

Monetary policy group assignments

March 20, 2012

For the group work assignment you are requested to write a short note (no more than 15 pages in length) discussing a macroeconomic policy issue and proposing a policy recommendation. In general, the note should start by a description of the macroeconomic problem at hand and spell out the various policy options available to address it. After reviewing the pros and cons of each option, the report should then put forward a policy recommendation which should include an assessment of the main implementation risks. The following is a list of topics from which you may select one for your assignment (please feel free to add your own suggestion):

1. Given a set of data provided by me, present a recommendation regarding how the central bank should decide on interest rates, for instance following the ECB's monetary policy strategy.
2. Do a survey of alternative monetary policy strategies and discuss their applicability to the euro area.
3. What were the main problems posed for the ECB monetary policy by the euro area sovereign debt crisis? Discuss the implications of the alternative solutions (e.g. restructuring, Eurobonds, leaving the euro, etc.) for the ECB's monetary policy.
4. Discuss the longer term reform of the stability and growth pact, including debt ceilings and fiscal rules. What are the implications for monetary policy?
5. Analyze the challenges posed by global imbalances and their link to monetary and exchange rate policies of emerging market economies (e.g. China).
6. Review the recent developments in macroprudential policy and its interaction with monetary policy.
7. Do a review of past financial crises and derive lessons for current and future monetary policy.

I will provide background material, guidance and feedback on preliminary drafts. The groups should have 2 or 3 students. The written assignment should be finalized towards the end of the semester. The work counts for 35% of the final grade. Good luck!