

Equilibrium in the Labour Market with Search Frictions

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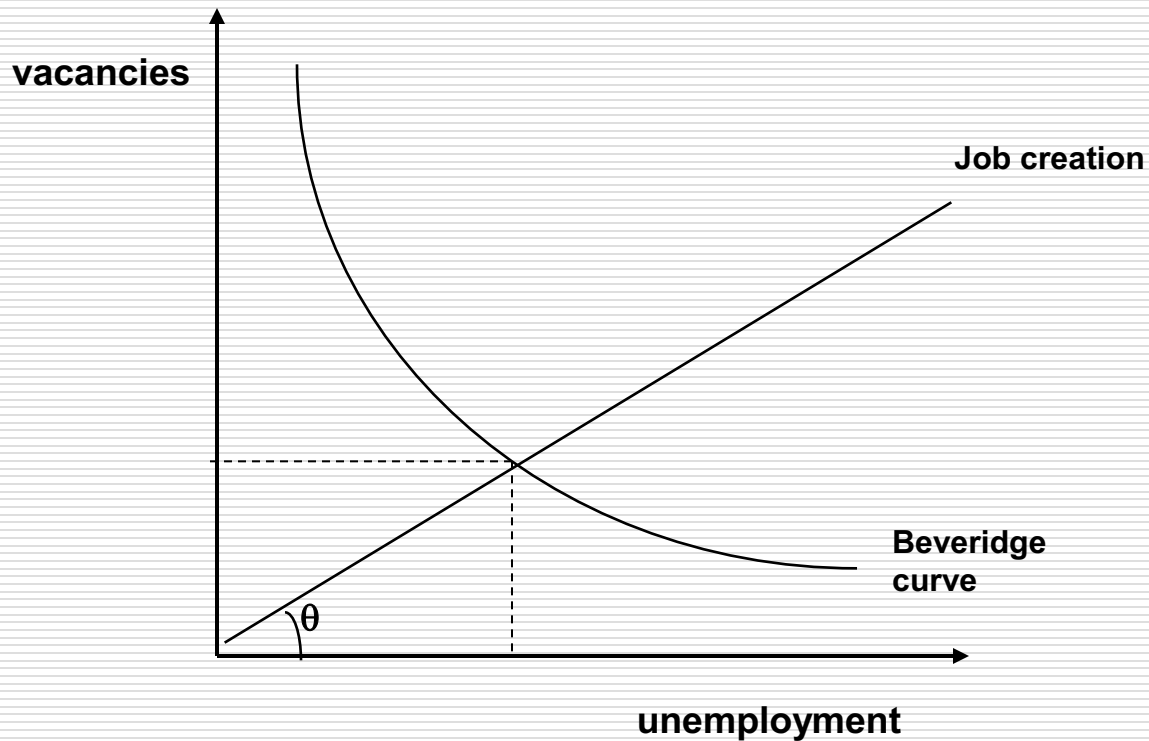
Theory

