

# Equilibrium in the Labour Market with Search Frictions

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# Theory

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- How I got into search theory
  - Searching for what?
    - Search for a high wage
    - Two-sided search for a good match
    - The matching function
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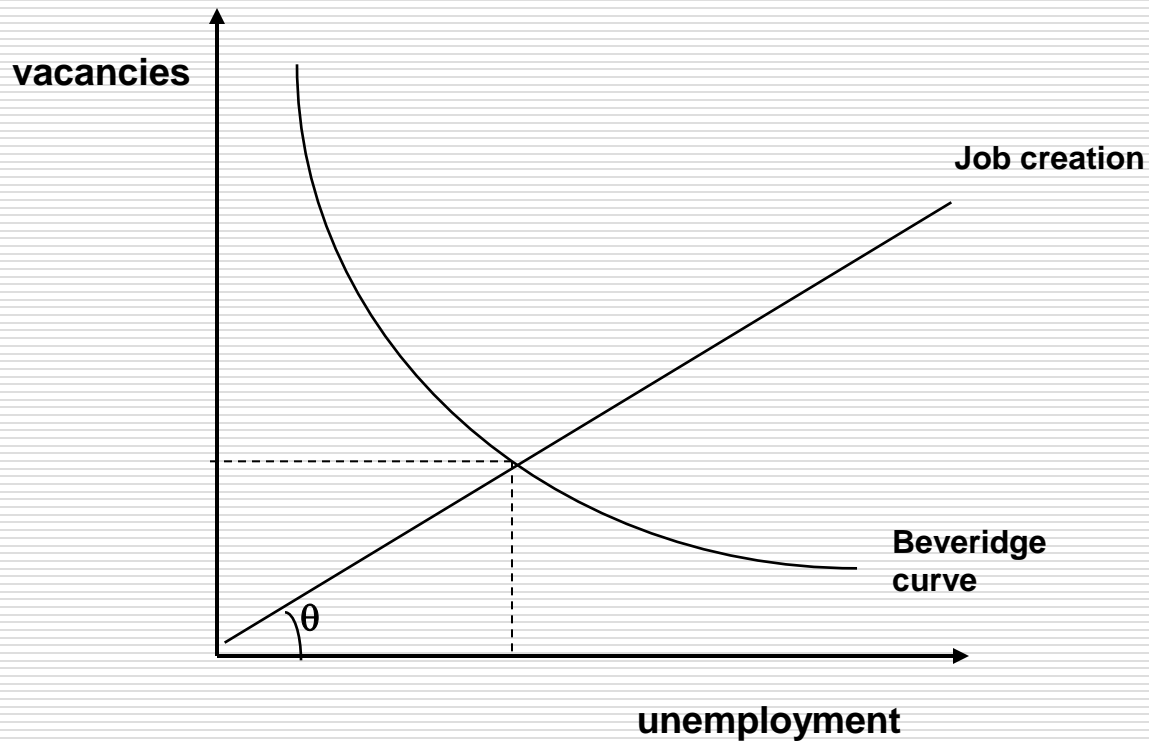
# Theory

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- Towards an equilibrium model
    - Wage bargains
    - Job creation
  - Beveridge curve equilibrium
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# The Beveridge curve and equilibrium vacancies and unemployment

