Price Rigidities
An attempt at a new angle

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Abstract

This paper contributes an additional channel for nominal price rgidities which has so far been neglected in the literature. It is well known that search cost on the consumer side can lead to market power for firms, but this phenomenon has not yet been linked to the existence of nominal price rigidities. This paper aims to fill this gap with a basic profit maximizion of firms leading to nominal rigidities.

Keywords   Price Rigidity, Inflation Expectations, Market Power, Search Cost

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Table 1 Microeconomic Model Calibration

Calibrated Parameters			
Test1	Parameter	Value	Source
Test2	Γ	1.03	PSID: Carroll (1992)
Test3	R	1.04	Conventional
Test4	β	0.96	Conventional
Test5	ρ	2	Conventional
Test6	$\wp$	0.005	PSID: Carroll (1992)
Test7	σ_ψ	0.1	PSID: Carroll (1992)
Test8	σ_θ	0.1	PSID: Carroll (1992)

1 The Problem

1.1 Setup

$$\bar{k} = \left[\frac{(1-\epsilon)\beta}{\Xi(1+\beta)}^{1/(1-\epsilon)} \right] \tag{1}$$
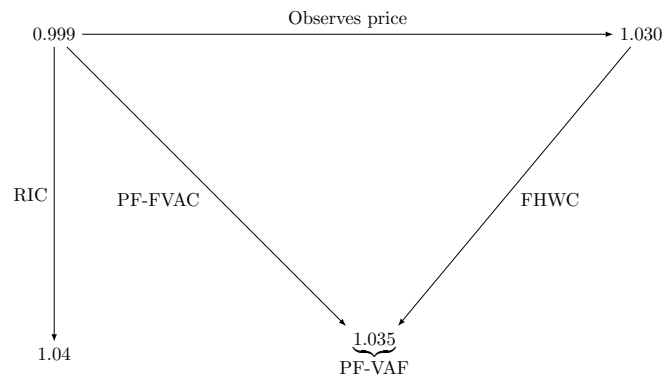

Figure 1 PF Unconstrained Model: Relation of GIC, FHWC, RIC, and PF-FVAC

A first visualization of the model's logic

Just a citation test: **? ?**

Appendices

References