

Editors' Preface

The labor market plays a central role in macroeconomics. In a recession, the decline in employment and rise in unemployment is arguably the most important event. Research on labor-market fluctuations has made significant progress in the past few years. This special issue of the *Scandinavian Journal of Economics* features ten contributions to the understanding of the economic principles underlying fluctuations, especially those that amplify small exogenous impulses. Some of the papers build equilibrium models of the labor market, some study data on labor-market dynamics, and others consider specific special features of the labor market that differentiate it from other kinds of markets. We chose the ten papers from among a large number of interesting submissions.

In 2002, Robert Shimer circulated a paper, “The Cyclical Behavior of Equilibrium Unemployment and Vacancies,” published in the *American Economic Review* in 2005. Shimer demonstrated that the received model of unemployment fluctuations, that of Mortensen and Pissarides, fell far short of explaining the observed magnitude of those fluctuations given plausible changes in the driving force of productivity and plausible parameter values. His paper stimulated a remarkable upsurge of new research trying to find amplification mechanisms within the basic search-and-matching framework of Mortensen and Pissarides. Our special issue features four papers that respond directly to Shimer’s challenge. *Mortensen and Nagypál* demonstrate amplification via endogenous separations, when productivity rises with tenure. *Guerrieri* explores the roles of two aspects of the labor market omitted from standard models, heterogeneity and asymmetric information, with the significant finding that these aspects do not appear to contribute much to amplification. *Reiter* demonstrates amplification when the productivity of a match is determined at the time the match is formed, a type of embodied technical change. *Quadrini and Trigari* demonstrate amplification when the labor market includes a public sector that pays a wage premium.

The upsurge of interest in models of unemployment fluctuations has stimulated important new research on the dynamics of the labor market. Our special issue has four interesting papers on this subject. Three are based on data from the USA. *Ravn and Simonelli* use vector autoregression to measure the response of employment, vacancies, and other labor-market indicators to technology and other driving forces. *Yashiv* takes a close look at labor turnover data and questions the Shimer–Hall position that

changes in unemployment come largely from changes in the job-finding rate and little from changes in the job-loss rate, especially in the past two decades. *Moscarini and Thomsson* provide new information about cyclical movements in occupational mobility, which they find to be pro-cyclical. The fourth paper on dynamics, by *Rocheteau, Rupert and Wright*, builds a theory of the joint movement of unemployment and inflation—a Phillips curve—based on indivisibilities in work effort and a tightly specified model of money and trade.

The unique features of trade in the labor market underlie all modern research on the macroeconomics of that market. Two of the papers focus on specific features. *Danthine and Kurmann* take a new look at efficiency-wage theories based on reciprocal exchange, which they find to deliver amplification of shocks. *Boone and Watson* examine the role of costly testing of potential workers and its effects on the composition of job seekers, where those who fail the test are disproportionately represented, resulting in the possibility of multiple equilibria.

The papers in this special issue display the wide range of topics and ideas occupying the macro-labor research community today. We are delighted that we have been able to assemble this rich cross-section of modern thinking on these topics in this special issue.

Robert Hall
Nils Gottfries
Steinar Holden
Espen R. Moen
Christian Schultz