

Syllabus [cmcd.economia@fgv.br]

Course: Monetary Policy Models Professor:

2025 SECOND SEMESTER

COURSE OUTLINE

This course provides an overview of recent developments in monetary economics, with special emphasis on models with nominal rigidities and their implications for monetary policy. The course first introduces the classical real business cycles model and discusses the neutrality of monetary policy in this framework. It then discusses extensions of the classical model with imperfect competition and price rigidities, leading to the canonical New Keynesian (NK) model. The course then studies monetary policy rules in the NK framework. The course also covers discretion and commitment in monetary policymaking, the interaction between fiscal and monetary policies, and the open economy dimension of monetary policy.

PROGRAM

- 1. Recursive Models
- 2. The Real Business Cycle Model
- 3. RBC Model with Indivisible Labor
- 4. Cash in Advance Model
- 5. Model with Working Capital
- 6. Classical Monetary Model
- 7. The Basic New Keynesian Model
- 8. Monetary Policy Tradeoffs
- 9. Model with Sticky Wages and Unemployment
- 10. Monetary Policy in Open Economy
- 11. Models with Financial Frictions
- 12. Fiscal Policy

BIBLIOGRAPHY

Main Reference

1. Gali, Jordi (G), 2015, Monetary Policy, Business Cycles and Inflation (Princeton University Press)

GRADING

Problem Sets 40%

<u>Research Project</u>: On the final day of class, students will present their proposal in-class. We will grade both the quality of the presentation and the content of proposal, 60%.

PROFESSOR – EMAILS