

## **Monetary economics**

**Organizational issues** takes place during summer terms

Lecture: V. Hahn, Tutorial: t.b.a. overall grades are based on a tutorial assignment and the final exam

### **Description**

The purpose of the course is twofold. First, it introduces a simple overlapping generations model of money to provide a unified framework, based on microeconomic foundations, for analyzing issues in monetary economics. Second, it aims at giving an overview over the instruments of monetary policy, the impact of monetary policy on the economy, the objectives of central banks, the institutional framework under which they are operating and current challenges to monetary policy and monetary economics.

### **Prerequisites**

good understanding of basic Microeconomics (solving utility maximization problems and profit maximization problems mathematically, competitive equilibria), knowledge of fundamental concepts in Macroeconomics helpful but not strictly necessary (GDP, inflation, ...)

### **Syllabus**

1. Overview over topics addressed in monetary economics
2. Schools of thought and their views on monetary policy
3. A simple overlapping-generations model of money
4. Inflation and its consequences for welfare
5. Phillips curve, rational expectations, the rationale for models with microeconomic foundations
6. The problem of time inconsistency and its solutions, monetary-policy strategies
7. Money and other assets, rate-of-return equality

8. Money as a liquid asset, coexistence of money and capital in equilibrium
9. The money supply, financial intermediation, minimum reserve requirements
10. The payments system, bank reserves, discount-window borrowing, the central bank's control over short-term interest rates
11. Bank risk, bank runs, banking regulation
12. A primer in New Keynesian Economics
13. Central banks and the government's budget constraint (if time permits)

## **Literature**

- Main reference: Champ, Freeman, Haslag, "Modeling Monetary Economies", 3rd edition. The lecture draws on chapters 1, 3, 5-8, 11, 12. You may also use the 2nd edition.
- Mishkin, "The Economics of Money, Banking, and Financial Markets", 9th edition (not required reading).
- Gregory Mankiw, "Macroeconomics", 6th edition (for some basic information).
- Olivier Blanchard, "Macroeconomics", 5th edition (for some basic information).

Further information on literature that is useful for some topics will be given in the lecture.