

Lesson 1 Guidance on 'Money and Finance'

Oct. 8, 2020
OKANO, Eiji

Purpose

- Monetary economics investigates the relationship between real economic variables at the aggregate level-such as real output, real rates of interest, employment and real exchange rates-and nominal variables-such as the inflation rate, nominal interest rates, nominal exchange rates and the supply of money.

- So defend, monetary economics has considerable overlap with macroeconomics more generally and these two fields have to a large degree shared a common history over most of the past 50 years. This lecture would be provide theories on monetary economics with empirical results following mostly macroeconomic literature.

Goal

- Students have to learn monetary economics based on macroeconomic perspective.
- In addition, students have to acquire analyzing money and finance following scientific fashion through reading papers published on top-ranked journals.

Summary

- Based on the text book, we will learn monetary economics based on macroeconomics with empirical evidence. The latter half will be dedicated reading papers in turn.

Plan

(as of Oct. 1, 2020)

- Lesson 1 Guidance (Oct. 8)
- Lesson 2 Two-Period Model (1) (Oct. 15)
- Lesson 3 Two-Period Model (2) (Oct. 29)
- Lesson 4 Classical Monetary Model (1) (Nov. 5)
- Lesson 5 Classical Monetary Model (2) (Nov. 12)
- Lesson 6 New Keynesian Model (1) (Nov. 19)
- Lesson 7 New Keynesian Model (2) (Nov. 26)
- Lesson 8 Welfare Analysis (Dec. 3)
- Lessons 9 Sticky Wages and Prices (1) (Dec. 10)
- Lessons 10 Sticky Wages and Prices (2) (Dec. 17)

Plan (cont.)

(as of Oct. 1, 2020)

- Lessons 11 Small Open Economy (1) (Jan. 7)
- Lessons 12 Small Open Economy (2) (Jan. 14)
- Lessons 13 Reading Papers in Turn (Jan. 21)
- Supplementary lectures will be held.

- Students will be assigned one paper to present its summary on Lessons 9 to 13 and supplementary lectures.
- Reading lists will be shown after Lesson 8 and students choose one paper from the lists following his/her preferences.

Evaluation

- Presentation at Lesson 13 and supplementary lecture.
- Students who would like to get credit must choose one paper from following reading list and explain that paper.
- Papers on the list can be downloaded Jordi Gali's web site as follows:
<http://www.crei.cat/people/gali/>

Reading List (1)

- Insider-Outsider Labor Markets, Hysteresis and Monetary Policy, *Journal of Money, Credit and Banking* forthcoming.
- Uncovered Interest Parity, Forward Guidance and the Exchange Rate, *Journal of Money, Credit and Banking* forthcoming.
- The Vanishing Procyclicality of Labour Productivity, (with T. van Rens), *The Economic Journal* forthcoming.
- Gains from Wage Flexibility and the Zero Lower Bound, (with R. Billi), *Oxford Bulletin of Economics and Statistics* forthcoming.
- Has the U.S. Wage Phillips Curve Flattened? A Semi-Structural Exploration, (with L. Gambetti), 2020 in G. Castex, J. Gali and D. Saravia (eds.) *Changing Inflation Dynamics, Evolving Monetary Policy*, Central Bank of Chile.

Reading List (2)

- Monetary Policy and Bubbles in a New Keynesian Model with Overlapping Generations, *American Economic Journal: Macroeconomics* forthcoming.
- The Effects of a Money-Financed Fiscal Stimulus, *Journal of Monetary Economics* forthcoming
- The Optimal Inflation Target and the Natural Rate of Interest, (with P. Andrade, H. Le Bihan and J. Matheron), *Brookings Papers on Economic Activity* forthcoming. Appendix VOX CEPR, 1/10/2019
- On the Empirical (Ir)Relevance of the Zero Lower Bound Constraint, (with D. Debortoli and L. Gambetti), *NBER Macroeconomics Annual*, 34, 2019, 141-170. Online interview

Reading List (3)

- Monetary Policy and Asset Price Bubbles: A Laboratory Experiment by Jordi Gali, G. Giusti, C. N. Noussair, May 2020, *Barcelona GSE Focus*.
- Monetary Policy with Heterogeneous Agents: Insights from TANK models by Davide Debortoli, Jordi Gali, September 2017, Revised June 2018.
- A Note on Martin Hellwig's "The Gali-Monacelli Model of a Small Open Economy has no International Trade by Jordi Gali, T. Monacelli, November 2015.
- On the Coexistence of Fiat Money and Real Asset Bubbles: A Note by Jordi Gali, January 2013.

Text Books

- Obstfeld, Maurice and Kenneth Rogoff (1996), "Foundations of International Macroeconomics," *The MIT Press*. ISBN 0-262-15047-6
- Gali, Jordi (2008), "Monetary Policy, Inflation and the Business Cycle: An Introduction to the New Keynesian Framework," *Princeton University Press*. ISBN 978-0-691-13316-4

References

- Woodford, Michael (2003), "Interest and Prices," Princeton University Press. ISBN 0-691-01049-8
- Gali, Jordi (2015), "Monetary Policy, Inflation and the Business Cycle: An Introduction to the New Keynesian Framework (Second Ed.)," *Princeton University Press*. ISBN 978-0-691-16478-6

Contact Information

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- Do NOT come neither the Campus nor My Office during No Admittance Duration!

Office Hour

- Autumn and Winter: 13:00 to 14:00, Every Tuesday from Sep. 29 to Jan. 19 except for Nov. 3, Dec. 29, Jan. 5 (as of Oct. 1)
- Schedule may be changed without an advance notice.

URL

- http://www.econ.nagoya-cu.ac.jp/~eiji_okano/Money%20and%20Finance%202020.html
- You can download all of materials on this course.