Discussion on Krusell, Mukoyama, Rogerson, and Sahin's *"Aggregate Labor Market Outcomes: The Role of Choice and Chance"*

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Remark 1 - Results

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  3. Taxes.

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- Nature of labor market risk: HIP Vs. RIP (Guvenen RED 2009, AER 2007), "Choice" might be heavily affected.
- Wages in the paper are competitive, not bargained.

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- Taxes: Heathcote (REStud 2005), CKK (AER 2009).

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  3. Recalibrate σ to match $E \longrightarrow U$.
  4. PE Vs. GE.
- The framework can be used to assess many other important issues. E.g. from Figure 1 it seems safe to say that Rising Wage Inequality cannot be explained by changes in frictions in the labor market.