

The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHOR OR EDITOR

Sergio Ocampo

This document presents a dynamic stochastic general equilibrium model with rule of thumb (Non-Ricardian) agents and both nominal price and wage rigidities. The model follows closely that of Galí et al. (2004) and expands it to include a second way form of heterogeneity (besides the Non-Ricardian agents), namely the nominal wage stickiness á la Calvo, as in Erceg et al. (2000). Special attention is given to the algebraic details of the model. The model is calibrated and its dynamics are explored through the analysis of impulse response functions.

wish to thank Andrés González, Andrés Giraldo and the participants in the seminar of the Economics Department at Javeriana University, they contributed substantially when developing this document with comments and suggestions. Of course, any remaining errors are to be blamed solely on me. The results and opinions below are responsibility of the author and do not compromise in any way Banco de la República or its Board of Directors.