

Money, Price Posting and Indeterminacy

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January 17, 2011

Abstract

The present paper studies a competitive search model of money where each seller posts a price, and every matched buyer decides a purchase quantity. This model captures the essential features of daily trade such as sellers compete in price, while buyers look for better sellers and decide how much quantity they need. This model derives real indeterminacy of stationary equilibria as shown in random-matching search models. It implies that the equilibrium indeterminacy is inevitable even in the price posting model, which includes price competitions among sellers.

Keywords: money, competitive search, indeterminacy.

JEL codes: E42, C78.

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