Equilibrium in the Labour Market with Search Frictions

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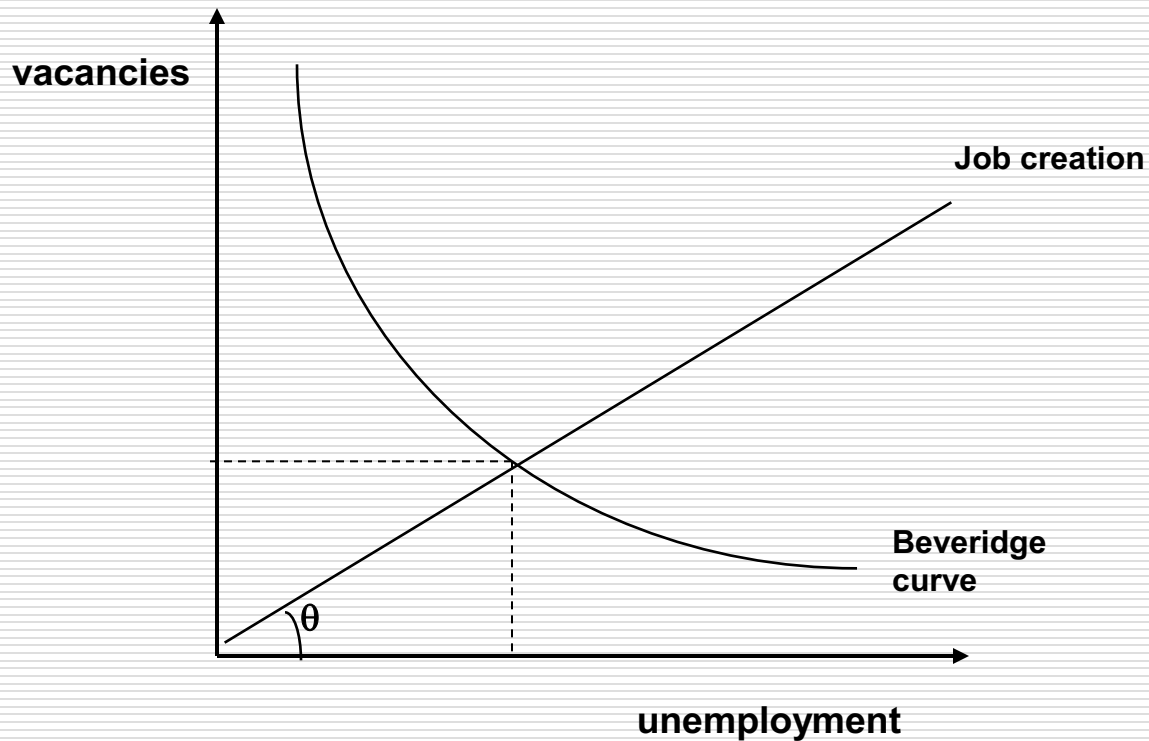
Theory

- ☐ How I got into search theory

- ☐ Searching for what?
  - ◼ Search for a high wage
  - ◼ Two-sided search for a good match
  - ◼ The matching function

Theory

- ☐ Towards an equilibrium model
  - ■ Wage bargains
  - ■ Job creation
- ☐ Beveridge curve equilibrium

