Unemployment and the Asset Market for Jobs

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Abstracts

Search models of unemployment motivate analysis through a matching problem between two distinct groups in the economy: firms and workers. A question which arises is why can’t workers circumvent search frictions by creating jobs themselves? Meanwhile, firms are able to supply vacant jobs perfectly elastically: how are vacancies sourced? I address these concerns in an environment where ex ante identical agents can create, buy or sell jobs, and assess the model quantitatively.

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I. Introduction

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1) The option to create own employment opportunities is typical in models of occupational choice.
vacancies sourced? This paper attempts to address these concerns in an environment where ex ante identical agents can create, buy or sell jobs.

I extend the canonical search model of unemployment along two dimensions: (i) allowing agents to create jobs, and (ii) allowing vacancies to be re-matched. Only agents who are unmatched with jobs have incentives to create jobs, and jobs are valued not just for their output in current matches, but also their anticipated output in future matches. Then I show that parameter specifications of the extended model conform with empirical dimensions of unemployment dynamics.

Specifically, I construct a model of asset entry and exit, where asset transactions are subject to search frictions. Agents can create new assets in spot markets or search to be matched with existing assets to carry out production. Shocks which are specific to an agent-asset match motivate agents to pursue other options, and motivate a listing of assets for use by other agents. As in the standard search model of unemployment, I interpret a job as an asset, and refer to agents searching to be matched with existing jobs as unemployed.

【Figure 1】Flow of agents and jobs