real variables, such as real GDP, real interest rates, employment or unemployment, and real exchange rate, and nominal variables, such as rate of inflation, nominal interest rates, and nominal exchange rates. The course focuses on theory, but also discusses some key empirical findings

Learning outcome

The course gives the participants an overview of the literature on monetary business cycle analysis. To this end it develops the canonical New Keynesian sticky-price model, which has emerged as the workhorse for monetary policy analysis. Important topics are the so-called New Keynesian Phillips curve and the forward-looking nature of inflation and their implication for the design of monetary policy. Moreover, the course discusses monetary policy in open versus closed economies.

The course sets high requirements for student involvement for successful completion of the course. During the end of the course, the students are expected to make a group presentation on a given topic related to a monetary policy issue

Prerequisites

GRA 6634 Advanced Macroeconomics (or a similar graduate introduction to macroeconomics).

Compulsory reading

Books:

Romer, David H. 2012. Advanced macroeconomics. 4th ed. McGraw-Hill/Irwin. Chapters 6,7, 11
Walsh, Carl E. 2010. Monetary theory and policy. 3rd ed. MIT Press. Chapter 1

Articles:

Clarida, Gali and Gertler. 1999. The Science of Monetary Policy: A new Keynesian perspective. Journal of Economic Literature. 37 (4). s. 1661-1707
Clarida, Richard, Jordi Gali and Mark Gertler. 2001. Optimal Monetary Policy in Open versus Closed Economies: An Integrated Approach. American Economic Review. 91 (2). s. 248-252
Monacelli, Tommaso. 2005. Monetary Policy in a Low Pass-through Environment. Journal of Money, Credit and Banking. 37(6). p. 1047-1066

Other:

During the course there may be hand-outs and other material on additional topics relevant for the course and the examination

Recommended reading

Books:

Walsh, Carl E. 2010. Monetary theory and policy. 3rd ed. MIT Press. Chapters 7, 8, and 11.

Course outline

1. Introduction: Operating procedures in monetary policymaking. The monetary transmission mechanism
2. The dynamic inconsistency of low inflation
3. The canonical new Keynesian model

4. Monetary policy in the new Keynesian model
5. Monetary policy in open versus closed economies

Computer-based tools

It's learning/ homepage

Learning process and workload

A course of 6 ECTS credits corresponds to a workload of 160-180 hours. Both lectures and exercise seminars are provided.

Please note that while attendance is not compulsory in all courses, it is the student's own responsibility to obtain any information provided in class that is not included on the course homepage/It's learning or text book.

Examination

The course grade will be based on the following activities and weights:

A group project/presentation (graded pass/fail) with 4-6 students in each group and a written final exam (3 hours).

To get a final grade in the course, students need to complete and achieve a passing grade in all parts of the evaluation.

In this course class attendance is mandatory. Absences can result in a lower score. Specific information regarding student evaluation beyond the information given in the course description will be provided in class. This information may be relevant for requirements for term papers or other hand-ins, and/or where class participation can be one of several elements of the overall evaluation.

This is a course with continuous assessment (several exam elements) and one final exam code. Each exam element will be graded using points on a scale (e.g. 0-100). The elements will be weighted together according to the information in the course description in order to calculate the final letter grade for the course. You will find detailed information about the point system and the cut off points with reference to the letter grades on the course site in It's learning.

Examination code(s)

GRA 66311 continuous assessment accounts for 100 % of the final grade in the course GRA 6631

Examination support materials

Bilingual dictionary.

Examination support materials at written examinations are explained under examination information in the student portal @bi. Please note use of calculator and dictionary in the section on support materials.

Re-sit examination

It is only possible to retake an examination when the course is next taught.

The assessment in some courses is based on more than one exam code.

Where this is the case, you may retake only the assessed components of one of these exam codes.

Where this is not the case, all of the assessed components of the course must be retaken.

All retaken examinations will incur an additional fee.

Additional information

Honor Code

Academic honesty and trust are important to all of us as individuals, and represent values that are encouraged and promoted by the honor code system. This is a most significant university tradition. Students are responsible for familiarizing themselves with the ideals of the honor code system, to which the faculty are also deeply committed.

Any violation of the honor code will be dealt with in accordance with BI's procedures for cheating. These issues are a serious matter to everyone associated with the programs at BI and are at the heart of the honor code and academic integrity. If you have any questions about your responsibilities under the honor code, please ask.