

A New Approach to the Search Theory of Money

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Abstract

Since the publication of Kiyotaki and Wright (1989), the search theory of money has been intensively studied. However, Green and Zhou (1998), Kamiya and Shimizu (2002) shed a new light upon it. Concretely speaking, they show that the real indeterminacy of stationary equilibria is an unavoidable result in any version of search theoretic models of money.

In this essay, we present a general viewpoint of the search theory of money, and try to make it clear why the real indeterminacy of stationary equilibria is unavoidable and where it comes in such frameworks. Briefly speaking, the condition for stationarity, which is one of equilibrium requirements, has always one degree of freedom in determination of stationary distribution, which is the main source of the real indeterminacy. Moreover, this fact is totally independent of details of the model, e. g., a matching technology or a bargaining procedure.