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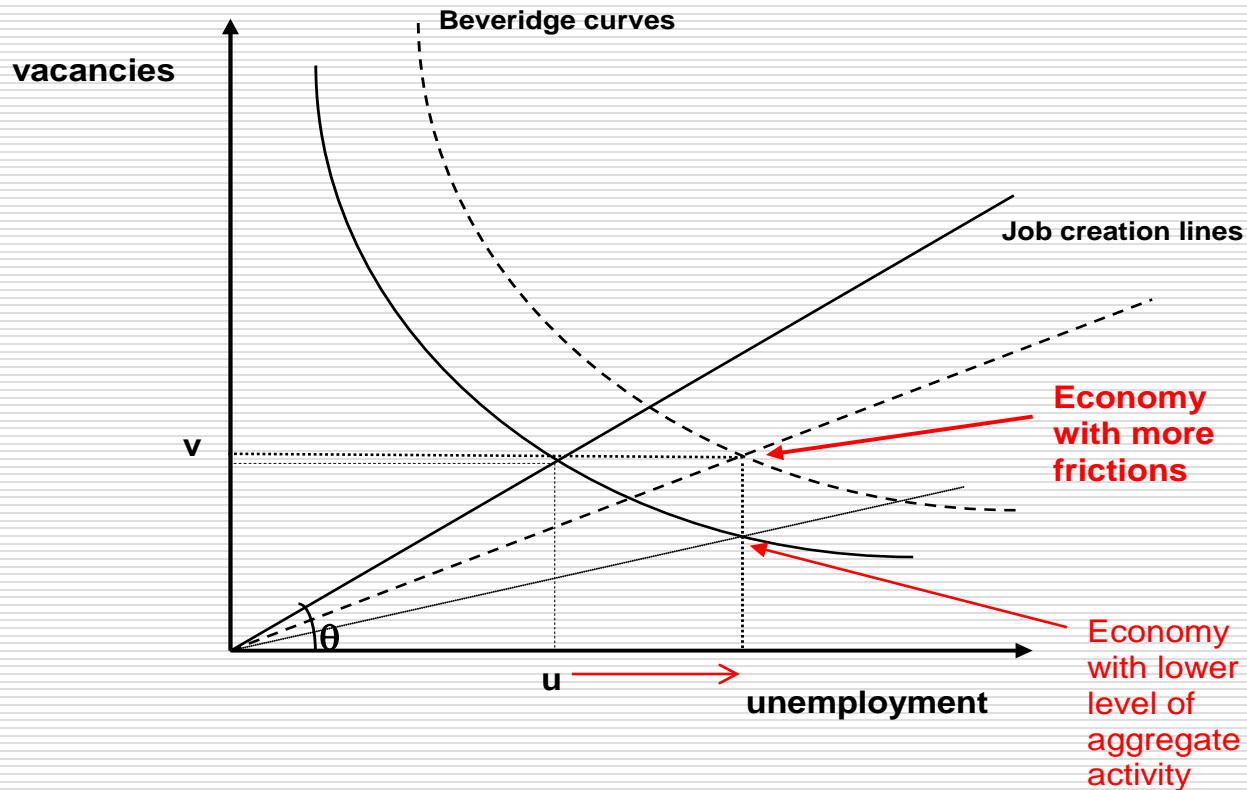
# Application 1

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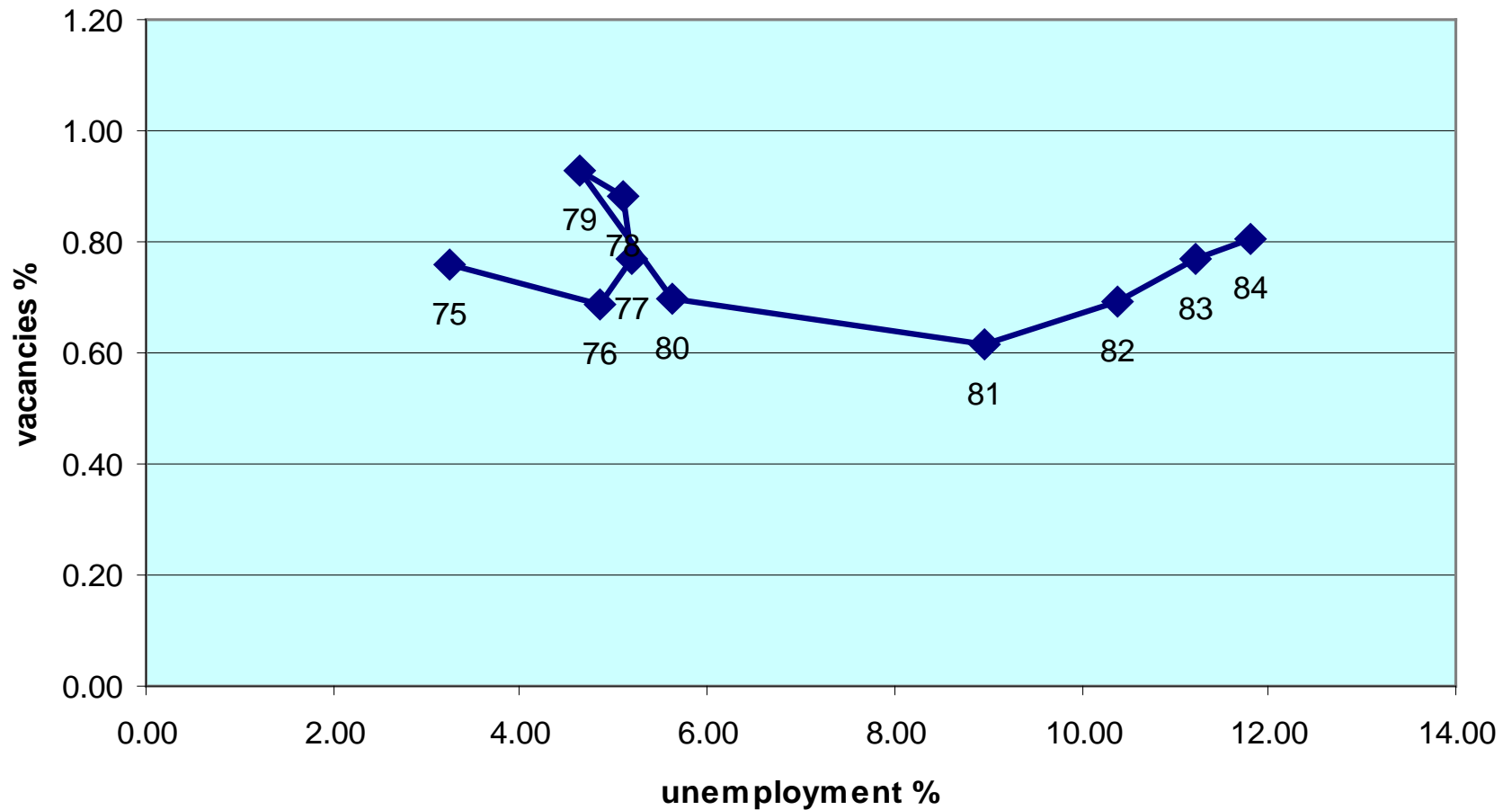
Comparing economies  
over space and time

