Syllabus for
Macroeconomics and the Labor Market (ECO 395L)
Spring 2023

General Information

Professor: Andreas I. Mueller.
Email: andimueller@utexas.edu.
Office hours: Tuesdays 3.30-4.30pm, or by appointment.
Lectures: Tuesdays & Thursdays, 11.00am-12.15pm, BRB 1.118.

Course Description

This course focuses on contemporary topics in labor economics from a macroeconomic perspective. It analyzes the determinants of wages, hours and unemployment both from a theoretical and empirical perspective. Topics include labor supply, the determinants of unemployment and vacancies, the flow approach to the labor market, theoretical models with search frictions, wage inequality, wage bargaining and wage rigidity, the relationship between the labor market and inflation, the decline in the labor share, the dynamics of search behavior over the unemployment spell, and unemployment insurance policy.

The purpose of the course is twofold: First, it aims at familiarizing students with leading theoretical models of the aggregate labor market. These theories will provide a useful lens through which one can analyse the current issues in the labor market. Second, the course has a strong focus on empirical applications related to the theoretical models as well as the analysis of recent labor market trends. Students will be asked to download data sets and analyse data in statistical software such as Stata. The overarching goal fo the course is to familiarize students with the key topics in the recent academic literature and the research methods to address them.

Background Readings and Software

Recommended background readings:

- Pissarides, Christopher A., 2000. *Equilibrium Unemployment Theory.* Second Edition. Cambridge, MA: MIT Press.
- Mortensen, Dale T., 2005. *Wage Dispersion: Why Are Similar Workers Paid Differently?* Cambridge, MA: MIT Press.
- Cahuc, Pierre, Stephane Carcillo and Andre Zylberberg, 2014. *Labor Economics.* Second Edition. MA: MIT Press.

Software needs: You need access to **Matlab** and **Stata** to complete the problem sets. I will provide additional guidance for Matlab and Stata for those who need help getting started with these programs.

Course Requirements

- **Six problem sets (50% of total grade):** You are asked to complete six problem sets related to the course material. Problem sets will be posted one week prior to the due date on Canvas and are due at the beginning of class (see tentative course schedule below). Each problem set will count 10% of total grade, but you are allowed to skip one. If you complete six problems sets, then you will receive credit for the five problem sets with the highest grade (i.e., I will discard the one with the lowest grade).
- **Midterm exam (20% of total grade):** The midterm will be held in class during lecture 18 (March 9) and cover all the course material covered in class up to class 12. There will be no make up exams for the midterm. If you miss the midterm, the weight of the midterm will be shifted to the final exam.
- **Final exam (30% of total grade):** The final exam will be held in class during the last lecture (April 20). It is cumulative and will cover the entire course material.
- Attendance in lectures will not be graded but is strongly recommended.

If you are a student with a disability, or think you may have a disability, and need accommodations please contact Disability and Access (D&A). You may refer to D&A's website for contact and more information: http://diversity.utexas.edu/disability/. If you are already registered with D&A, please deliver your Accommodation Letter to me as early as possible in the semester so we can discuss your approved accommodations.

Deadlines and Important Dates

Specific material covered may differ somewhat from outline depending on time (i.e. we may ultimately go a little faster or slower). I strongly encourage students to keep checking Canvas for any changes to the Syllabus. The timing of assignments might also be shifted to reflect the current pace of instruction. The table below lists the class meetings by week and details the special events such as assignments and exam dates.

Academic Integrity Expectations

Students who violate University rules on academic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course and/or dismissal from the University. Since such dishonesty harms the individual, all students, and the integrity of the University, policies on academic dishonesty will be strictly enforced. For further information, please visit the Student Conduct and Academic Integrity website at: http://deanofstudents.utexas.edu/conduct.

Senate Bill 212 and Title IX Reporting Requirements

Under Senate Bill 212 (SB 212), the professor and TAs for this course are required to report for further investigation any information concerning incidents of sexual harassment, sexual assault, dating violence, and stalking committed by or against a UT student or employee. Federal law and university policy also requires reporting incidents of sex- and gender-based discrimination and sexual misconduct (collectively known as Title IX incidents). This means we cannot keep confidential information about any such incidents that you share with us. If you need to talk with someone who can maintain confidentiality, please contact University Health Services (512-471-4955 or 512-475-6877) or the UT Counseling and Mental Health Center (512-471-3515 or 512-471-2255). We strongly urge you make use of these services for any needed support and that you report any Title IX incidents to the Title IX Office.

Classroom Safety and COVID-19

Visit protect.utexas.edu for detailed information.

