



Advanced Monetary Economics

Summer Term 2023

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April 17th, 2023

1 Schedule

Lecture	Mon	14:00–16:00	Room 125
Tutorial	Tue	10:00–12:00	Room 125

2 Lecturers

	Office Hours	E-Mail
Prof. Lutz Weinke (Lecture + Tutorial)	Monday 11:00-12:00, register at: wpol@wiwi.hu-berlin.de	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". We then continue with analyses of indeterminacy and welfare. In each case we will put particular emphasis on the role played by features that make New Keynesian theory attractive from an empirical point of view. We will also develop the techniques that are necessary to work with those concepts. In the second part of the course, we will discuss some recent extensions of the New Keynesian model. Examples include open economy models as well as models with heterogeneous agents. Those features are empirically motivated, and their presence also has important normative implications, as we are going to see.

The course Advanced Monetary Economics will be completed by a 90-minute multiple-choice exam.

4 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 references are:

- Cúrdia and Woodford (2011): "The Central-Bank Balance Sheet as an Instrument of Monetary Policy," *Journal of Monetary Economics*, 58(1), 54-79.
- Debortoli and Galí (2018): "Monetary policy with heterogeneous agents: Insights from TANK models," *mimeo*.
- Debortoli and Galí (2022): "Idiosyncratic income risk and aggregate fluctuations," *mimeo*.
- 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 (2018): "The State of New Keynesian Economics: A Partial Assessment," *Journal of Economic Perspectives*, 32 (3), 87-112.
- Galí and Monacelli (2005): "Monetary Policy and Exchange Rate Volatility in a Small Open Economy," *Review of Economic Studies*, 72(3), 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 (2020): "Financial Heterogeneity and the Investment Channel of Monetary Policy," *Econometrica*, 88(6), 2473-2502.
- 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.
- Reiter, Sveen and Weinke (2020): "Idiosyncratic shocks, Lumpy Investment and the Monetary Transmission Mechanism," *IHS Working Paper Series*, 16.
- 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.

5 Overview of the Course

	Date	Topic of the Lecture
1	17.04.	Introduction
2	24.04.	The New Keynesian Model and its Empirical Relevance I Literature: Galí (2003, 2015 Ch. 3, 2018)
	01.05.	<i>No lecture due to public holiday</i>
3	08.05.	The New Keynesian Model and its Empirical Relevance II Literature: Galí (2003, 2015 Ch.3, 2018)
4	15.05.	The New Keynesian Model and its Empirical Relevance III Literature: Galí (2003, 2015 Ch.3, 2018)
5	22.05.	Welfare Based Evaluation of Monetary Policy I Literature: Galí (2015 Ch.4) Schmitt-Grohé and Uribe (2004)
	29.05.	<i>No lecture due to public holiday</i>
6	05.06.	Welfare Based Evaluation of Monetary Policy II Literature: Schmitt-Grohé and Uribe (2007)
7	12.06.	Open Economy I Literature: Galí and Monacelli (2005) Galí (2015), Ch. 8
8	19.06.	Open Economy II Literature: Galí and Monacelli (2016) Uribe and Schmitt-Grohé (2017), Ch. 9
9	26.06.	HANK I Literature: Reiter, Sveen and Weinke (2013, 2020) Ottonello and Winberry (2020)
10	03.07.	HANK II Literature: Debortoli and Galí (2018, 2022) Galí (2018) Kaplan, Moll, Violante (2018)
11	10.07	Wrapping it up
12	17.07	Exam (90 min.)