

Monetary policy and financial markets

Wintersemester 2021/2022

Syllabus

Instructor:

Günter W. Beck

Office hours:

On appointment

Teaching assistants:

Syed Muzammil Hussain, Michelle Schmitt (only on the topic of “Big data in financial economic research”)

Lectures:

Monday, 2.00 p.m. - 6.00 p.m.

Classes (bi-weekly):

Tuesday, 12.00 p.m. - 2.00 p.m.

Website:

<http://www.macro.uni-siegen.de> (Teaching - Monetary policy and financial markets)

Purpose:

The purpose of the course is to provide students with a thorough analysis of selected major topics in monetary economics and related financial-market issues. The topics covered in the course are listed below. Both theoretical and empirical aspects will be covered. Furthermore, implications for the conduct of monetary policy will be emphasized

A detailed course outline is given below.

Course structure:

The course is split into two parts. While in the first part, “regular” lectures will be held, the second part will have the character of a seminar. The first part will be concluded by a midterm exam. To successfully complete the second part, students

are expected to write a term paper, give a presentation based on their term paper and discuss the term paper/presentation by a classmate. Both the presentation and the discussion will be conducted in the context of an event which is supposed to mimic an academic conference on the topic. The presentation can be either based on an original paper (taken from a list of articles to be provided) or an empirical analysis conducted by the student.

Further details on the midterm, the organization of the concluding course event, the requirements for the presentation, term paper and the discussion will be discussed at the beginning of the first lecture. The course grade will be based on all four contributions.

Course requirements:

Students will be graded upon the following:

- Midterm exam (40%)
- Term paper (20%)
- Presentation (20%)
- Discussion (20%)

Readings:

The main references for the course are:

Freixas, Xavier and Jean-Charles Rochet (2008), *Microeconomics of Banking*, 2nd Edition, MIT Press, Princeton (denoted by FR in the following).

Walsh, Carl (2017), *Monetary theory and policy*, 4th edition. MIT Press (denoted by CW in the following).

Course overview:

1. Introduction

2. Monetary economics

- (a) Evidence on money, prices, and output (CW, chapter 1)
- (b) Money and public finance (CW, chapter 4)
- (c) Nominal price and wage rigidities (CW, chaoter 7)

(d) New Keynesian monetary economics (CW, chapter 8)

3. Financial economics

(a) Financial intermediaries in a world with perfect capital markets (FR, chapter 1)

(b) The role of financial intermediaries (FR, chapter 2)

(c) The industrial organization approach to banking (FR, chapter 3)

(d) Microfoundations of frictions in credit markets (CW, ch. 10, FR, ch. 5)

(e) Individual bank runs and systemic risk (FR, chapter 7)

4. Monetary policy and financial markets

(a) The term structure of interest rates (CW, chapter 10)

(b) Macroeconomic implications of financial frictions (CW, chapter 10, FR, chapter 6)

(c) The effective lower bound and balance sheet policies (CW, chapter 11)

(d) Monetary and macroprudential policy (readings: t.b.a.)

5. An introduction into the use of “big data” in monetary and financial economic research

(a) Big data in monetary economics

(b) Big data in financial economics