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

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



Application 1

Comparing economies
over space and time

Comparing economies

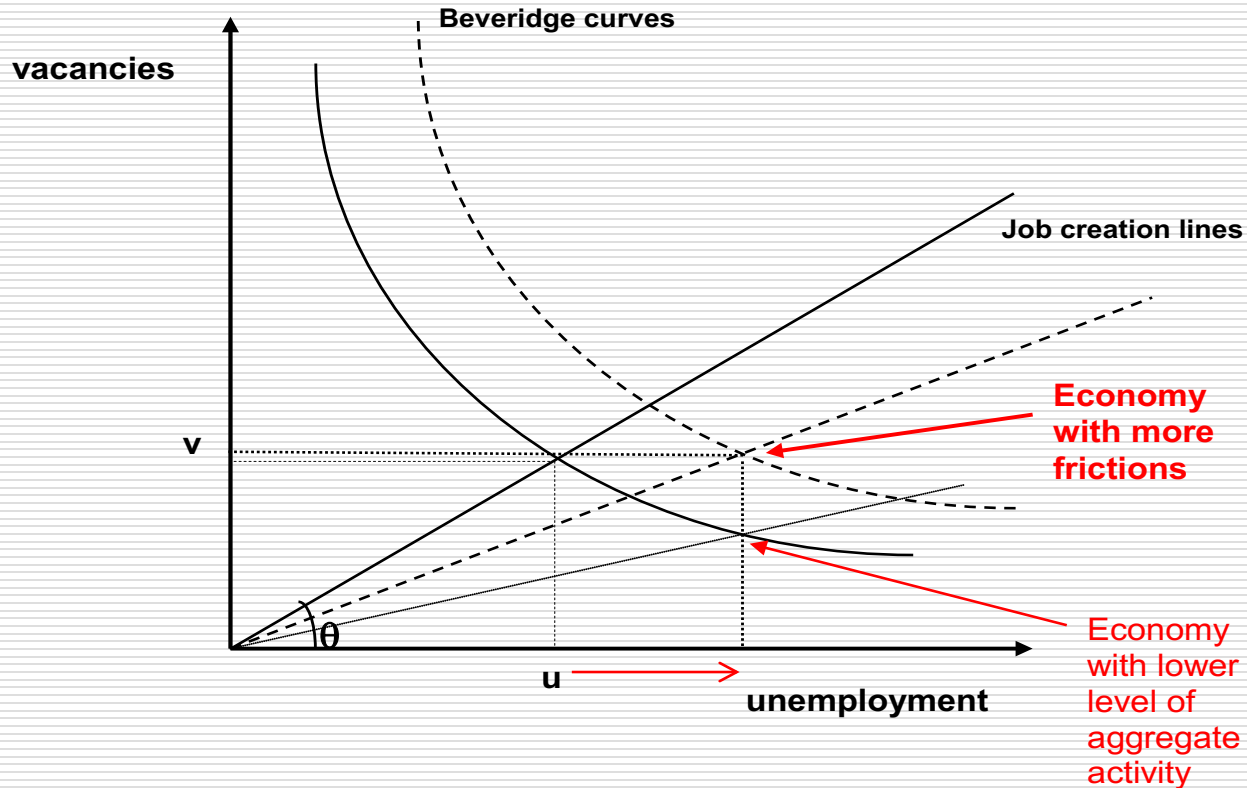


Figure 4
The British Beveridge curve, 1975-1984
(an economy with more frictions)