The Beveridge curve and equilibrium vacancies and unemployment

Application 1

Comparing economies

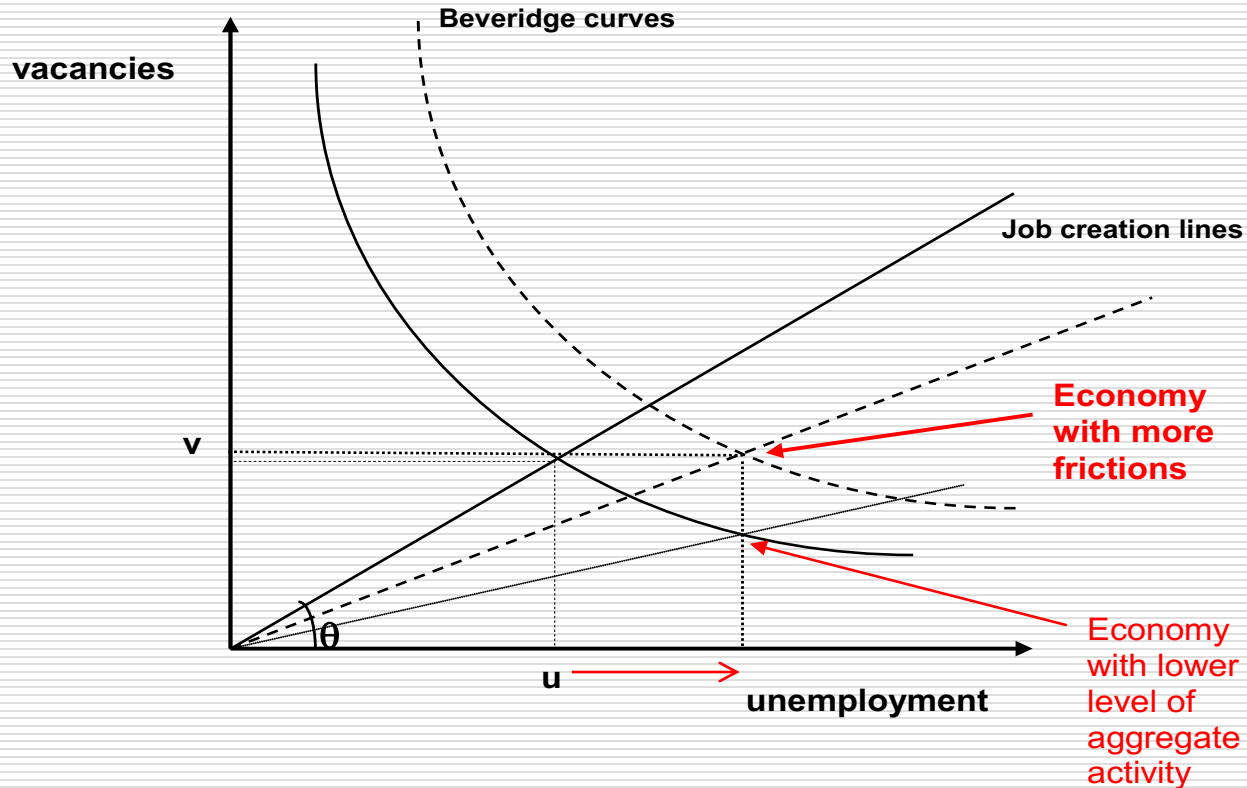over space and time

