



Universität  
Basel

## Research Project

### Optimal Stabilization Policy with Endogenous Firm Entry

#### Project funded by own resources

**Project title** Optimal Stabilization Policy with Endogenous Firm Entry

**Principal Investigator(s)** [Berentsen, Aleksander](#) ;

**Organisation / Research unit**

Departement Wirtschaftswissenschaften / Wirtschaftstheorie (Berentsen)

**Project Website** <https://ideas.repec.org/p/fip/fedlwp/2009-032.html>

**Project start** 01.01.2009

**Probable end** 31.12.2027

**Status** Active

Monetary policy has significant but overlooked effects on entry and exit of firms. We study optimal monetary stabilization policy in a DSGE model with microfounded money demand and endogenous firm entry. Due to a congestion externality affecting firm entry, the optimal policy deviates from the Friedman rule in all states even though all prices are fully flexible. In contrast to previous Ramsey model with flexible price, our calibration exercises suggest that the model can generate a high volatility of the nominal interest rate which is a direct consequence of policy actions to control entry.

#### Financed by

University funds

#### Add publication

#### Published results

3322148, Berentsen, Aleksander; Waller, Christopher, Optimal Stabilization Policy with Search Externalities, 1365-1005, Macroeconomic Dynamics, Publication: JournalArticle (Originalarbeit in einer wissenschaftlichen Zeitschrift)

#### Add documents

#### Specify cooperation partners

ID	Kreditinhaber	Kooperationspartner	Institution	Laufzeit - von	Laufzeit - bis
2756837	Berentsen, Aleksander	Waller, Christopher	Federal Reserve Bank of St.Louis, USA, University of Notre Dame, USA	01.01.2009	31.12.2025