Labor Markets and Business Cycles

2008 Inaugural
CREI Lectures in Macroeconomics

June 17-19
Barcelona
CREI, UPF
Ciutadella Campus
The lecture series will summarize and extend recent results on cyclical fluctuations in labor market outcomes. The focus is on the behavior of hours, employment, unemployment, and the “labor wedge”—the difference between the marginal rate of substitution of consumption for leisure and the marginal product of labor.

Lecture 1 develops a model to show that, while search frictions may be useful for understanding the average level of the unemployment rate, in general the benchmark model does not imply fluctuations in labor market outcomes. The main conclusion from this lecture is that search frictions perse do not imply fluctuations in labor market outcomes.

Lecture 2 considers modifications to the benchmark model that break the neutrality result. Shimer examines alternative preferences where income and substitution effects do not cancel, allows for alternative shocks beyond the one to the productivity of the consumption goods sector, and for incomplete markets.

Lecture 3 explores alternative models of unemployment. Shimer starts by studying the matching function. An important feature of models based on the matching function is that unemployment is a stepping stone to a good labor market outcome. This is inconsistent with empirical evidence that workers who experience unemployment typically reenter the labor market at a low wage. Based on research in two recent papers (“Mismatch”, American Economic Review, 2007; and “Search and Rest Unemployment,” with Fernando Alvarez), Shimer suggests alternative approaches that may be helpful in explaining this fact.

Schedule
• June 17th, 15:30-17:30 — Lecture 1
• June 18th, 11:00-13:00 — Lecture 2
• June 19th, 11:00-13:00 — Lecture 3

Lectures will be held in the main auditorium, at the CREI’s new building, UPF, Ciutadella Campus, c/Wellington/Ramon Turró. Due to limited seating availability, please register with aventura@crei.cat

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