

Syllabus

Required Texts

Davis, Haltiwanger and Schuh (DHS), *Job Creation and Destruction*, MIT Press, 1996
Pissarides (P), *Equilibrium Unemployment Theory*, 2nd ed., MIT Press, 2000

Course Grade

The grade will be based on a midterm exam (30%) and a final exam (70%).

Topics and Readings

I. Facts About Labor Adjustment

A. Unemployment and Vacancies

Abraham, "Structural/Frictional vs. Deficient Demand Unemployment: Some New Evidence," *AER*, 1983
Abraham, "Help-Wanted Advertising, Job Vacancies, and Unemployment," *Brookings Papers*, 1987
Jackman, Layard and Pissarides, "On Vacancies," *Oxford Bulletin*, 1989
Blanchard and Diamond, "The Beveridge Curve," *Brookings Papers*, 1989
Bleakley and Fuhrer, "Shifts in the Beveridge Curve, Job Matching, and Labor Market Dynamics," *New England Econ Rev*, 1997
Pissarides and Petrongolo, "Looking into the Black Box: A Survey of the Matching Function," *JEL*, 2001

B. Job Flows

DHS, chs. 1-2, 5
Davis and Haltiwanger, "On the Driving Forces behind Cyclical Movements in Employment and Job Reallocation," *AER*, 1999
Davis and Haltiwanger, "Sectoral Job Creation and Destruction Responses to Oil Price Changes," *JME*, 2001
Foote, "Trend Employment Growth and the Bunching of Job Creation and Destruction," *QJE*, 1998
Faberman, "Gross Job Flows Over the Past Two Business Cycles: Not All 'Recoveries' are Created Equal," Working Paper 372, BLS, June 2004

C. Worker Flows

DHS, ch. 6
Blanchard and Diamond, "The Cyclical Behavior of the Gross Flow of U.S. Workers," *Brookings Papers*, 1990

- Bleakley, Ferris and Fuhrer, "New Data on Worker Flows During Business Cycles," *New England Econ Rev*, 1997
- Fallick and Fleischman, "Employer-to-Employer Flows in the U.S. Labor Market: The Complete Picture of Gross Worker Flows," draft, Federal Reserve Board, May 2004
- Nagypál, "Worker Reallocation over the Business Cycle: The Importance of Job-to-Job Transitions," draft, Northwestern, July 2004
- Davis, Faberman and Haltiwanger, "The Flow Approach to Labor Markets: New Data Sources, Micro-Macro Links and the Recent Downturn," draft, Univ of Chicago, BLS and Univ of Maryland, June 2005

II. Matching and Labor Adjustment

A. Standard Matching Model

- P, chs. 1-2, 8 (pp. 183-190)
- Mortensen and Pissarides, "Job Creation and Job Destruction in the Theory of Labor Turnover," *RES*, 1994
- Cole and Rogerson, "Can the Mortensen-Pissarides Matching Model Match the Business-Cycle Facts?" *IER*, 1999
- Yashiv, "Forward-Looking Hiring Behavior and the Dynamics of the Aggregate Labor Market," draft, Tel Aviv University, Jan 2005
- Shimer, "The Cyclical Behavior of Equilibrium Unemployment and Vacancies," *AER*, March 2005
- Mortensen and Nagypal, "More on Unemployment and Vacancy Fluctuations," draft, Northwestern, NBER WP 11692, Oct 2005
- Fujita and Ramey, "The Dynamic Beveridge Curve," draft, UCSD, Nov 2005

B. On-the-job Search

- P, ch. 4
- Mortensen, "The Cyclical Behavior of Job and Worker Flows," *JEDC*, 1994
- Krause and Lubik, "On-the-Job Search and the Cyclical Dynamics of the Labor Market," draft, Tilburg Univ and Johns Hopkins, Sept 2004
- Nagypal, "On the Extent of Job-to-Job Transitions," draft, Northwestern, Sept 2005

