

**ECON 702
MACROECONOMIC THEORY I
Department of Economics
University of Waterloo
Winter 2017**

Meetings

Lecture time: Tuesday and Thursday, 10:00AM-11:20AM

Lecture location: RCH 212

Instructor information

Instructor: Francisco M. Gonzalez

Office: Hagey Hall 130

Office hours: Tuesday 14:00-15:30 and by appointment

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Course description

This is a topics course for graduate students interested in the functioning of the macro-economy.

Evaluation

Student performance will be evaluated as follows:

Class participation: 10%

Assignments: 40%

Presentations: 30%

Take-home exam: 20%

Detailed information about assignments will be provided in class. The take-home exam will be given on March 30.

Course outline

Part 1. Introduction

Pissarides, C. A. (2000): *Equilibrium Unemployment Theory*, second edition, Cambridge: MIT Press, 2000.

Rogerson, R., R. Shimer and R. Wright: "Search-theoretic models of the labor market: a survey", *Journal of Economic Literature*, December 2005, 959-988.

Shimer, R.: "The cyclical behavior of equilibrium unemployment and vacancies", *American Economic Review*, March 2005, 25-49.

Hornstein, A., P. Krusell and G. L. Violante: "Frictional wage dispersion in search models: a quantitative assessment", *American Economic Review*, December 2011, 2873-2898.

Part 2. Labor markets

Menzio, G. and S. Shi: "Efficient search on the job and the business cycle", *Journal of Political Economy*, June 2011, 468-510.

Chen, Y., M. Doyle and F. M. Gonzalez: "Skill mismatch in competitive search equilibrium", manuscript, January 2017.

Goldin, C.: "A grand gender convergence: its last chapter", *American Economic Review*, April 2014, 1091-1119.

Erosa, A., L. Fuster, G. Kambourov and R. Rogerson: "Hours, occupations, and the gender wage gap", manuscript, March 2016.

Guner, N., Y. Kulikova and A. Valladares-Esteban: "Labor market dynamics of married couples", manuscript, May 2016.

Part 3. Product markets

Aghiar, M. and M. Bils: "Has consumption inequality mirrored income inequality?", *American Economic Review*, September 2015, 2725-2756.

Kaplan, G. and G. Menzio: "The morphology of price dispersion", *International Economic Review*, November 2015.

Kaplan, G., G. Menzio, L. Rudanko and N. Trachter: “Relative price dispersion: evidence and theory”, manuscript, August 2016.

Faig, M. and B. Jerez: “A theory of commerce”, *Journal of Economic Theory*, May 2005, 60-99.

Delacroix, A. and S. Shi: “Pricing and signaling with frictions”, *Journal of Economic Theory*, April 2013, 1301-1332.

Weekly schedule

1. Jan. 3, Jan. 5: equilibrium with search frictions
2. Jan. 10, Jan. 12: competitive search equilibrium
3. Jan. 17, Jan. 19: unemployment fluctuations
4. Jan. 24, Jan. 26: wage dispersion
5. Jan. 31, Feb. 2: job-to-job transitions
6. Feb. 7, Feb. 9: gender gap I
7. Feb. 14, Feb. 16: gender gap II
8. Feb. 21, Feb. 23: STUDY DAYS
9. Feb. 28, March 2: married couples
10. March 7, March 9: consumption inequality
11. March 14, March 16: price dispersion I
12. March 21, March 23: price dispersion II
13. March 28, March 30: price dispersion III

Assignments

1. Discuss Shimer (2005) (due Jan. 17)
2. Discuss Hornstein Krusell and Violante (2011) (due Jan. 24)
3. Discuss Menzio and Shi (2011) (due Jan. 31)
4. Discuss Goldin (2014) (due Feb. 7)
5. Discuss Erosa, Fuster, Kambourov and Rogerson (2016) (due Feb. 14)
6. Discuss Guner, Kulikova and Valladares-Esteban (2016) (due Feb. 28)
7. Discuss Aghiar and Bilis (2015) (due March 9)
8. Discuss Kaplan and Menzio (2015) (due March 14)
9. Discuss Kaplan, Menzio, Rudanko and Trachter (2016) (due March 21)

Presentations

1. Feb. 7: Goldin (2014)
2. Feb. 14: Erosa, Fuster, Kambourov and Rogerson (2016)
3. Feb. 28: Guner, Kulikova and Valladares-Esteban (2016)
4. March 9: Aghiar and Bills (2015)
5. March 14: Kaplan and Menzio (2015)
6. March 21: Kaplan, Menzio, Rudanko and Trachter (2016)

Statements and links to be included on all course outlines:

Economics Department Deferred Final Exam Policy

Deferred Final Exam Policy found at <https://uwaterloo.ca/economics/current-undergraduates/policies-and-resources/deferred-final-exam-policy>.

Cross-listed course

Please note that a cross-listed course will count in all respective averages no matter under which rubric it has been taken. For example, a PHIL/PSCI cross-list will count in a Philosophy major average, even if the course was taken under the Political Science rubric.

Academic Integrity

Academic Integrity: In order to maintain a culture of academic integrity, members of the University of Waterloo are expected to promote honesty, trust, fairness, respect and responsibility.

Discipline: A student is expected to know what constitutes academic integrity, to avoid committing academic offences, and to take responsibility for his/her actions. A student who is unsure whether an action constitutes an offence, or who needs help in learning how to avoid offences (e.g., plagiarism, cheating) or about “rules” for group work/collaboration should seek guidance from the course professor, academic advisor, or the Undergraduate Associate Dean. When misconduct has been found to have occurred, disciplinary penalties will be imposed under Policy 71 – Student Discipline. For information on categories of offenses and types of penalties, students should refer to [Policy 71 - Student Discipline](https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-71) (<https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-71>)

Grievance: A student who believes that a decision affecting some aspect of his/her university life has been unfair or unreasonable may have grounds for initiating a

grievance. Read [Policy 70 - Student Petitions and Grievances](https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-70) (https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-70), Section 4.

Appeals: A student may appeal the finding and/or penalty in a decision made under Policy 70 - Student Petitions and Grievances (other than regarding a petition) or Policy 71 - Student Discipline if a ground for an appeal can be established. Read [Policy 72 - Student Appeals](https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-72) (https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-72).

Other sources of information for students:

[Academic Integrity website \(Arts\)](https://uwaterloo.ca/arts/current-undergraduates/student-support/ethical-behaviour)

https://uwaterloo.ca/arts/current-undergraduates/student-support/ethical-behaviour

[Academic Integrity Office \(UWaterloo\)](https://uwaterloo.ca/academic-integrity/)

https://uwaterloo.ca/academic-integrity/

Accommodation for Students with Disabilities

Note for students with disabilities: The [AccessAbility Services](https://uwaterloo.ca/disability-services) office (https://uwaterloo.ca/disability-services), located on the first floor of the Needles Hall extension (NH 1401), collaborates with all academic departments to arrange appropriate accommodations for students with disabilities without compromising the academic integrity of the curriculum. If you require academic accommodations to lessen the impact of your disability, please register with the AS office at the beginning of each academic term.

If you are using Turnitin in your course

Turnitin.com: Text matching software (Turnitin®) will be used to screen assignments in this course. This is being done to verify that use of all material and sources in assignments is documented. In the first week of the term, details will be provided about the arrangements for the use of Turnitin® in this course. (Note: students must be given a reasonable option if they do not want to have their assignment screened by Turnitin ®. See [guidelines for instructors](#) for more information.)