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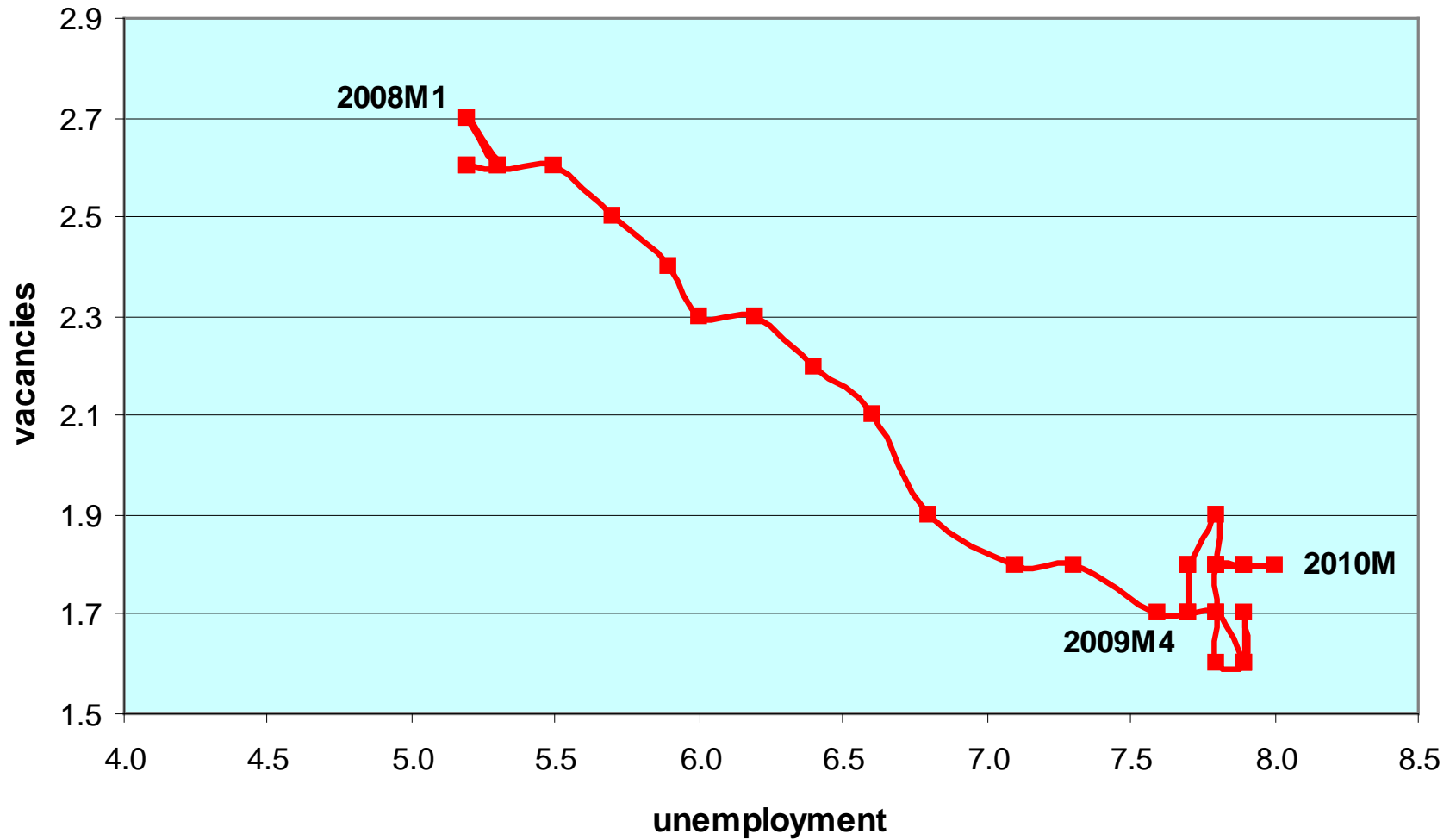
# Comparing economies



