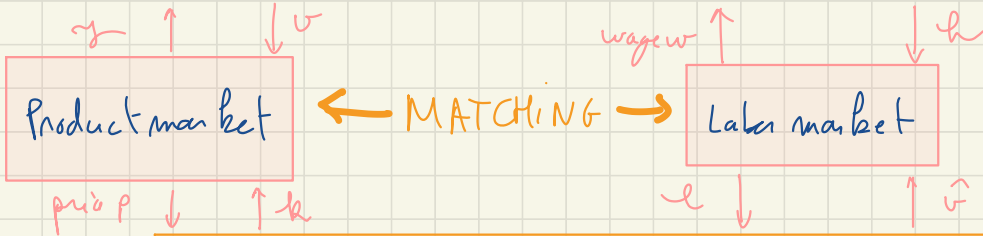


# Structure of the Two-Market Model

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Pascal Michailat  
<https://pascalmichailat.org/c2/>

- Households:
- Consume services  $c$
  - Hold, value real wealth  $m/p$
  - Labor force participants  $h$
  - Utility function.
- $$u(c, m/p) = \frac{x}{1+x} c^{\frac{\epsilon-1}{\epsilon}} + \frac{1}{1+x} (m/p)^{\frac{\epsilon-1}{\epsilon}}$$



- Firms:
- Hire workers  $l$  by post.ing vacancies  $\hat{v}$
  - Workers are paid nominal wage  $w$
  - $n$  workers are used for production  $k$ 
    - Products (services) are sold at price  $p$
    - Some of the firm's employees are used for recruiting instead of production ( $Hk$ ) →  $l-n$  recruits