

In my model, authority conduct monetary policy to minimize the welfare loss, which is presented by

$$\min_{\gamma, v} WL = \frac{1}{2} E_0 \sum_{t=0}^{\infty} \beta^t (\Lambda_2 \hat{c}_t^2 + \Lambda_3 \hat{w}_t^2)$$

*s. t. a series of market equilibrium*

$$s. t. \hat{r}_t = v \hat{c}_t + \tau \hat{w}_t$$