

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

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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 through the analysis of impulse response functions.

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