



Course and Examination Fact Sheet: Autumn Semester 2017

9,272: Economics of Central Banking

ECTS credits: 4

Overview examination/s

(binding regulations see below)

Decentral - Group examination paper (all given the same grades) (25%)

Decentral - Written examination (75%, 90 mins.)

Attached courses

Timetable -- Language -- Lecturer

[9.272.1.00 Economics of Central Banking](#) -- Englisch -- [Cuche-Curti Nicolas](#)

Course information

Course prerequisites

The course requires knowledge of basic macroeconomic principles from the bachelor level. Although the course is self-contained (main mathematical instruments are reviewed during the course), a substantial background in mathematics may be useful (i.e. optimization methods with a Lagrangian, basic operations in matrix algebra, and basic statistical and econometric methods).

Course content

Course objective:

The goal of the course "Economics of Central Banking" is to help students better understand the design and implementation of monetary policy of different central banks.

The course focuses on actual monetary policy strategies, i.e. the link between monetary policy instruments and the objectives of central banks. Modeling and quantitative methods play a crucial role in monetary policy strategies, guiding central banks in the use of their instruments, in particular interest rate management, and more recently unconventional monetary policy, to achieve defined goals such as price stability.

Moreover, the communication of central banks is also analyzed during the course (e.g. at each quarterly monetary policy assessment, the Swiss National Bank publishes an inflation forecast built on the output of several quantitative models).

The course is organized as follows. First, it begins with a detailed, non-technical description of the monetary policy strategy of some important central banks (i.e. Swiss National Bank, European Central Bank, Federal Reserve Bank, and Bank of England).

The second part focuses on general elements characterizing the central bank world. The empirical evidence on aggregate time series is analyzed. Put in other words, the relations between central bank variables (e.g. interest rate, money) and macroeconomic variables (e.g. output, unemployment, inflation) are investigated. This means that knowledge of time series econometrics - including the use of vector autoregressions - is essential for understanding monetary economics. A review of time series econometrics and its applications to monetary issues using actual data is provided (self studies). Then, basic models about the possible time inconsistency in central bank decisions and the inflation bias problem are reviewed. A few solutions against the inflation bias are investigated, too.

In addition to time series models, central banks have been using rational expectation models with wage/price rigidities to complete their suite of models. Hence, the third part of the course focuses on the construction of rational expectation general equilibrium models with - first - flexible prices and - then - with added wage/price rigidities. With this technical background, classic topics in monetary economics are analyzed (e.g. money demand). Besides, using such models, the reaction of central banks to supply, demand, and inflation shocks are simulated and compared to the observed reactions of the last years.



Course structure

See course content.

Course literature

All slides available in pdf format at the beginning of the course. URL follows.

Additional course information

None.

Examination information

Examination sub part/s

1. Examination sub part (1/2)

Examination time and form

Decentral - Group examination paper (all given the same grades) (25%)

Remark

Empirical assignment using Swiss data.

Examination-aid rule

Term papers

- Term papers must be written without anyone else's help and in accordance with the known quotation standards, and they must contain a declaration of authorship.
- The documentation of sources (quotations, bibliography) has to be done throughout and consistently in accordance with the APA or MLA standards. The indications of the sources of information taken over verbatim or in paraphrase (quotations) must be integrated into the text in accordance with the precepts of the applicable quotation standard, while informative and bibliographical notes must be added as footnotes (recommendations and standards can be found, for example, in METZGER, C. (2015), *Lern- und Arbeitsstrategien* (11th ed., 4th printing). Aarau: Sauerländer).
- For any work written at the HSG, the indication of the page numbers both according to the MLA and the APA standard is never optional.
- Where there are no page numbers in sources, precise references must be provided in a different way: titles of chapters or sections, section numbers, acts, scenes, verses, etc.
- For papers in law, the legal standard is recommended (by way of example, cf. FORSTMOSER, P., OGOREK R. et SCHINDLER B. (2014), *Juristisches Arbeiten: Eine Anleitung für Studierende* (5. Auflage), Zürich: Schulthess, or the recommendations of the Law School).

Supplementary aids

Examination languages

Question language: English

Answer language: English

2. Examination sub part (2/2)



Examination time and form

Decentral - Written examination (75%, 90 mins.)

Remark

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Examination-aid rule

Open Book

Students are free to choose aids but will have to comply with the following restrictions:

- At such examinations, all the pocket calculators of the Texas Instruments **TI-30 series** are admissible. Any other pocket calculator models are inadmissible.
- In addition, any type of communication, as well as any electronic devices that can be programmed and are capable of communication such as electronic dictionaries, notebooks, tablets, PDAs, mobile telephones and others, are inadmissible.
- Students are themselves responsible for the procurement of examination aids.

Supplementary aids

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Examination languages

Question language: English

Answer language: English

Examination content

The exam will be based on the course and the given slides.

Examination relevant literature

See course literature.

Please note

We would like to point out to you that this fact sheet has absolute priority over other information such as StudyNet, faculty members' personal databases, information provided in lectures, etc.

When will the fact sheets become binding?

- Information about courses and examination time (central/decentral and grading form): from the start of the bidding process on 24 August 2017
- Information about decentral examinations (examination-aid rule, examination content, examination relevant literature): after the 4th semester week on 16 October 2017
- Information about central examinations (examination-aid rule, examination content, examination relevant literature): from the start of the enrolment period for the examinations on 06 November 2017

Please look at the fact sheet once more after these deadlines have expired.



University of St.Gallen