

EC924 Monetary Economics 2003/2004

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Aims

To provide an understanding of research at the frontier of monetary macroeconomics, with a focus on how theoretical models can be reconciled with empirical evidence from the G7 economies.

Contents

The module begins by using econometric techniques to uncover regularities in the data and try and establish a series of stylised facts to describe the behaviour of real-world economies. The module proceeds to review how monetary economists incorporate money into the dynamic general equilibrium models used in modern macroeconomics. Reconciling these theories with the stylised facts is still a fruitful area for research and discussion. The module concludes by considering what the models and empirical analysis imply for the conduct of monetary policy, with particular reference to optimal policy, simple (Taylor) rules, uncertainty and learning.

Module outline

1. Stylised facts of monetary economics

tools for analysis, stylised monetary facts, Granger causality tests, impulse response functions

2. Money in dynamic general equilibrium models

Lucas islands, cash in advance, money in utility function, limited participation

3. Real-nominal interactions in the short run

wage and price rigidity, the persistence problem

4. Monetary policy

optimal policy, simple (Taylor) rules, monetary policy under uncertainty and learning

Full reading lists and lecture notes for each topic will be distributed during the lectures.