

Divine Beveridge-Samuelson Framework

Pascal Michailat

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



Assumptions:

- Divine coincidence: do not worry about inflation

* inflation is exogenous, does not respond to aggregate activity

* inflation is on target when unemployment is efficient, $u = u^*$

- Beveridge curve: $v(u)$

* unemployment

* have sufficient statistic for u^* , efficient unemployment rate $\rightarrow u - u^*$

* $u^* = \sqrt{av}$ under simple but realistic assumptions

- Samuelson (1954) theory of public goods

* government provides g public goods

(by employing workers, recruiting them)

\rightarrow enter household's utility function

* public workers do not work in private sector