C. Contracting Frictions

- Ramey and Watson, "Contractual Fragility, Job Destruction and Business Cycles," *QJE*, 1997
- Den Haan, Ramey and Watson, "Contract-Theoretic Approaches to Wages and Displacement," *FRB St. Louis Rev*, 2000
- Hall, "Employment Fluctuations with Equilibrium Wage Stickiness," *AER*, 2005
- Shimer and Wright, "Competitive Search Equilibrium with Asymmetric Information," draft, Univ of Chicago and Univ of Penn, Aug 2004
- Moen and Rosen, "Incentives in Competitive Search Equilibrium and Wage Rigidity," draft, Norwegian School of Management and Northwestern, Nov 2005
- Kennan, "Private Information, Wage Bargaining and Employment Fluctuations," draft, Univ of Wisc-Madison, Dec 2005

- Gertler and Trigari, "Unemployment Fluctuations with Staggered Nash Wage Bargaining," NYU, Nov 2005
- Menzio, "High-Frequency Wage Rigidity," draft, Univ of Penn, March 2005
- Rudanko, "Labor Market Dynamics under Long Term Wage Contracting and Incomplete Markets," draft, Univ of Chicago, Oct 2005

III. Turnover and Restructuring

A. Facts About Turnover

- Anderson and Meyer, "The Extent and Consequences of Job Turnover," *Brookings Papers*, 1994
- Farber, "Mobility and Stability: The Dynamics of Job Change in Labor Markets," *Handbook of Labor Economics*, 1999
- Topel, "Specific Capital and Unemployment: Measuring the Costs and Consequences of Job Loss," *Carnegie-Rochester Series*, 1990
- Neal, "Industry-Specific Human Capital: Evidence from Displaced Workers," *JLE*, 1995
- Stevens, "Persistent Effects of Job Displacement: The Importance of Multiple Job Losses," *JLE*, 1997
- Barlevy, "Why Are the Wages of Job Changers So Procyclical?" *JLE*, 2001

B. Turnover and Business Cycles

- Lilien, "Sectoral Shifts and Cyclical Unemployment," *JPE*, 1982
- Abraham and Katz, "Cyclical Unemployment: Sectoral Shifts or Aggregate Disturbances?" *JPE*, 1986
- Hall, "Lost Jobs," *Brookings Papers*, 1995
- Caballero and Hammour, "The Cleansing Effect of Recessions," *AER*, 1994
- Caballero and Hammour, "On the Timing and Efficiency of Creative Destruction," *QJE*, 1996
- Den Haan, Ramey and Watson, "Job Destruction and the Experiences of Displaced Workers," *Carnegie-Rochester Series*, 2000
- Pries, "Persistence of Employment Fluctuations: A Model of Recurring Job Loss," *RES*, 2005
- Barlevy, "The Sullyng Effect of Recessions," *RES*, 2002
- Caballero and Hammour, "The Cost of Recessions Revisited: A Reverse-Liquidationist View," *RES*, 2005

C. European Unemployment Puzzle

- Ljungqvist and Sargent, "The European Unemployment Dilemma," *JPE*, 1998
- Den Haan, Haefke and Ramey, "Turbulence and Unemployment in a Job Matching Model," *JEEA*, forthcoming
- Blanchard and Portugal, "What Hides Behind an Unemployment Rate: Comparing Portuguese and U.S. Labor Markets," *AER*, 2001
- Pries and Rogerson, "Hiring Policies, Labor Market Institutions, and Labor Market Flows," *JPE*, 2005

IV. Job Matching and Real Business Cycles

Mortensen and Pissarides, "Job Reallocation, Employment Fluctuations and Unemployment," *Handbook of Macroeconomics*, 1999

Merz, "Search in the Labor Market and the Real Business Cycle," *JME*, 1995

Andolfatto, "Business Cycles and Labor-Market Search," *AER*, 1996

Den Haan, Ramey and Watson, "Job Destruction and Propagation of Shocks," *AER*, 2000