Survey in Monetary Economics - E6111  
Susanne Janeba  
TR 11-12:15 am, HUMN 370

Required readings:  
I will provide additional material (mostly journal articles) whenever appropriate.

Suggested material:  
'The Economics of Money, Banking, and Financial Markets', 5th edition, Frederic S. Mishkin, Addison Wesley

Any other textbook on 'Money and Banking' or 'Financial Markets and Institutions'

Topics

Monetary Theory: Demand for Money  
Monetary Policy: Transmission Mechanisms of Monetary Policy;  
Goals, Targets, and Instruments;  
Independence of Central Banks  
Financial Markets: Financial Institutions (Role, Regulation);  
Financial Instruments;  
Asset Pricing (esp. interest rates, exchange rates, also derivatives);  
Portfolio Choice;  
Monetary Policy and Financial Markets: Greenspan and Wall Street

The class will move quickly from theoretical approaches to a general discussion on the role of a central bank in the economy, with an emphasis on the Federal Reserve System in the US. As monetary policy affects the economy through its immediate impact on financial markets, we continue with an overview on financial institutions and instruments, before analyzing the interaction between the Federal Reserve and financial markets in the US.

The typical class meeting will consist of a brief lecture (by me), followed by a short presentation summarizing the assigned reading (by a student) from the Readings and a class discussion relating the new material to earlier class meetings or current events.

Throughout the semester, you are expected to follow current monetary policy. Questions such as what triggers the Fed's decisions, what is the immediate impact, what are future expectations with respect to important economic variables (inflation, output growth etc.) and monetary policy should be in the back of your mind. As forecasts of future economic conditions are crucial to monetary policy decisions (which in turn are crucial to the behavior of financial markets), we will look at leading indicators and more precise methods of forecasting.  
Current events involving monetary policy in other countries will be considered as time allows.

Grading:
Your grade will be determined based on two papers, a midterm and a final exam as well as class participation. Each will carry a weight of 20%. One paper will address issues concerning monetary policy, the second will focus on questions related to financial markets, especially asset pricing.