Lectures in Monetary Economics: Summary

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February 27, 2010

Questions addressed in these lectures

- What are the determinants of the slope of the Phillips curve –and hence the effectiveness of monetary policy– in the New Keynesian model?
- Under what conditions does optimal policy involve exclusive preoccupation with price stability (perfect price -inflation- stability?)
  - What measure of inflation to target (CPI, core, regional, ..)?
  - What problems are created by a binding zero nominal interest rate bound?
- How should monetary policy be conducted in order to achieve its objective?
  - What is the right –from a welfare point of view– measure of the output gap that the central bank should target?
  - Can monetary policy be destabilizing? In what sense and how?

- Under what conditions does optimal monetary policy face a trade off between inflation and output?
  - If there is a theoretical trade off, is it likely to be important in practice?
- Under what conditions is there an inflation bias in the conduct of monetary policy?
- Is there a case for a rule over discretion? Does this depend on the existence of an inflation bias?

- Does the NK model fit the data (is it consistent with estimated Phillips curves, does it produce inertial response to monetary policy shocks etc.)?
- What are the main modelling features of the DSGE model? How well does the model fit the data? How?
- Fiscal policy in the NK model. How large is the government spending multiplier?

Time permitting

- The sticky information model
- The imperfect information model
- An application to currency union