



APPLIES TO ACADEMIC YEAR 2015/2016

GRA 6631 Monetary Policy and Financial Stability

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 monetary policy and financial stability. The course focuses on theory, but also discusses some key empirical findings.

Learning outcome

The course consists of two parts. The first part gives the participants an introduction to the literature on monetary policy. To this end it develops the canonical New Keynesian 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. The second part discusses financial stability questions. Important topics are financial frictions, macroprudential policy and financial crisis.

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 monetary policy and/or financial stability

Prerequisites

GRA 6634 Advanced Macroeconomics or equivalent

All courses in the Masters programme will assume that students have fulfilled the admission requirements for the programme. In addition, courses in second, third and/or fourth semester can have specific prerequisites and will assume that students have followed normal study progression. For double degree and exchange students, please note that equivalent courses are accepted.

Compulsory reading

Books:

Romer, David H. 2012. Advanced macroeconomics. 4th ed. McGraw-Hill/Irwin. Chapters 6, 7, 11, and epilogue

Book extract:

Walsh, Carl E. 2010. Monetary theory and policy. 3rd ed. MIT Press. Selections from chapters 1 and 10

Articles:

Bernanke, Ben. S. and Mark Gertler. 1995. Inside the Black Box: The Credit Channel of Monetary Policy Transmission. *Journal of Economic Perspectives*. 9 (4). 27-48

Clarida, Richard, Jordi Galí and Mark Gertler. 1999. The Science of Monetary Policy: A new Keynesian perspective. *Journal of Economic Literature*. 37 (4). 1661-1707

Woodford, Michael. 2010. Financial Intermediation and Macroeconomic Analysis. *Journal of Economic Perspectives*. 24(4). 21-44

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 canonical new Keynesian model
4. Monetary policy in the new Keynesian model
5. Financial stability

Computer-based tools

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:

20% group project/presentation with 4-6 students in each group.

80% 3 hour written final exam.

Form of assessment	Weight	Group size
Presentation	20%	
Written examination 3 hours	80%	

Specific information regarding student assessment will be provided in class. This information may be relevant to requirements for term papers or other hand-ins, and/or where class participation can be one of several components of the overall assessment. This is a course with continuous assessment (several exam components) and one final exam code. Each exam component is graded using points on a scale from 0-100. The final grade for the course is based on the aggregated mark of the course components. Each component is weighted as detailed in the course description. Students who fail to participate in one/some/all exam components will get a lower grade or may fail the course. You will find detailed information about the points system and the mapping scale in the student portal @bi.

Examination code(s)

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

Examination support materials

Bilingual dictionary

Permitted examination support materials for written examinations are detailed under examination information in the student portal @bi. The section on support materials and the use of calculators and dictionaries should be paid special attention to.

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. All retaken examinations will incur an additional fee. Please note that you need to retake the latest version of the course with updated course literature and assessment. Please make sure that you have familiarised yourself with the latest course description.

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.