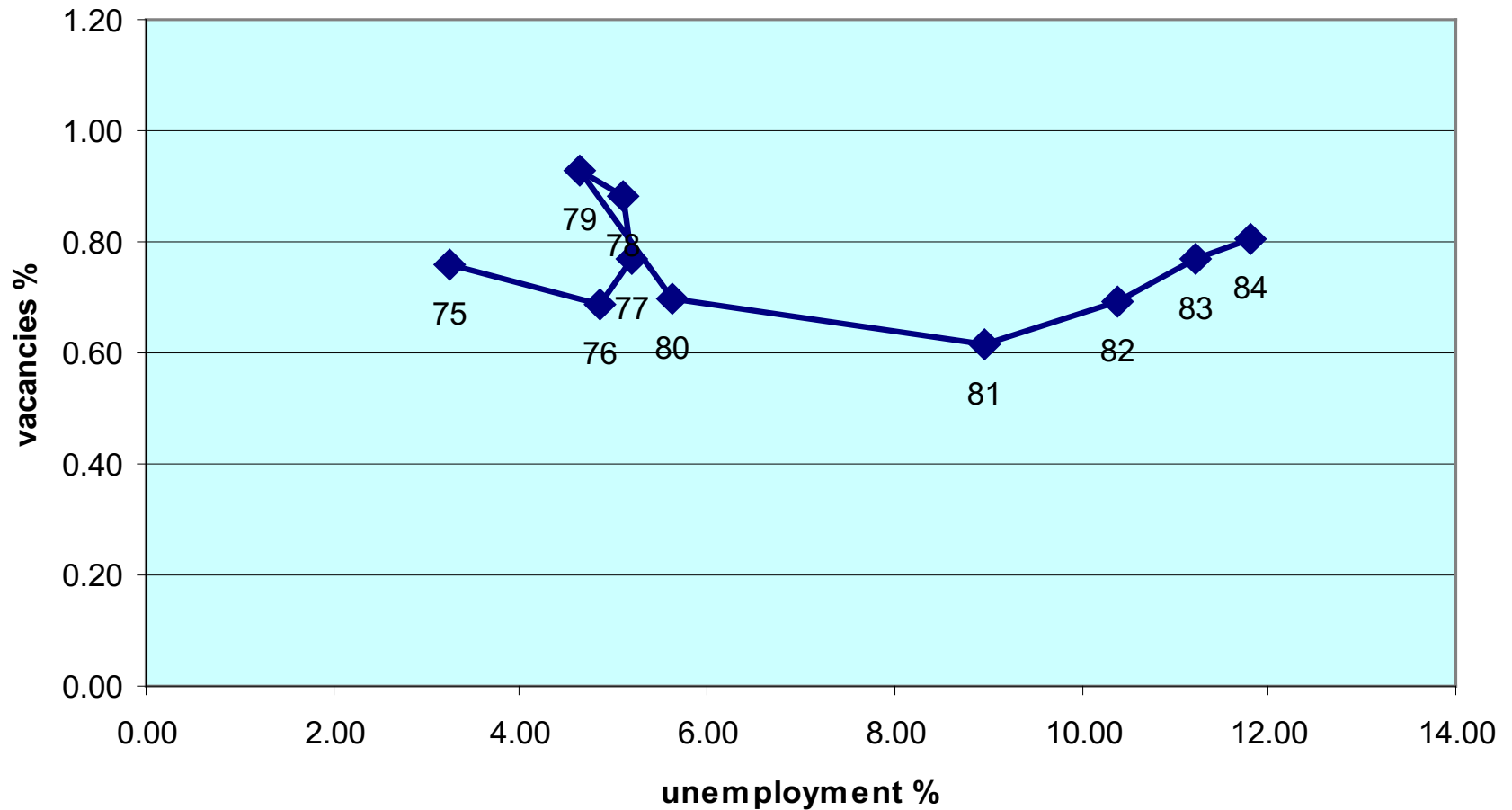


Figure 5
The British Beveridge curve, 2008-2010
(an economy with lower level of aggregate activity)

