

RED: Labor Economics

II Semester — School Year 2021 - 2022

Instructor Information

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Course Description

This course discusses search-theoretic models of labor markets, applied to the topics of inequality and unemployment. The grade will consist 50% of assignments and 50% of final exam. Both the assignment and the exam will be simplified versions of recent papers on the topics covered.

Agenda and Readings

Topic I: Earnings Inequality

Earnings Inequality: Accounting

- Abowd, J. M., F. Kramarz, and D. N. Margolis (1999): "High Wage Workers and High Wage Firms," *Econometrica*, 67(2), 251–333.

Earnings Inequality: Model

- Burdett, Kenneth, and Dale T. Mortensen. "Wage differentials, employer size, and unemployment." *International Economic Review* (1998): 257-273.
- Postel-Vinay, Fabien, and Jean-Marc Robin. "Equilibrium wage dispersion with worker and employer heterogeneity." *Econometrica* 70.6 (2002): 2295-2350.
- Hornstein, Andreas, Per Krusell, and Giovanni L. Violante. "Frictional wage dispersion in search models: A quantitative assessment." *American Economic Review* 101.7 (2011): 2873-98.
- Lise, J. and F. Postel-Vinay, 2020, "Multidimensional Skills, Sorting, and Human Capital Accumulation", *American Economic Review*, 110(8), 2328-76.

Topic II: Job Search and Labor Market Fluctuations

Labor market fluctuations: Accounting

- Davies, S. and J. Haltiwanger, Gross Job Creation, Gross Job Destruction and Employment Reallocation, *Quarterly Journal of Economics* (1992), 107, pp. 819-63.
- Shimer, Robert. "The cyclicity of hires, separations, and job-to-job transitions." *Review-Federal Reserve Bank OF Saint Louis* 87, no. 4 (2005): 493.

- Chari, Varadarajan V., Patrick J. Kehoe, and Ellen R. McGrattan. "Business cycle accounting." *Econometrica* 75, no. 3 (2007): 781-836.
- Shimer, Robert. "Mismatch." *The American Economic Review* 97, no. 4 (2007): 1074-101.
- Shimer, Robert. "Reassessing the ins and outs of unemployment." *Review of Economic Dynamics* 15, no. 2 (2012): 127-148.
- Karabarbounis, Loukas. "The labor wedge: MRS vs. MPN." *Review of Economic Dynamics* 17, no. 2 (2014): 206-223.
- Şahin, Ayşegül, et al. "Mismatch unemployment." *American Economic Review* 104.11 (2014): 3529-64.

Labor market fluctuations: Model

- Mortensen, D.T. and C. Pissarides, , Job Creation and Job Destruction in the Theory of Unemployment, *Review of Economic Studies* (1994), 61, July, 397- 415.
- Moen, Espen R. "Competitive search equilibrium." *Journal of political Economy* 105.2 (1997): 385-411.
- Hosios, Arthur J. "On the efficiency of matching and related models of search and unemployment." *The Review of Economic Studies* 57, no. 2 (1990): 279-298.
- Rogerson, Richard, Robert Shimer, and Randall Wright. "Search-theoretic models of the labor market: A survey." *Journal of Economic Literature* 43, no. 4 (2005): 959-988.
- Shimer, Robert. "The cyclical behavior of equilibrium unemployment and vacancies." *American Economic Review* 95, no. 1 (2005): 25-49.
- Hall, Robert E. "Employment fluctuations with equilibrium wage stickiness." *American Economic Review* 95, no. 1 (2005): 50-65.
- Menzio, Guido, and Shouyong Shi. "Directed search on the job, heterogeneity, and aggregate fluctuations." *American Economic Review* 100.2 (2010): 327-32.