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A Model of Rule-of-Thumb Consumers With Nominal Price and Wage Rigidities

Borrador de economía, núm. 707 Keep in mind
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This document presents a dynamic stochastic general equilibrium model with rule of thumb (Non-Ricardian) agents and both nominal price and wage rigidities. The model follows closely that of Galí et al. (2004) and expands it to include a second way form of heterogeneity (besides the Non-Ricardian agents), namely the nominal wage stickiness á la Calvo, as in Erceg et al. (2000). Special attention is given to the algebraic details of the model. The model is calibrated and its dynamics are explored trough the analysis of impulse response functions.

wish to thank Andrés González, Andrés Giraldo and the participants in the seminar of the Economics Department at Javeriana University, they contributed substantially when developing this document with comments and suggestions. Of course, any remaining errors are to be blamed solely on me. The results and opinions below are responsibility of the author and do not compromise in any way Banco de la República or its Board of Directors.

Fuente: https://www.banrep.gov.co/en/node/27972