

Discussion of

Rational Inattention in Hiring Decisions

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The “well-baby” checkup...

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1. Novel mechanism

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2. Clear theory

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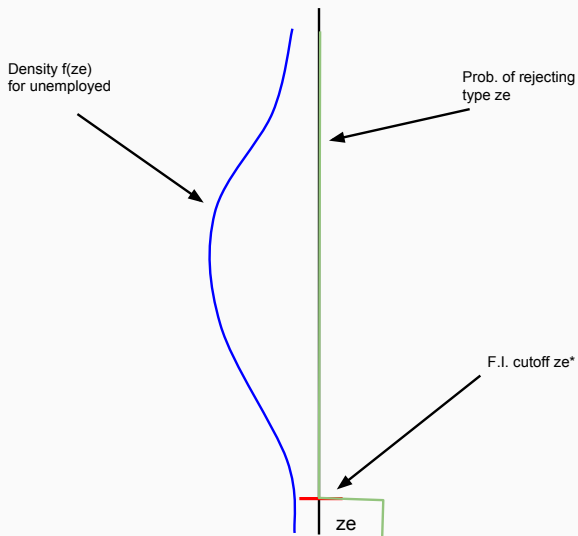
1. Novel mechanism
2. Clear theory
3. Convincing application

The “well-baby” checkup...

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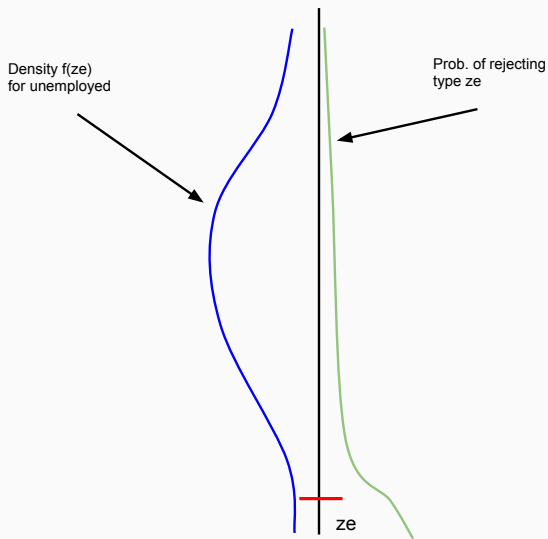
Now, step into my office and say “ahhhhh” ...

A visual intuition: full info model



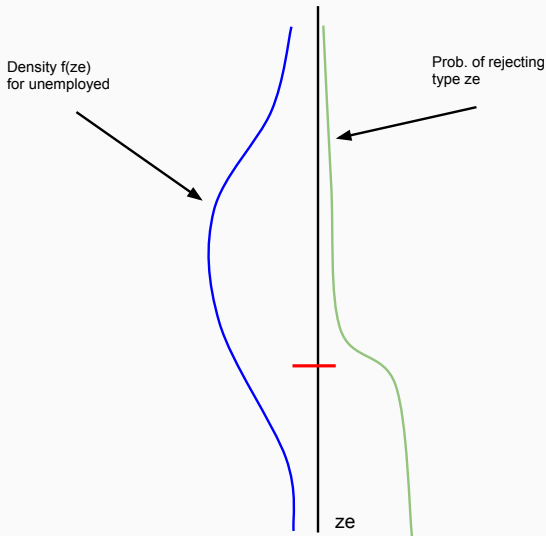
$$P[\text{reject}] = \text{low}$$

A visual intuition: incomplete info model



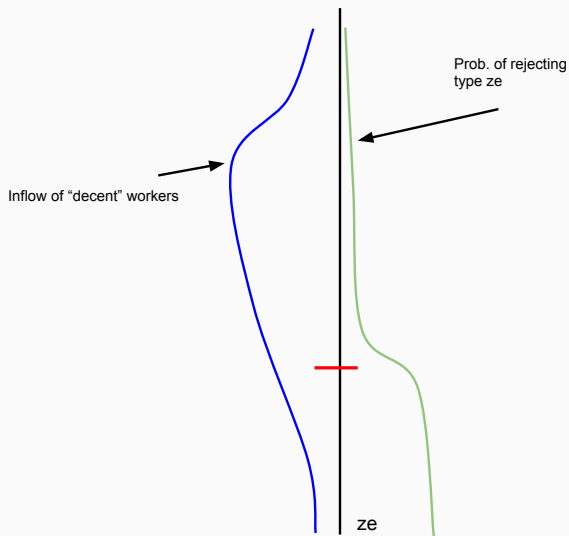
$$P[\text{reject}] = \text{low}$$

A small shock (fall in productivity/demand/reservation wage)



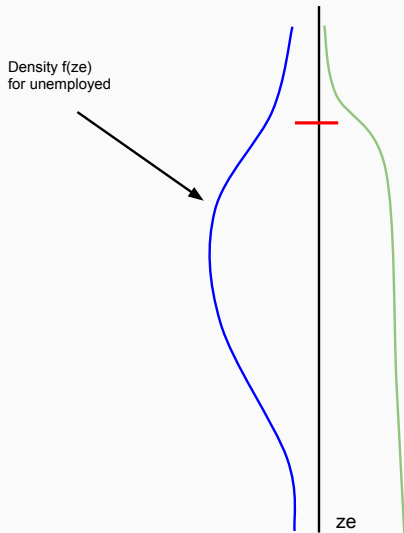
$$P[\text{reject}] = \text{medium}$$

A small shock over time



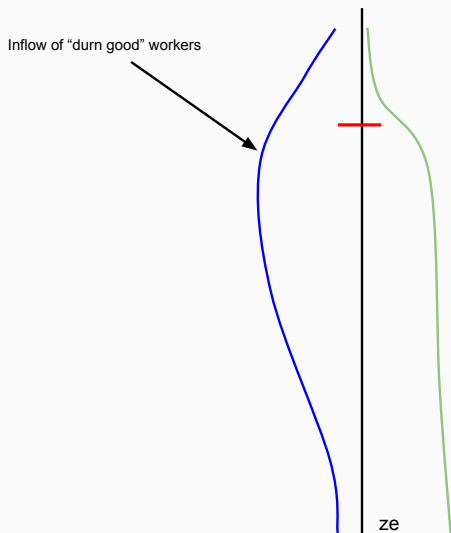
$$P[\text{reject}] = \text{medium-rare}$$

A big shock



$P[\text{reject}] = \text{high}$

A big shock over time



$$P[\text{reject}] = \text{less-high}$$

Question 1

What make the composition effect so strong in FI model?

- discreteness?
- relative importance of z and e ?

Additional test \Rightarrow do best-fit calibration for FI model

Question 2

Isolate the effect of endogenous incomplete information?

- the nearest neighbor is exogenous incomplete info model.
- seems to give many qualitatively similar intuitions
 - e.g. duration-dependent exit rates

Question 3: the alternative hypothesis

If an unfilled job stays open, then improving workforce composition increases opportunity cost of hiring or keeping a worker. So, firms will fire more and reject more...

- How to distinguish these theories?

OK, you're free to go now.
