

Contents

Chapter 1 Introduction	1
Chapter 2 The Model	4
2.1 The Representative Household.....	4
2.2 The Representative Firm.....	6
2.3 The Government.....	7
2.4 The Equilibrium Dynamics.....	8
Chapter 3 The Effects of an anticipated Permanent Increase in the Inflation Rate	14
3.1 Comparative-static Analysis.....	14
3.2 Consumption and Labor are Independent ($U_{cl} = 0$).....	17
3.3 Consumption and Labor are Substitutes ($U_{cl} < 0$).....	28
3.4 Consumption and Labor are Complements ($U_{cl} > 0$).....	34
Chapter 4 Conclusion	40
References	42
Appendix A	43
Appendix B	44