



UNIVERSITÀ DEGLI STUDI DI PALERMO

DEPARTMENT	Scienze Economiche, Aziendali e Statistiche		
ACADEMIC YEAR	2022/2023		
MASTER'S DEGREE (MSC)	ECONOMIC AND FINANCIAL SCIENCES		
SUBJECT	MONETARY ECONOMICS AND POLICY		
TYPE OF EDUCATIONAL ACTIVITY	B		
AMBIT	50493-Economico		
CODE	02768		
SCIENTIFIC SECTOR(S)	SECS-P/02		
HEAD PROFESSOR(S)	AGNELLO LUCA	Professore Ordinario	Univ. di PALERMO
OTHER PROFESSOR(S)			
CREDITS	6		
INDIVIDUAL STUDY (Hrs)	108		
COURSE ACTIVITY (Hrs)	42		
PROPAEDEUTICAL SUBJECTS			
MUTUALIZATION			
YEAR	2		
TERM (SEMESTER)	1° semester		
ATTENDANCE	Not mandatory		
EVALUATION	Out of 30		
TEACHER OFFICE HOURS	AGNELLO LUCA Monday 12:00 13:30 Ufficio docente. 5 piano Edificio 13 Thursday 10:00 12:00 Ufficio docente. 5 piano Edificio 13		

DOCENTE: Prof. LUCA AGNELLO

PREREQUISITES	Microeconomics and Macroeconomics
LEARNING OUTCOMES	<p>Knowledge and comprehension: Ability to interpret the evolution of the macroeconomic context and its interactions with monetary policies. Ability to understand the institutional framework of central banks, the operational framework for monetary policy and monetary policy transmission channels.</p> <p>Ability to apply knowledge and comprehension: ability to solve simple numerical problems related to the implementation of central bank market operations and the foundations of monetary economics.</p> <p>Autonomous judging: ability to evaluate, based on the empirical evidence and simulations, the conduct and effects of monetary policy, including its impact on interest rates and inflation, and the consequences of policy actions by central banks. Ability to identify macroeconomic forces that impinge on central bankers decision-making.</p> <p>Communication abilities: ability to present main issues concerning monetary policy and monetary economics to a non-expert audience</p> <p>Learning ability: Ability to apply the acquired knowledge on monetary policy action to the current context, with particular reference to the European and US reality.</p> <p>Ability to read and understand empirical evidence (at a not excessively technical level) and support a discussion on the most debated issues, also identifying interdisciplinary connections.</p>
ASSESSMENT METHODS	<p>Evaluation is based on the results of two exams: written and oral. The questions contained in the written exam aim at demonstrating the acquisition of the required competences and abilities: a) ability to apply economic and monetary policy concepts and the acquired knowledge on monetary policy operational framework to solve simple numerical problems; b) knowledge of basic key concepts; c) ability to describe and analyze interactions between macroeconomics and monetary economics.</p> <p>The evaluation of the written examination consists in a qualitative judgement: Not recommended, Recommended under confirmation, Sufficient, More than sufficient, Good and Very Good/Excellent. Not recommended students must take the written examination again. Students which are "recommended under confirmation" must perform an oral exam on the material of the written examination in order to confirm the admission. If they are admitted, they must complete the exam on the topics not included in the written examination. The qualitative judgement together with the evaluation in the oral exam determines the overall evaluation.</p>
EDUCATIONAL OBJECTIVES	<p>The course is meant to provide students with the advanced knowledge of the monetary policy operational framework and operating procedures of modern central banks and the recent changes in the monetary policy implementation following the global financial crisis, the Zero Lower Bound (ZLB) scenario and the recent covid-19 pandemic. Unconventional instruments at ZLB (eg. QE, Forward Guidance), their impacts and transmission channels are assessed with a special focus on the Eurosystem and the Federal Reserve System. The course will also provide students with knowledge of the new policy challenges faced by central banks and posed by the digitalization of economic systems and the climate change emergency. Finally, the course provides some extensions (using an analytical approaches) related to specific topics such as the implementation of monetary operating procedures, the debate on rules vs. discretion and time inconsistency problem, bank behaviour and retail interest rates, the foundations for money demand and estimation issues.</p>
TEACHING METHODS	Frontal teaching and exercise classes (Attendance is highly recommended)
SUGGESTED BIBLIOGRAPHY	Angelo Baglioni. Le Frontiere della Politica Monetaria. Dal Quantitative Easing ai tassi negativi. HOEPLI 2022. Ulteriore materiale didattico sarà indicato dal docente durante il corso.

SYLLABUS

Hrs	Frontal teaching
2	Macroeconomic background and monetary policy strategies: Phillips curve, aggregate demand and monetary policy reaction function
2	AS-AD-MR model: short-term and long-run equilibria
2	AS-AD-MR model revised: Zero Lower Bound (ZLB) and Quantitative Easing (QE). The open-economy AS-AD-MR model
2	Introduction to the monetary policy operational framework. The Interest Rate Steering operational framework

SYLLABUS

Hrs	Frontal teaching
2	Unconventional monetary policy instruments: QE, Negative Interest Rate Policies (NIRP) and Forward Guidance
2	Monetary Policy transmission channels: interest rate, bank lending channel and asset prices channel
2	European Central Bank: strategies and operational framework over the last 20 years
2	The ECB's non-standard monetary policy measures in response to the Global financial crisis, the eurozone sovereign debt crisis and covid-19 pandemic
2	The Fed: From the standard operational framework to the "new normal". Exit strategies and monetary policy normalization
2	The Fed: strategies and operational framework changes in the aftermath of the 2007/08 financial crisis. The Fed: credit and quantitative easing, twist and communications
2	New frontiers of monetary policy: introduction to the new challenges. Secular stagnation and monetary policy options
2	Central banks and digital currencies. Climate changes and ECB: Greening monetary policy
Hrs	Practice
18	<p>In-depth analysis and exercises on :</p> <p>The use of the main instruments of standard monetary policy and operating procedures;</p> <p>Inflation expectations, monetary policymaking and the solutions to the time inconsistency problem;</p> <p>Money demand: empirical evidence and estimation issues;</p> <p>Bank behaviour and the relationship between retail bank interest rates and market interest rates;</p>