

Discussion on Marcelo Veracierto's
*"Establishments Dynamics, Vacancies and
Unemployment: A Neoclassical Synthesis"*

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Remark 1 - Results

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- Still, too much insurance (C very smooth) and too little variation in average productivity.
- What does the heterogeneity in firms buy?
- How about the cyclical behavior of "wages"?

Remark 2 - Workers as "Capital" and the Recruitment Industry

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- Job-to-job transitions are important (Shimer 2005) and might matter for the congestion externalities in the job market.
- Only one price for a worker: but small firms pay less.
- Let's be fair: potential alternatives are likely to be quite intractable.

Remark 3 - Richer Analysis

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- **Fact 2:** *The rate at which employed workers quit to other jobs is above trend in a tight labor market, and below trend in a slack labor market.*
- **Fact 3:** *The annual growth rate of real wages or weekly earnings is above its trend in a tight labor market, and below in a slack labor market.*

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- Counterfactuals and decompositions to disentangle the quantitative effects:
 - 1 Set exogenous separations to zero, to assess the size of the endogenous ones (bigger shocks).
 - 2 One congestion externality at a time.
- Idiosyncratic shock: why not AR(1) with drift? Tauchen procedure rather than having so many transition probabilities (identification? size of the shocks and transition probabilities tend to offset each other).

Wrapping up - Discussant's Curse of Dimensionality

$$(1 - \pi_n)^M \max \{ \bar{n}^*(s_{\max}), \bar{v}^*(s_{\max}) \} < \min \{ \underline{n}^*(s_{\min}), \bar{v}^*(s_{\min}) \}. \quad (293)$$