

Economics 314
Daily Question #28

Spring 2014
April 24

1. In the search/matching model of Section 10.6, what is the flow benefit per period to firms of a filled job vs. a vacant one? What is the flow benefit per period to workers of being unemployed vs. unemployed?
2. Given the answers above, what is the net total flow benefit per period to firms and workers of having a job filled vs. a vacancy and an unemployed worker? How does this magnitude show up in Romer's Figure 10.6? Based on the V_v curve, how does the division of the total net gains between workers and firms depend on the unemployment rate? (Remember that the V_v curve reflects the value to *firms* of adding a vacancy.)