

LSE Economics PhD Placement: Job Market Candidates

Placement Officer: Professor Leonardo Felli

NAME: Pedro Gomes

ADVISORS: Prof. Christopher Pissarides
Prof. Frank Cowell

PRIMARY FIELDS: Macroeconomics

SECONDARY FIELDS: Labour Economics, Public Economics

REFERENCES: Dr. L. Rachel Ngai
Prof. Francesco Caselli

JOB MARKET PAPER:

Fiscal policy and the labour market: the effects of public sector employment and wages

ABSTRACT:

I build a dynamic stochastic general equilibrium model with search and matching frictions and two sectors in order to study the labour market effects of public sector employment and wages. The public sector wage plays an important role in achieving the efficient allocation. High wages induce too many unemployed to queue for public sector jobs, while if they are low, the government faces recruitment problems. The optimal steady-state public sector wage premium depends mainly on the labour market friction parameters. In response to technology shocks, it is optimal to have procyclical public sector wages. Deviations from the optimal policy can increase the volatility of unemployment significantly. Public sector wage and employment shocks have mixed effects on unemployment. A wage shock raises the unemployment rate, while a reduction in the separations lowers it. Hiring more people can increase or decrease the unemployment rate. All shocks raise the wage and crowd out employment in the private sector. In the empirical part, I employ Bayesian methods to estimate the parameters of the model for the United States. I find that the direct search mechanism between sectors is an important element to explain business cycle fluctuations of labour market variables.

HOME:

91 Lily Close
London
W14 9YB
Tel: +44 (0)20 7460 4481
Cell: +44 (0)79 0536 5664

OFFICE:

London School of Economics
STICERD
Houghton Street
London WC2A 2AE
Tel: +44 (0)20 7852 3546
Email: p.gomes@lse.ac.uk