Tentative Course Schedule

Class	Date	Topic	Background Readings	Due (class)
1	Jan 10	Intro		
2	Jan 12	Labor market flows	Elsby, Michaels & Solon (2009)	
3	Jan 17	Labor market flows	Elsby, Michaels & Solon (2009)	
4	Jan 19	McCall	Mukoyama and Sahin (2009)	
5	Jan 24	Search & matching	Pissarides (2000), Chapter 1	**PS1**
6	Jan 26	Search & matching	Pissarides (2000), Chapter 1	
7	Jan 31	Search & matching	Pissarides (2000), Chapter 2	
8	Feb 2	Unemployment volatility	Shimer (2005)	
9	Feb 7	Wage rigidity	Haefke, Sonntag & van Rens (2012)	**PS2**
10	Feb 9	Beveridge curve	Elsby, Michaels & Ratner (2015)	
11	Feb 14	Mismatch	Sahin, Song, Topa & Violante (2014)	
12	Feb 16	Vacancies and hires	Davis, Faberman & Halitwanger (2013)	
13	Feb 21	Wage dispersion	Mortensen (2005), Chapter 1	**PS3**
14	Feb 23	Wage dispersion	Hornstein, Krusell & Violante (2011)	
15	Feb 28	Wage dispersion	Hornstein, Krusell & Violante (2011)	
16	Mar 2	On-the-job search	Mortensen (2005), Chapter 2	**PS4**
17	Mar 7	Review		
18	Mar 9	**Midterm**		
19	Mar 21	Phillips curve	Hazell, Herreno, Nakamura & Steinsson (2022)	
20	Mar 23	Phillips curve	Hazell, Herreno, Nakamura & Steinsson (2022)	
21	Mar 28	Labor share	Elsby, Hobijn & Sahin (2013)	
22	Mar 30	Labor share	Elsby, Hobijn & Sahin (2013)	**PS5**
23	Apr 4	Long-term unemployment	Krueger & Mueller (2011)	
24	Apr 6	Long-term unemployment	Krueger & Mueller (2011)	
25	Apr 11	Unemployment insurance	Chetty (2008)	
26	Apr 13	Unemployment insurance	Chetty (2008)	**PS6**
27	Apr 18	Review		
28	Apr 20	**Final exam**		

Note: Background readings are not required but recommended. The main material for the class will be the slides.

Background Readings - List of Journal Articles

- Elsby, M. W. L., Michaels, R., and Solon, G. (2009). The ins and outs of cyclical unemployment. *American Economic Journal: Macroeconomics*, 1(1):84–110.
- Mukoyama, T. and Sahin, A. (2009). Why did the average duration of unemployment become so much longer? *Journal of Monetary Economics*, 56(2):200–209.
- Shimer, R. (2005). The Cyclical Behavior of Equilibrium Unemployment and Vacancies. *American Economic Review*, 95(1):25–49.
- Haefke, C., Sonntag, M., and van Rens, T. (2013). Wage rigidity and job creation. *Journal of Monetary Economics*, 60(8):887–899.
- Elsby, M., Michaels, R., and Ratner, D. (2015). The Beveridge Curve: A Survey? *Journal of Economic Literature*, 53(3):571–630.
- Şahin, A., Song, J., Topa, G., and Violante, G. L. (2014). Mismatch unemployment. *American Economic Review*, 104(11):3529–64.
- Hornstein, A., Krusell, P., and Violante, G. L. (2011). Frictional Wage Dispersion in Search Models: A Quantitative Assessment. *American Economic Review*, 101(7):2873–2898.
- Davis, S. J., Faberman, R. J., and Haltiwanger, J. C. (2013). The Establishment-Level Behavior of Vacancies and Hiring. *Quarterly Journal of Economics*, 128(2):581–622.
- Elsby, M., Hobijn, B., and Sahin, A. (2013). The Decline of the U.S. Labor Share. *Brookings Papers on Economic Activity*, 44(2 (Fall)):1–63.
- Hazell, J., Herreno, J., Nakamura, E., and Steinsson, J. (2022). The Slope of the Phillips Curve: Evidence from U.S. States. *The Quarterly Journal of Economics*, 137(3):1299–1344.
- Krueger, A. B. and Mueller, A. (2011). Job Search, Emotional Well-Being and Job Finding in a Period of Mass Unemployment: Evidence from High-Frequency Longitudinal Data. *Brookings Papers on Economic Activity*, 42(1 (Spring):1–81.
- Chetty, R. (2008). Moral Hazard versus Liquidity and Optimal Unemployment Insurance. *Journal of Political Economy*, 116(2):173–234.