

# PhD Elective Sequence Monetary Economics Module 3, 2020-2021

# **Course Information**

**Instructor: Jiao Shi** Office: PHBS Building, Room 650

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**Teaching Assistant: TBA** Email: Q&A sections:

#### **Classes:**

Lectures: 1:30PM – 3:20PM, Monday & Thursday Venue: 313 PHBS

# 1. Course Description

### 1.1 Context

Course overview:

This class provides an advanced introduction to modern monetary economics, and serves as the bridge between Ph.D. macro required sequences and the quantitative macroeconomics class. It covers topics such as neo-classical monetary theory; price rigidities; interest rates, inflation targeting and central banking; rules versus discretion in monetary policy; microeconomic foundations of monetary economics. Bayesian estimation of monetary DSGE models and issue of indeterminacy. Both theoretical and empirical issues will be emphasized. Open economy aspects of monetary economics will be covered.

Prerequisites: Ph.D. Macroeconomics 1 & 2

# 1.2 Textbooks and Reading Materials

#### Main reference:

Galí, Jordi. Monetary policy, inflation, and the business cycle: an introduction to the new Keynesian framework and its applications. Princeton University Press, 2015

Lecture notes and supplemental materials will be provided to students.

#### **Recommended References:**

Woodford, Michael. Interest and prices: Foundations of a theory of monetary policy. Princeton university press, 2011

Walsh, Carl E. Monetary theory and policy. MIT press, 2017.

# 2. Learning Outcomes

### 2.1 Intended Learning Outcomes

Learning Goals	Objectives	Assessment
1. Our graduates will be	1.1. Our students will produce quality business	Research project
effective communicators.	and research-oriented documents.	
	1.2. Students are able to professionally present	In-class presentation
	their ideas and also logically explain and defend	
	their argument.	
2. Our graduates will be	2.1. Students will be able to lead and participate in	In-class presentation
skilled in team work and	group for projects, discussion, and presentation.	
leadership.		
4. Our graduates will have a	4.1. Students will have an international exposure.	
global perspective.		
5. Our graduates will be	5.1. Our students will have a good understanding	Homework
skilled in problem-solving	of fundamental theories in their fields.	
and critical thinking.	5.2. Our students will be prepared to face	Research project
	problems in various business settings and find	
	solutions.	
	5.3. Our students will demonstrate competency in	Research project
	critical thinking.	

### 2.2 Course specific objectives

### 2.3 Assessment/Grading Details

Component	Weight
Homework assignments	30%
Class Participation	10%
Project:	60%
Motivation and literature	20%
Replication and presentation	20%
"Referee report"	20%

**Homework:** There will be several homework assignments. Homework covers the more technical part of the class (i.e. models and data). Students are expected to complete these homework assignments independently, unless otherwise specified.

**Project:** The project has three main parts: Motivation, replication, and review. Each student should select one quality paper in monetary economics, published or publishable in top-tier journals, to carefully study and replicate. The student should not only know the paper, but also understand why the paper is important or interesting and what contributions the paper makes to the literature. Then the student should write a "referee report" for the paper (see attached guidance). The project is meant to train a student to start a project in monetary economics, by delving into a literature, learning the techniques, and thinking critically about a paper. The thorough understanding of a paper and the ability to criticize it form prerequisites for future research in the area.

**Participation:** Class attendance is expected. Please notify me before the class for any *foreseeable* absence. Students who miss class beyond reasonable frequency will automatically lose the class participation grade. In-class discussion and participation are strongly encouraged, and I reserve the right to make small upward adjustments to your final grade using participation performance.

# 2.4 Academic Honesty and Plagiarism

It is important for a student's effort and credit to be recognized through class assessment. Credits earned for a student work due to efforts done by others are clearly unfair. Deliberate dishonesty is considered academic misconducts, which include plagiarism; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; or altering, forging, or misusing a University academic record; or fabricating or falsifying of data, research procedures, or data analysis.

All assessments are subject to academic misconduct check. Misconduct check may include reproducing the assessment, providing a copy to another member of faculty, and/or communicate a copy of this assignment to the PHBS Discipline Committee. A suspected plagiarized document/assignment submitted to a plagiarism checking service may be kept in its database for future reference purpose.

Where violation is suspected, penalties will be implemented. The penalties for academic misconduct may include: deduction of honour points, a mark of zero on the assessment, a fail grade for the whole course, and reference of the matter to the Peking University Registrar.

For more information of plagiarism, please refer to PHBS Student Handbook.

Time	Class Coverage
Week 1	Course introduction: Monetary Economics - Empirics - Classical monetary theory Readings: Gali (2015) Chapter 1 and 2
Weeks 2 - 3	<ul> <li>Basic New Keynesian model and its implications for monetary policy</li> <li>Basic ingredients of the New Keynesian model</li> <li>Techniques</li> <li>Quantitative tools</li> <li>Main implications of the model</li> <li>Readings: Gali (2015) Chapter 3</li> </ul>
Weeks 4 - 5	<ul> <li>Monetary Policy Conduct <ul> <li>Optimal monetary policy in the New Keynesian model</li> <li>Pros and cons of simple rules</li> </ul> </li> <li>Monetary policy: Discretion vs. Commitment <ul> <li>Zero Lower Bound and its implications</li> <li>Readings: Gali(2015) Chapter 4, 5</li> </ul> </li> </ul>

# 3. Topics, Teaching and Assessment Schedule

Week 6 - 8	Additional Topics*
	- Sticky wage: an introduction
	- Estimating the New Keynesian model
	- The quantity theory of money: A re-assessment
	- Monetary economics in open economy
	• Exchange rate regime and monetary policy
	- An introduction to TANK and HANK models
Week 9	Students' presentations

\* Tentative and subject to adjustment