labor supply:
$l^s(\theta, \Delta U)$

labor market tightness

employment

0

1

labor demand:
$l^d(\theta, w)$

$l^s(\theta, \Delta U)$

labor market tightness

employment

0

1

$l^d(\theta, w(\theta, \Delta U))$

$l^s(\theta, \Delta U)$

labor market tightness

$\theta(\Delta U)$

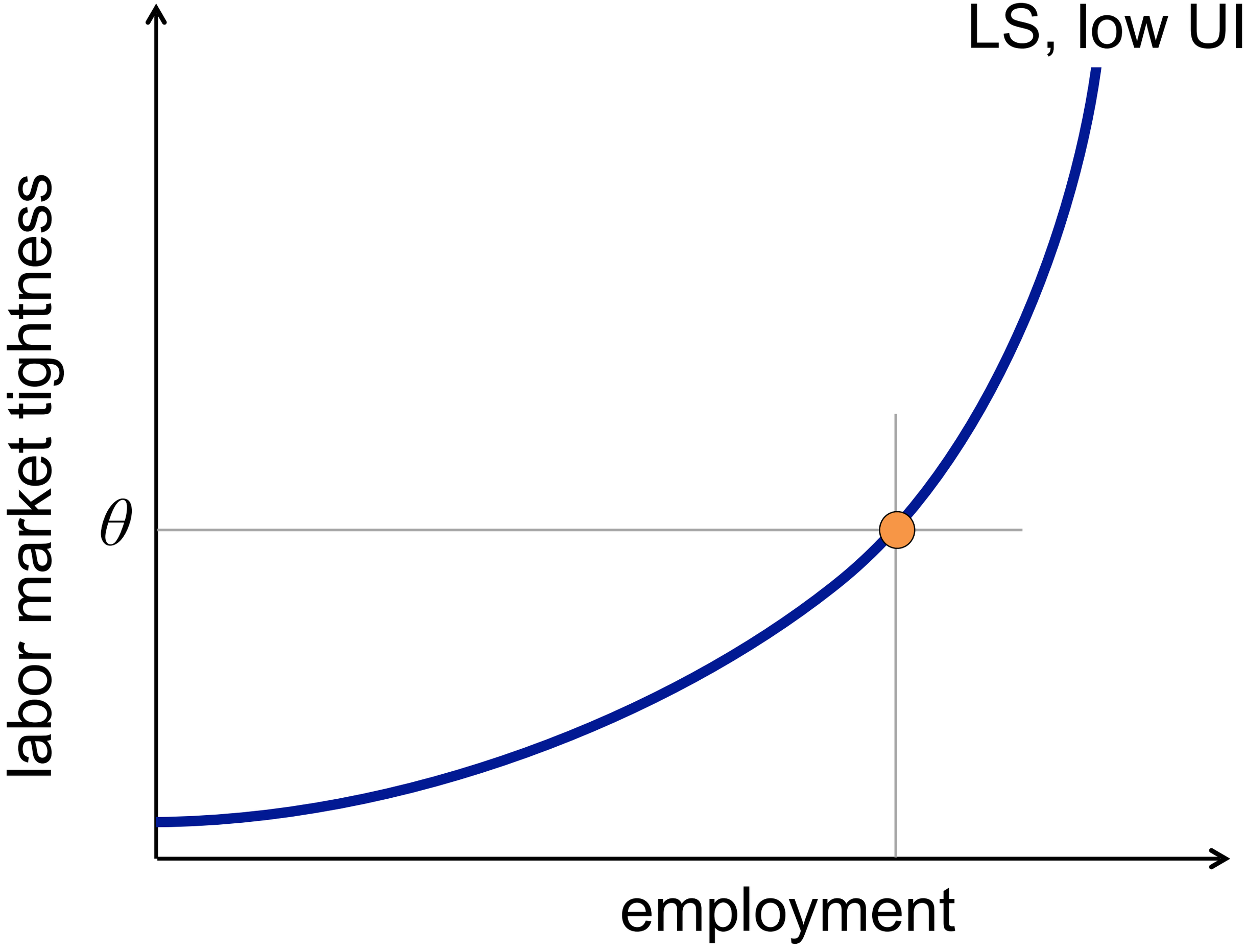
unemployment

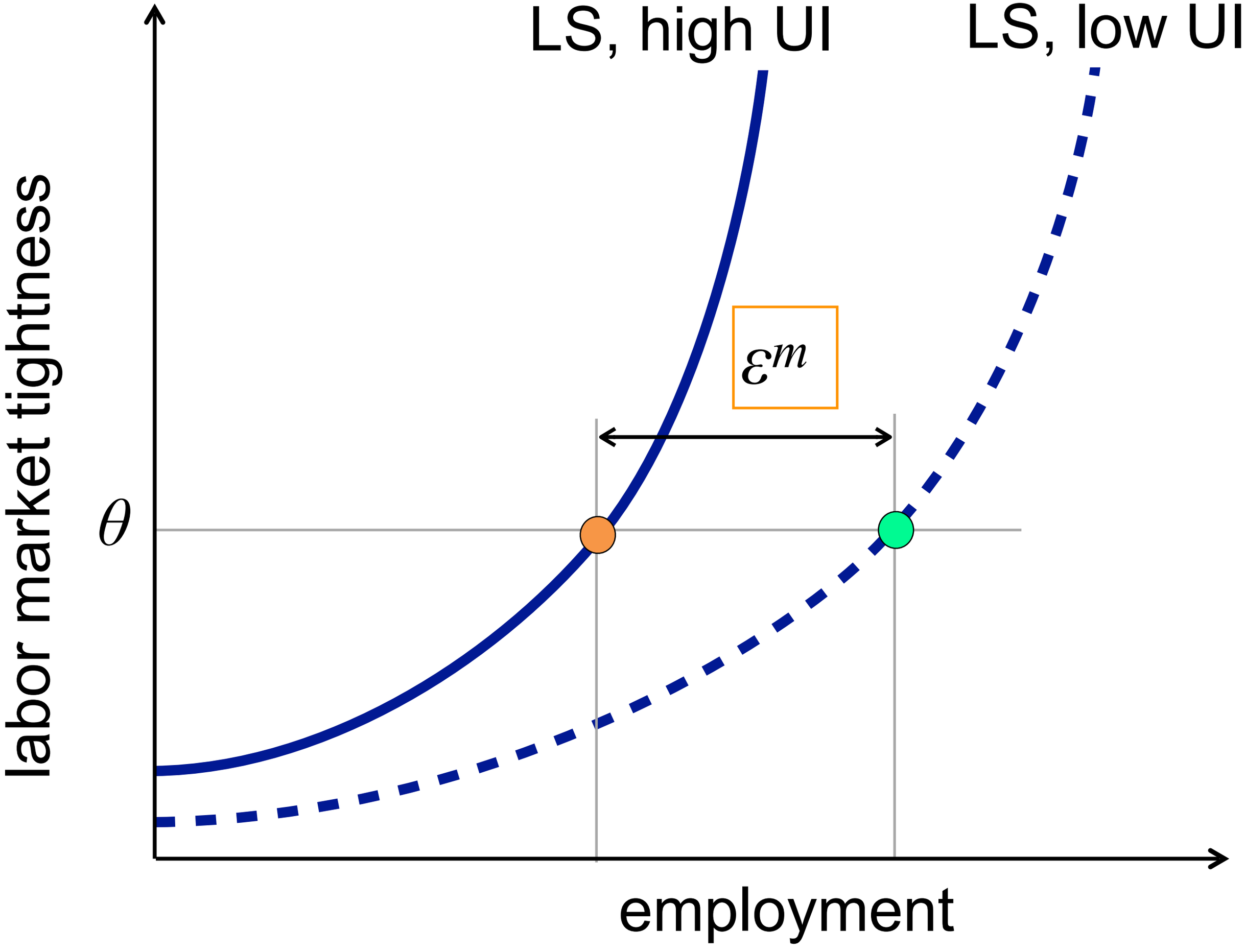
0

l

1

employment


LS, low UI
labor market tightness
θ
employment


LS, high UI
LS, low UI
ε^m
θ
labor market tightness
employment

efficiency term = 0

social welfare $SW(\theta, \Delta U)$

$\theta^*(\Delta U)$

labor market tightness

efficiency term < 0

social welfare $SW(\theta, \Delta U)$

$\theta^*(\Delta U)$

$\theta > \theta^*$

