

Monetary Policy, Summer Semester 2025

Lecturer

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Course Schedule

Lectures: Tuesday, 11.30-14.30, LG 5.154. Lecture period is between 29.04.2025 and 01.07.2025

Tutorials: Please check StudOn for updates.

Course Objective

The purpose of this course is to gain a thorough understanding of monetary policy. We examine the basic functioning of financial intermediation, and objectives, operational framework, decision-making process and policy implementation of central banks. We study the basics of New Keynesian Models from the perspective of monetary policy implementation and analyze the transmission of monetary policy to the economy.

We pay particular emphasis to the practical aspects of monetary policy implementation, and its recent challenges. We explain key monetary policy instruments such as open market operations, standing facilities, and reserve requirements and how they are used to control the operational target of monetary policy. We analyze the actions of central banks their affects through the lens of balance sheet operations involving central banks, financial institutions and the non-bank public.

We also explore monetary policy implementation issues that we experience over the last decades. Topics in this regard range from the zero lower bound on nominal interest rates, quantitative easing and other unconventional methods, monetary policy transmission in the zero lower bound, and recent monetary policy measures under rising inflation. These should to be helpful for understanding policy debates and for assessing current macroeconomic developments.

Target Group

This advanced Bachelor level course introduces basic building blocks of monetary policy making. Students who plan to have a career in financial sector as well as any economic policy institution will find this course helpful. Moreover, this course also targets students who have interest in further study in economics and finance.

Course Outline

1) Money, Banking and the Management of Financial Institutions

2) Central Banking, Money Supply and the Conduct of Monetary Policy

- The Federal Reserve and the European Central Bank
- Money Supply Process
- Monetary Policy Implementation

3) Modelling Monetary Policy

- Real Interest Rate, Phillips Curve, Taylor Rule

4) A Simple Model of Monetary Policy

- 3 Equation Model
- Liquidity Trap

4) Unconventional Monetary Policies

- Term Structure of Interest Rates
- Forward Guidance, Quantitative Easing, Negative Interest Rates
- Monetary Policy, Inflation and Financial Stability

5) Monetary Policy Transmission

Grading

The evaluation of this course is based on 60-minute long final exam. The exam will take place after the lecture period. Students can also improve their grades via voluntary class presentation. Class presentations will take place at the end of the lecture period. Potential list of topics and schedule will be shared in StudOn.

Lecture Material

This course consists of weekly lectures and supplementary tutorials. Lectures cover the main topics described in the course outline. As there is no single textbook covering all introduced topics, comprehensive lecture notes are provided along with additional reading materials. "Introduction to Central Banking" by Ulrich Bindseil and Alessio Folia serves as a useful supplementary book, from which some lecture content is drawn.

Tutorials aim to help students to apply course material to practical issues. This includes downloading and manipulating economic data, data analysis using programs such as Excel, Matlab, and Stata. We will post lecture slides, tutorial files and any other supplementary material via StudOn.