Econ 234: Monetary Economics (Winter 2021)

Adrien Auclert Sebastian di Tella

Lectures: Tuesdays and Thursdays, 10am–11:50am on Zoom [macro lunch at 12:00am on Tuesday]

Course objective: This course is part of the second year PhD Macro sequence at Stanford. We will cover both standard topics and recent advances in the field. The goal is to make you aware of the core body of research in monetary economics, and to inspire and prepare you to write your own research papers.

Textbooks: Although we will not follow any textbook, the following will be useful for background reading:


Grading: Grading will be based on:

a) Three problem sets designed to develop a mixture of theoretical, empirical, and quantitative skills. (Worth 50% of your grade)

b) A research proposal, which should be 4–5 pages long and describe: the question you want to address; why you think it is important; why you think the answer of the previous literature is unsatisfactory; and how you plan to improve it. You will be presenting your research proposal at the end of the class. (Worth 50% of your grade)

Prerequisites: First year core PhD macroeconomics sequence. The class will be technical and will build on knowledge and tools developed in the first year. Please contact us if you want to take the class without having completed the core sequence.

Students with Documented Disabilities: Students who may need an academic accommodation based on the impact of a disability must initiate the request with the Office of Accessible Education (OAE). Professional staff will evaluate the request with required documentation, recommend reasonable accommodations, and prepare an Accommodation Letter for faculty dated in the current quarter in which the request is made. Students should contact the OAE as soon as possible since timely notice is needed to coordinate accommodations. The OAE is located at 563 Salvatierra Walk (phone: 723-1066, URL).
**Class plan.** The plan for each class is outlined below. There will likely be deviations from the plan, so this is just a general guideline.

<table>
<thead>
<tr>
<th>Lecture #</th>
<th>Date</th>
<th>Who?</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tuesday</td>
<td>SDT</td>
<td>Overview and evidence</td>
</tr>
<tr>
<td>2</td>
<td>Thursday</td>
<td>SDT</td>
<td>Neoclassical theory of money</td>
</tr>
<tr>
<td>3</td>
<td>Tuesday</td>
<td>SDT</td>
<td>Segmented markets</td>
</tr>
<tr>
<td>4</td>
<td>Thursday</td>
<td>SDT</td>
<td>Neoclassical Liquidity Trap</td>
</tr>
<tr>
<td>5</td>
<td>Tuesday</td>
<td>SDT</td>
<td>New Keynesian Liquidity trap</td>
</tr>
<tr>
<td>6</td>
<td>Thursday</td>
<td>SDT</td>
<td>Risk premium shocks</td>
</tr>
<tr>
<td>7</td>
<td>Tuesday</td>
<td>AA</td>
<td>The canonical HANK model</td>
</tr>
<tr>
<td>8</td>
<td>Thursday</td>
<td>AA</td>
<td>Fiscal policy with heterogenous agents 1/2</td>
</tr>
<tr>
<td>9</td>
<td>Tuesday</td>
<td>AA</td>
<td>Fiscal policy with heterogenous agents 2/2</td>
</tr>
<tr>
<td>10</td>
<td>Thursday</td>
<td>AA</td>
<td>Monetary policy with heterogeneous agents 1/2</td>
</tr>
<tr>
<td>11</td>
<td>Tuesday</td>
<td>AA</td>
<td>Monetary policy with heterogeneous agents 2/2</td>
</tr>
<tr>
<td>12</td>
<td>Thursday</td>
<td>AA</td>
<td>Monetary policy in the open economy</td>
</tr>
<tr>
<td>13</td>
<td>Tuesday</td>
<td>AA</td>
<td>Behavioral frictions and monetary policy</td>
</tr>
<tr>
<td>14</td>
<td>Thursday</td>
<td>AA</td>
<td>Illiquidity and monetary policy</td>
</tr>
<tr>
<td>15</td>
<td>Tuesday</td>
<td>AA</td>
<td>Estimating HANK</td>
</tr>
<tr>
<td>16</td>
<td>Thursday</td>
<td>SDT</td>
<td>State dependent vs time dependent pricing</td>
</tr>
<tr>
<td>17</td>
<td>Tuesday</td>
<td>AA</td>
<td>Sticky prices and micro data</td>
</tr>
<tr>
<td>18</td>
<td>Thursday</td>
<td>AA</td>
<td>Sources of real rigidities</td>
</tr>
<tr>
<td>19</td>
<td>Tuesday</td>
<td>SDT</td>
<td>The kurtosis of price changes</td>
</tr>
<tr>
<td>20</td>
<td>Thursday</td>
<td></td>
<td>Student presentations</td>
</tr>
</tbody>
</table>
Part I: From Neoclassical to New Keynesian Monetary Economics

1. Overview and evidence


2. Neoclassical theory of money


3. Segmented markets


124(3):911–967


4. Neoclassical liquidity traps


5. New Keynesian liquidity traps


6. Risk premium shocks

Part II: HANK

Background reading


Methods reading

7. The canonical HANK model
*A lecture notes, chapter 1*


8 & 9. Fiscal policy with heterogeneous agents
*A lecture notes, chapter 2*


10 & 11. Monetary policy with heterogeneous agents

*Lecture notes, chapter 3


12. Monetary policy in the open economy

*Lecture notes, chapter 4


13. Behavioral frictions and monetary policy

*Lecture notes, chapter 5


14. Illiquidity and monetary policy

*Lecture notes, chapter 6


15. Estimating HANK

*Lecture notes, chapter 7


Part III: Nominal Rigidities and Micro Data

16. State dependent vs time dependent pricing


17. Sticky prices and micro data


18. Sources of real rigidites


19. The kurtosis of price changes
