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## **LABOR MARKETS, LABOR MARKET INSTITUTIONS AND MACROECONOMIC PERFORMANCE**

**Objectives:** In this course we will review macroeconomic models of the labor market. Special emphasis will be placed on labor market institutions, and on its effects on aggregate macroeconomic variables.

**Evaluation:** There will be a final, sit-down exam. Problems sets will be used to decide on marginal cases.

**Main Texts:**

- Pissarides, Christopher, *Equilibrium Unemployment Theory*. MIT Press, 2000, second edition.
- Ljungqvist and Sargent, *Recursive Macroeconomic Theory*. MIT press, 2000.

### **OUTLINE**

#### **I. The Model of Job Search.**

Ljungqvist and Sargent, *Recursive Macroeconomic Theory*. MIT press, 2000. Chapter 5.

#### **II. Search and Matching.**

Ljungqvist and Sargent, *Recursive Macroeconomic Theory*. MIT press, 2000. Chapter 5.

Pissarides, Christopher, *Equilibrium Unemployment Theory*. MIT Press, 2000, second edition. Parts I and II.

#### **III. Labor Market Institutions and Macroeconomic Performance.**

Pissarides, Christopher, *Equilibrium Unemployment Theory*. MIT Press, 2000, second edition. Chapter 9.

Blanchard, Olivier and Wolfers, Justin (2000), "The Role of Shocks and Institutions in the Rise of European Unemployment: The Aggregate Evidence," *Economic Journal*, Vol. 110.

Bertola, Giuseppe, Blau, Francine and Lawrence Kahn (2001), "Comparative Analysis of Labor Market Outcomes: Lessons for the U.S. from International Long-Run Evidence," NBER working paper 8526.

Dolado, Juan José, Jansen, Marcel and Juan F. Jimeno (2003), "On-the-Job Search in a Matching Model with Heterogeneous Jobs and Workers," mimeo.

Hornstein, Andreas, Krusell, Per and Giovanni L. Violante (2005), “Wage Inequality and Technology,” *Handbook of Economic Growth*, edited by P. Aghion and S. Durlauf.

Ljungqvist, Lars and Thomas Sargent (1998), “The European Unemployment Dilemma,” *Journal of Political Economy*, 106(3), pp. 514–550.

Mortensen, Dale and Christopher Pissarides (1998), “Technological Progress, Job Creation, and Job Destruction,” *Review of Economic Dynamics*, 1(4), pp. 733–753.

Mortensen, Dale and Christopher Pissarides (1999), “Unemployment Response to Skill-Biased Technology Shocks: The Role of Labor Market Policy,” *Economic Journal*, 109(455), pp. 242-265.

#### **IV. Economic Fluctuations and the Labor Market: Unemployment and Vacancies over the Business Cycle.**

Costain, James and Reiter, Michel, (2005) “Business Cycles, Unemployment, and the Calibration of Matching Models,” mimeo, Universitat Pompeu Fabra.

Hall, Robert (2005), “Employment Fluctuations with Equilibrium Wage Stickiness,” *American Economic Review*, 95 (1).

Hall, R. and Milgrom, P. (2005), “The Limited Influence of Unemployment on the Wage Bargain,” mimeo, Stanford University.

Shimer, Robert (2005), “The Cyclical Behavior of Equilibrium Unemployment and Vacancies,” *American Economic Review*, 95(1).