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LEMMA
Laboratoire d'économie mathématique et de microéconomie appliquée

SÉMINAIRE

CONSUMER SEARCH AND THE LONG-RUN PHILLIPS CURVE

12 septembre 2023
Lemma - Salle Maurice Desplas 4 rue Blaise Desgoffe 75006 PARIS

Le LEMMA organise un séminaire, sur le thème « ***Consumer search and the long-run Phillips curve*** » le mardi 12 septembre à 11h.

Guillaume ROCHETEAU (UC Irvine)

Résumé :

We construct a continuous-time, monetary model with frictional goods and labor markets to revisit the long-run relationship between inflation and unemployment. The novelty relative to the literature (e.g., Berentsen et al., 2011) is the possibility given to consumers to search sequentially among different sellers to fulfill idiosyncratic consumption shocks. The value of consumers' outside options and firms' market power are endogenous and depend on the inflation rate. The long-run Phillips curve is generically U-shaped, i.e., at low inflation rates, an increase in anticipated inflation reduces the unemployment rate whereas at high inflation rates it raises it.