Labor Markets: A Macroeconomic Perspective

Syllabus (winter 2015)

The existence of unemployment remains an eminent puzzle for economists. From the macroeconomic perspective, one needs to argue why wages do not clear markets. Why do job openings coexist with unemployment? What explains large up- and downswings of unemployment over the business cycle? What policies stabilize unemployment?

This seminar analyzes these questions. First, we provide some introductory lectures on macroeconomic modeling of unemployment and the role of wages over the business cycle. Then, students will prepare a seminar paper on one related topic of their choice. Topics will be assigned in the first lecture. Preliminary results and ideas are presented and discussed in a joint session (December 11 and/or 12). Deadline for handing in the seminar paper will be mid of January 2016 (expected). There is no need to register for the seminar in advance. Just come to the first lecture.

Requirements

- Seminar paper (10 pages, due mid-January)
- Talk (30 minutes, mid-December)
- Discussion (5 minutes and 1 page)

Lecture: Tuesday 11.30–13.00 (approx. 6 lectures), LG 0.225
Prerequisites: Macroeconomics 1 & a sound knowledge of econometric methods (e.g., Econometrics 1).
Language: English
Contact: Britta.Gehrke@fau.de and Heiko.Stueber@fau.de. Consultation upon email appointment.

(Preliminary) Contents of introductory lectures

1. Stylized facts and puzzles on aggregate labor markets

2. Models of equilibrium unemployment
   - Overview
   - Search and matching models

3. Wages over the business cycle
   - Wage rigidity and the Shimer puzzle — do real wage rigidities exist?
   - The connection between wage rigidity and unemployment

Literature (non-exhaustive)

(Preliminary) Topics

1. The role of match quality and learning

2. Stock-flow matching

3. Mismatch

4. Rationing unemployment

5. The role of labor force participation

1 (T) indicates theoretical paper and (E) indicates empirical paper.
6. Pitfalls in estimating wage cyclacity


7. Recent approaches of estimating real wage cyclacity


8. The connection between inflation and unemployment


9. Measuring downward nominal wage rigidity


10. Evaluating the Economic Significance of Downward Nominal Wage Rigidity