labor market tightness

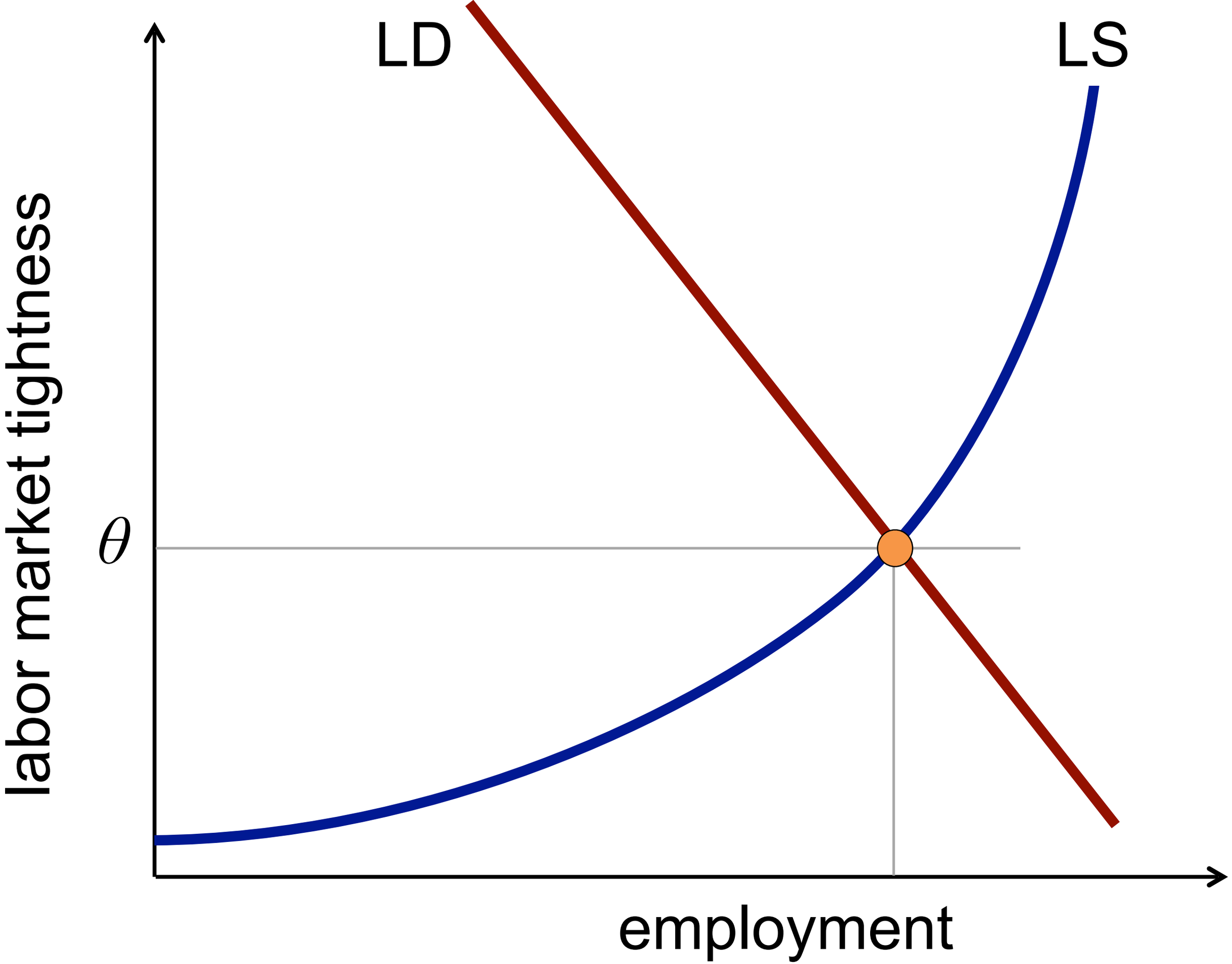
efficiency term > 0

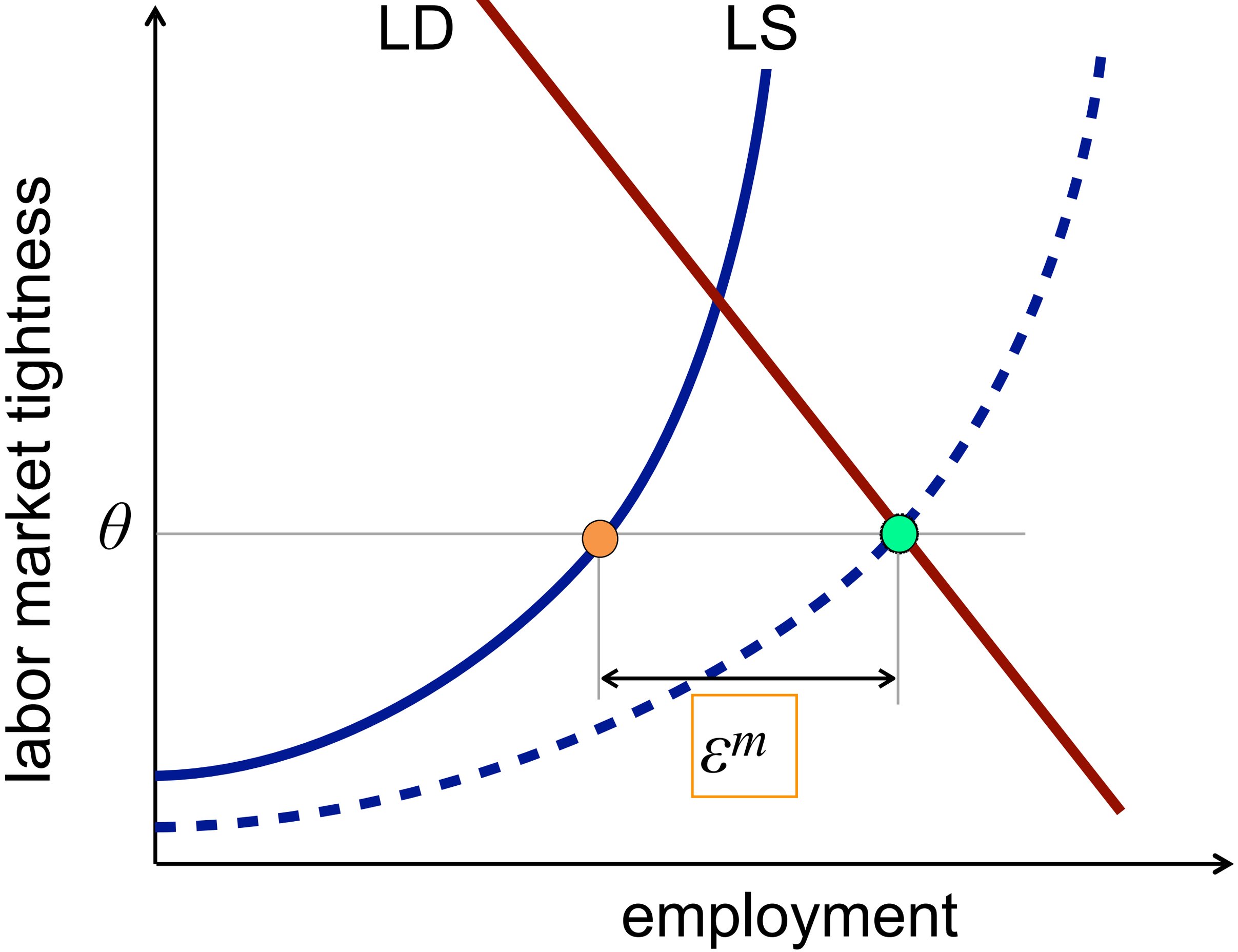
social welfare $SW(\theta, \Delta U)$

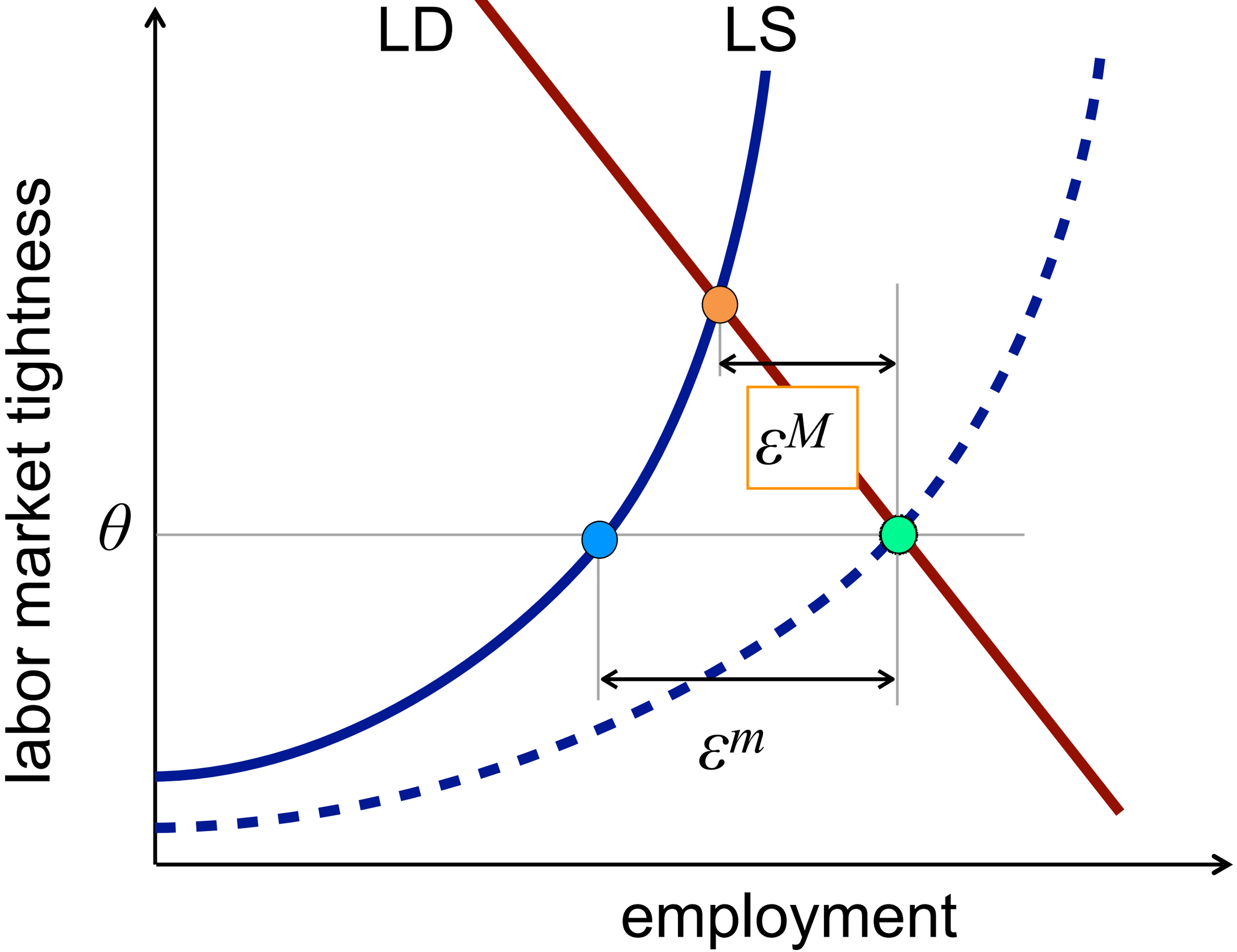
$\theta < \theta^*$

$\theta^*(\Delta U)$

labor market tightness


LD
LS
labor market tightness
θ
employment


LD
LS
labor market tightness
θ
ε^m
employment


LD
LS
labor market tightness
θ
ε^M
ε^m
employment

LD

LS

ε^M

$d\theta > 0$

labor market tightness

ε^m

employment

LD

LS

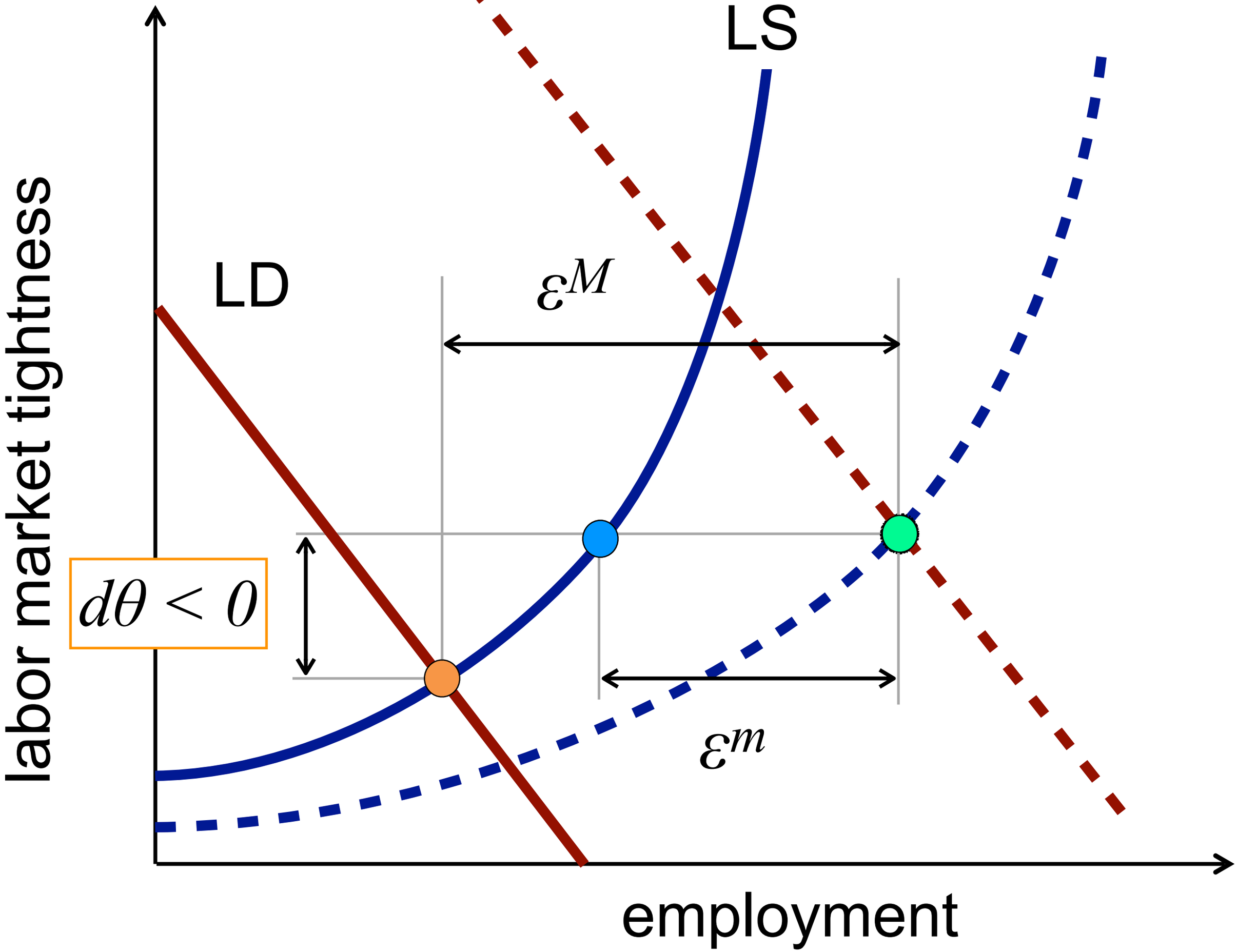
ε^M

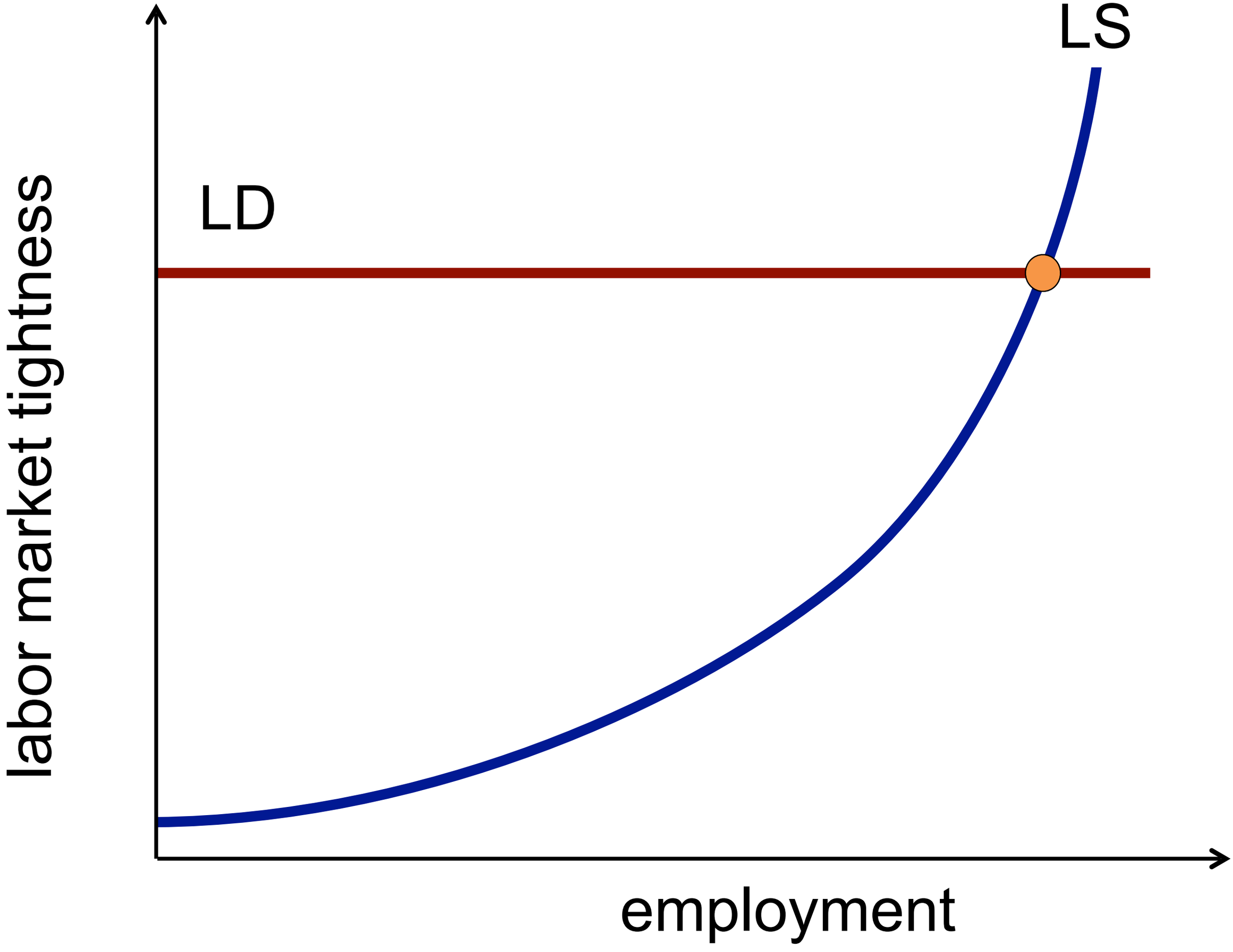
$d\theta = 0$

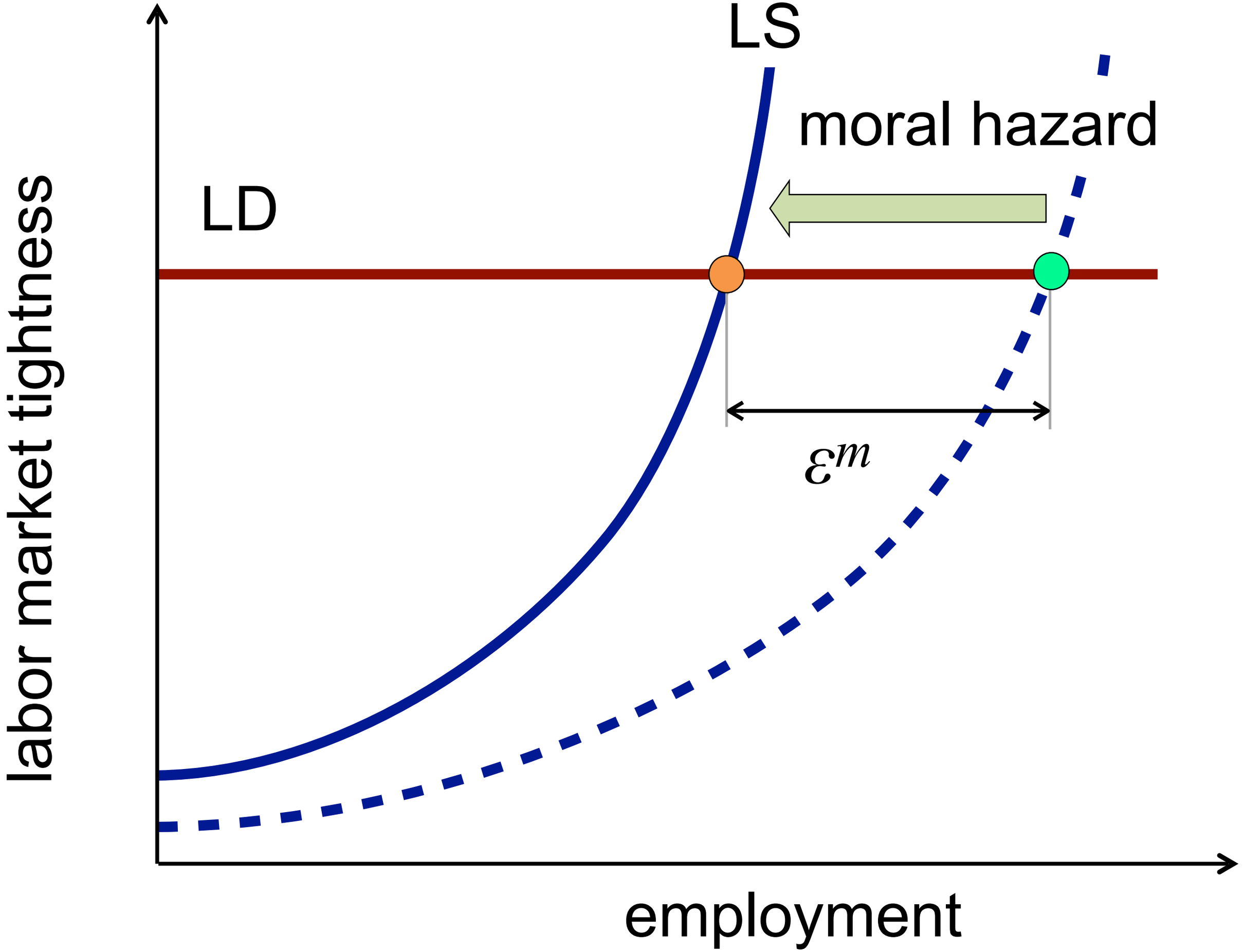
ε^m

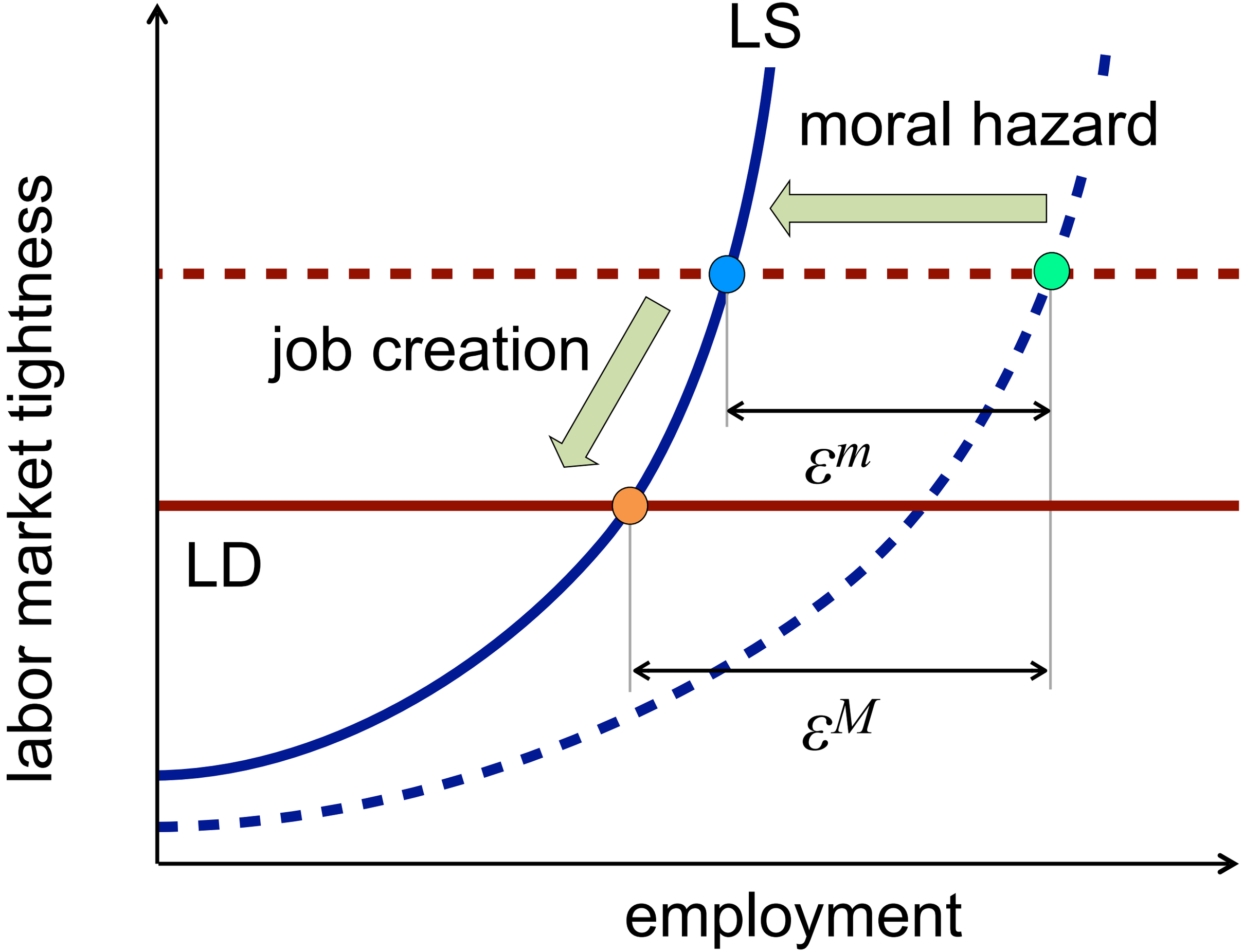
labor market tightness

