



**Course:** Topics in Macro Labor  
**Faculty:** Javier Fernández-Blanco  
**Term:** Spring  
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**Description:**

In this course we will address topics such as the optimal unemployment insurance, firm dynamics, income inequality and job and wage polarization, and the effects of a credit crunch on employment and the real activity. We will mix theory and empirical evidence on a regular basis. More precisely, we will learn random and directed search models of the labor market, and use them to rationalize the facts and undertake policy analysis.

The ultimate goal of the course is to get acquainted with both theory and data, and provide discussion opportunities for future research lines. In this sense, students' presentations will take place regularly, and a data project will be required to complete the course.

**Outline:**

1. Implications from a perfectly competitive equilibrium model. Empirical Evidence.
2. One-sided search. McCall (1970). Ljungqvist and Sargent (2012, Chapter 6)
  - a. Trends in Occupation-switching data. Kambourov and Manovskii (IER, 2008)
  - b. Employment Protection and Unemployment Insurance (UI). Ljungqvist and Sargent (Econometrica, 2008)
3. Two-sided random search. The Diamond-Mortensen-Pissarides framework. Pissarides (2000), Ljungqvist and Sargent (2012, Chapter 28)

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- a. Firm data. Davis et al. (JME, 2012), Davis et al. (QJE, 2013), Petrongolo and Pissarides (JEL, 2001)
  - b. Constrained efficiency. Hosios (1990)
  - c. Employment protection and UI. Rogerson and Schindler (2002), Pries and Rogerson (2005)
  - d. Risk aversion and optimal unemployment insurance. Blanchard and Tirole (JEEA, 2008), Krusell et al. (REStud, 2010), Feldstein and Altman (2007), Hopenhayn and Nicolini (JPE, 1997), Chetty (JPE, 2008), Shimer and Werning (QJE, 2007; AER, 2008), Michelacci and Ruffo (AER, 2015)
  - e. Joint search: Guler et al. (JME, 2012)
4. Two-sided directed search.
- a. Game-theoretical foundations. Burdett et al. (JPE, 2001), Galenianos and Kircher (IER, 2012)
  - b. Constrained efficiency. Moen (JPE, 1997)
  - c. Heterogeneous workers. Shi (REStud, 2001), Shimer (JPE, 2005), Lang et al. (AER, 2005)
  - d. Information frictions. Moen and Rosen (REStud, 2004), Guerrieri et al. (JPE, 2010)
  - e. Unemployment Insurance. Acemoglu and Shimer (JPE, 1999)
  - f. Wage dispersion. Golosov et al. (JPE, 2013)
5. Multiworker firms.
- a. Random search: Stole and Zwiebel (REStud, 1996)
  - b. Directed search: Kaas and Kircher (AER, 2015)
6. Search on the job.
- a. Random search and counteroffers. Cahuc, Postel-Vinay and Robin (Econometrica, 2006)
  - b. Directed search and risk aversion. Shi (Econometrica, 2009)
7. Financial Markets and Labor Markets
- a. Evidence: Chodorow (QJE, 2014), Duygan-Bump et al. (JME, 2015), Siemer (2016, WP)
  - b. Models: Wasmer and Weil (AER, 2004), Buera et al. (RED, 2015), Kahn and Thomas (JPE, 2013)
8. Income Inequality. Job and wage polarization. Autor et al (REStat, 2008). Golosov et al. (JPE, 2013), Hornstein et al. (AER, 2011) Acemoglu and Autor (HLE, 2012), Jaimovich and Siu (WP, 2014).

9. Business cycles.
  - a. Data. Moscarini and Postel-Vinay (AER, 2012), Şahin et al. (AER, 2014), Elsby et al. (JME, 2015)
  - b. Data and random search model: Shimer (AER, 2005), many others that follow, Şahin et al. (AER, 2014)
  - c. Data and directed search model: Menzio and Shi (JPE, 2011)

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### **Grading:**

The evaluation system is as follows. Students are expected to successfully complete 3-4 homework sets and a data project. Team work is encouraged. Furthermore, there will be a number of 20/30-minute presentations that will be assigned randomly to a student. Each team will deliver a 20-min presentation of its data project in the last two weeks of the course.