



# Financial Frictions in DSGE Models

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Instructor: Dr Husnu Dalgic, University of Mannheim

## Course outline

DSGE models with financial frictions have become the standard in academia as well as in policy institutions. This course is designed to familiarize students with the literature on financial frictions in macroeconomics and cutting-edge methods. We will start with a brief introduction to DSGE models and solution methods. We will then incorporate financial frictions into DSGE models to see (i) how financial shocks are transmitted to the economy and (ii) how non-financial shocks are amplified via financial accelerator. Next we will cover models of financial crises and how to integrate them into DSGE framework. We will also explore how financial frictions interact with topics like economic growth and inequality.

## Topics

- Financial friction models
- Integrating financial frictions in DSGE models
- Uncertainty and Macro outcomes
- Asset markets, incomplete insurance, and inequality
- Financial Crises and Macro
- Financial frictions and endogenous growth: Hysteresis

## Prerequisites

Prior knowledge of DSGE models and Matlab/Dynare would be helpful but not required.

## **Time Schedule and Topics covered**

Monday 27.03.2023:

Lecture 1: Introduction to DSGE models and solution methods

Lecture 2: Canonical financial friction models I

Lecture 3: Canonical financial friction models II

Tuesday 28.03.2023:

Lectures 4: Incomplete insurance and inequality

Lectures 5: Financial Crises and DSGE models I

Lectures 6: Financial Crises and DSGE models II

Wednesday 29.03.2023:

Lecture 7: Financial frictions and endogenous growth

## **About the trainer**

Dr Husnu Dalgic is a postdoctoral researcher at University of Mannheim. His research interests are international macroeconomics and finance. He uses DSGE models with financial frictions to answer questions on financial dollarization, FX interventions and financial crises. Dr Dalgic holds a PhD degree in Economics from Northwestern University and is a member of Collaborative Research Center Transregio 224 Bonn-Mannheim (CRC TR 224).