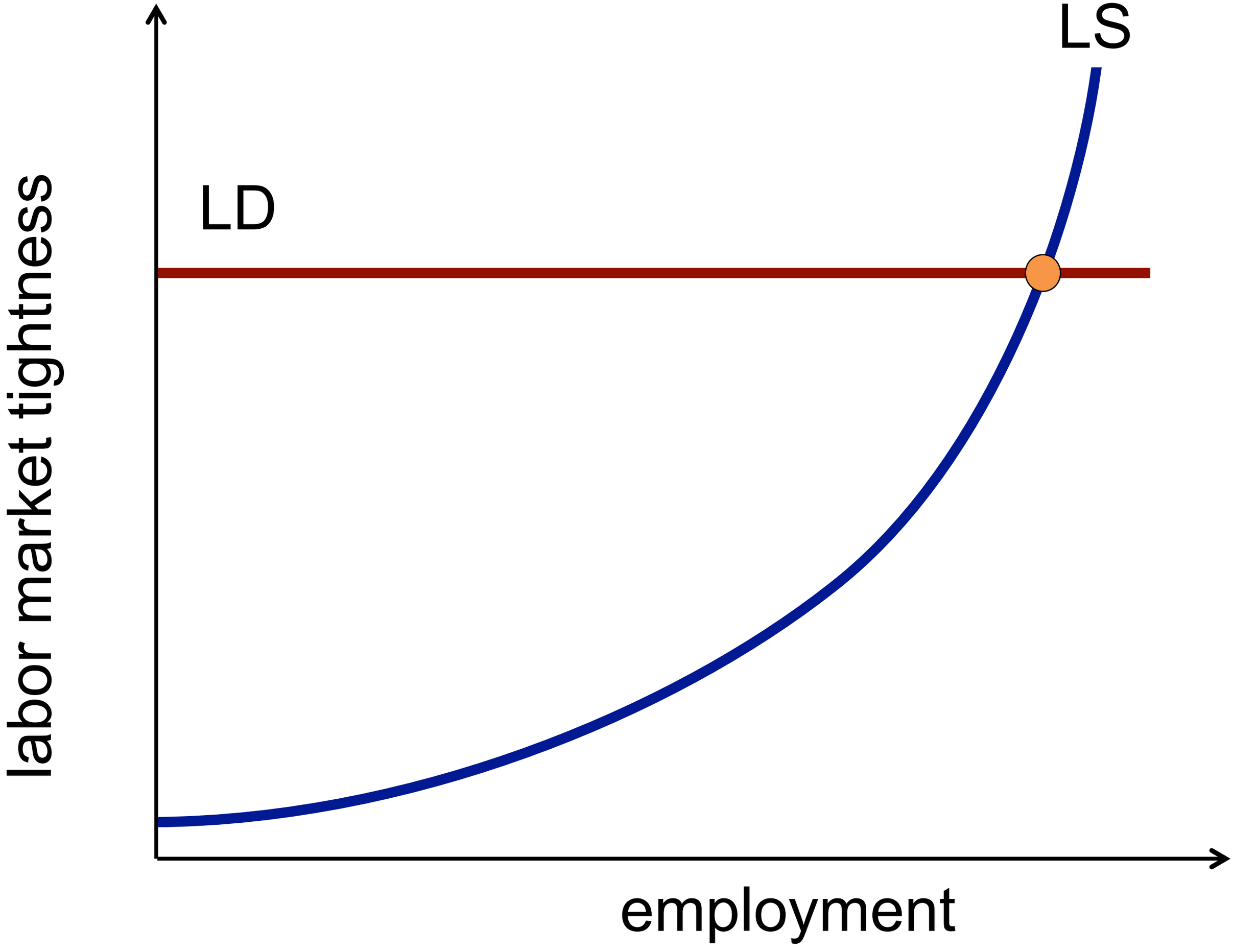
employment

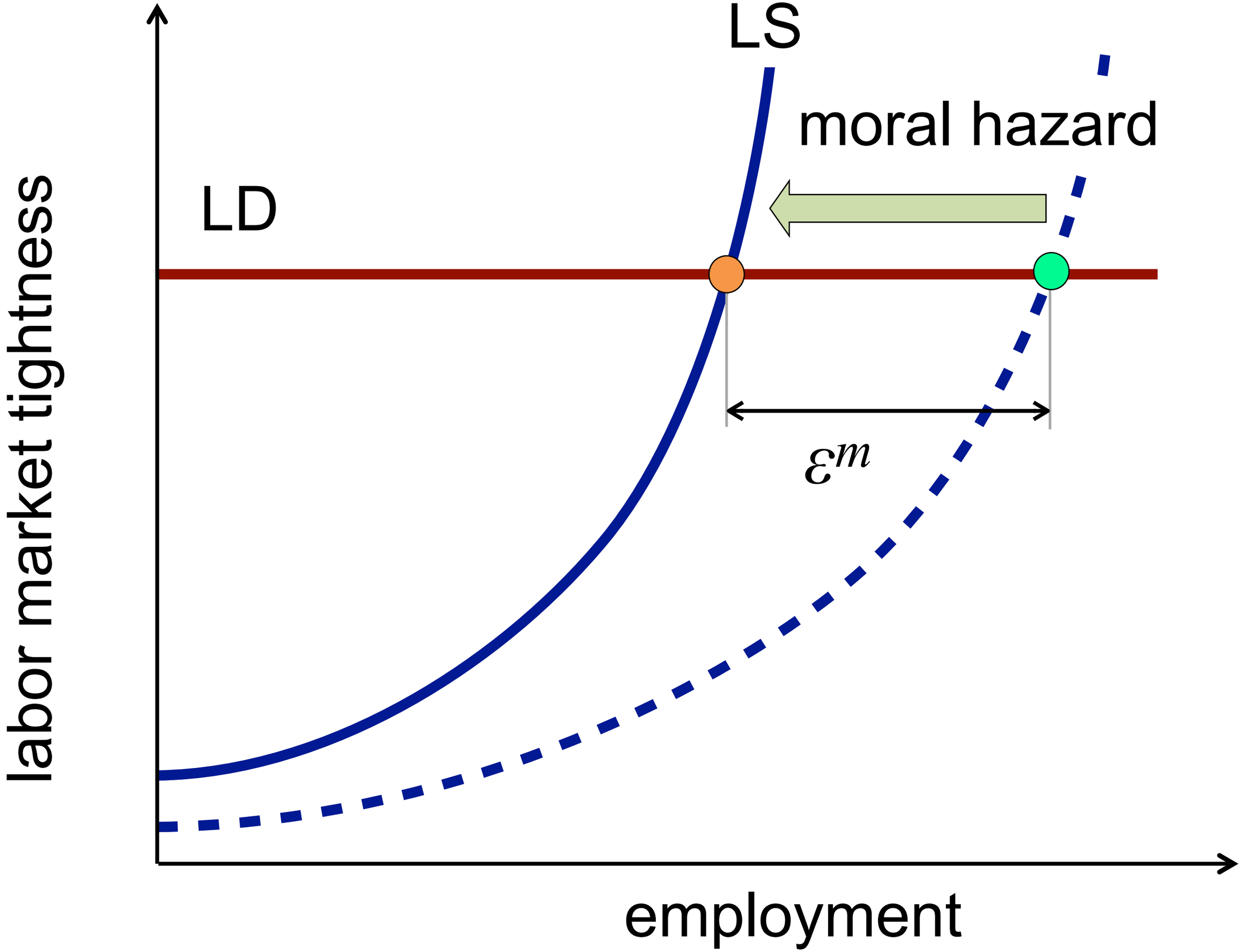

LS
LD
ε^M
$d\theta < 0$
ε^m
labor market tightness
employment

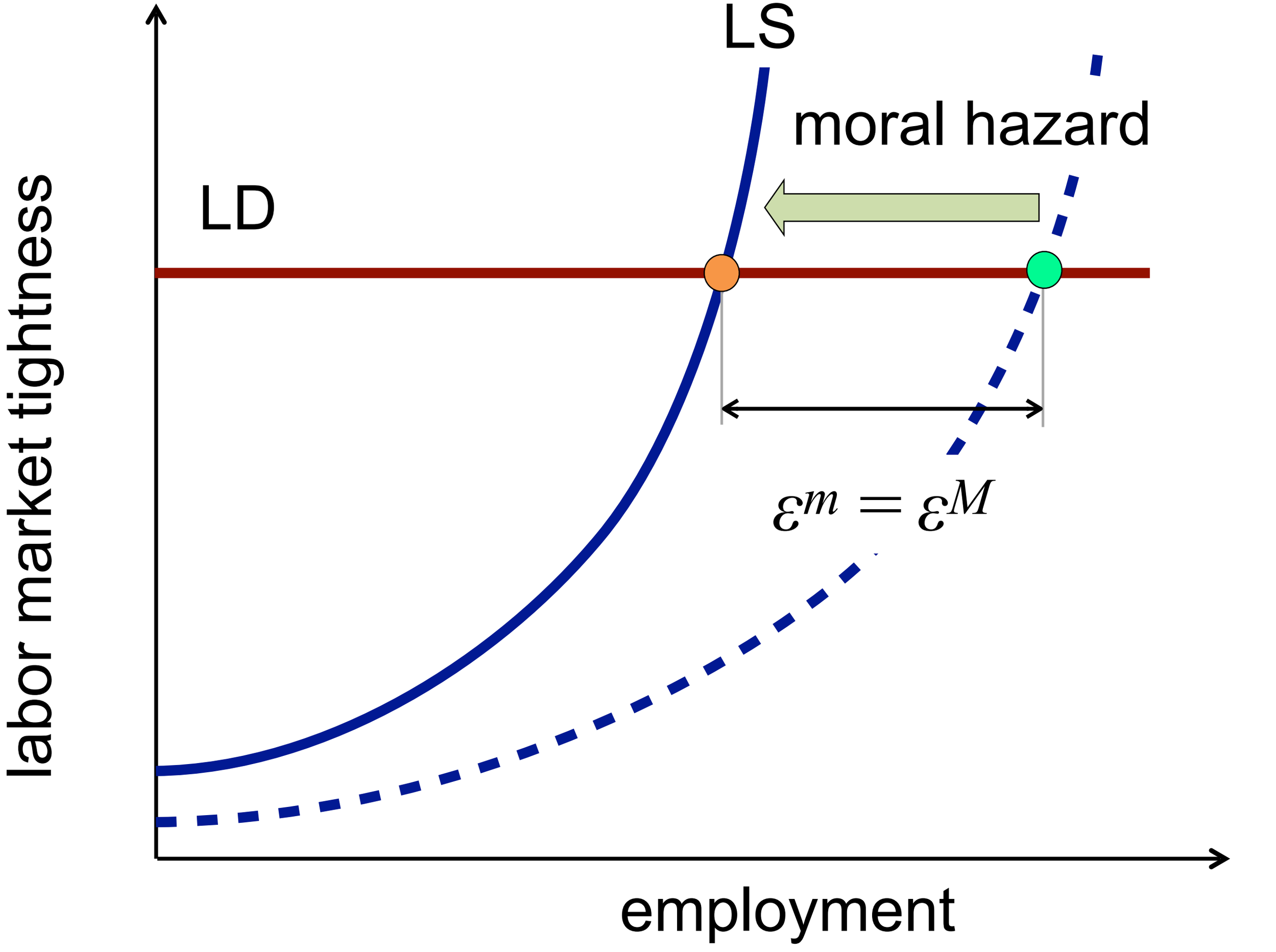

LS
LD
labor market tightness
employment

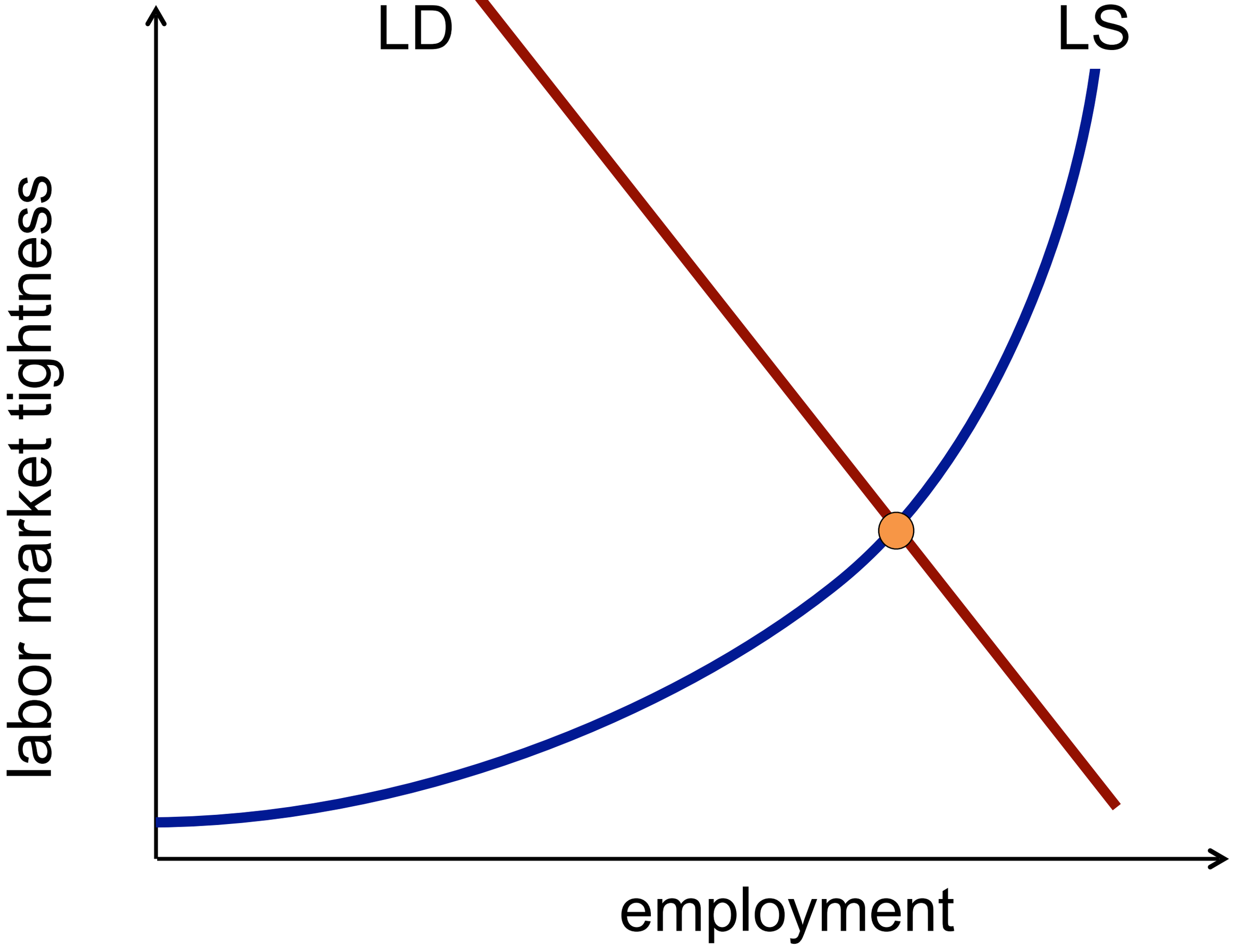

LS
moral hazard
LD
ε^m
labor market tightness
employment

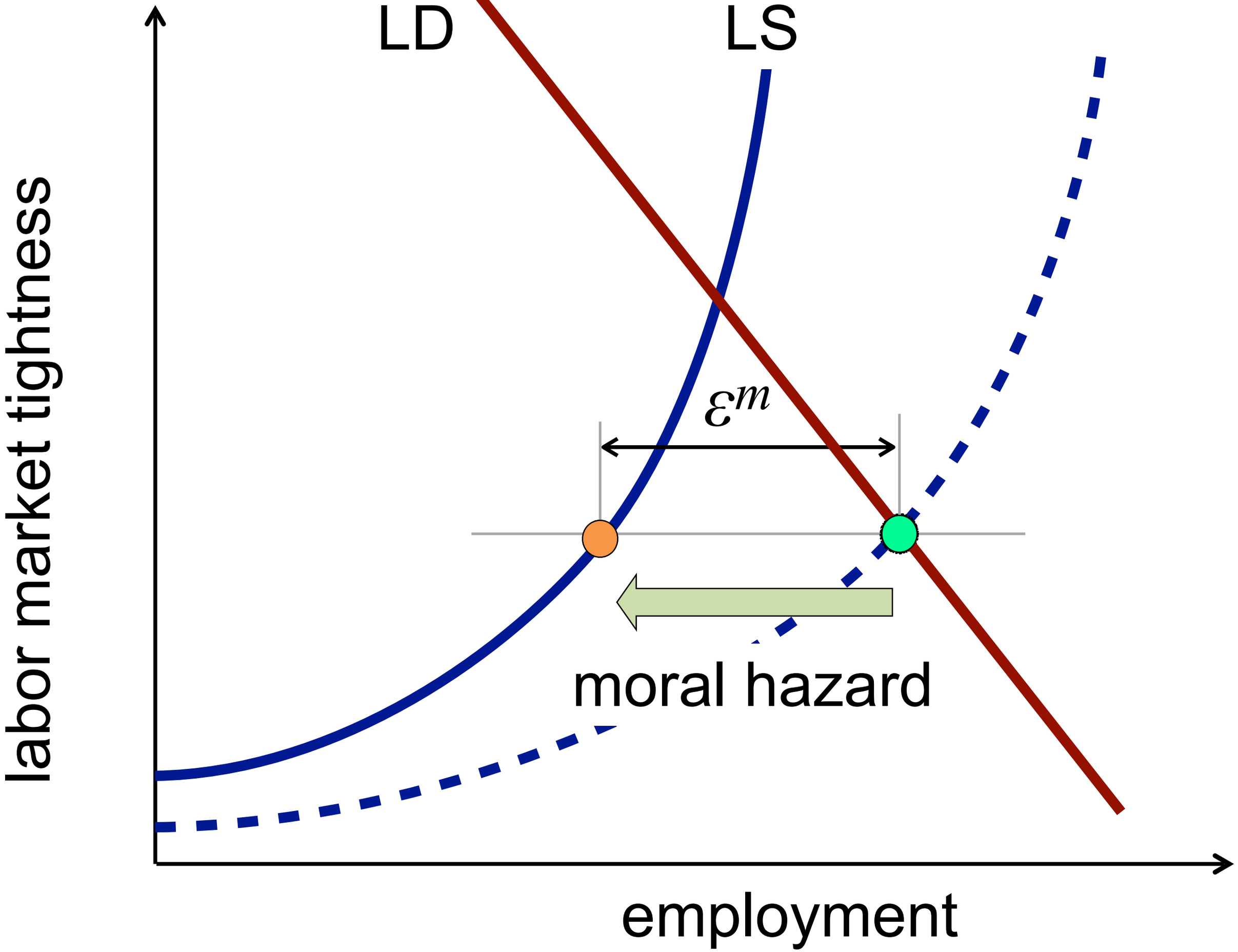

LS
moral hazard
job creation
LD
ε^m
ε^M
labor market tightness
employment

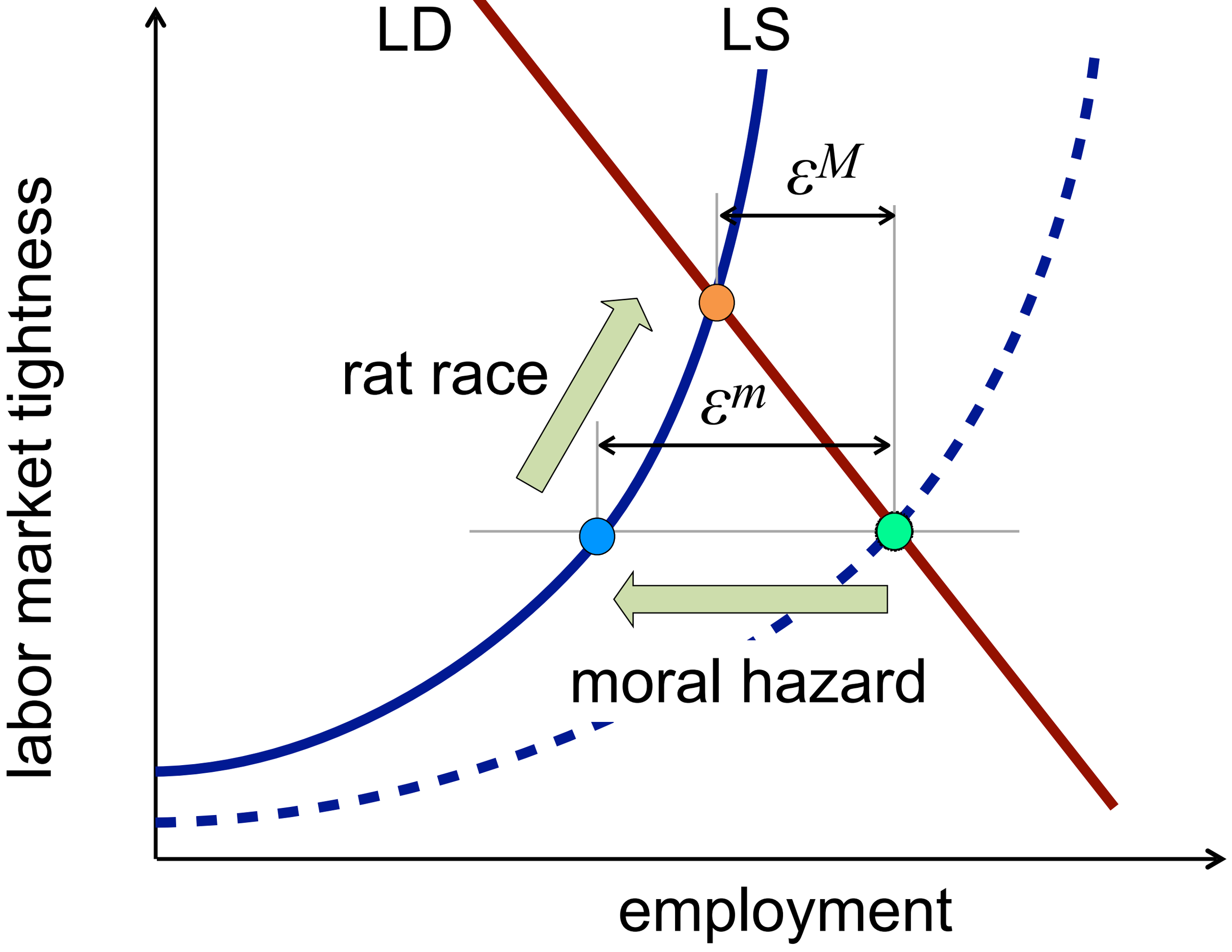

LS
LD
labor market tightness
employment

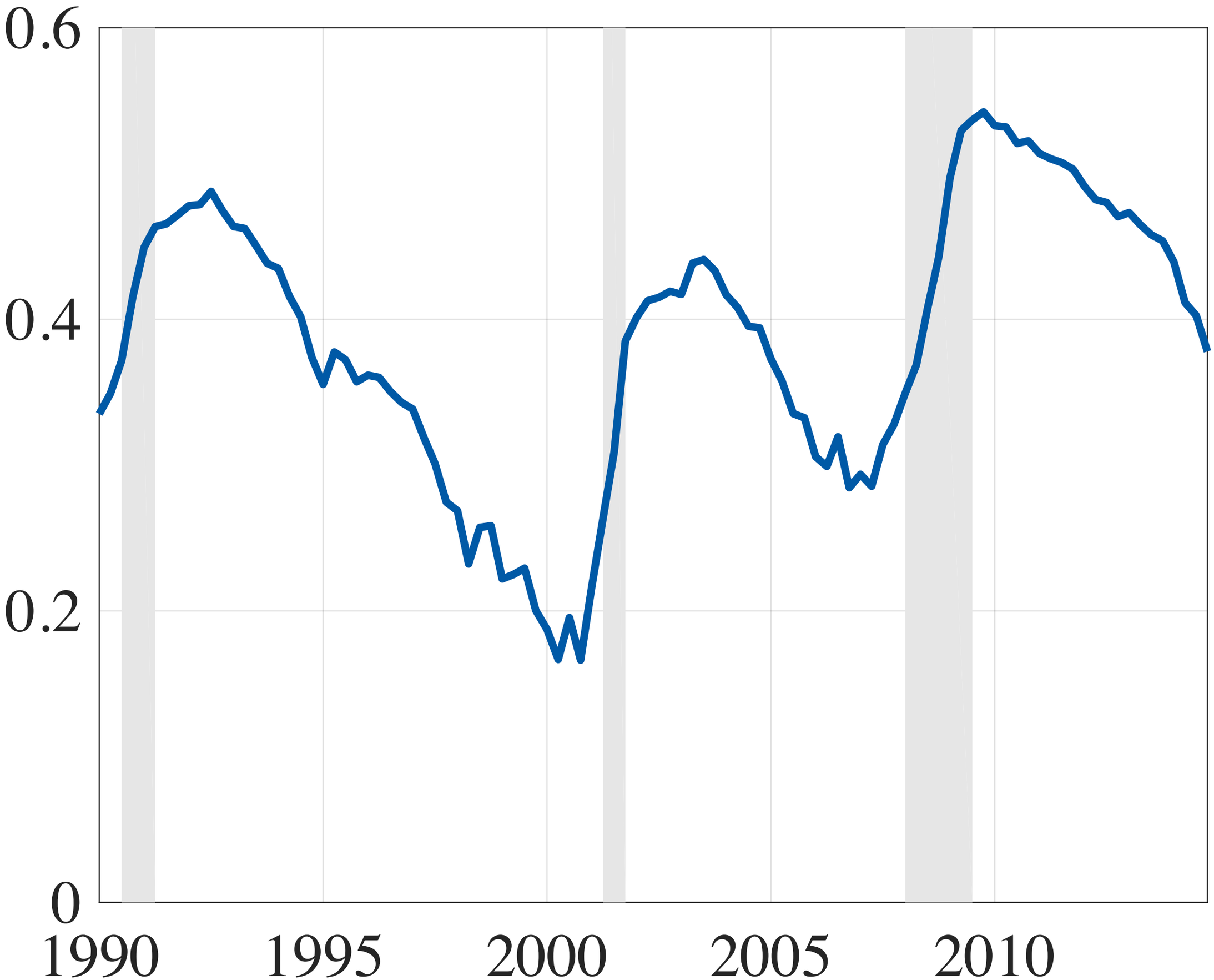

LS
moral hazard
LD
ε^m
labor market tightness
employment


LS
moral hazard
LD
labor market tightness
$\varepsilon^m = \varepsilon^M$
employment


