

The IER Seminar in Empirical Economics

We would like to invite you to the **Empirical Seminar** series organized by the Institute of Economic Research, Slovak Academy of Sciences, Šancová 56 that will be held in hybrid form (online and at the library of the Institute of Economic Research, Slovak Academy of Sciences). The seminar will take place on **June 5th, 2024 at 13.00 (CET)**.

The speaker will be **Juho Peltonen** (University of Helsinki, Finland).

The topic of the seminar is: ***Discount factor shocks and labor market outcomes in recent macroeconomic crises***

Author: Juho Peltonen

Abstract

This paper investigates the role of discount factor shocks on labor market fluctuations. In a dynamic stochastic general equilibrium search and matching labor market model, negative discount factor shocks decrease expected gains from job creations. As a result, firms are opening fewer job vacancies and the value of each job decreases. When job destructions are endogenous, firms also have the opportunity to cut low productive jobs. In a real business cycle setting this amplifies the impact of discount factor shocks to unemployment. This paper further extends the analysis of the role and the quantitative significance of discount factor shocks from RBC-model to a model with endogenous job creations and destructions, capital investments, and monetary policy, and shows the significance of discount factor shocks as drivers of labor market fluctuations, even when the capital investments allow households to effectively smooth consumption over time. Furthermore, discount factor shocks are shown to correlate with the macrouncertainty measures. Since, the uncertainty during the last economic crisis, namely the Great Recession and Covid-19, has been exceptionally high, identification of historical shocks and their magnitude during these episodes is particularly interesting in explaining the labor market outcomes.

The seminar will be co-chaired by Ivan Lichner.

Link: <https://teams.microsoft.com/l/meetup-join/19%3aN1DbFP4xWw8up59Qx5Y-CJmz8Q-Y4jniJZWjqs6Q9RA1%40thread.tacv2/1716466751339?context=%7b%22Tid%22%3a%2217c92093-1286-4bb4-b6ea-02f3119dd49c%22%2c%22Oid%22%3a%22dab7fd44-1715-4397-8059-4adfa112d04a%22%7d>