

Monetary Economics 771 & 871

Course outline for Part II of module (Monetary policy)

Lecture 6: 1970s – 2007/2008: How did we reach the pre-GFC consensus?

Readings:

Prescribed Readings

- Benati, L and Goodhart, C. (2011). Chapter 21 - Monetary Policy Regimes and Economic Performance: The Historical Record, 1979–2008. *Handbook of Monetary Economics*, vol 3B.

NOTE: This book is available to you as an ebook from the library at: <https://www-sciencedirect-com.ez.sun.ac.za/handbook/handbook-of-monetary-economics/vol/3>)

- Goodfriend, M. (2007). How the World Achieved Consensus on Monetary Policy. *Journal of Economic Perspectives*, 21(4): 47-68

Recommended Readings

- Blanchard, O. (2006). Monetary Policy: Science or Art? Panel discussion, presented at *Monetary Policy: A Journey from Theory to Practice*. An ECB colloquium held in honor of Otmar Issing, March 2006. <https://economics.mit.edu/files/742>
- Clardia, R., Gali, J. and Gertler, M. (1999). The Science of Monetary Policy: A New Keynesian Perspective. *Journal of Economic Literature*. 37(4): 1661-1707
- Poloz, S.S. (2017). Models and the Art and Science of Making Monetary Policy. *Speech at the University of Alberta School of Business Edmonton, Alberta* on 31 January 2017. <https://www.bankofcanada.ca/wp-content/uploads/2017/01/remarks-310117.pdf>
- Mishkin, F. (1999). International Experiences with Different Monetary Policy Regimes. *Journal of Monetary Economics*, Vol. 43, no. 3 (June 1999): 579-605

Lecture 7: Global Financial Crisis: Is inflation targeting dead?

Readings:

Prescribed Readings

- Du Plessis, S.A. (2012) Collapse. In Van Beek, U., & Wnuk-Lipinski, E., (eds.). *Democracy under stress. The global crisis and beyond*. Berlin: Barbara Budrich Publishers
- Bernanke, Ben (2010), Causes of the Recent Financial and Economic Crisis, *Statement by Ben S. Bernanke, Chairman, Board of Governors of the Federal Reserve System, before the Financial Crisis Inquiry Commission*, Washington D.C. (September 2, 2010); see <http://www.federalreserve.gov/newsevents/testimony/bernanke20100902a.htm>

Recommended Readings

- Mishkin, Frederic S. (2011). Over the Cliff: From the Subprime to the Global Financial Crisis. *Journal of Economic Perspectives*, 25 (1): 49-70.
- Woodford, M. (2009). Convergence in Macroeconomics: Elements of the New Synthesis. *American Economic Journal: Macroeconomics* 1(1): 267-279.

- Bernanke, B. and M. Gertler (1999). Monetary Policy and Asset Price Volatility. *Economic Review* (4th quarter): 17-51.
- Bernanke, B.S. (2013). A Century of Central Banking: Goals, Frameworks, Accountability. *Journal of Economic Perspectives*, 27(4), 3-16.

Lecture 8: The politics of monetary policy (Time consistency, central bank independence and inflation targeting)

Readings:

Prescribed Readings

- Alesina, A. and Stella, A. (2010). Chapter 18: The Politics of Monetary Policy. *Handbook of Monetary Economics*, Edited by Friedman and Woodford. Amsterdam: North-Holland.

Ebook: <https://www-sciencedirect-com.ez.sun.ac.za/handbook/handbook-of-monetary-economics/vol/3>

- Reichlin, L. and Baldwin, R. (2013). Introduction. Is Inflation Targeting Dead? Central Banking After the Crisis. Edited by Lucrezia Reichlin and Richard Baldwin. <https://voxeu.org/content/inflation-targeting-dead-central-banking-after-crisis>

- Haldane, A. (2020). What Has Central Bank Independence Ever Done for Us? Speech to the UCL Economists' Society Economics Conference, 28 November 2020.

Recommended Readings

- Kyland, F., and Prescott, E. (1977). Rules rather than Discretion: The Inconsistency of Optimal Plans. *Journal of Political Economy*, 85: 473-490.

- Hammond, G. (2012). State of the art of inflation targeting. Bank of England Handbook. <https://www.bankofengland.co.uk/ccbs/state-of-the-art-of-inflation-targeting>

- Schmidt-Hebbel, K and Carrasco, M. (2016). Chapter 18: The Past and Future of Inflation Targeting: Implications for Emerging-Market and Developing Economies. *Monetary Policy in India*, Edited by Ghate, C. and Kletzer, K.M.

- Kocherlakota, N. (2016). Rules versus Discretion: A Reconsideration. *Brookings Papers on Economic Activity*, Fall 2016.

- Ryan Banerjee, Stephen Cecchetti and Boris Hofmann. (2013). Flexible inflation targeting: Performance and challenges. Is Inflation Targeting Dead? Central Banking After the Crisis. Edited by Lucrezia Reichlin and Richard Baldwin. <https://voxeu.org/content/inflation-targeting-dead-central-banking-after-crisis>

- Svensson, L. (2020). Monetary Policy Strategies for the Federal Reserve. *International Journal of Central Banking*, International Journal of Central Banking, February 2020.

Lecture 9: The coordination between monetary and fiscal policy

Readings:

Prescribed Readings

- Canzoneri, M., Cumby, R and Diba, B. (2010). Chapter 17: The Interaction Between Monetary and Fiscal Policy. *Handbook of Monetary Economics*, Edited by Friedman and Woodford. Amsterdam: North-Holland

Recommended Readings

- Sims, C. (2016). Fiscal Policy, Monetary Policy and Central Bank Independence. Jackson Hole paper, 23 August 2016.

Lecture 10: The contested role of central banks looking forward: Are central banks overburdened? (Financial stability, Economic growth and inequality, Climate change, Digital Currencies)

Readings:

Arndt 2020.pdf

Issing 2017.pdf

Lagarde 2021.pdf

Network for Greening the FS 2020.pdf

Nordhaus 2019.pdf

Lecture 11: Modelling Expectations

Readings:

This reading is tough. I will go through it well in class and explain what I want you to focus on.

After that, it will be easier for you to read the text.

Best wishes

Monique

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