

1 SDGE models of sticky prices: The New Neo-Classical Synthesis

1) The basic models: a) Microfoundations & Dynamic Macro + b) Imperfect Competition and Nominal Rigidities

Prerequisites:

a) Money in DGE: MUF & CIA

(Cooley and Hansen 1989)

(Cooley and Hansen 1995)

Walsh, Monetarist Theory and Policy, Chp: 2-3

b) Staggering and Imperfect Competition: see other handout

The New neo-Classical Model (with exogenous monetary policy):

(Goodfriend and King 1998)

(King and Wolman 1996)

(Kimball 1995)

(McCallum and Nelson 1999)

(Ireland 1997)

(Yun 1996)

2) Basic problems:

a) Persistence of the effects of money shocks

(Chari, Kehoe, and McGrattan 2000)

(Ascari 2000)

(Andersen 1998)

(Erceg 1997)

(Ellison and Scott 2000)

(Huang and Liu 1998)

(Jeanne 1998)

b) Inflation Persistence

(Galí and Gertler 1999)

(Fuhrer and Moore 1995)

(Nelson 1998)

Solution (?)

(Christiano, Eichenbaum, and Evans 2005)

3) Monetary Policy

a) Exogenous: (Christiano, Eichenbaum, and Evans 1997)

b) Monetary Policy Rules

(Clarida, Galí, and Gertler 1998)

(Clarida, Galí, and Gertler 2000)

c) Optimal Monetary Policy

(Rotemberg and Woodford 1997)

(Clarida, Galí, and Gertler 1999)

(Woodford 2003)

4) Extensions:

4.1) The New Open Economy Macro

4.2) Fiscal Policy

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