

Grasping Reality with Both Hands

The weblog
of Brad DeLong. Since 1999.
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Steindel: Wage Rigidity—Comment of the Day

Charles Steindel: *Comment on Modigliani (1944): Liquidity Preference* <https://www.bradford-delong.com/2020/08/modigliani-1944-liquidity-preferencenoted.html?cid=6a00e551f0800388340263e9612965200b#comment-6a00e551f0800388340263e9612965200b>: ‘Modigliani ’44--a grand vintage! (connoisseurs also should try the ’63). Seriously, after 2008 I started musing on the concept of "rigid wages." We vaguely thought of that as essentially an ordinal variable. If wages were less rigid, the economy is more responsive to the real factors, less so to the monetary factors. Now a think it's a lot less linear. Flexible wages and prices (of goods and services) would, it seems, need to be a lot more like asset market prices to be in that blissful non-Keynesian world. But one could hardly live in it; it is convenient to know what a quart of milk will cost in dollars when setting out to the grocery store...

.#commentoftheday #2020-09-17

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