

# Nominal Idiosyncratic Shocks and Optimal Monetary Policy

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**Abstract:** This article considers an overlapping generations model with nominal idiosyncratic shocks. Such shocks are described as if they are exogenous nominal taxes/subsidies and cause nondegenerate ex-post distributions of money. We then show that the optimal money growth rate exists and is greater than one.

**Keywords:** Nominal idiosyncratic risk; Money; Monetary policy; Overlapping generations model.

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