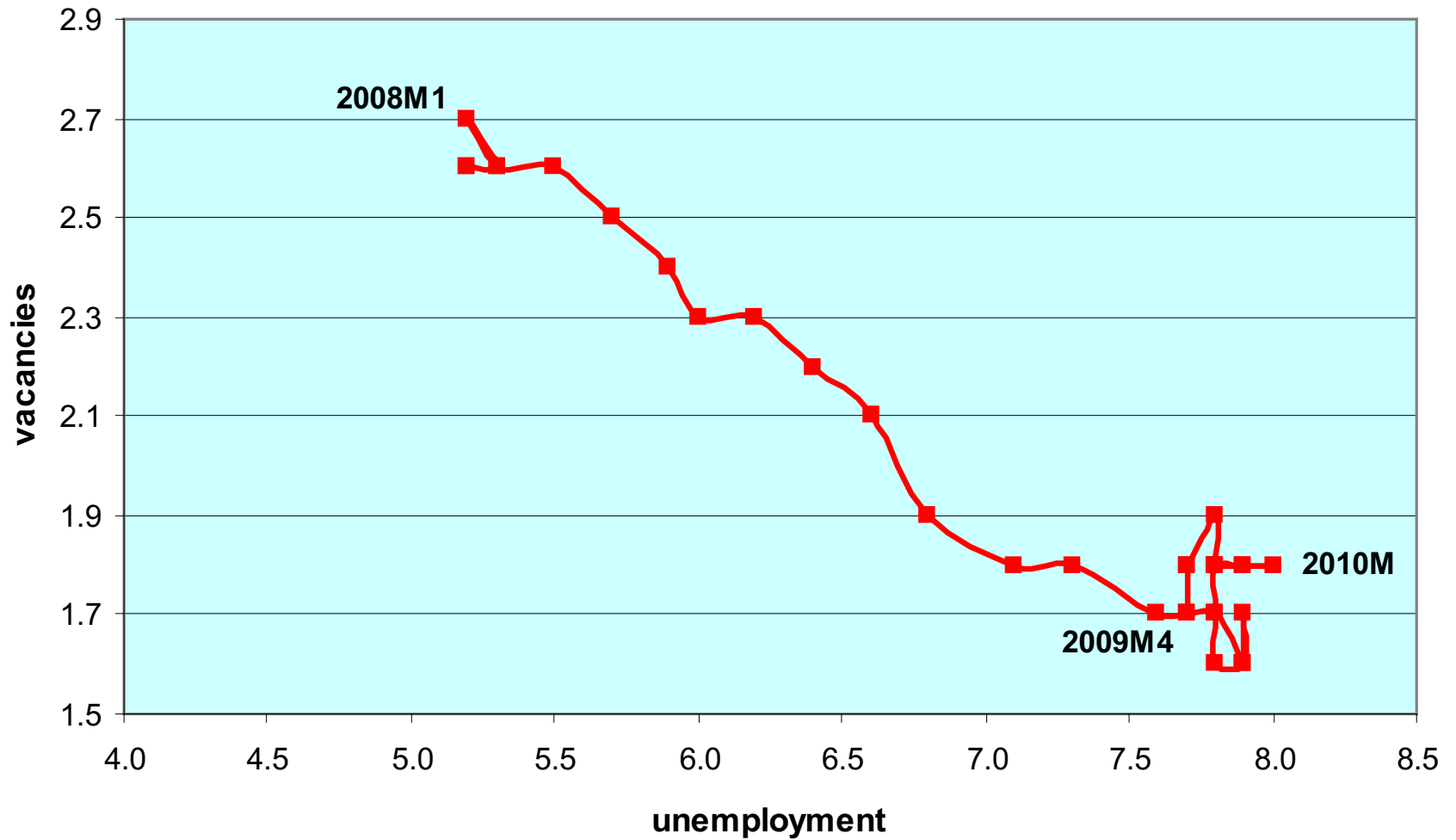


Figure 6
The US Beveridge Curve, 1975-1984
(an economy driven by aggregate economic activity)

