

MONETARY MARKETS
Master in Economics EAP
Winter 2017
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COURSE DESCRIPTION:

This course firstly analyzes the relationship between money, prices and output from a purely statistical point of view. Then several theoretical monetary models are introduced, solved and eventually used for monetary policy analysis.

BACKGROUND

Math: difference equations and dynamic optimization.

Stat: descriptive statistics and basic probability theory.

Micro: general equilibrium, monopolistic competition.

Macro: Neoclassical representative agent model, calibration.

CONTENTS:

1. Evidence on Money, Prices and Output (4h)

- (a) Basic correlations
- (b) Granger causality
- (c) Structural VARs
- (d) Comovement

2. A Classical Monetary Model (10h)

- (a) Introduction: review of the RBC model
- (b) The steady state
- (c) The linear approximation
- (d) Calibration and simulation results
- (e) Limitations and extensions.

3. The New Keynesian Monetary model (10h)

- (a) The basic model
- (b) Linear approximation
- (c) Dynamics: the monetary transmission mechanism
- (d) Policy analysis in the NKM model

READING LIST

Background reading

- * Mankiw, N. Gregory, Macroeconomics, 2007, Worth Publishers.

Textbooks

- Galí, Jordi, Monetary Policy, Inflation and The Business Cycle (2008) Princeton University Press.
- Hamilton, James D., Time Series Analysis (1994) Princeton University Press.
- Walsh, Carl E., Monetary Theory and Policy (2010) 3rd ed., The MIT Press.
- Woodford, Michael, Interest and Prices, 2003, Princeton University Press.