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Monetary Shocks and Sticky Wages in the U.S. Great Contraction: A Multi-sector Approach

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Highlights

- U.S. economy-wide real wage varied little over 1929-33
- Real wages rose significantly in some industries, and fell in others
- Contractionary monetary shocks and nominal wage rigidities account for a third of U.S. GDP contraction over 1929-33
- Intermediate linkages mitigate impact of sectoral wage rigidities in two-sector model