Comparing economies

Figure 4
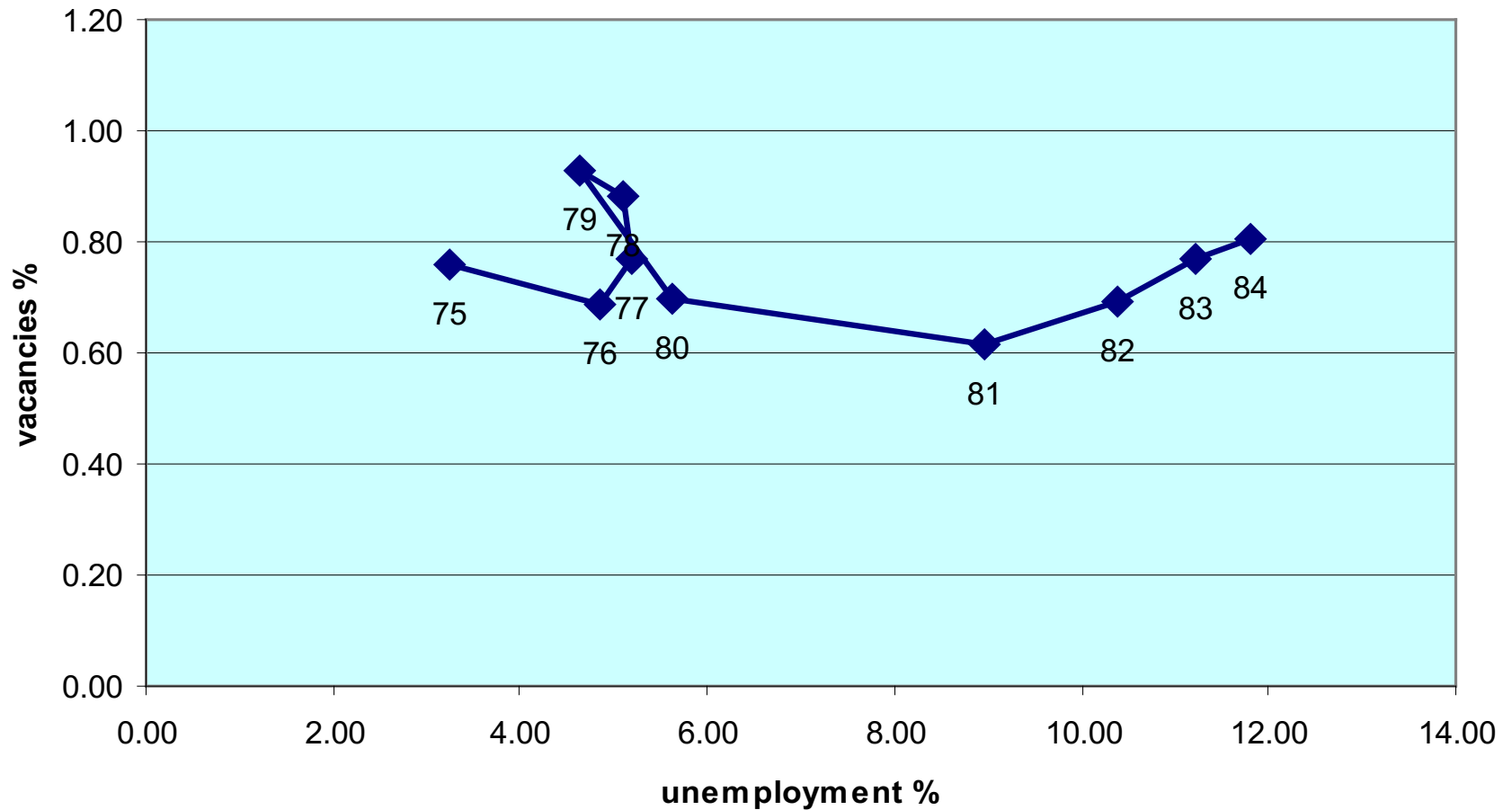**The British Beveridge curve, 1975-1984**
(an economy with more frictions)

