

# Structure of the Two-Market Model

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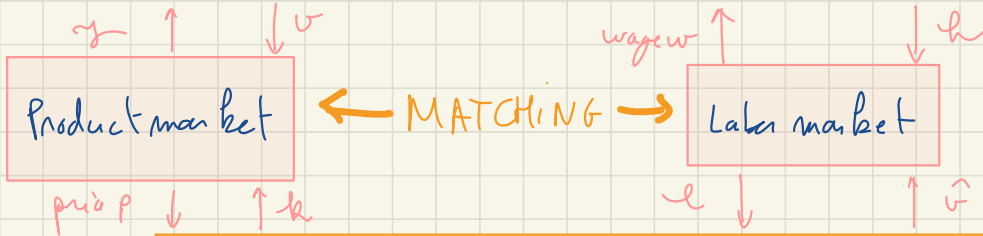
Pascal Michailat

<https://www.pascalmichailat.org/t5.html>



Households:

- Consume services  $c$
- Hold, value real wealth  $m/p$
- Labor force participants  $h$
- Utility function.

$$u(c, m/p) = \frac{x}{1+x} c^{\frac{1-x}{x}} + \frac{1}{1+x} (m/p)^{\frac{1-x}{x}}$$


Firms:

- Hire workers by posting vacancies  $\hat{v}$
- Workers are paid nominal wage  $w$
- $n$  workers are used for production  $h$ 
  - Products (services) are sold at price  $p$
- Some of the firm's employees are used for recruiting instead of production (HR)  $\rightarrow l-n$  recruiters