# Price Stickiness and Wage Stickiness in Generalized New-Keynesian Model

王ゼイ　関東学園大学

In this paper, we extend the standard New-Keynesian model to allow both staggered price setting and staggered wage setting and derive a generalized New-Keynesian model to study how these distortions affect the steady state and dynamics of model given different target inflation rates. The main finding is that the imperfection of labor market has more distortionary power on aggregate output and aggregate welfare given positive target inflation rate. The change in structural parameters that represents the monopolistic competition in intermediate-good and labor market result in asymmetric distortion effect in the steady state of aggregate output and aggregate welfare. This asymmetric effect is especially significant given high target inflation rate. Given the same target inflation rate, wage stickiness is more distortionary than the price stickiness. The existence of positive target inflation rate can also change the first-order dynamics of model, amplifying or reducing the dynamic response of model according to the type of exogenous shocks.

Key Word: price stickiness, wage stickiness, generalized New-Keynesian model, distorion