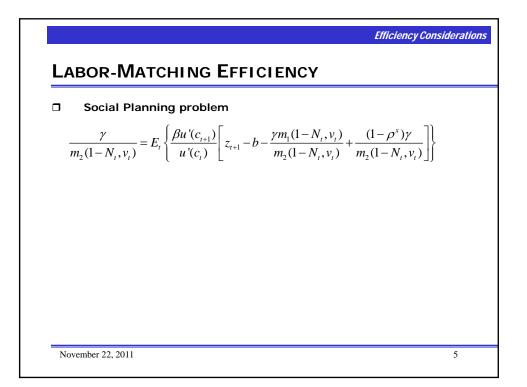
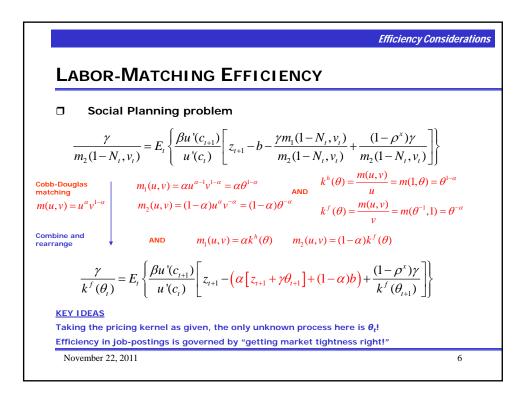
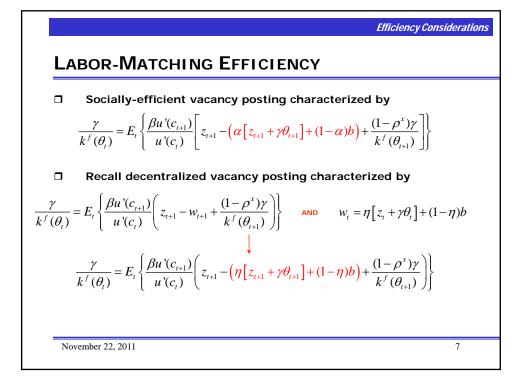
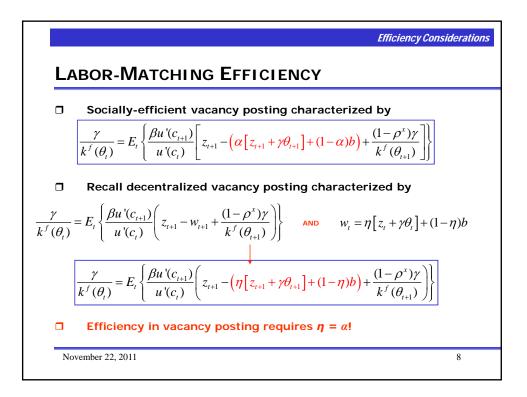


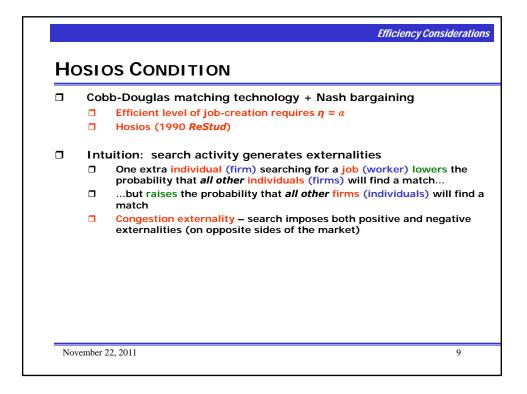
]	Social Planning problem	
	Social Planner also subject to matching "technology" $\max_{c_{i},v_{i},N_{i+1}} \left[\sum_{t=0}^{\infty} \beta^{t} u(c_{t}) \right]$	88.181
	$c_t + g_t + \gamma v_t = z_t N_t h_t + (1 - N_t) b$ Fix b = 1	Multiplier A _t
	$N_{t+1} = (1-\rho^x)N_t + m(1-N_t,v_t) \qquad \text{And } N = 1-u$ FOCs	μ _t
	$u'(c_r) - \lambda_r = 0$	
	$-\lambda_t \gamma + \mu_t m_2 (1 - N_t, v_t) = 0$	
	$-\mu_{t} + \beta E_{t} \left\{ \lambda_{t+1} \left[z_{t+1} - b \right] \right\} + \beta E_{t} \left\{ \mu_{t+1} \left[(1 - \rho^{x}) - m_{1} (1 - N_{t}, v_{t}) \right] \right\} = 0$	
	$\begin{bmatrix} r & r & r \\ r & r & r \\ r & r & r \end{bmatrix} = \begin{bmatrix} r & r & r \\ r & r & r \\ r & r & r \\ r & r &$	











	Cobb-Douglas matching technology + Nash bargaining		
	Efficient level of job-creation requires $\eta = \alpha$		
	Hosios (1990 ReStud)		
	Intuition: search activity generates externalities		
	One extra individual (firm) searching for a job (worker) lowers the probability that all other individuals (firms) will find a match		
	but raises the probability that all other firms (individuals) will find match		
	Congestion externality – search imposes both positive and negative externalities (on opposite sides of the market)		
	Nash bargaining: η governs the private returns to search		
	Share of total match surplus kept by individual		
	Cobb-Douglas matching: α governs the social returns to search		
	Elasticity of aggregate number of matches with respect to u		