Figure 5
The British Beveridge curve, 2008-2010
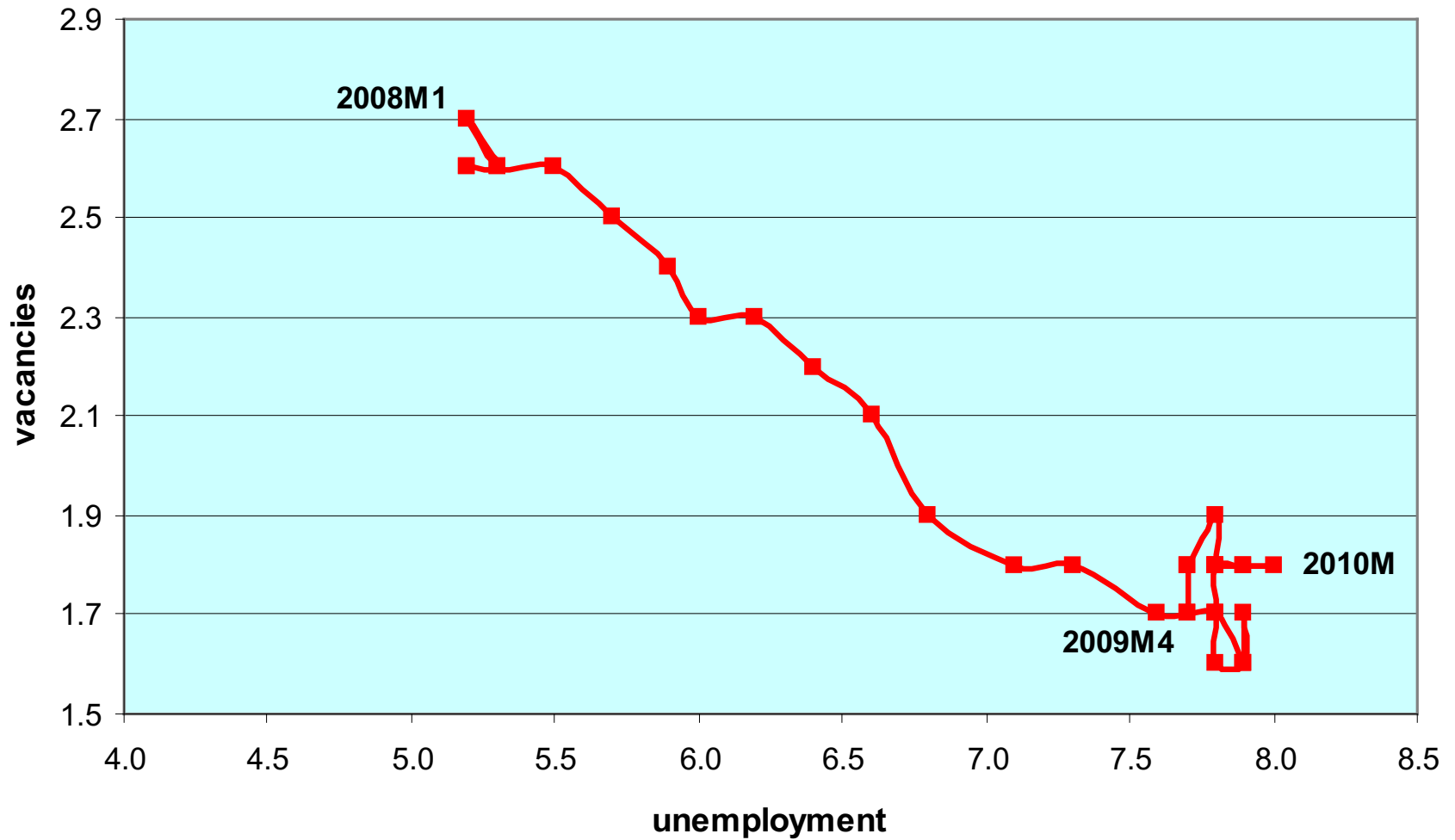**(an economy with lower level of aggregate activity)**

