Beveridge-Samuelson Framework

Pascal Michaillat
https://pascalmichaillat.org/c2/

Assumptions:

- Divine coincidence: do not worry about inflation
  * inflation is exogenous, does not respond to aggregate activity
  * inflation is on target when unemployment is efficient, $u = u^*$

- Beveridge curve: $v(u)$
  * unemployment
  * have sufficient-statistic formula for u^*, efficient unemployment rate $\rightarrow$ $u - u^*$
  * $u^* = \sqrt{uv}$ under simple but realistic assumptions

- Samuelson (1954) theory of public goods
  * government provides g public goods (by employing workers, recruiting them)
  * public goods benefit everybody $\rightarrow$ enter household's utility function
  * public workers do not work in private sector