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## International Finance Discussion Papers: Nominal Wage Rigidities and the Propagation of Monetary Disturbances

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By Christopher J Erceg

Bibliogov, United States, 2013. Paperback. Book Condition: New. 246 x 189 mm. Language: English . Brand New Book \*\*\*\*\* Print on Demand \*\*\*\*\*.Recent research has challenged the ability of sticky price general equilibrium models to generate a contract multiplier, i.e., an effect of a monetary innovation on output that extends beyond the contract interval. We show that a simple dynamic general equilibrium model that includes Taylor-style (1980) wage and price contracts can account for a substantial contract multiplier under various assumptions about the structure of the capital market. Most interestingly, our results do not rely on a high intertemporal labor supply elasticity or elastic supply of capital: our preference specification is standard (logarithmic), and we can account for a strong contract multiplier even when the aggregate stock of capital is fixed. Finally, our analysis highlights the importance of the income elasticity of money demand in accounting for output persistence.



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