LD
LS
labor market tightness
employment


LD
LS
ε^m
moral hazard
labor market tightness
employment


LD
LS
ε^M
ε^m
rat race
moral hazard
labor market tightness
employment


0.6
0.4
0.2
0
1990
1995
2000
2005
2010

LD, slump

LS, high UI

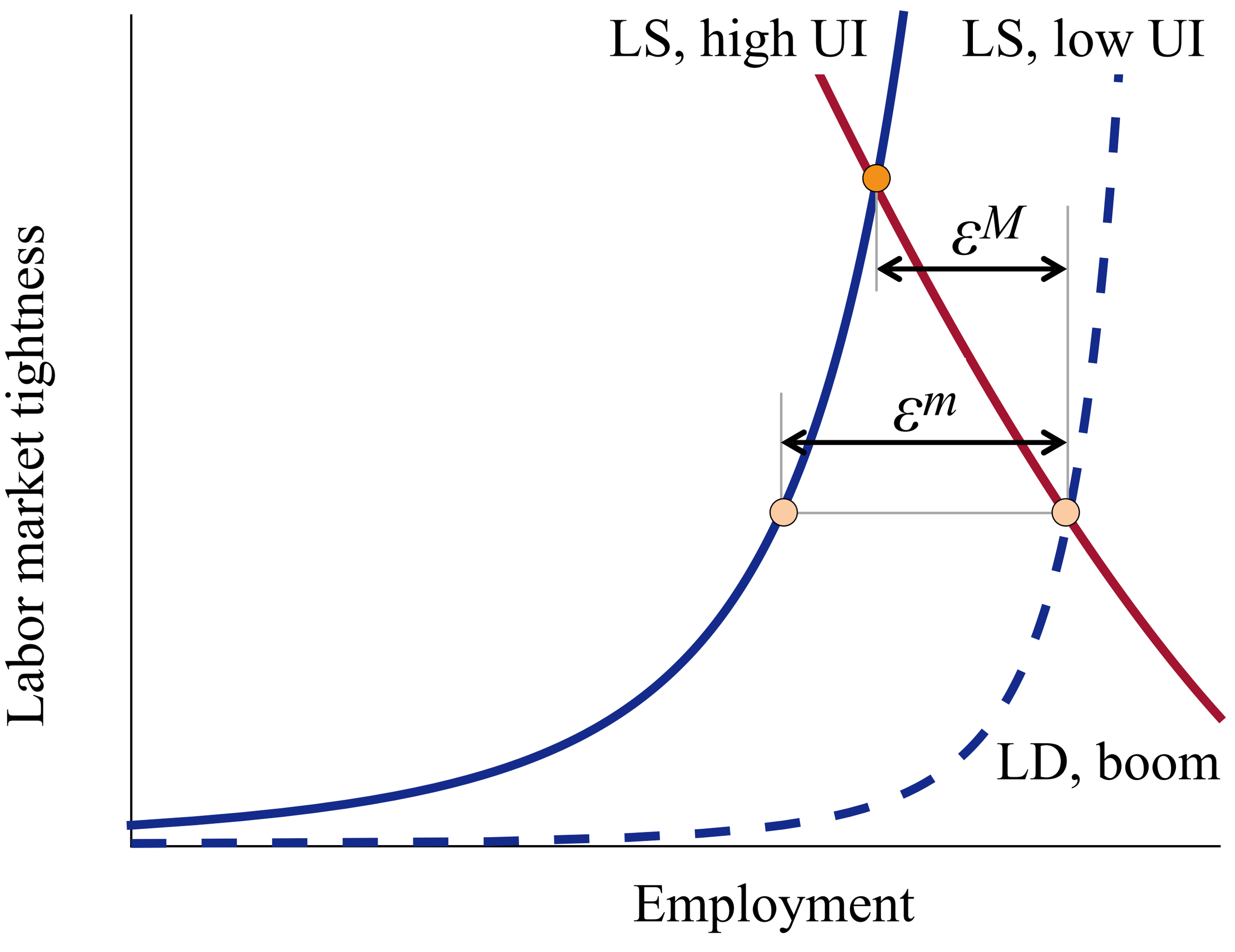
LS, low UI

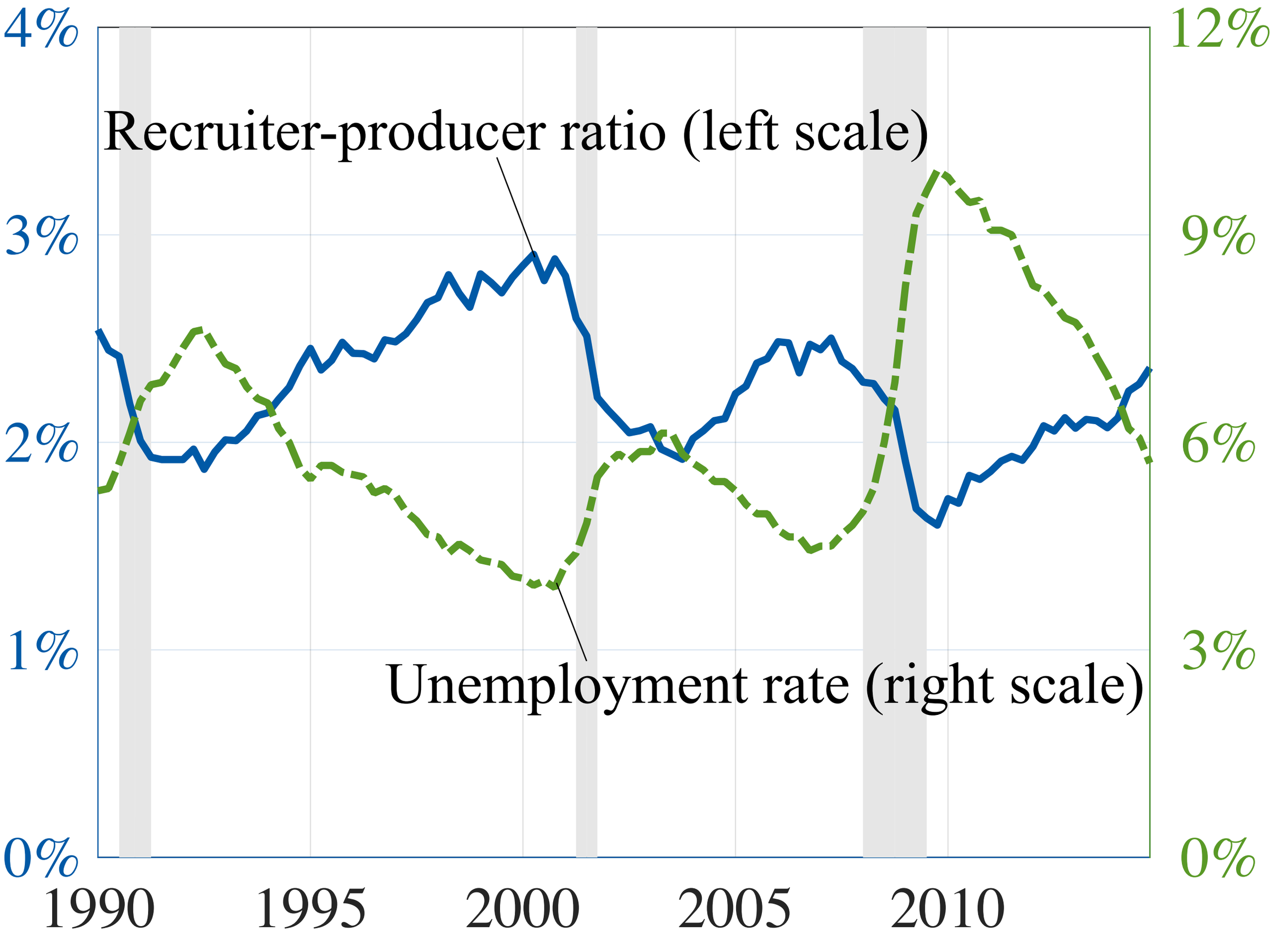
Labor market tightness

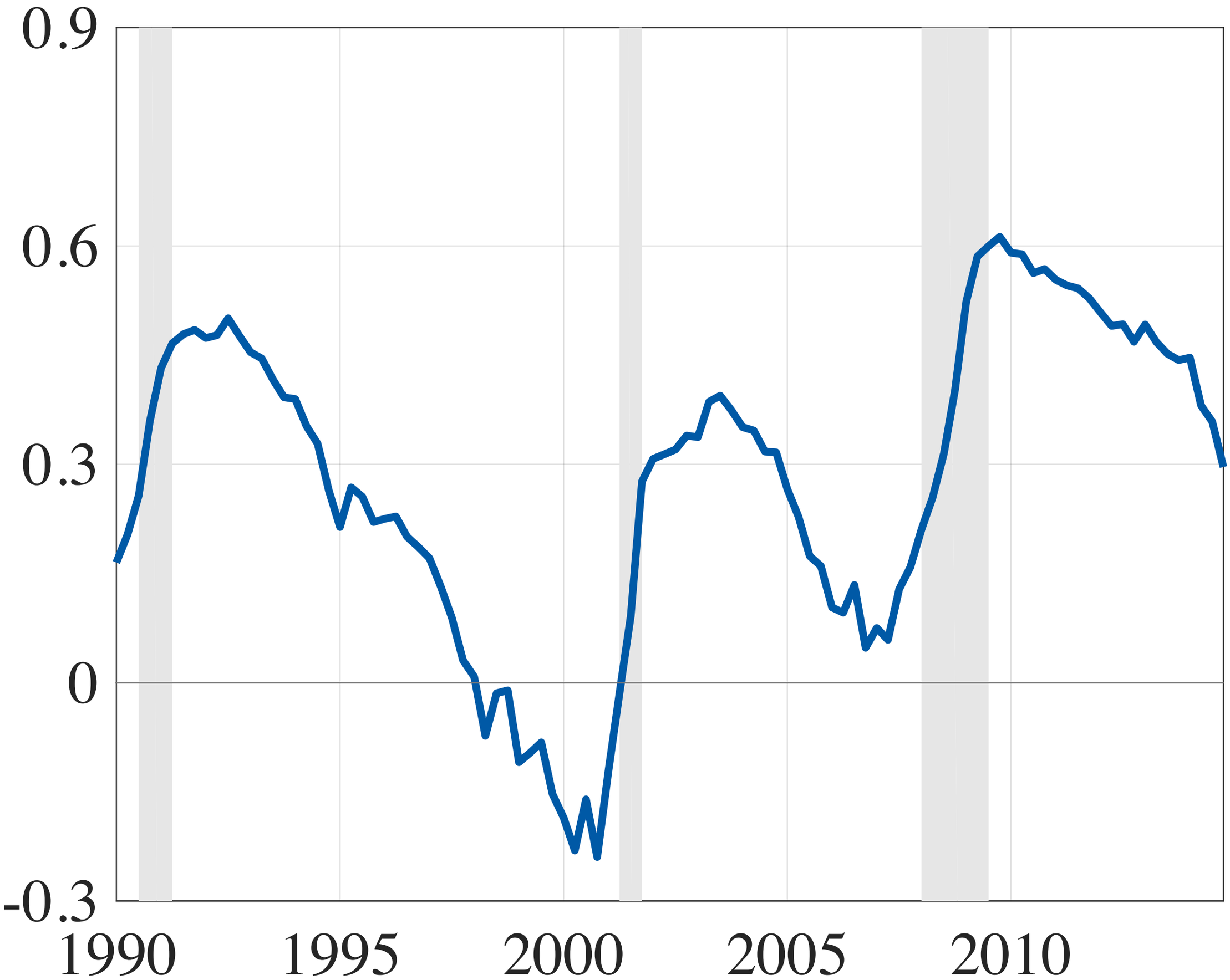
ε^M

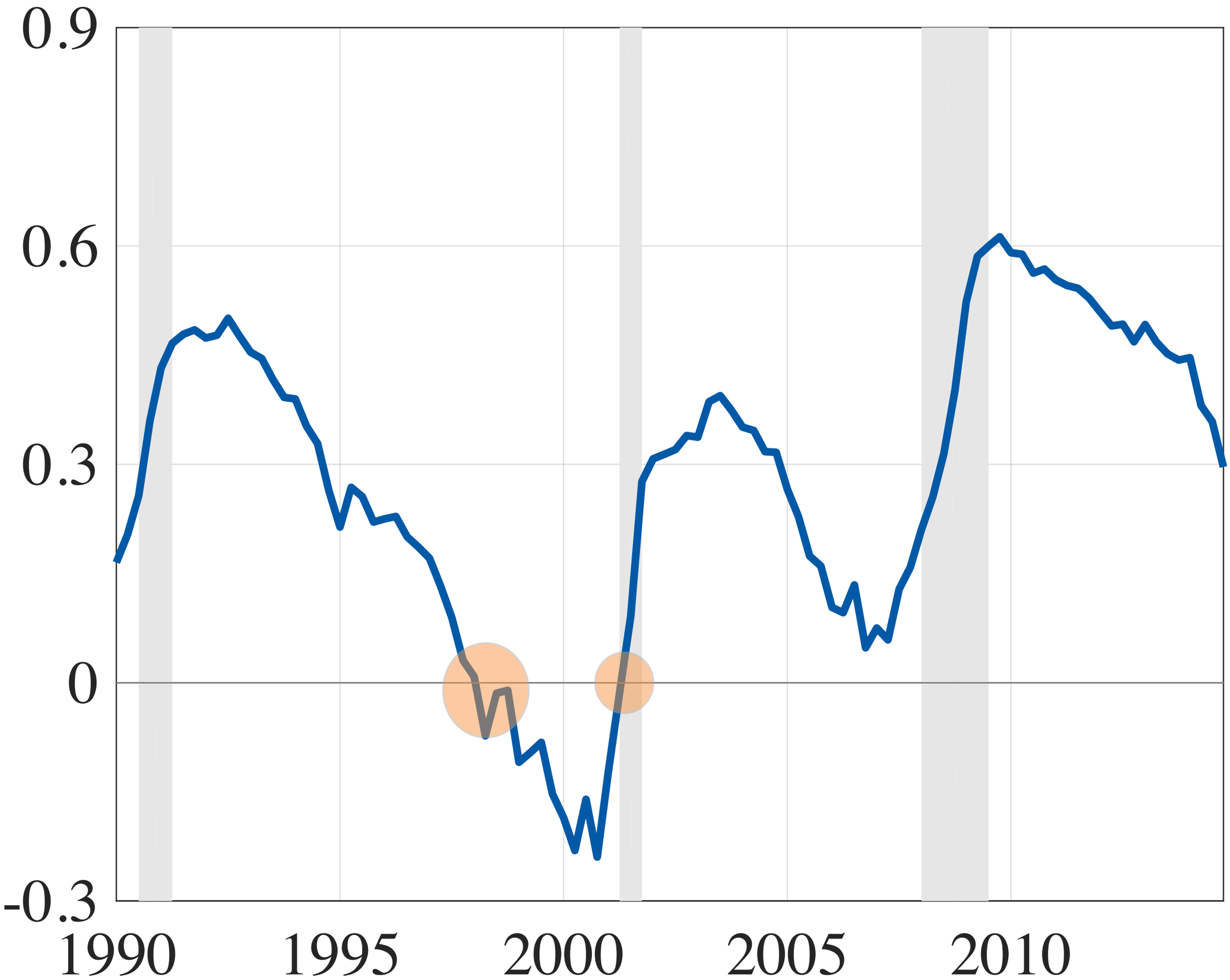
ε^m

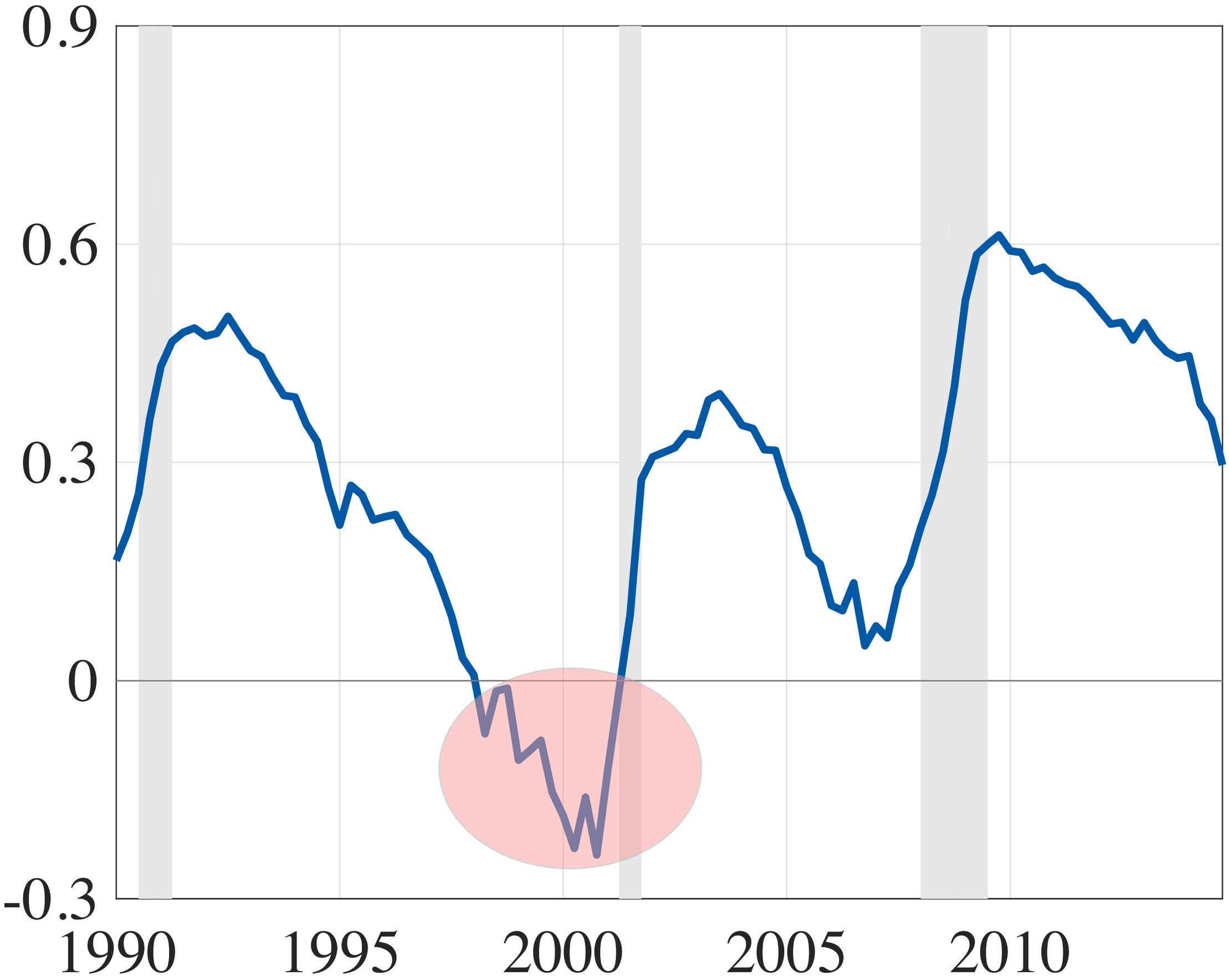
Employment

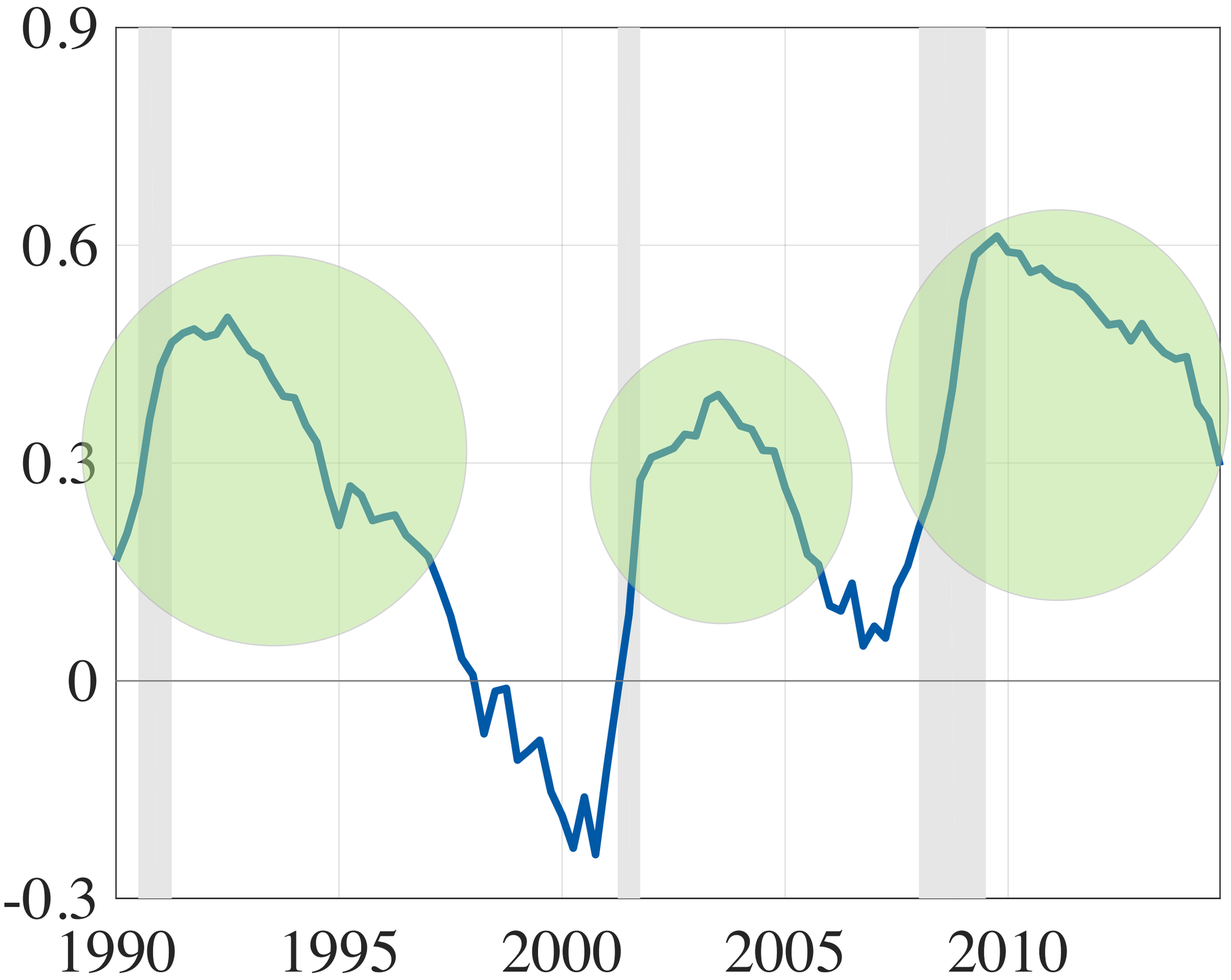

LS, high UI
LS, low UI
ε^M
ε^m
LD, boom
Labor market tightness
Employment

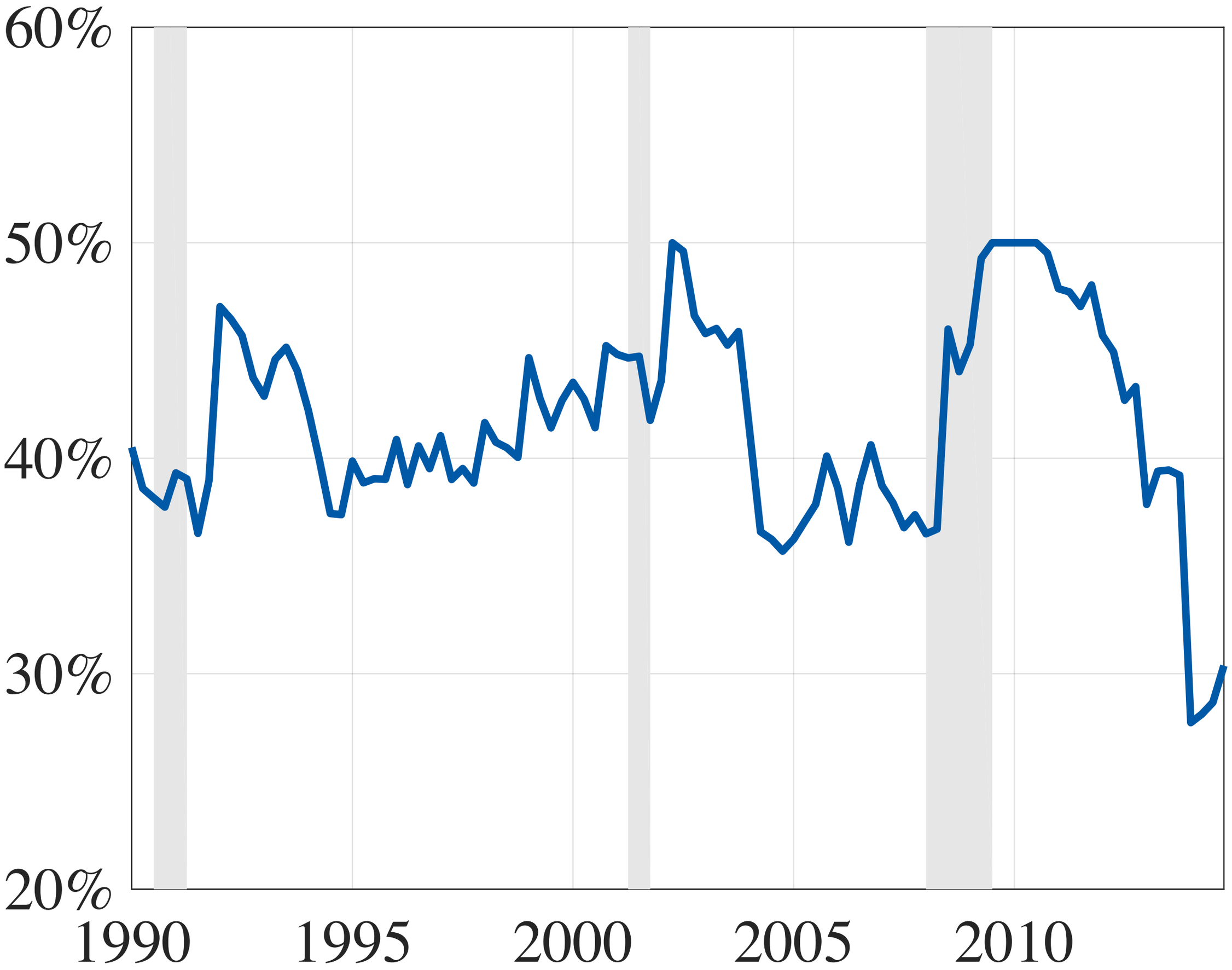

4%
3%
2%
1%
0%
12%
9%
6%
3%
0%
Recruiter-producer ratio (left scale)
Unemployment rate (right scale)
1990
1995
2000
2005
2010