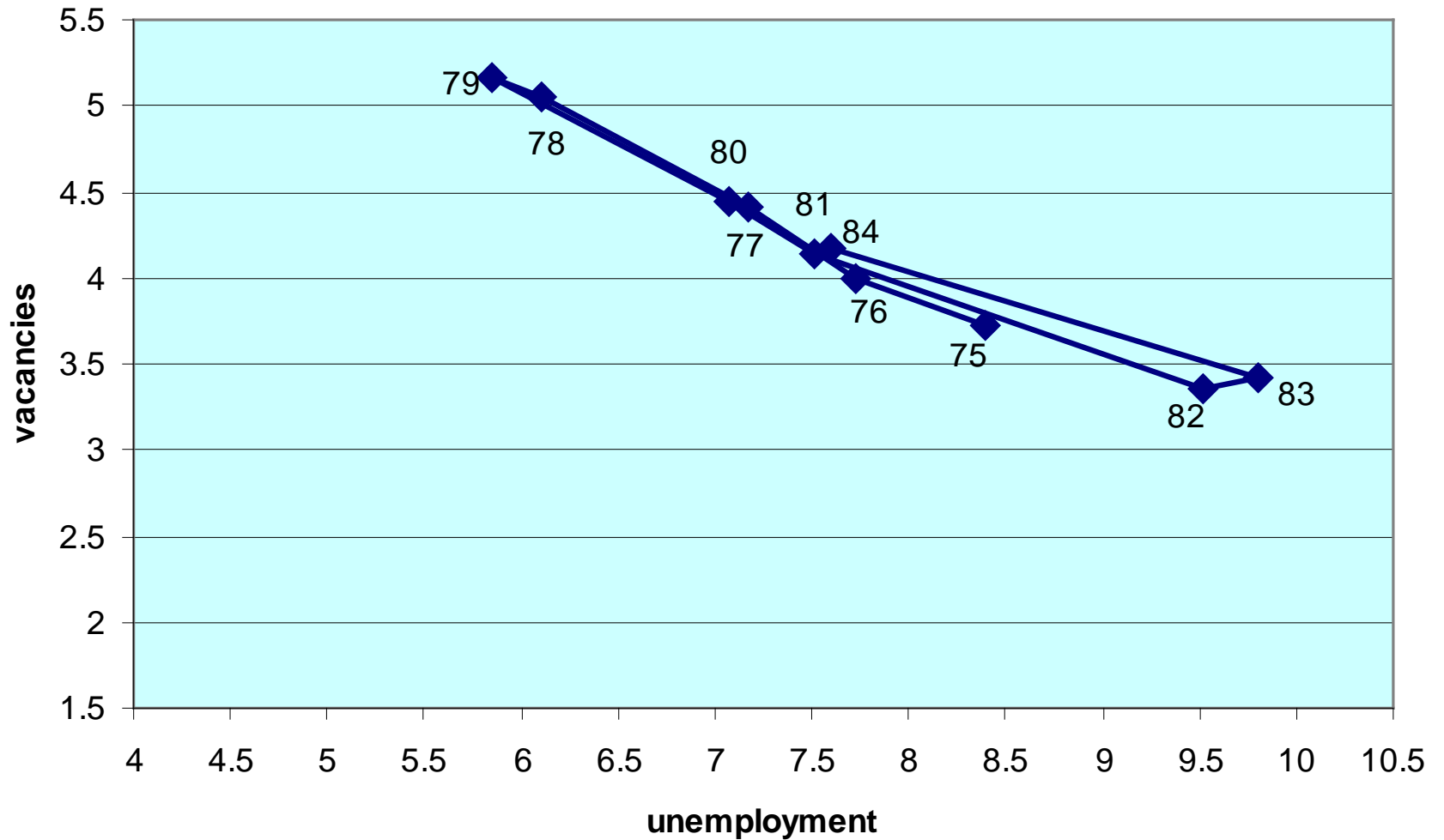
**Figure 4**  
**The British Beveridge curve, 1975-1984**  
**(an economy with more frictions)**