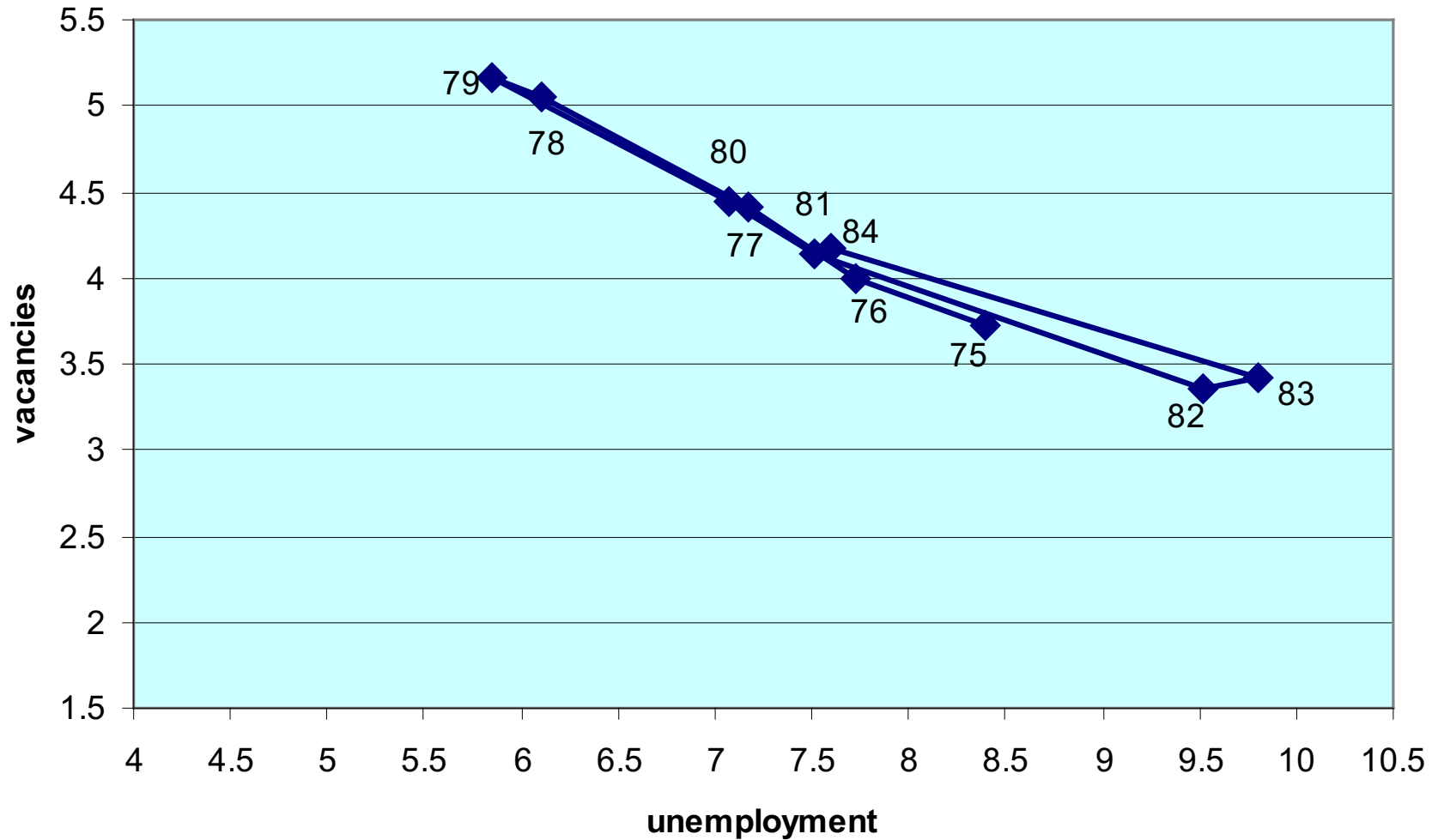


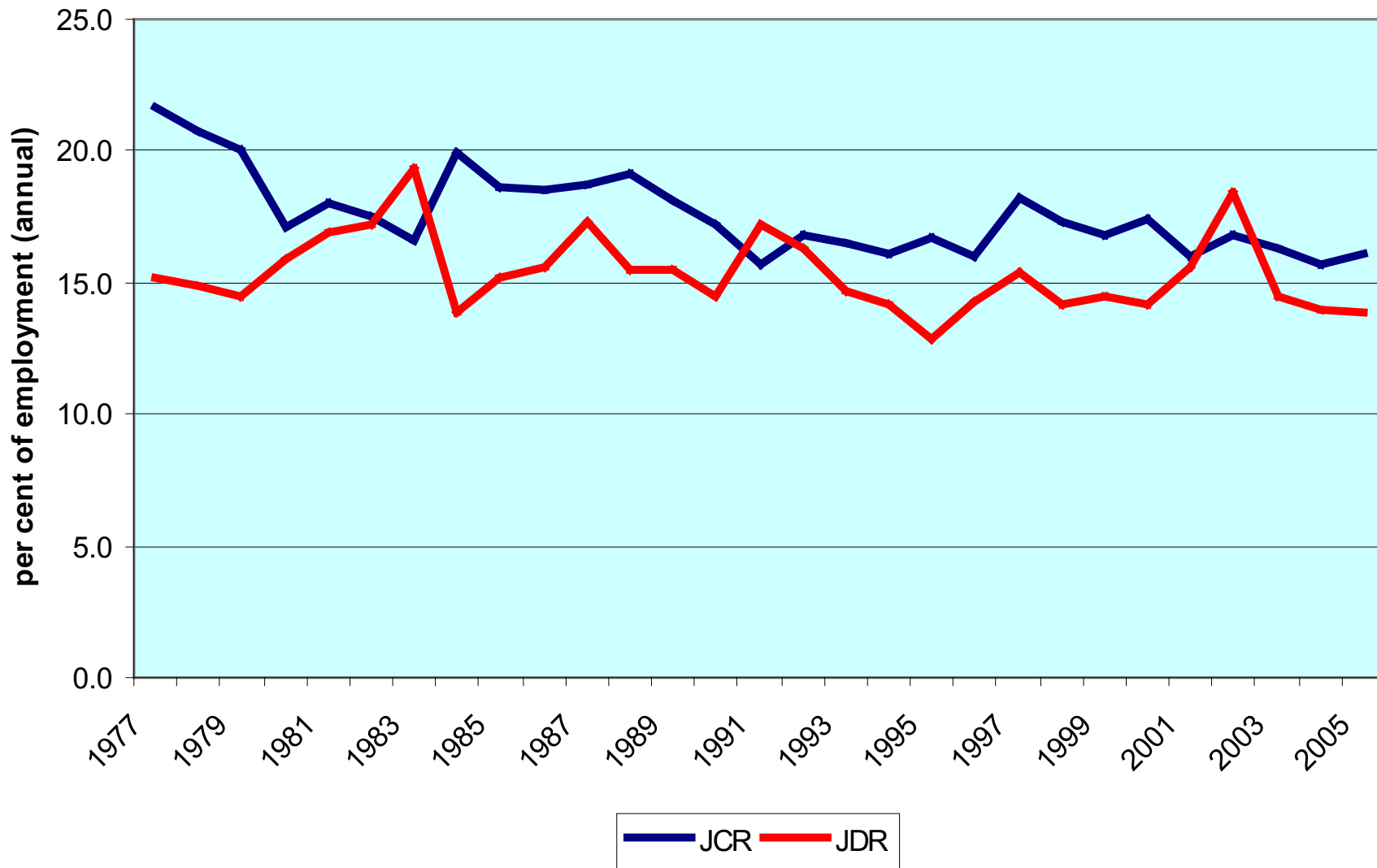
Figure 7
The US Beveridge curve, 2008-2010
(an economy with lower level of aggregate activity,
followed by jobless recovery with frictions?)



More applications

- Wage stickiness
 - Job destruction
 - Employment protection legislation
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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
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