



## [Capital Values and Job Values](#)

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This paper explores how the joint behavior of hiring and investment is governed by the expected present values of capital and of jobs. It uses a model of frictions, which is a combination of a search model of the labor market and a q-type model of the capital market, emphasizing the interaction of capital and labor frictions. Relying on structural estimation of private sector U.S. data, it studies the future determinants of capital and job values and the implications for U.S. labor market developments.

Key findings include: (i) complementarity between the hiring and investment processes; (ii) important cross effects, of the value of capital on the mean and the volatility of the hiring rate, and vice versa; (iii) future returns are shown to play a dominant role in determining capital and job values; and (iv) U.S. labor market developments, including the outward shift of the Beveridge curve in the Great Recession and its aftermath 2007-2013, can be accounted for by changes in job and capital values.