

## Macroeconomics and Search 712 2018

The objective is to review a few important literatures in macroeconomics. In most of the topics covered (but certainly not all) search theory plays a role. When covering a topic a couple of contributions will be covered in detail as well review of other contributions.

Students will be graded on an essay they write.

### 1. **Equilibrium Search Models: Bargaining and Posting. The standard macroeconomic/search model**

Diamond, P.A. "Aggregate Demand Management in Search Equilibrium", **Journal of Political Economy**, 1982, vol. 90, issue 5, pages 881-94.

Pissarides, C.A. (2000) **Equilibrium Unemployment Theory**, MIT Press.

Mortensen D.T. and CA Pissarides (1994) "Job Creation and Job Destruction in the Theory of Unemployment", **Review of Economic Studies**, 61 (3): 397–415.

Burdett, K. and D. T. Mortensen (1998). "Wage Differentials, Employer Size and Unemployment," **International Economic Review** 39: 257-273.

Burdett, K, Notes on Pissarides (mimeo)

### 2. **Money and Search**

Lagos R, G. Rocheteau, and R. Wright (2014) *The Art of Monetary Theory: A New Monetarist Approach* (forthcoming **JEL**)

Kiyotaki N. and R. Wright, "A Search-Theoretic Approach to Monetary Economics", **The American Economic Review**, Vol. 83, No. 1 (Mar., 1993), pp. 63-77.

Shi, S., "Money and Prices: A Model of Search and Bargaining", **Journal of Economic Theory**, 67 (1995), 467-496.

Trejos, A., and R. Wright, "Search, Bargaining, Money, and Prices", **J Polit. Econ.** 103, No. 1 (1995), 118-141.

### 3. **Sticky Prices**

Benabou, R, 1988, "Search, Price Setting, and Inflation," **Rev. Econ. Studies**, 55: 353-376

Benabou, R, 1992, "Inflation and Efficiency in a search market," **Rev. Econ. Studies**, 59: 299-329.

Golosov, M. and R. Lucas, 2007, Menu Costs and the Phillips Curve, **JPE** 115, 171-199.

Burdett, K. and G. Menzio, 2013, “(Q,S,s) Pricing Rules,” Forthcoming **Review of Economics Studies**, 2017.

#### **4. Wage Inequality**

Hornstein, P and P.Krusell, and G. Violante (2011) “Frictional Wage Dispersion in Search Models: A Quantitative Assessment” , **American Economic Review**, 101(7), December, 2873-2898.

Burdett, K. and Coles, M. (2003), "Equilibrium Wage-Tenure Contracts". **Econometrica**, 71: 1377–1404.

Berentsen, A. G. Menzio and R. Wright (2011), “Inflation and Unemployment in the Long Run”, **American Economic Review**, vol. 101(1), pages 371-98, February.

Burdett, K, C. Carrillo-Tudela, and M.G Coles, “Wage Inequality: A Structural Decomposition” *Review of Economic Dynamics*, Vol 19, 2016.

#### **5. Growth through Innovation**

Klette, T J. and S. Kortum, “Innovating firms and aggregate innovation”, Memorandum, Department of Economics, University of Oslo, No. 2002,02

Lentz, R. and D.T. Mortensen, “An Empirical Model of Growth through Product Innovation”, **Econometrica**, Vol. 76, No. 6 (Nov., 2008), pp. 1317-1373