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Introduction to Research for Essay Writing

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Annotated Bibliography

Clarida, Richard, Jordi Gali, and Mark Gertler. "The science of monetary policy: a new Keynesian perspective." Journal of economic literature 37.4 (1999): 1661-1707.

Clarida, Galí, and Gertler's article "The science of monetary policy: A New Keynesian perspective" presents a New Keynesian perspective on monetary policy. The article discusses the theoretical foundations of the New Keynesian model, which emphasizes the role of market imperfections and sticky prices in determining the effectiveness of monetary policy. The authors argue that changes in the nominal interest rate can be used to control inflation by affecting the behavior of households and firms. In particular, the authors describe the role of the Phillips curve in the New Keynesian model, which describes the relationship between inflation and unemployment. The Phillips curve suggests that there is a trade-off between inflation and unemployment in the short run, but that this trade-off disappears in the long run due to expectations of inflation becoming anchored. The authors go on to describe how the central bank can use interest rate changes to affect inflation expectations and thus control inflation. Finally, the authors discuss the limitations of monetary policy and the need for fiscal policy to play a complementary role in stabilizing the economy.

Bernanke, Ben S., and Mark Gertler. "Inside the black box: The credit channel of monetary policy transmission." Journal of Economic Perspectives, vol. 9, no. 4, 1995, pp. 27-48

Bernanke and Gertler's article "Inside the black box: The credit channel of monetary policy transmission" discusses the link between monetary policy, credit availability, and inflation. The authors argue that understanding the credit channel is crucial for policymakers seeking to use monetary policy to control inflation. The article begins by explaining that interest rate changes have a significant impact on credit market conditions. The authors go on to describe the three main mechanisms through which the credit channel operates: the bank lending channel, the balance sheet channel, and the exchange rate channel. The bank lending channel works by changing the cost of funds for banks, which can lead to changes in lending rates and the availability of credit. The balance sheet channel works by changing the value of borrowers' and lenders' assets and liabilities, which can affect their ability and willingness to borrow or lend. Finally, the exchange rate channel works by changing the value of the domestic currency, which can affect the competitiveness of domestic firms and the demand for domestic goods and services.