



Seminarios de Macroeconomía y Finanzas

Quantifying the Benefits of Labor Mobility in a Currency Union

Expositor: Linda Tesar – University of Michigan

Viernes 19 de julio, 13:00 a 14:30 hrs

Sala de Conferencias, Agustinas 1180, piso 3

Inscripciones, con al menos 24 horas de anticipación:

dgaete@bcentral.cl

Los Seminarios de Macroeconomía y Finanzas tienen como objetivo difundir investigación académica y aplicada de investigaciones del Banco y externos.

Abstract

Unemployment differentials are bigger in Europe than in the United States. Migration responds to unemployment differentials, though the response is smaller in Europe. Mundell (1961) argued that factor mobility is a precondition for a successful currency union. We use a multi-country DSGE model with cross-border migration and search frictions to quantify the benefits of increased labor mobility in Europe and compare this outcome to a case of fully flexible exchange rates. Labor mobility and flexible exchange rates both work to reduce unemployment and per capita GDP differentials across countries provided that monetary policy is sufficiently responsive to national output.