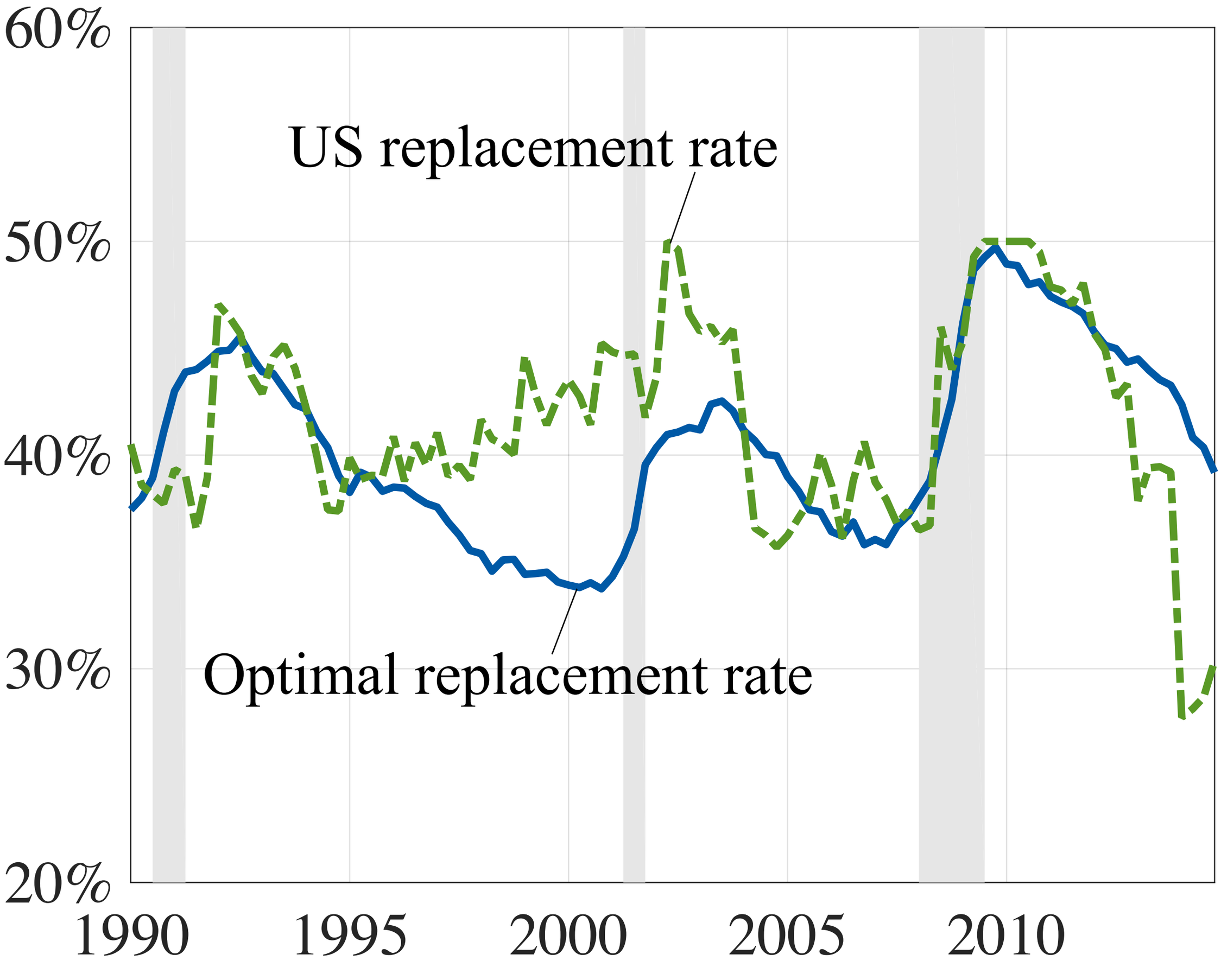

0.9
0.6
0.3
0
-0.3
1990
1995
2000
2005
2010


0.9
0.6
0.3
0
-0.3
1990
1995
2000
2005
2010


0.9
0.6
0.3
0
-0.3
1990
1995
2000
2005
2010


0.9
0.6
0.3
0
-0.3
1990
1995
2000
2005
2010


60%
50%
40%
30%
20%
1990
1995
2000
2005
2010


60%
50%
40%
30%
20%
US replacement rate
Optimal replacement rate
1990
1995
2000
2005
2010

