



Advanced Monetary Economics

Summer Term 2025

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April 15th, 2025

1 Schedule

Lecture	Tue	10:00–12:00	Room 125	Begin: April 15th 2025
Tutorial	Mon	12:00–14:00	Room 125	Begin: April 28th 2025

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 by developing the dynamic New Keynesian model. Special emphasis will be put on the role played by features that make New Keynesian theory attractive from an empirical point of view. We then continue with analyses of indeterminacy and welfare. We will also develop the techniques that are necessary to work with DSGE models. 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:

- Debortoli and Galí (2025): "Heterogeneity and Aggregate Fluctuations: Insights from TANK Models," *NBER Macroeconomics Annual* 39 (forthcoming).
- Debortoli and Galí (2024): "Idiosyncratic Income Risk and Aggregate Fluctuations," *American Economic Journal: Macroeconomics*, 16(4), 279-310.
- 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. 3, 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.
- McKay and Wolf (2023): "Monetary Policy and Inequality," *Journal of Economic Perspectives*, 37(1), 121-44.
- 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 (2023): "Idiosyncratic Shocks, Lumpy Investment and the Monetary Transmission Mechanism," *The B.E. Journal of Macroeconomics*, 23(2), 1037-1055.
- 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	15.04.	Introduction
2	22.04.	The New Keynesian Model and its Empirical Relevance I Literature: Galí (2003, 2015 Ch. 3, 2018)
3	29.04.	The New Keynesian Model and its Empirical Relevance II Literature: Galí (2003, 2015 Ch.3, 2018)
4	06.05.	The New Keynesian Model and its Empirical Relevance III Literature: Galí (2003, 2015 Ch.3, 2018)
5	13.05.	Welfare Based Evaluation of Monetary Policy I Literature: Galí (2003, 2015 Ch.4, 2018)
6	20.05.	Welfare Based Evaluation of Monetary Policy II Literature: Schmitt-Grohé and Uribe (2004)
7	27.05.	Welfare Based Evaluation of Monetary Policy III Literature: Schmitt-Grohé and Uribe (2007)
8	03.06	Open Economy I Literature: Galí and Monacelli (2005) Galí (2015), Ch. 8
9	10.06	Open Economy II Literature: Galí and Monacelli (2016) Uribe and Schmitt-Grohé (2017), Ch. 9
10	17.06.	HANK I Literature: Debortoli and Galí (2024, 2025)
11	24.06.	HANK II Literature: Reiter, Sveen and Weinke (2013, 2023) McKay and Wolf (2023)
12	01.07.	Wrapping it up
13	08.07.	Additional topic (not exam relevant)
14	14.07	Exam (90 min.)