Exercise for Le Barbanchon, Rathelot, Roulet QJE 2021

Comparative Statics

Use the job search model provided and evaluate how the reservation wage curve shifts/rotates for different parameter values.

1. Write a loop for $\lambda = [0.1, 0.4, 0.8]$, $b = [0, 0.05, 0.1]$, $q = [0.03, 0.20, 0.30]$

2. For each combination, recompute the reservation wage curve and plot against the baseline value.

3. Explain the economic intuition behind the observed changes.

Intuition

Consider how COVID-19 affected the reservation wage curve and the bundle of jobs accepted. Address the following:

- How would these effects differ between women and men?

- How would you incorporate these effects into the model?