

# The Macroeconomics of Labor Markets

Dennis J. Snower

Advanced Studies Program, Kiel Institute of World Economics  
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## ***The Structure of the Course***

Part 1 of the course provides an overview of empirical regularities in OECD labor markets.

Part 2 summarizes the market-clearing theories of labor market activity under perfect competition.

Part 3 investigates the influence of imperfect competition, in product and labor markets, on labor market activity.

Part 4 focuses on market non-clearing theories, including efficiency wage and insider-outsider theories.

Finally, Part 5 gives an overview of labor market policies.

## ***Introduction: Empirical Regularities***

\*International Monetary Fund (1999), "Chronic Unemployment in the Euro Area: Causes and Cures," *World Economic Outlook*, ch. 4, Washington, D.C., pp. 88-121,  
<http://www.imf.org/external/pubs/ft/weo/1999/01/0599ch4.pdf>

\*International Monetary Fund (2003), "Unemployment and Labor Market Institutions: Why Reforms Pay Off," *World Economic Outlook*, ch. 4,  
<http://www.imf.org/external/pubs/ft/weo/2003/01/pdf/chapter4.pdf>

European Commission (2002), *Employment in Europe 2002*, Employment and Social Affairs, Brussels,  
[http://europa.eu.int/comm/employment\\_social/news/2002/sep/employment\\_in\\_europe2002.pdf](http://europa.eu.int/comm/employment_social/news/2002/sep/employment_in_europe2002.pdf)

## ***Market-Clearing Theories***

\*Ball, Laurence, and N. Gregory Mankiw, "The NAIRU in Theory and Practice," *Journal of Economic Perspectives*, 16, Fall 2002, 115-136,  
<http://post.economics.harvard.edu/faculty/mankiw/papers/nairu.pdf>

Phelps, Edmund S., and Gylfi Zoega (1997), "The Rise and Downward Trend of the Natural Rate," *American Economic Review, Papers and Proceedings*, May, 87,2, <http://www.columbia.edu/~esp2/rise.pdf>

\*Blanchard, Olivier, and Lawrence Katz (1997), "What Do We Know and Do Not Know About the Natural Rate of Unemployment?" *Journal of Economic Perspectives*, 11, 1.

## ***Imperfect Competition***

### **Labor Unions**

\*OECD, "Economic Performance and the Structure of Collective Bargaining," *Employment Outlook*, ch. 3,  
<http://www1.oecd.org/els/pdfs/EMPEMODOCA005.pdf>

Calmfors, L., and J. Driffill (1988), "Bargaining Structure, Corporatism, and Macroeconomic Performance," *Economic Policy*, 6.

\*McDonald, I., and R. Solow (1981), "Wage Bargaining and Employment," *AER*, 71, 1981, 896-908.

### **Labor and Product Market Competition**

\*Blanchard, O., and N. Kiyotaki (1987), "Monopolistic Competition and the Effects of Aggregate Demand," *AER*, 77, 647-66.

Dixon, H. (1987), "An Imperfectly Competitive Model with Walrasian Features," *Oxford Economic Papers*, 1987.

\*Snower, D.J., and Assar Lindbeck (1994), "How are Product Demand Changes Transmitted to the Labor Market?," *Economic Journal*, 104 (423), 386-398.

## ***Market Non-clearing Theories***

### **(i) Efficiency Wages**

Akerlof, G. (1982), "Labor Contracts as a Partial Gift Exchange," *QJE*, 97, 543-69.

\*Calvo, Guillermo (1979), "Quasi-Walrasian Theories of Unemployment," *American Economic Review Papers and Proceedings*, 69(2), 102-107.

\*Shapiro, Carl, and Joseph Stiglitz (1984), "Equilibrium Unemployment as a Worker Discipline Device," *American Economic Review*, 74(3), 433-444.

Weiss, Andrew (1980), "Job Queues and Layoffs in Labor Markets with Flexible Wages," *Journal of Political Economy*, 88, 526-538.

### **(ii) Insiders versus Outsiders**

\*Blanchard, Olivier, and Lawrence Summers (1986), "Hysteresis and the European Unemployment Problem," *NBER Macroeconomics Annual*, vol. 1, Cambridge, Mass: MIT Press, 15-77.

Lindbeck, Assar, and Dennis J. Snower (1989), *The Insider-Outsider Theory of Employment and Unemployment*, Cambridge, Mass.: MIT Press, ch. 3,5.

\*Lindbeck, Assar, and Dennis J. Snower (1999), "Insiders versus Outsiders," *Journal of Economic Perspectives*, Vol. 15 (1), Winter 2001, 165-188.

## **Labor Market Policies**

\*Blanchard, Olivier, and Justin Wolfers, "The Role of Shocks and Institutions in the Rise of European Unemployment," *Economic Journal*, 2000, <http://econ-www.mit.edu/faculty/blanchar/files/files/harry.pdf>

Coe, D. and D. J. Snower (1997), Policy Complementarities: The Case for Fundamental Labour Market Reform, *International Monetary Fund Staff Papers*, 44, 1-35.

\*Elmeskov, J. Martin J. P. and Scarpetta, S, (1998), "Key Lessons for Labour Market Reform: Evidence from OECD Countries' Experiences," *Swedish Economic Policy Review* 5, 3-50.

Nickel Stephen J., (1997), Unemployment and Labor Market Rigidities: Europe versus North America", *The Journal of Economic Perspectives*, 11 no. 3, Summer, 55-74.

Saint Paul, G, (1996), "Exploring the Political Economy of Labour Market Institutions", *Economic Policy*, October, 265-315.