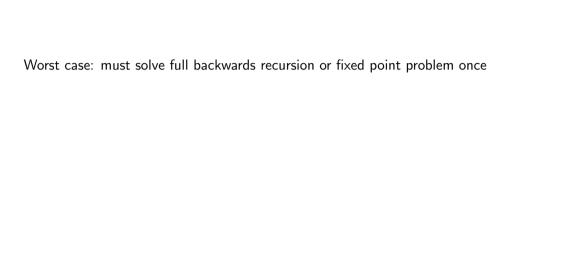


CCPs don't simplify counterfactual simulations

Why? We don't observe $\ln p_{kt+1}$ in the counterfactual world

CCPs don't simplify counterfactual simulations
Why? We don't observe $\ln p_{kt+1}$ in the counterfactual world
If we could observe it, we wouldn't need a structural model to begin with



Worst case: must solve full backwards recursion or fixed point problem once			
When policy expires after t periods, CCPs remain valid at $t+1$			

Worst case: must solve full backwards recursion or fixed point problem once
When policy expires after t periods, CCPs remain valid at $t+1$

This means: only need to solve model for periods when policy is in place

Worst case: must solve full backwards recursion or fixed point problem once

Examples: tuition subsidies, home-owner subsidies, G.W. Bush tax cuts (2001, 2003)

When policy expires after t periods, CCPs remain valid at t+1

This means: only need to solve model for periods when policy is in place

Labor Market Frictions and Moving Costs of the Employed and Unemployed & &

Tyler Ransom

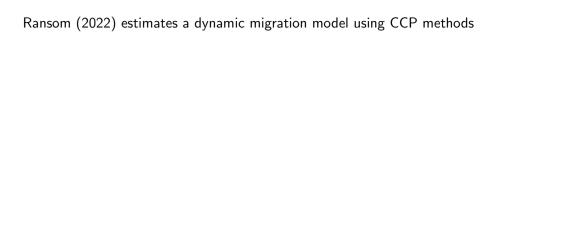
ABSTRACT

Search frictions and switching costs may grant monopousy power to intendent employers by reducing workers' outside option. This paper examines the rule of labor market frictions and moving costs in explaining worker flows across US, labor markets. Using data on more college-educated workers from the Survey of factors and Program Participation (SPP), lestimate a dynamic model of job search and location choice. Jind the moving costs are asstrained and that other market pictions primarly inhibit the employed. Reducing these frictions would result in a higher wage elasticity of labor supply to the firm and could reduce employer monopous power.

ibr supplementary html

Tyler Ransom is an assistant professor of economics at the University of Oklahoma and a wsearch affiliate at IZA (ransom@ou.edu). The author thanks Peter Arcidiacono. Patrick Bayer, V. Joseph Hotz, and Arnaud Maurel for their helpful comments and encouragement throughout the duration of this project. Martha Stinson and Gary Renedet to provided expert knowledge and invaluable assistance with the SIPP data and methodology and Christopher Timmins generously provided locational price data. The author also thanks participants at the Princeton Conference on Mononsony in the Labor Market, and in particular Evan Starr and the discussant Ted To. This paper also benefited from conversations with Janed Ashworth, Esteban Auceio, Patrick Coate, Christos Makridis, Kyle Mangum, Ekaterina Jaulim, Michael Ransom, Seth Sanders, Juan Carlos Suárez Serrato, and various other conference and seminar participants. All errors are those of the author A nuvious version of this paper was circulated under the title "The Effect of Business Cycle Fluctuations on Mioration Decisions" and was the first chapter of the author's Ph.D. dissertation. The author statefully acknowledges finding from National Science Franchitian agant SES-11-31897 and the University of Oklohoma Callege of Arts and Sciences. Any opinions and conclusions expressed herein are those of the author and do not necessarily represent the views of the U.S. Census Bureau. All results have been reviewed to ensure that no confidential information is disclosed. No IRB approval was required to conduct this research. The primary data source of this paper is a confidential data set housed at the U.S. Census Bureau. The data can be obtained by submitting a research proposal to the Census Bureau through a Federal Statistical Research Data Center Administrator (bttps://www.census.gov/shoutledem/forde/centact.html). Code and publicle available ourillary data that can be used to replicate the results of this paper are located at https://doi.org/10.5281/zepodo.4495571. The author commits to providing guidance about obtaining the confidential data and using it to replicate the results. [Submitted February 2019: accepted January 2021]: doi:10.3368/jbr.monorsony.0219-10013R2 JEL Classification: C35, E32, J22, J61, J64, and R23 ISSN 0022-166X FJSSN 1548-8004 @ 2022 by the Board of Repents of the University of Wisconsin System Supplementary materials are freely available online at: http://uwpress.wisc.edu/journals/journals/

⁸ This open access article is distributed under the terms of the CC-BY-NC-ND license (http://creative.commons.org/licenses/by-nc-nd/4.0) and is freely available online at: http://ihr.uwpress.org.



Counterfactual simulations:

- Earnings shocks (local vs spatially correlated)
- Unemployment shocks (local vs spatially correlated)
- Moving subsidy (\$10,000)

Counterfactual simulations:

- Earnings shocks (local vs spatially correlated)
- Unemployment shocks (local vs spatially correlated)
- Moving subsidy (\$10,000)

Key restriction: Only temporary policies (one year)

Counterfactual simulations:

- Earnings shocks (local vs spatially correlated)
- Unemployment shocks (local vs spatially correlated)
- Moving subsidy (\$10,000)

Key restriction: Only temporary policies (one year)

Why? Future value terms ($\ln p_{kt+1}$) from CCP estimation not valid beyond t+1

Counterfactual simulations:

- Earnings shocks (local vs spatially correlated)
- Unemployment shocks (local vs spatially correlated)
- Moving subsidy (\$10,000)

Key restriction: Only temporary policies (one year)

Why? Future value terms ($\ln p_{kt+1}$) from CCP estimation not valid beyond t+1

Longer counterfactuals require full value function solution (computationally infeasible)