$1 - \epsilon^M/\epsilon^m = 0.4$

$1 - \epsilon^M/\epsilon^m = -0.4$

$1 - \epsilon^M/\epsilon^m = 0$

60%

50%

40%

30%

20%

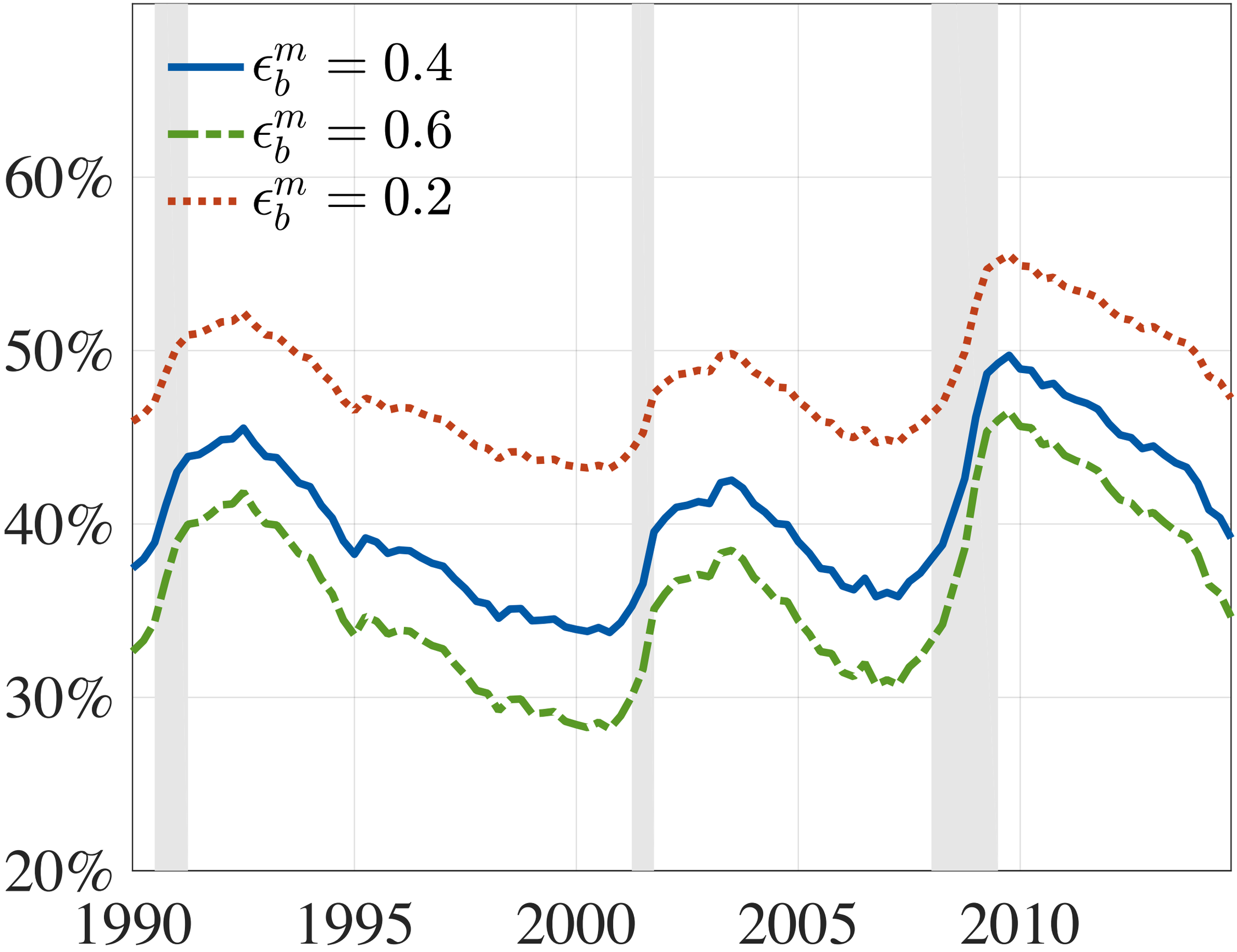
1990

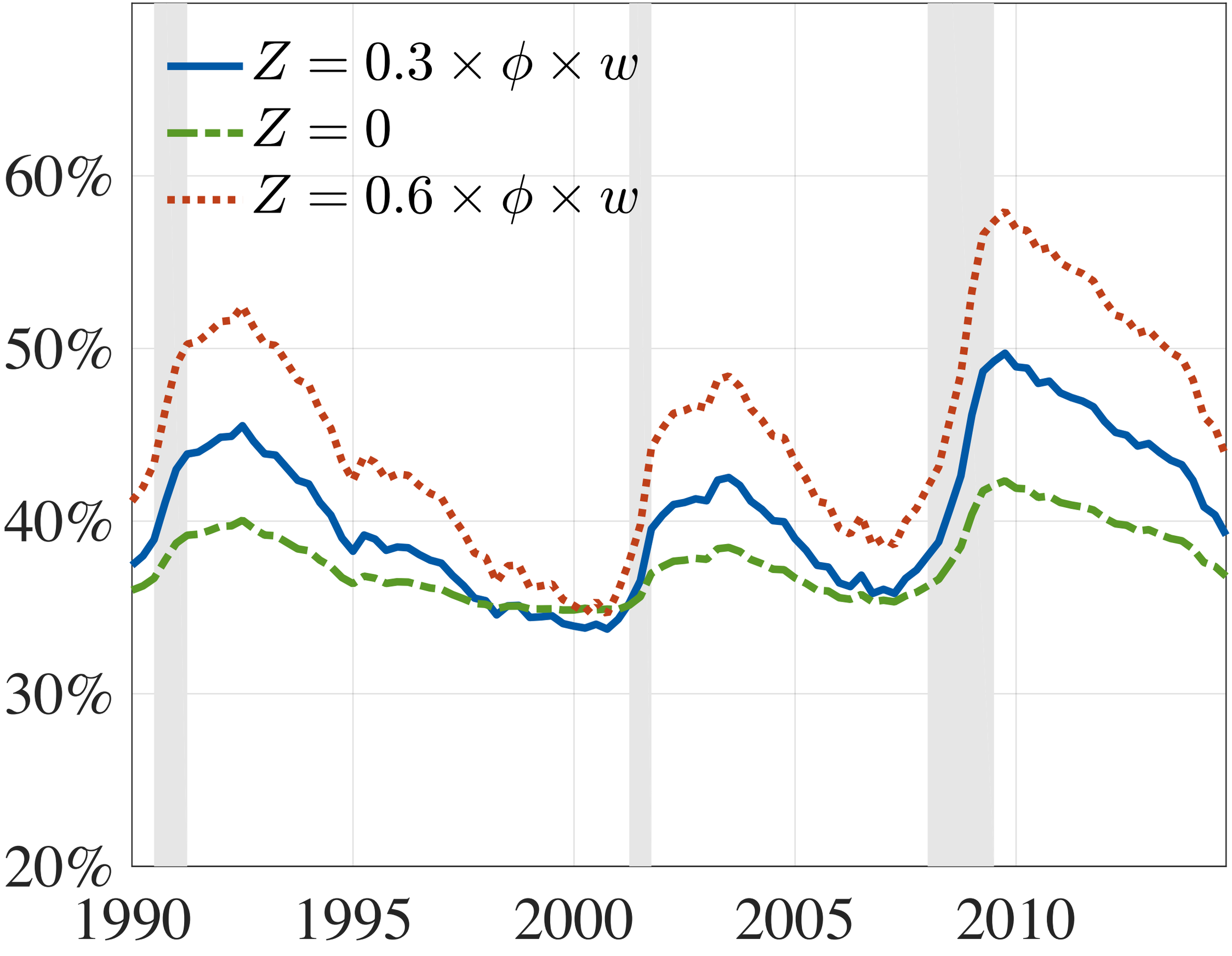
1995

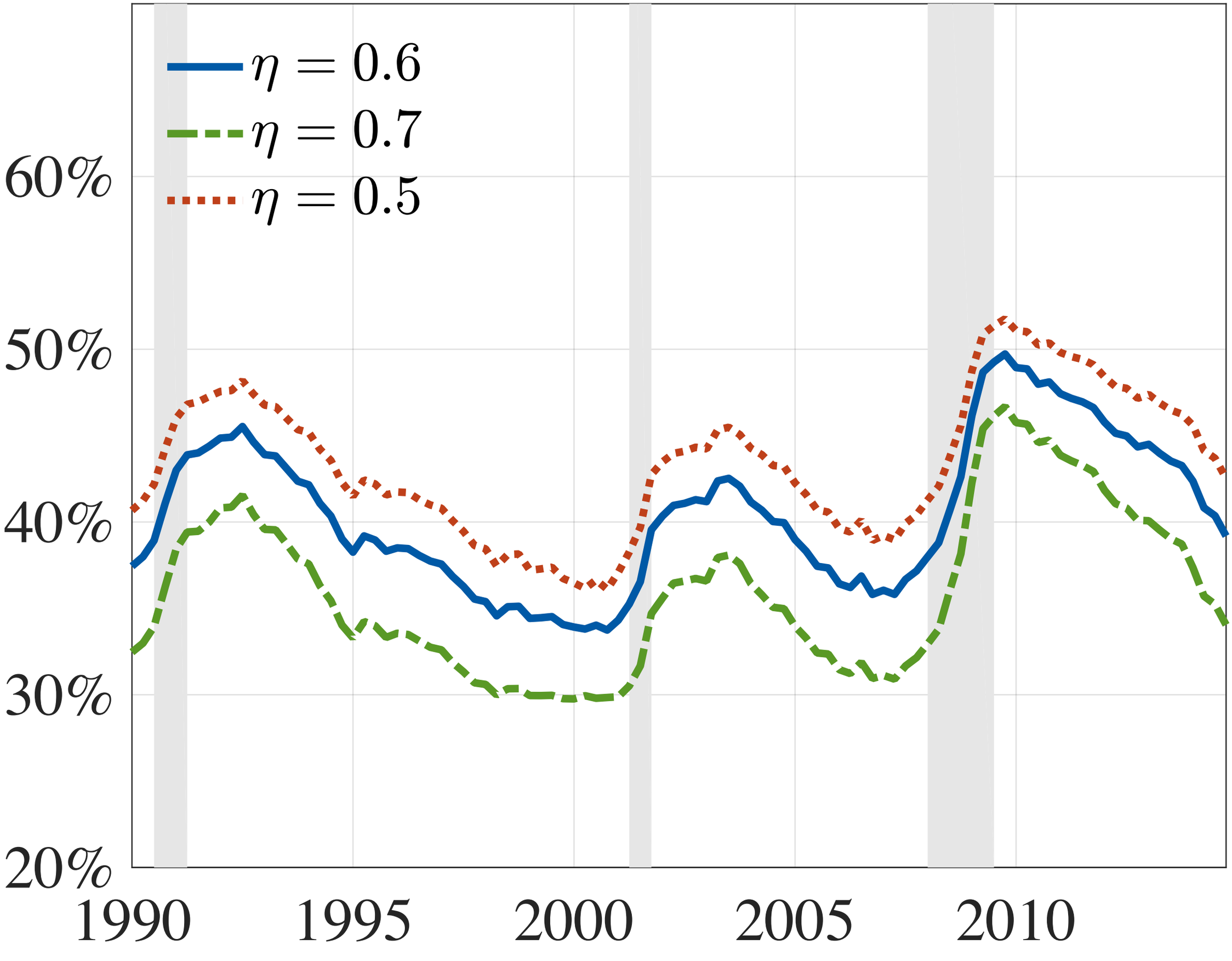
2000

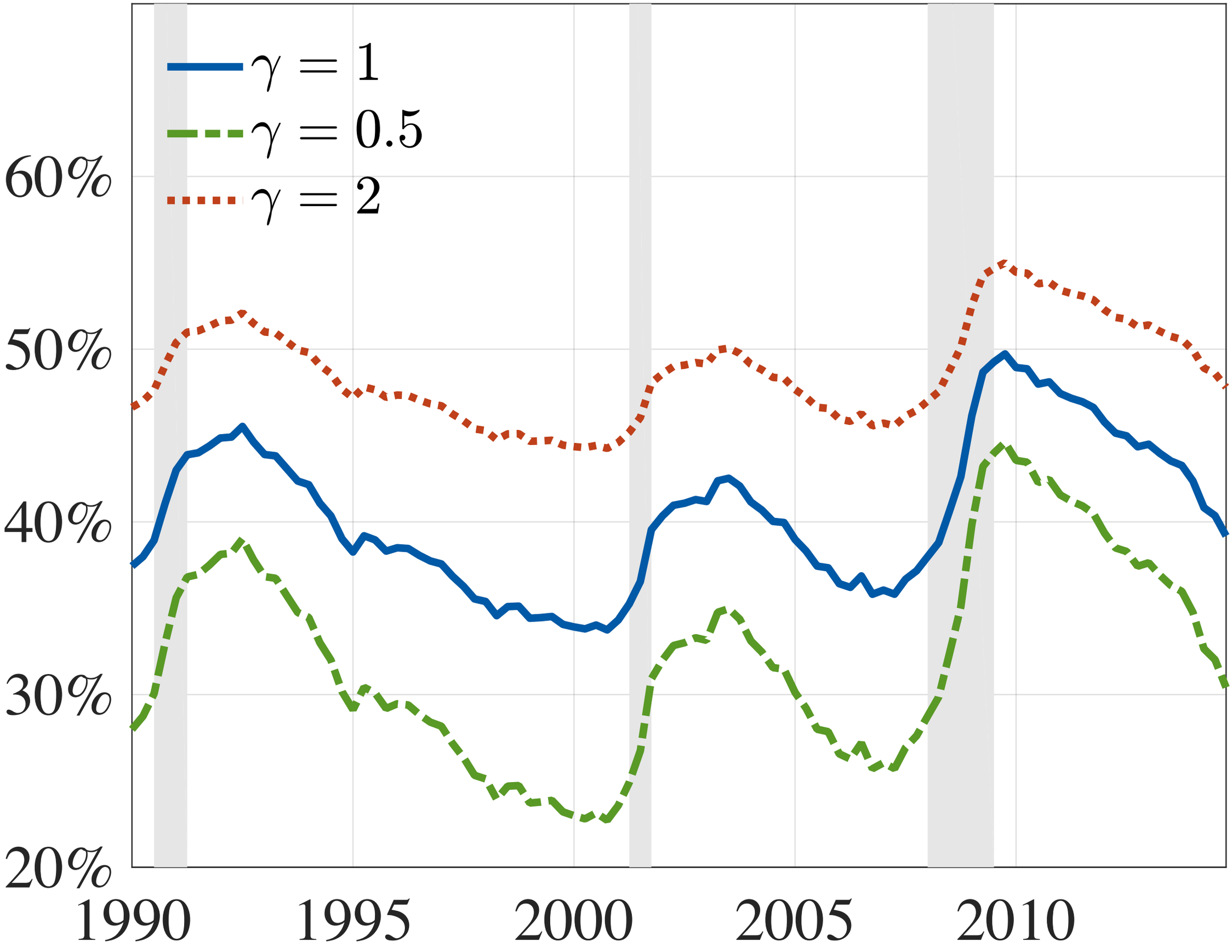
2005

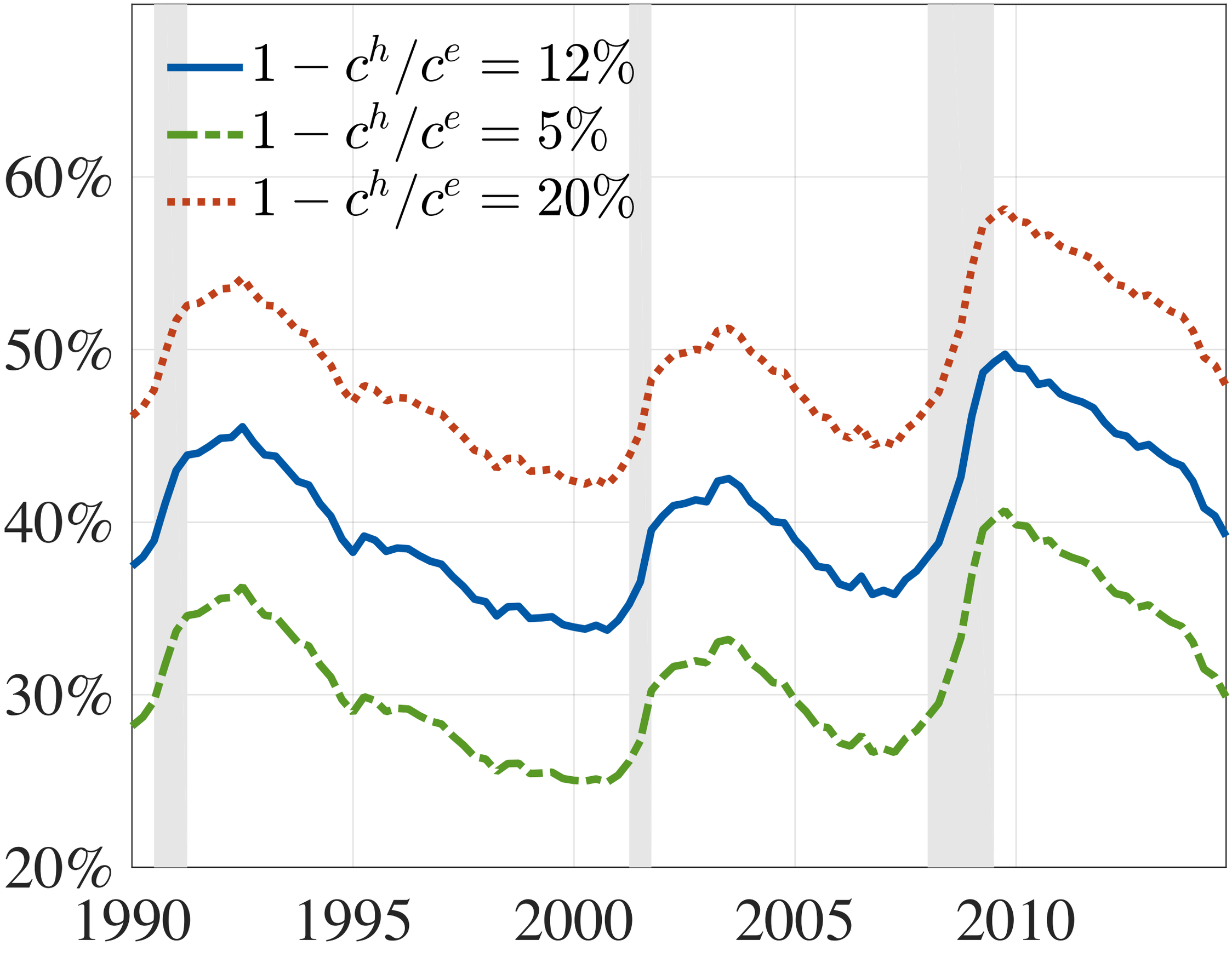
2010

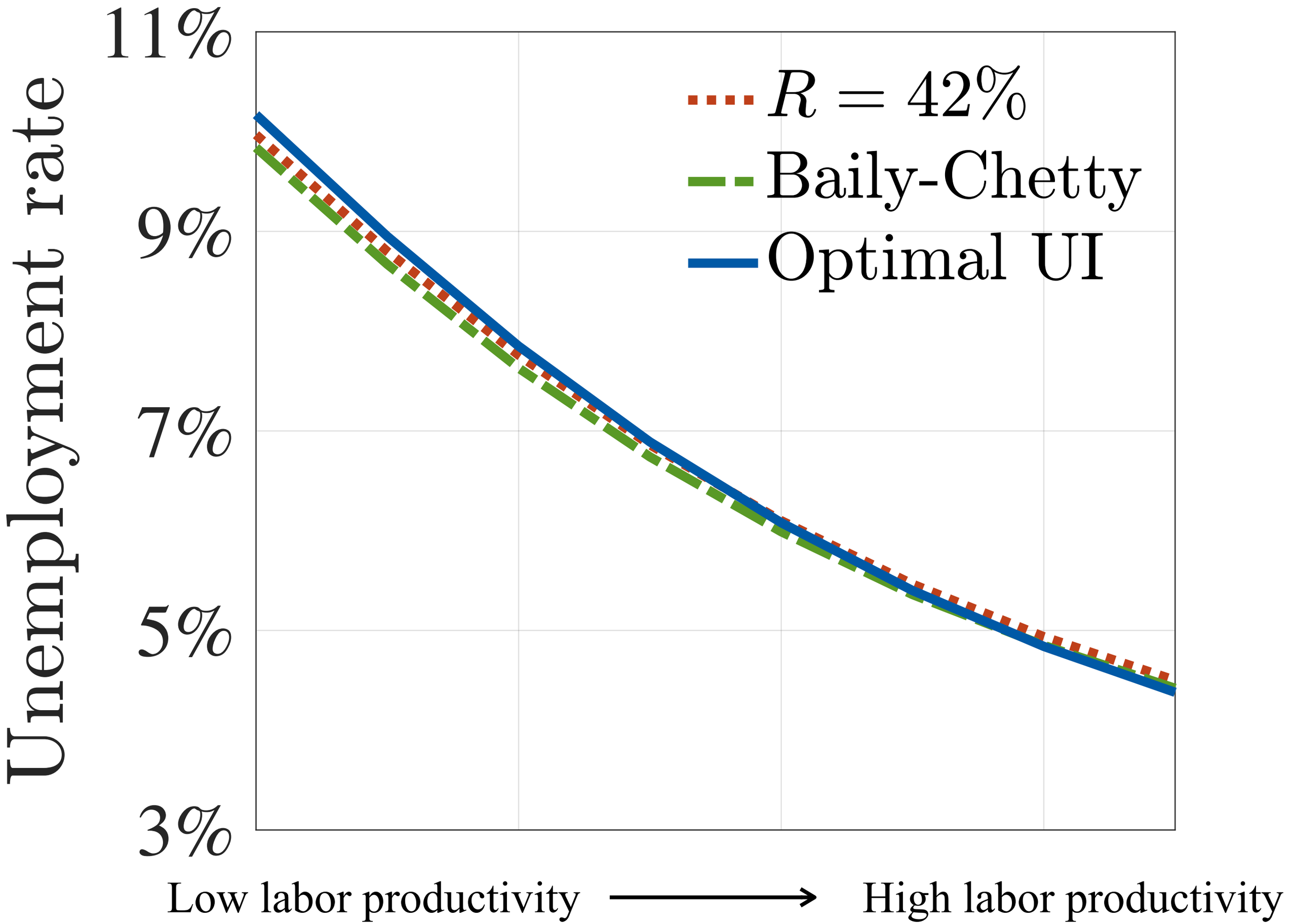

$\epsilon_b^m = 0.4$
$\epsilon_b^m = 0.6$
$\epsilon_b^m = 0.2$
60%
50%
40%
30%
20%
1990
1995
2000
2005
2010

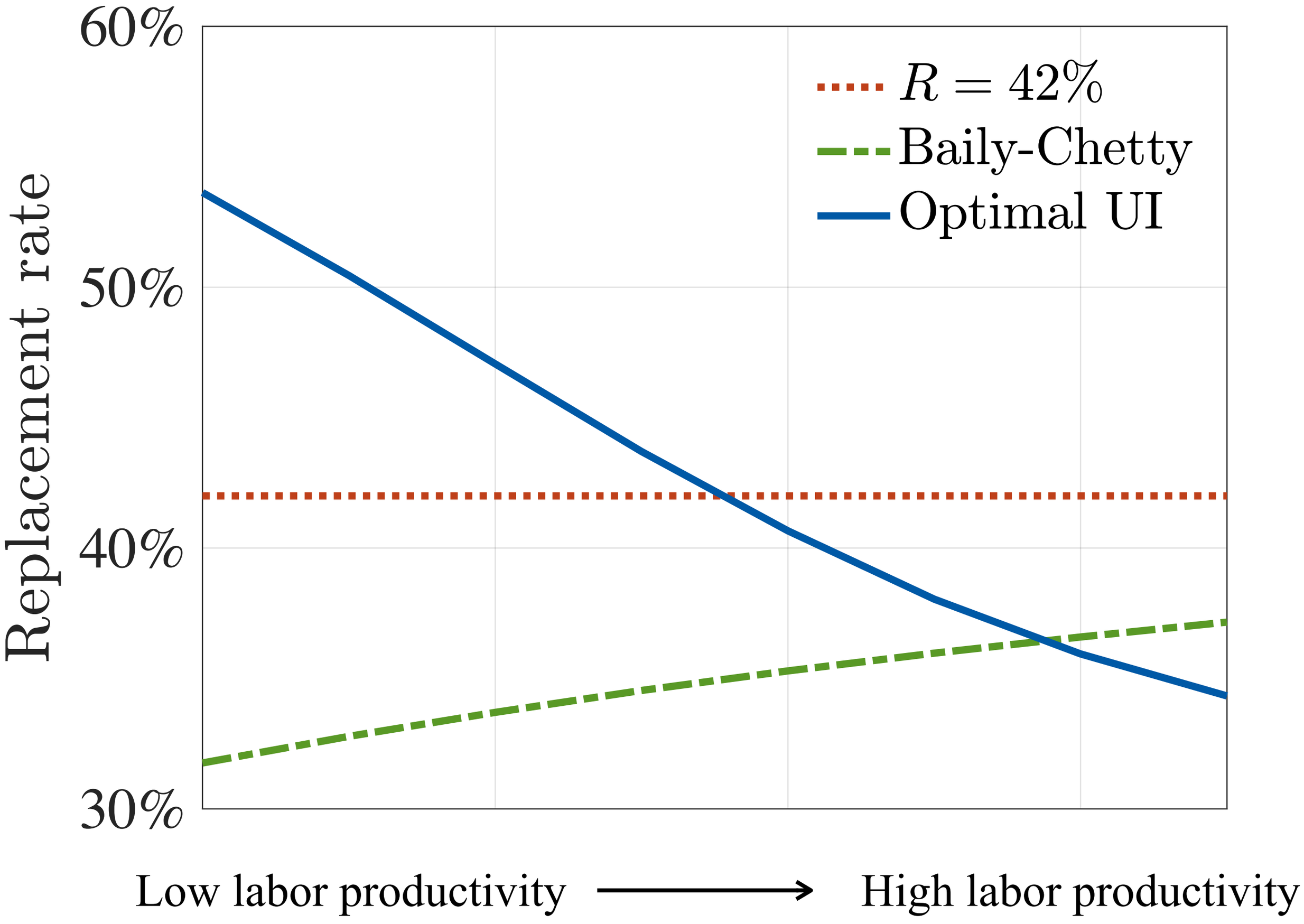

$Z = 0.3 \times \phi \times w$
$Z = 0$
$Z = 0.6 \times \phi \times w$
60%
50%
40%
30%
20%
1990
1995
2000
2005
2010


$\eta = 0.6$
$\eta = 0.7$
$\eta = 0.5$
60%
50%
40%
30%
20%
1990
1995
2000
2005
2010


$\gamma = 1$
$\gamma = 0.5$
$\gamma = 2$
60%
50%
40%
30%
20%
1990
1995
2000
2005
2010


$1 - c^h/c^e = 12\%$
$1 - c^h/c^e = 5\%$
$1 - c^h/c^e = 20\%$
60%
50%
40%
30%
20%
1990
1995
2000
2005
2010


11%
9%
7%
5%
3%
Unemployment rate
$R = 42\%$
Baily-Chetty
Optimal UI
Low labor productivity
High labor productivity


60%
50%
40%
30%
Replacement rate
$R = 42\%$
Baily-Chetty
Optimal UI
Low labor productivity
High labor productivity