Figure 6
The US Beveridge Curve, 1975-1984
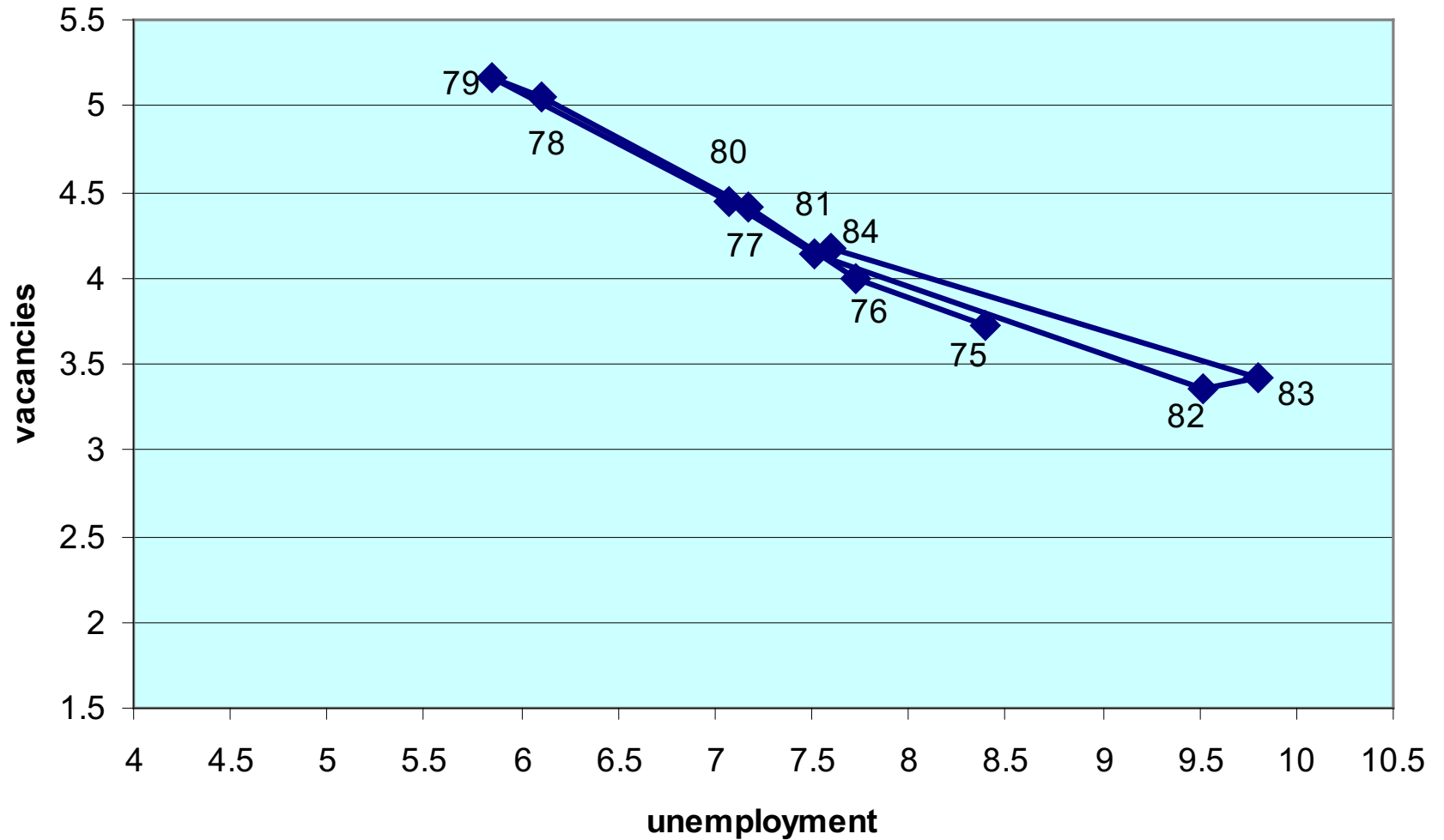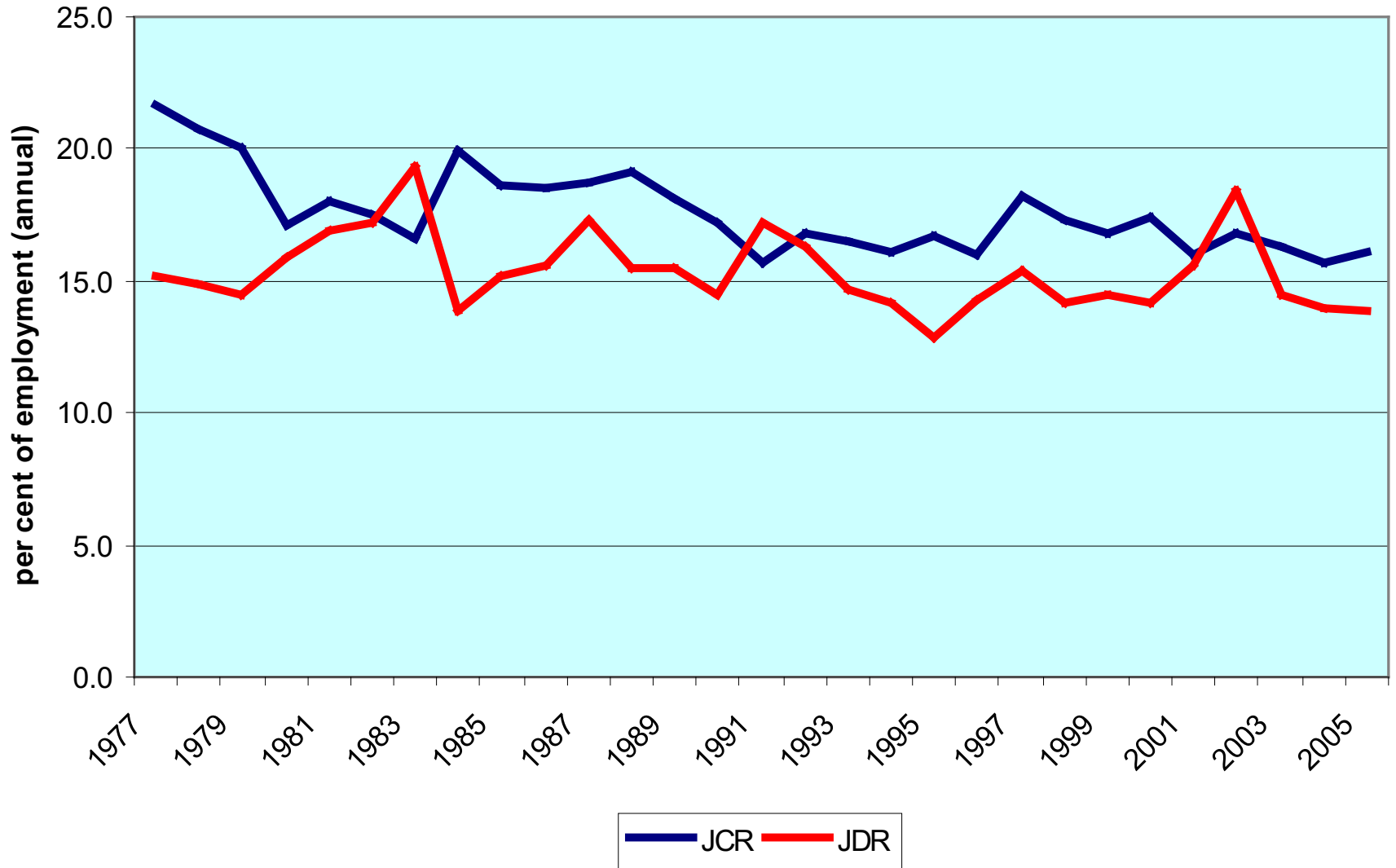**(an economy driven by aggregate economic activity)**

Figure 7
The US Beveridge curve, 2008-2010
(an economy with lower level of aggregate activity,
followed by jobless recovery with frictions?)

More applications

- ☐ Wage stickiness
- ☐ Job destruction
- ☐ Employment protection legislation

Figure 9
Job creation and job destruction rates, US non-farm sector

Where do we go next?

- ☐ Role of institutions
- ☐ Theory of wages: how much wage stickiness and why?
- ☐ Imperfect capital markets
- ☐ Imperfect knowledge and expectations
- ☐ Integration of financial and labour markets