

# Price Rigidities

## An attempt at a new angle

November 16, 2021

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### Abstract

This paper contributes an additional channel for nominal price rigidities 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 maximization of firms leading to nominal rigidities.

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

The paper benefitted substantially from helpful comments by Prof. L. Ball and Prof. C. Carroll of the Department of Economics of the Johns Hopkins University. Further, it is appropriate to thank Prof. O. Jeanne for an excellent introduction into the broader topic of price rigidities.

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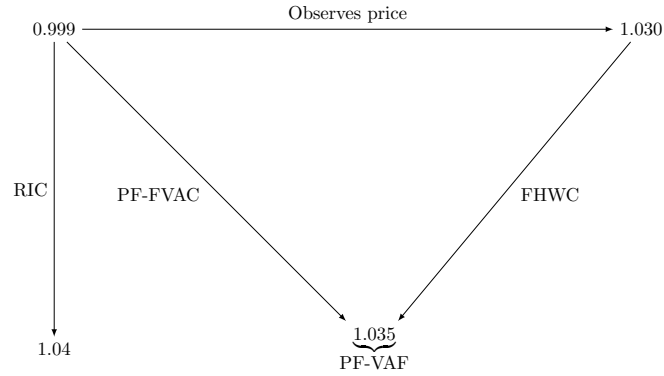
**Table 1** Microeconomic Model Calibration

| Calibrated Parameters |                 |       |                      |
|-----------------------|-----------------|-------|----------------------|
| Test1                 | Parameter       | Value | Source               |
| Test2                 | $\Gamma$        | 1.03  | PSID: Carroll (1992) |
| Test3                 | $R$             | 1.04  | Conventional         |
| Test4                 | $\beta$         | 0.96  | Conventional         |
| Test5                 | $\rho$          | 2     | Conventional         |
| Test6                 | $\wp$           | 0.005 | PSID: Carroll (1992) |
| Test7                 | $\sigma_\psi$   | 0.1   | PSID: Carroll (1992) |
| Test8                 | $\sigma_\theta$ | 0.1   | PSID: Carroll (1992) |

# 1 The Problem

## 1.1 Setup

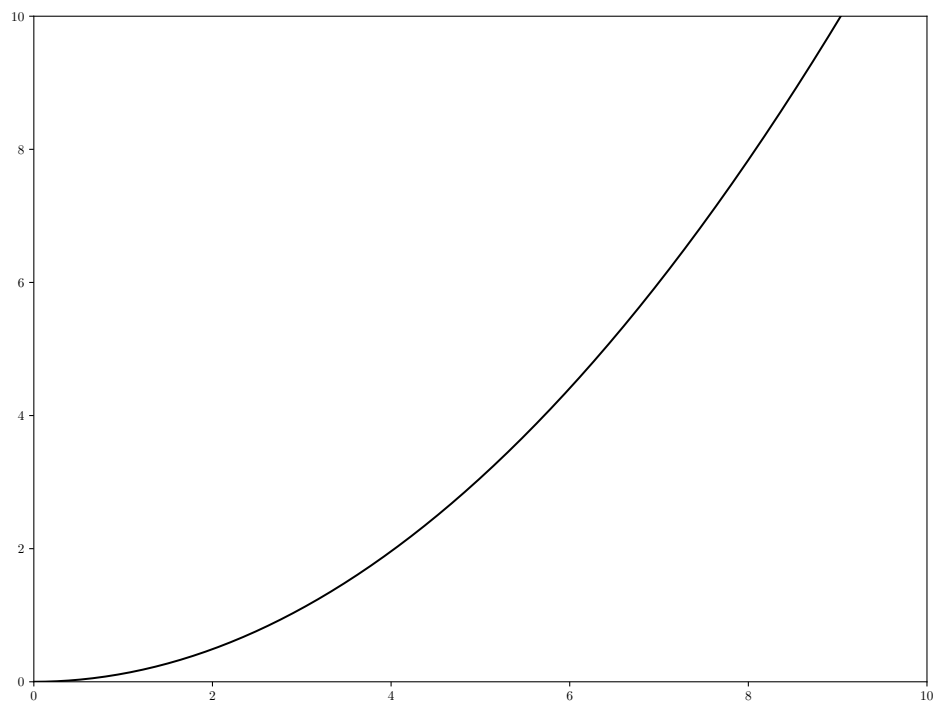
$$\bar{k} = \left[ \frac{(1 - \epsilon)\beta^{1/(1-\epsilon)}}{\Xi(1 + \beta)} \right] \quad (1)$$



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

A first visualization of the model's logic

Just a citation test: Osten (2021) Friedman (1957)



**Figure 2** Test Figure from Jupyter Notebook

# Appendices

else

## References

- FRIEDMAN, MILTON A. (1957): *A Theory of the Consumption Function*. Princeton University Press.
- OSTEN, DAVID L (2021): “Test Title,” *Journal of Test*, 129, 104185.