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- November 12, 2009, 5 pm
 - HS II (lecture room II)
Institute for Advanced Studies
Stumpergasse 56, A – 1060 Wien
<http://economics.ihs.ac.at/seminars>

JOINT VIENNA MACROECONOMICS SEMINAR

C. Bora Durdu,
US Federal Reserve Board:

“Labor Market Search in Emerging Economies”

Abstract

This paper shows that labor markets of emerging economies are characterized by large fluctuations in wages while employment fluctuations are subdued. We find that a real business cycle model of a small open economy that embeds a Mortensen-Pissarides type of search-matching frictions can account for these aforementioned regularities. Moreover, the joint interaction of countercyclical interest rates and search-matching frictions can go a long way in accounting for higher consumption variability relative to output and countercyclical current account observed in emerging markets. Extending this baseline model to incorporate procyclical variations in the technical efficiency at which matches are generated, the model can match the unemployment variability observed in the data.