



Advanced Monetary Economics

Summer Term 2019

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1 Schedule

Tutorial	Mon	16:00–18:00	SPA 1, 203
Lecture	Tue	10:00–12:00	SPA 1, 125

2 Lecturers

	Office Hours	Room	E-Mail
Prof. Lutz Weinke (Lecture+ Tutorial)	Mon 14:00-15:00, Register at: wpol@wiwi.hu- berlin.de	331	lutz.weinke@wiwi.hu-berlin.de

3 Content and structure of the course

This course teaches new developments in the field of monetary economics. We start with a refresher on the dynamic New Keynesian model that is at center stage in the course "Monetary Economics". In the 2nd and 3rd week of the semester the course will be held at the DIW featuring the short course of Christian Bayer on business cycle models with heterogeneous agents. Starting off from the 4th week, we then discuss some recent extensions of the New Keynesian model. Examples include open economy models as well as models with financial frictions. Those features are empirically motivated and their presence also has important normative implications, as we are going to see. In the final part of the course, we discuss the recently emerging HANK models. Throughout the course, we assess the empirical relevance of the theoretical models under consideration, and we also develop the techniques that are necessary to work with the concepts that are presented. The course advanced monetary economics will be completed by a 90 minute final exam.

4 Third Exam Attempt

If you are attempting the exam for the third time, then please visit Prof. Weinke's office hour during the second last week of the semester in the first half an hour.

5 Excursion Short Course at the DIW

In the second and third week of the semester the course Advanced Monetary Economics will attend as part of an excursion the short course on Business Cycle Models with Heterogeneous Agents at the DIW. Please see the leaflet and the information provided on Moodle.

6 Literature

The basis of the course can be found in the textbook Galí, Jordi (2015): *Monetary Policy, Inflation and the Business Cycle*, Princeton University Press.

The focus will lie on recent publications in the field of monetary economics. The key papers are:

- Cúrdia, Vasco and Woodford (2011): "The Central-Bank Balance Sheet as an Instrument of Monetary Policy", *Journal of Monetary Economics*, 58, 54-79.
- Galí (2003): "New Perspectives on Monetary Policy, Inflation and the Business Cycle", *Advances in Economic Theory*, edited by: M. Dewatripont, L. Hansen, and S. Turnovsky, Vol. III, 151-197, Cambridge.
- Galí and Monacelli (2005): "Monetary Policy and Exchange Rate Volatility in a Small Open Economy", *Review of Economic Studies*, 72, 707-734.
- Galí and Monacelli (2016): "Understanding the Gains from Wage Flexibility: The Exchange Rate Connection", *American Economic Review*, 106(12), 3829-3868.
- Kaplan, Moll and Violante (2018): "Monetary Policy According to HANK", *American Economic Review*, 108(3), 697-743.
- Ottonello and Winberry (2018): "Financial Heterogeneity and the Investment Channel of Monetary Policy", *NBER Working Paper No. 24221*.
- Reiter (2009): "Solving heterogenous-agent models by projection and perturbation", *Journal of Economic Dynamics and Control*, 33(3), 649-665.
- Reiter, Sveen and Weinke (2013): "Lumpy investment and the monetary transmission mechanism", *Journal of Monetary Economics*, 60(7), 821-834.
- Schmitt-Grohé and Uribe (2004): "Solving dynamic general equilibrium models using a second-order approximation to the policy function", *Journal of Economic Dynamics and Control*, 28(4), 755-775.
- Schmitt-Grohé and Uribe (2007): "Optimal simple and implementable monetary and fiscal rules", *Journal of Monetary Economics*, 54(6), 1702-1725.
- Uribe and Schmitt-Grohé (2017): "Open Economy Macroeconomics", Princeton University Press.

7 Overview of the Course

	Date	Topic of the Lecture
1	09.04	Introduction
2	16.04	Excursion Short Course DIW
3	23.04	Excursion Short Course DIW
4	30.04	The New Keynesian Model and its Empirical Relevance I Literature: Galí (2003, 2015 Ch.3)
5	07.05	The New Keynesian Model and its Empirical Relevance II Literature: Galí (2003, 2015 Ch.3)
6	14.05	The New Keynesian Model and its Empirical Relevance III Literature: Galí (2003, 2015 Ch.3)
7	21.05	Welfare Based Evaluation of Monetary Policy I Literature: Galí (2015 Ch.4) Schmitt-Grohé and Uribe (2004)
8	28.05	Welfare Based Evaluation of Monetary Policy II Literature: Schmitt-Grohé and Uribe (2007)
9	04.06	Unconventional Monetary Policy Literature: Cúrdia, Vasco, Woodford (2011)
10	11.06.	Open Economy I Literature: Galí and Monacelli (2005, 2016) Galí (2015), Ch. 8
11	18.06	Open Economy II Literature: Galí and Monacelli (2005, 2016) Uribe and Schmitt-Grohé (2017), Ch. 9
12	25.06	HANK Literature: Reiter, Sveen and Weinke (2013) Kaplan, Moll, Violante (2018)
13	02.07	Wrapping it up
14	09.07	The HetSol Toolkit by Michael Reiter [not relevant for exam] Literature: Reiter (2009)