Goals for this session

- Review Exam

- Gain Intuition of Job Matching Model

Vocab

- Nash Bargaining

- 'value'

Warm Up Problem - One Sided Matching (from Eudey)

Suppose there is technological change that increases the job offer rate (p) in the one-sided search model from class.

(a) What happens to the equilibrium reservation wage?

(b) What happens to equilibrium unemployment?

Problems - Two Sided Matching (from Eudey)

1. Suppose that there is technological change that reduces the costs to firms of recruiting new workers. Use the 2-sided search (Diamond/Mortensen/Pissarides) model diagrams from the text to determine the effects on the:

   (a) Unemployment Rate
   (b) Vacancy Rate
   (c) Labor Force
   (d) Number of Firms
   (e) Aggregate Output
   (f) Labor Market Tightness

2. Can you think of any current examples of innovations that are designed to reduce firms search costs? Explain how they reduce costs (rather than increase matching efficiency).