**Money, Sticky Wages, and the Great Depression**

The authors develop a general equilibrium model of the US economy with sticky wages. They follow Friedman and Schwartz (1963) in believing the Great Depression was caused in large part by a lack of sufficient money in the US economy.

They consider two types of contracts: Fischer and Taylor. Fischer contracts last for k periods (in this case, 4 quarters) and then wages adjust. Taylor contracts overlap, i.e. the labor force is equally divided among k groups (4 in this case) and each group starts a contract in a different quarter.

Their estimates follow the data closely for 1929 to 1932, but diverge thereafter. The authors suggest that government price and wage setting starting in 1933 provides for exogenous drivers of wage and price change, thus limiting the applicability of the model to these later years.

The authors also argue that much of the price decline was unanticipated, especially when compared to the recession of 1920-21. Price declines were expected then as the US came out of WWI and returned to the gold standard.

**Some Evidence on the Importance of Sticky Wages** by Brattieri, Basu, and Gottschalk

The authors use a 3-year panel from the late ‘90s from the SIPP data to calculate the probability of wage changes. They estimate which wages changes are the result of actual wage changes and those resulting from reporting errors.

They find that salaried workers have a 5% chance of wage changes in each quarter, while hourly workers have a probability of 18% of wage changes.

They motivate their