

# Comments on

House, Proebsting, and Tesar's

'The Benefits of Labor Mobility in a Currency Union'

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Two papers for the price of one

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- Paper 1: How mobile is labor?

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Answer

***U.S. labor is more mobile—and moves more with unemployment—than European labor. Canada is in between.***

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- Paper 1: How mobile is labor?
- Paper 2: How would things have been different if European labor were as mobile as U.S. labor?

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*The interesting, ambitious 'paper'*



Santa Clara University



LUCAS HALL

# Two types of labor mobility

## **Intra-union mobility**

- Within the United States or within Europe

## **Inter-union mobility**

- Between, say, California and Portugal

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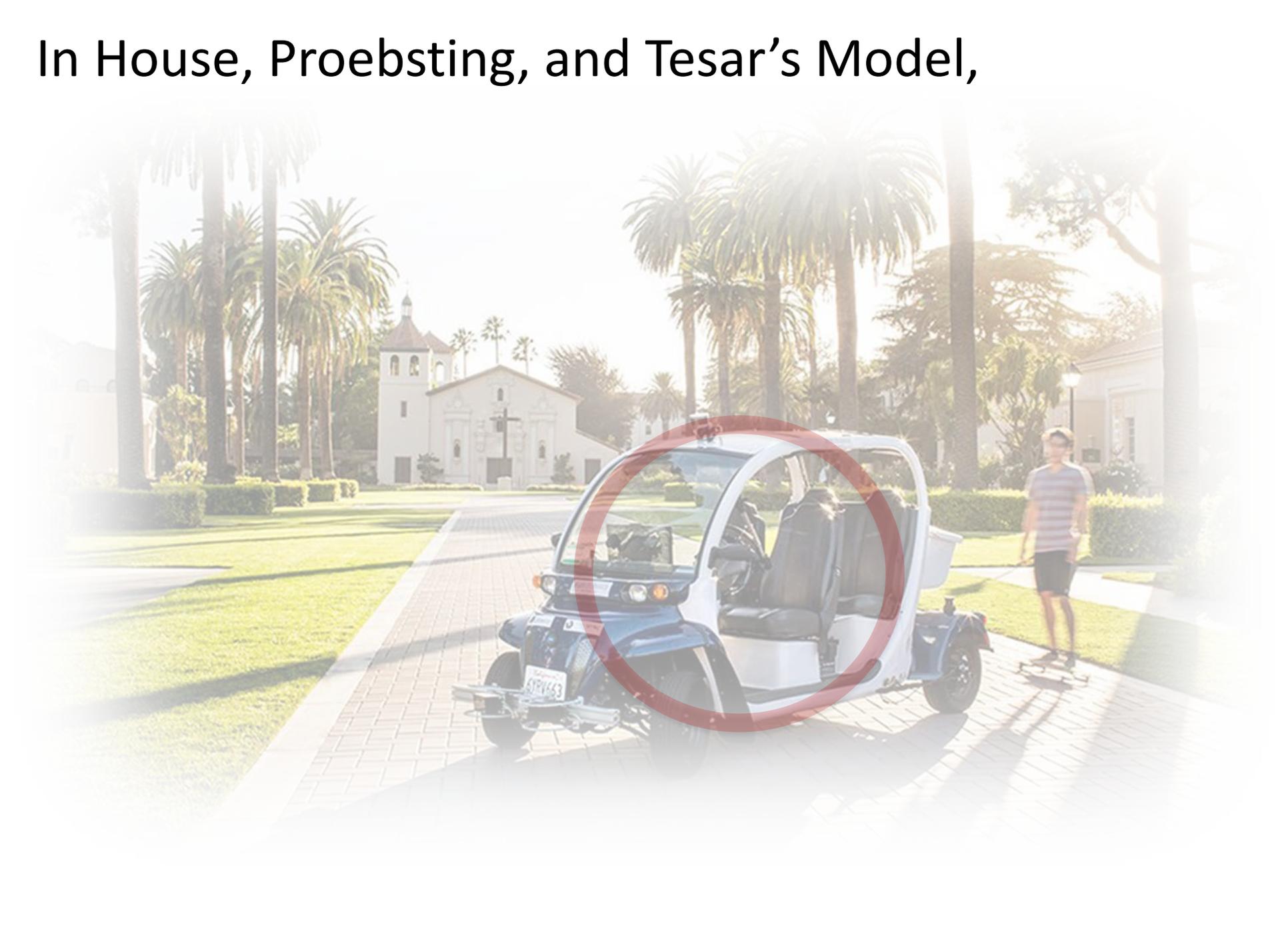
*‘Paper 2’: Doesn’t.*





Autonomous vehicle at SCU

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**Alternatively, education is a tradeable intermediate good.**



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- **Entrepreneurs rent out the capital from households.**
- **Calvo pricing: tuition**



In House, Proebsting, and Tesar's Model,



change in  $\mathbf{v}_{California}$

Auro Robotics (Santa Clara) purchased by Ridecell, which is partly funded by **BMW**.



# Capital mobility

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***Intra***-currency union (Aero Robotics-Ridecell)

***Inter***-currency union (BMW-Ridecell)

# Capital mobility

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*Inter*-currency union (BMW-Ridecell)

**Much more important  
than labor mobility**

# Mundell's (and others')

## Factors affecting the cost of a monetary union

**Labor mobility**

**Capital market integration**

**Business cycle synchronicity**

**Risk sharing through fiscal flows**

**Macroprudential measures (still in Europe)**

**Price rigidities**

**Wage rigidities**

**Differences in preferences**

**Productivity differences**

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*House, Proebsting, and Tesar's  
'Paper 2'*

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An accurate quantitative answer may depend on:

- **Intra-union vs. inter-union** factor mobility distinctions
- **Policy and friction interactions**, such as fiscal flows (exogenous here), and (a la Valerio Nispi Landi)—macroprudential measures.
- **Welfare** conceptions

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**(Actual: 1-3 percent)**

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**World Bank:**

Large number... some questions

# Large number... some questions

*Welfare loss from migration?*

*Welfare with  $\gamma_{Europe}$  | migration using  $\gamma_{U.S.}$*

*vs.*

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**Compare to the welfare effect from  
monetary union itself.**

*What key frictions jointly make a single monetary policy such a big problem?*

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*How do they interact with the labor preferences & with other potential policy instruments?*

Snapshot from the well-written, ambitious paper:

## **5 Conclusion**

[To be completed]