



INSTITUT FÜR HÖHERE STUDIEN
INSTITUTE FOR ADVANCED STUDIES
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 - HS II
Institute for Advanced Studies
Stumpergasse 56, 1060 Wien

JOINT VIENNA MACRO SEMINAR

Lutz WEINKE,
Duke University:

“Lumpy Investment and State-Dependent Pricing in General Equilibrium”

What are the aggregate consequences of microeconomic lumpy decisions? This is by now a classical question. Most existing general equilibrium analyses focus, however, on one single decision at a time. In the present paper we consider joint (S,s) pricing and investment decisions. Our framework is used to study dynamic consequences of economic shocks. As far as technology shocks are concerned we obtain results in the spirit of Thomas (2002). We also show that an empirically plausible monetary transmission mechanism is difficult to entertain in the presence of lumpy investment.

with Michael Reiter (IHS) and Tommy Sveen (Norges Bank, Oslo)