Monetary and Fiscal Policy Issues in General Equilibrium

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GSEFM, Field Course
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Overview

Motivation of the topic:

- Hopefully straightforward, since in the aftermath of the financial crisis many countries have reached a stage where pressing policy challenges require a thorough understanding of interactions between monetary and fiscal policies.

What can you expect from this field course?

- The lectures give a comprehensive introduction on how to model monetary and fiscal policy issues from a general equilibrium perspective, covering both positive and normative aspects.
- The lectures will use (and where needed explain) concepts and techniques of advanced macroeconomics.
- The term papers are expected to cover current research questions.
Overview

The lecture material covers the following topics:

**Part I:** Modelling Money in General Equilibrium: a Primer
*(Focus: How to model money in general equilibrium? Fragility of monetary equilibria, Welfare cost of inflation)*

**Part II:** Money and Public Finance:
Selected Issues from a Positive and a Normative Perspective
*(Focus: Sargent-Wallace-type budgetary arithmetic, Fiscal theory of the price level, Ramsey-optimal monetary and fiscal policies)*

**Part III:** Unconventional monetary policies
*(Focus: Effectiveness and limitations of unconventional monetary policies)*

**Part IV (time permitting):** Monetary unions
*(Focus: Strategic interactions between monetary and fiscal policies in monetary unions)*
Overview

Course book: *Carl Walsh, Monetary Theory and Policy, MIT Press, 3rd edition, 2010*

- This book gives in chapters 2 and 3 (for part I) and 4 (for part II) in many respects a good overview...
- ...but the Lecture notes will discuss a number of the core papers in considerably more detail
Overview

Selected core papers:

Part I: Modelling Money in General Equilibrium: a Primer


Part II: Money and Public Finance:

Overview

**Selected core papers:**

**Part III: Unconventional monetary policies**


**Part IV: Monetary unions**


Overview

Format of the course:

Lectures take place during the first half of the term. There will be seven meetings on April 15, April 22, April 29, May 6, May 13, May 20, May 27.

Moreover, there will be a meeting for the presentation of the (initial findings of the) term papers during the last week of the term on July 15.

All meetings take place on Tuesdays, in Raum Boston, HoF, 4 pm - 8 pm (detailed timing to be communicated during the first meeting).
Overview

Course requirements:

- The final grade will be based on a combination of the participation in discussions, a problem set, the presentation of the term paper, and the quality of the written version of the term paper.
- The term paper can be organized around any quality publication or recent working paper with a clear link to the substance of the course. Preferably, students are invited to select from recent papers with a focus on i) the role of unconventional monetary and fiscal policies or ii) monetary and fiscal policy interactions in monetary unions. An updated list with suggestions for such papers will be posted at the beginning of the course.

Idea: summarize the value added of a paper covering your preferred subject, link it to ongoing research and develop possible directions for (your own?) future research.