Recruiter-producer ratio

4%

3%

2%

1%

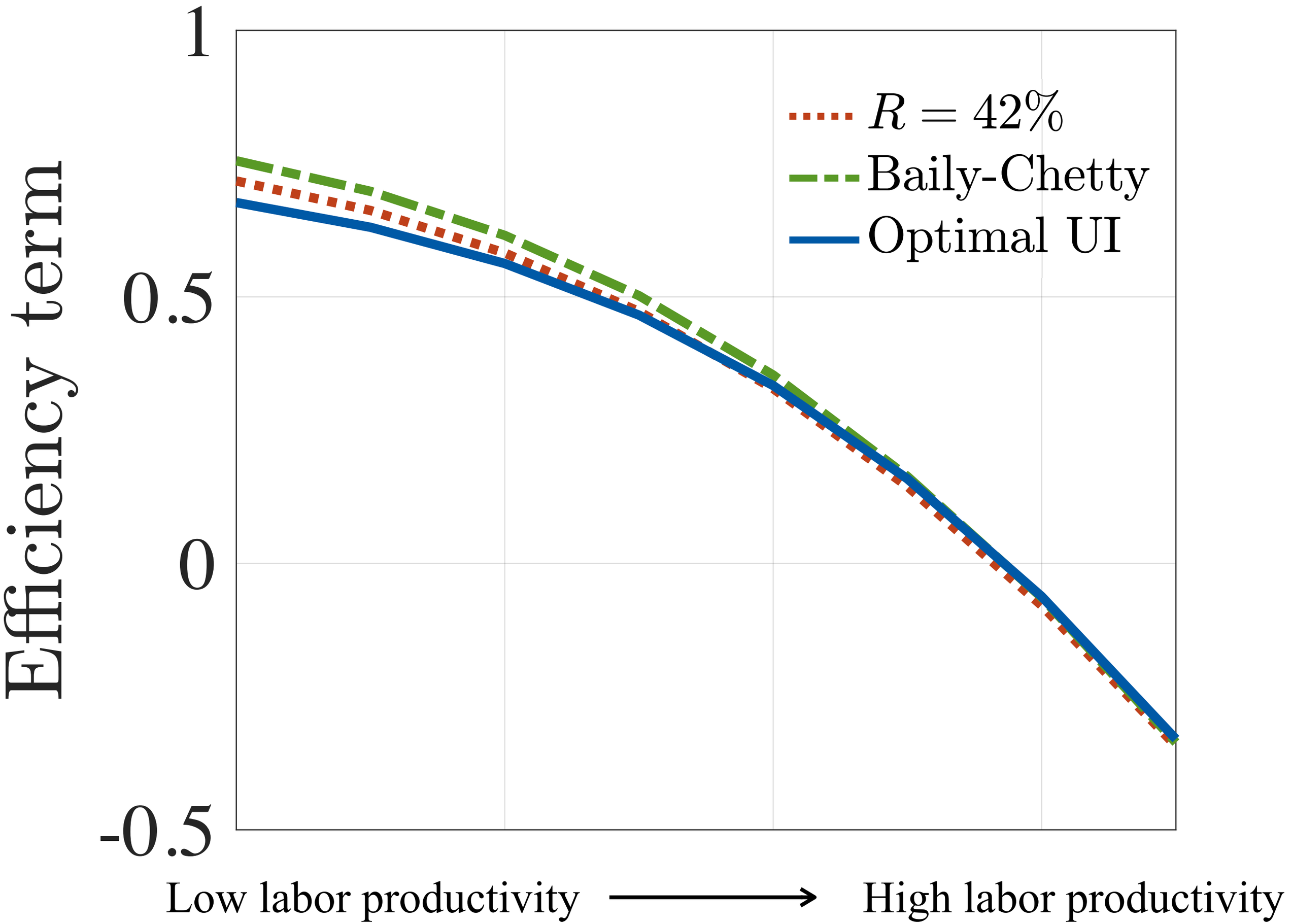
0%

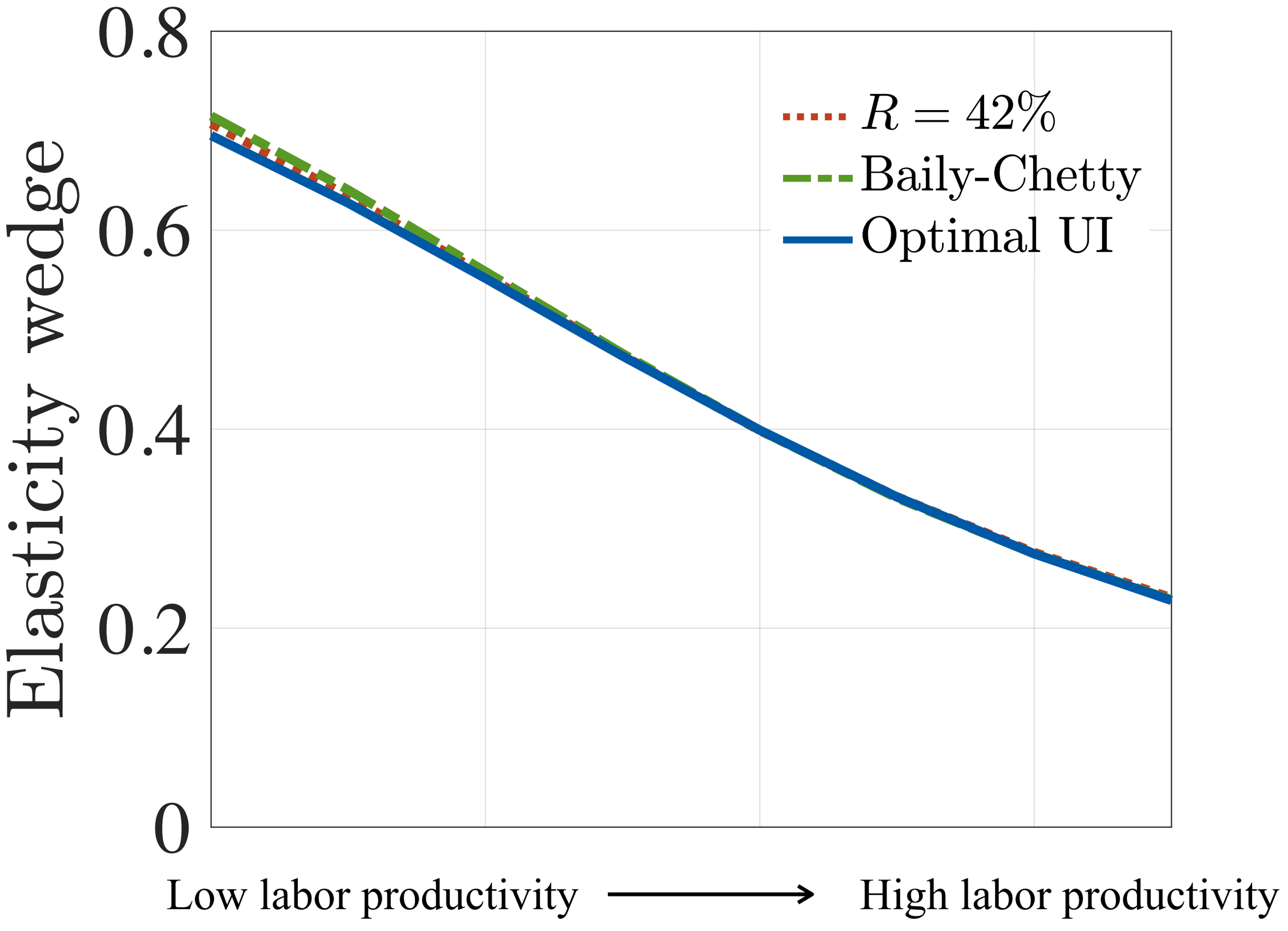
$R = 42\%$

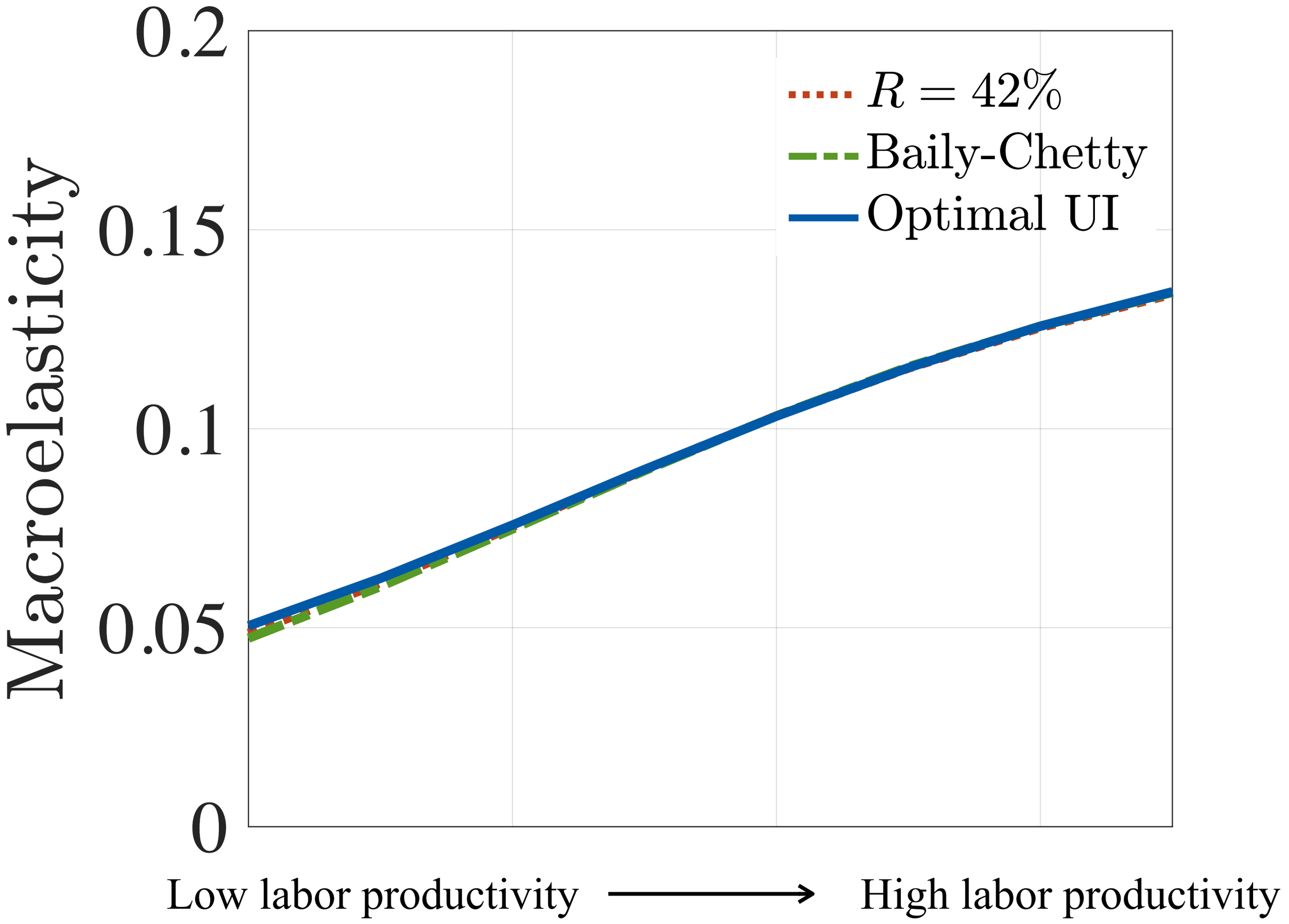
Baily-Chetty

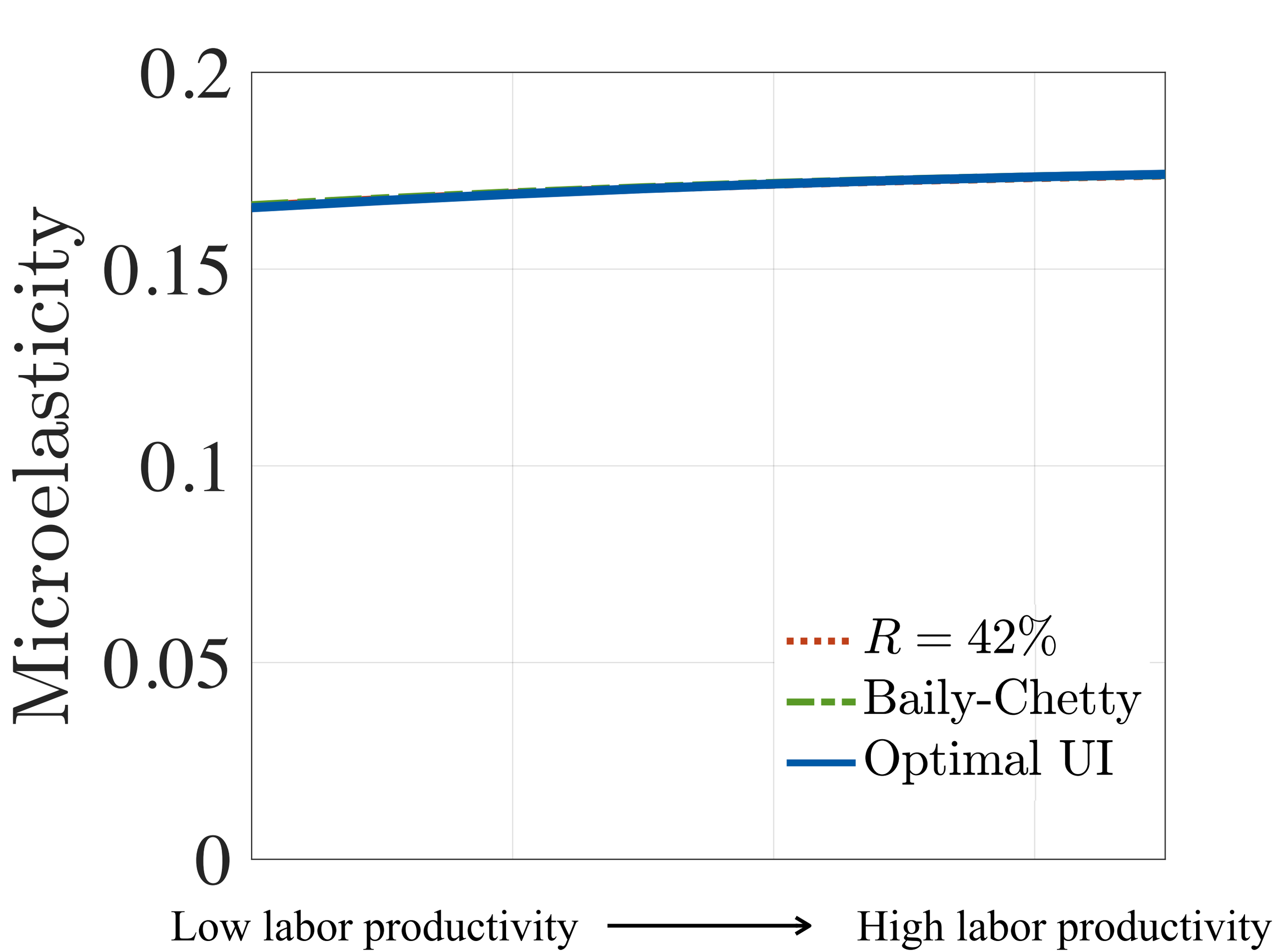
Optimal UI

Low labor productivity ⟶ High labor productivity


1
0.5
0
-0.5
Efficiency term
$R = 42\%$
Baily-Chetty
Optimal UI
Low labor productivity
High labor productivity


0.8
0.6
0.4
0.2
0
Elasticity wedge
$R = 42\%$
Baily-Chetty
Optimal UI
Low labor productivity
High labor productivity


0.2
0.15
0.1
0.05
0
Macroelasticity
$R = 42\%$
Baily-Chetty
Optimal UI
Low labor productivity
High labor productivity


0.2
0.15
0.1
0.05
0
Microelasticity
$R = 42\%$
Baily-Chetty
Optimal UI
Low labor productivity
High labor productivity

Consumption drop

20%

15%

10%

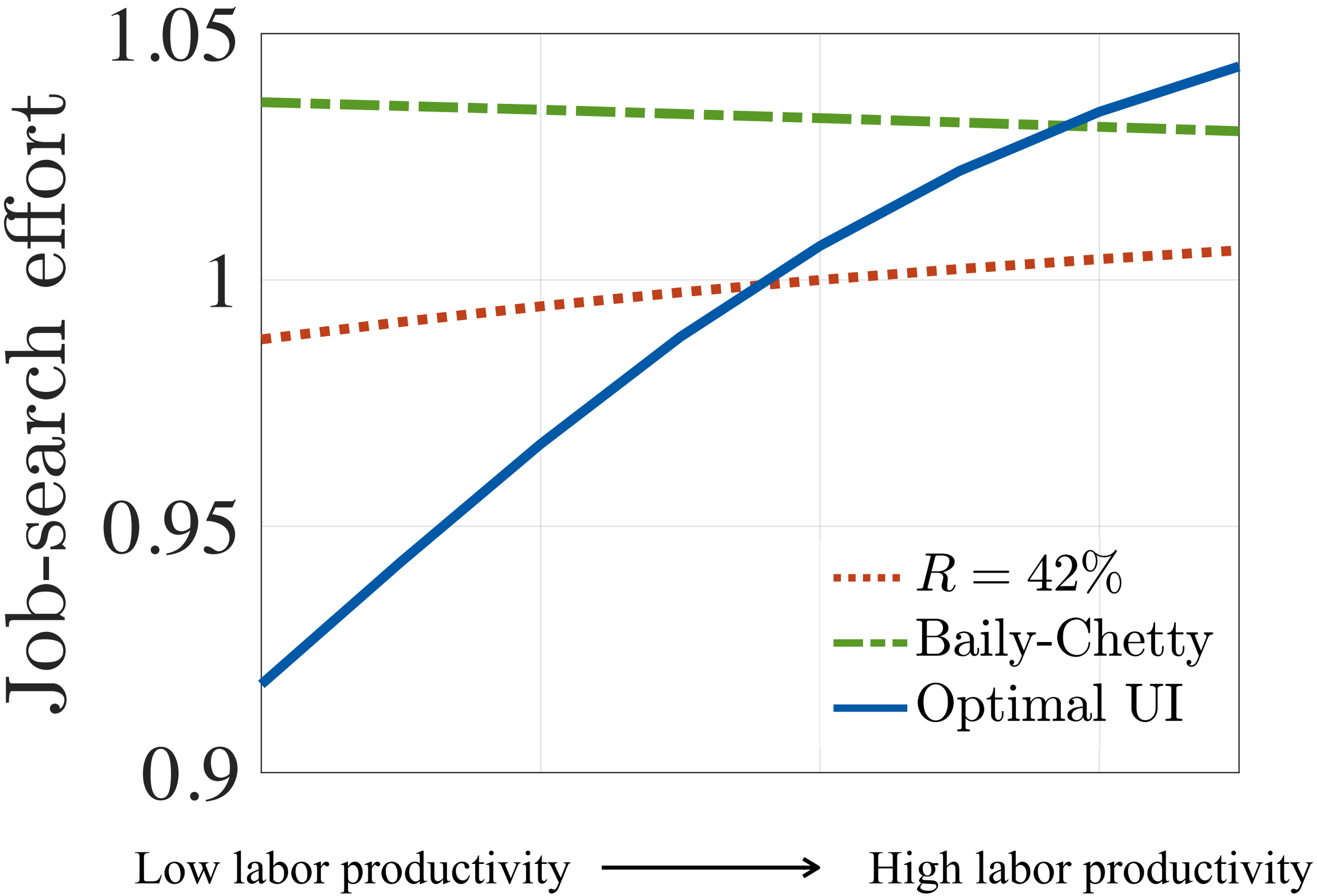
5%

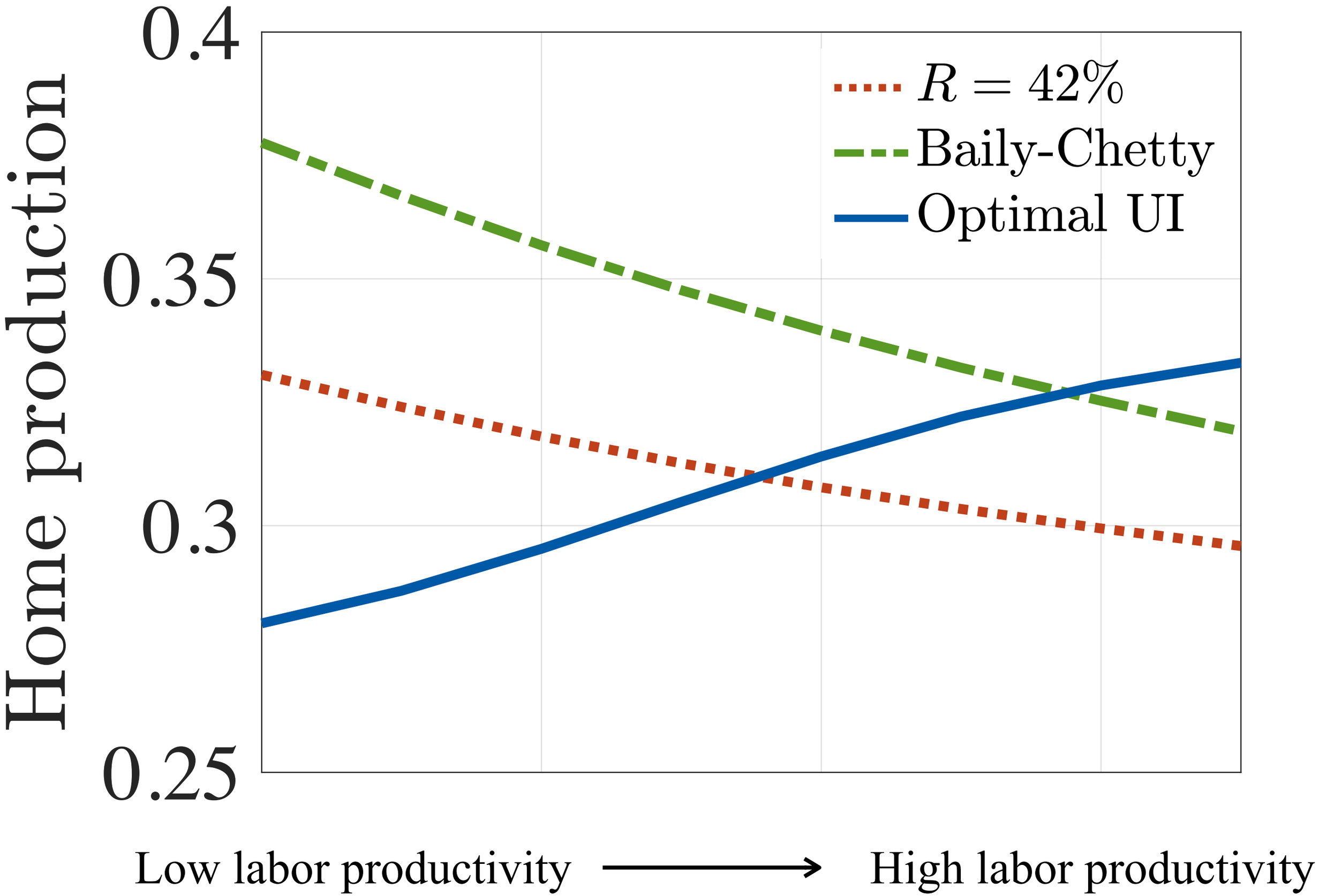
$R = 42\%$

Baily-Chetty

Optimal UI

Low labor productivity ⟶ High labor productivity


Job-search effort
1.05
1
0.95
0.9
$R = 42\%$
Baily-Chetty
Optimal UI
Low labor productivity
High labor productivity


Home production
0.4
0.35
0.3
0.25
$R = 42\%$
Baily-Chetty
Optimal UI
Low labor productivity
High labor productivity