NK\_GHP16: Gnocchi et al. (2016)

Gnocchi et al. (2016) introduce housework in an otherwise standard business cycle model. Introducing substitutability between home-produced and market goods, they generate complementarity between market consumption and hours worked and analyse how it affects the size of the fiscal multiplier.

* Aggregate Demand : Households maximize their lifetime utility, subject to an intertemporal budget constraint, where the utility function is increasing in both consumption and leisure and concave. They can consume home produced goods and market goods. Leisure is the residual time after subtracting hours worked at home and on the market from the time endowment.
* Aggregate Supply : There are infinitely many monopolistically competitive firms that buy market capital and hours worked to produce varieties of the market good. Prices are set following Calvo (1983).
* Shocks: This paper presents responses to a government spending shock.
* Calibration: The model is calibrated at quarterly frequency in order to match especially the sample averages of the ratio of investment to the capital stock, the capital-output ratios, the hours worked at home and on the market, and the share of government expenditure in GDP. The time series used refer to the time period 1950:Q1 to 2007:Q2, excluding the financial crisis.