**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?)**

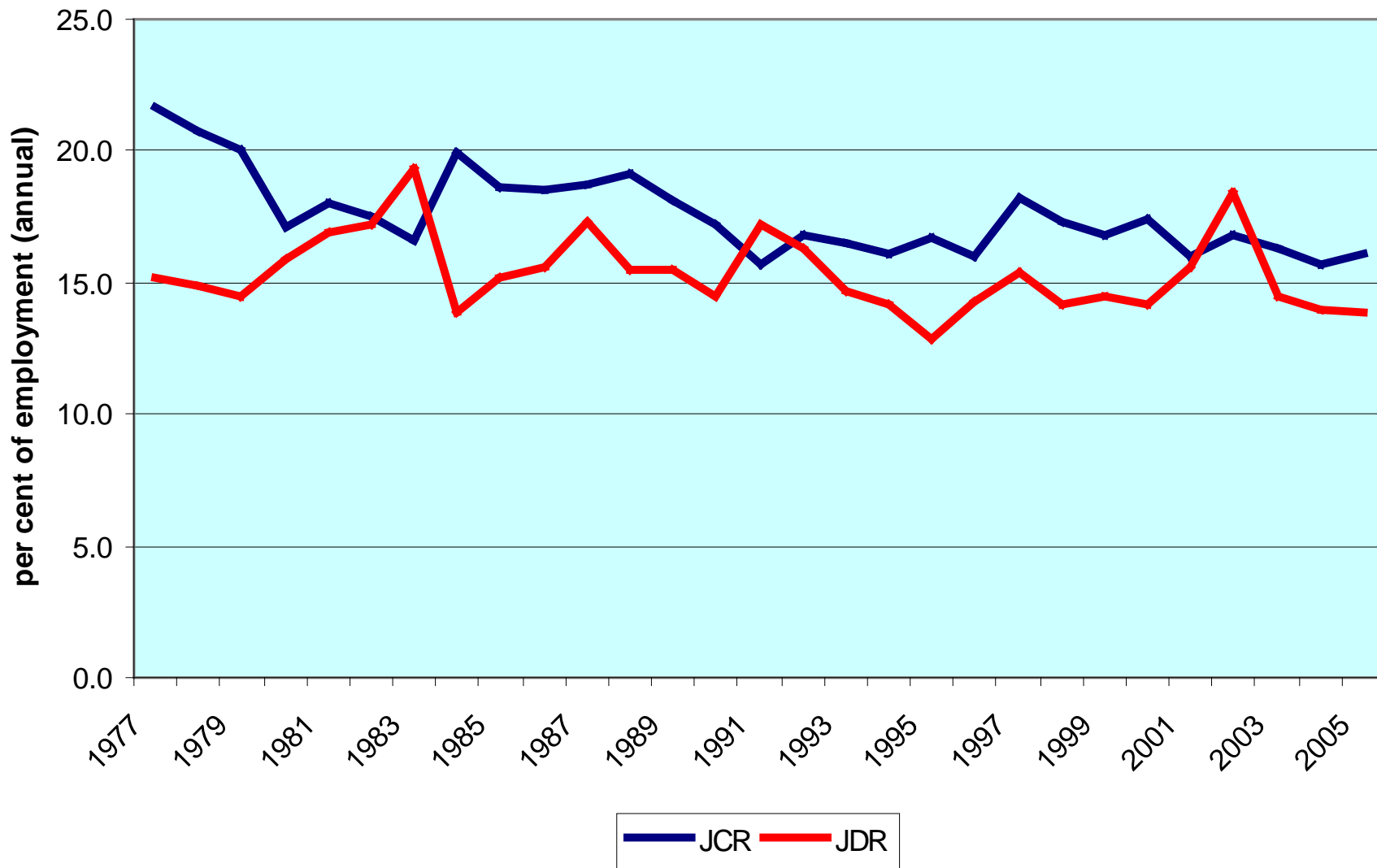


# More applications

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- Wage stickiness
  - Job destruction
  - Employment protection legislation
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**Figure 9**  
**Job creation and job destruction rates, US non-farm sector**



# Where do we go next?

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- 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
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