

**UNIVERSITY OF TORONTO  
DEPARTMENT OF ECONOMICS**

**ECO2100H1, Fall 2022**

### **Course Information**

Instructor: Ronald Wolthoff  
E-mail: ronald.wolthoff@utoronto.ca  
Office hours: Friday 9:10 – 10:00 (or by appointment)  
Class: Mon 9.10 – 11.00, Wed 9.10 – 11.00  
TA: Mahmood Haddara (m.haddara@mail.utoronto.ca)  
Tutorial: Thu 16.10 – 18.00

### **Description**

This course will cover equilibrium models of markets with frictions.

### **Evaluation**

Your grade will be determined by the final exam (80%) and two homework assignments (10% each).

### **Tentative Course Outline** (subject to change)

Class dates: October 26, 31; November 2, 14, 16, 21, 23, 28, 30; December 5, 7, 8.  
Exam: TBA

The class will cover a selection of the following topics. Additional topics may be added if time permits.

- Background Material
  - dynamic programming; Poisson processes; (continuous-time) Bellman equations; continuous-time optimization; Nash bargaining; HP filter.
- Labor Market
  - Search Models: Chapter 1 and 2 of Pissarides (2000), Mortensen and Pissarides (1994).
  - Efficiency: Hosios (1990), Moen (1997).
  - Business Cycles / Unemployment-Volatility Puzzle: Shimer (2005), Hagedorn and Manovskii (2008), Menzio and Shi (2011).
- Other applications:
  - monetary trade: Kiyotaki and Wright (1993)
  - disease transmission: Farboodi et al. (2021)
  - OTC markets: Guerrieri et al. (2010), Chang (2018)

## References

- Chang, B. (2018). Adverse selection and liquidity distortion. *Review of Economics Studies*, 85(1):275–306.
- Farboodi, M., Jarosch, G., and Shimer, R. (2021). Internal and external effects of social distancing in a pandemic. *Journal of Economic Theory*, 196(C).
- Guerrieri, V., Shimer, R., and Wright, R. (2010). Adverse selection in competitive search equilibrium. *Econometrica*, 78(6):1823–1862.
- Hagedorn, M. and Manovskii, I. (2008). The cyclical behavior of equilibrium unemployment and vacancies revisited. *American Economic Review*, 98:1692–1706.
- Hosios, A. K. (1990). On the efficiency of matching and related models of search and unemployment. *Review of Economic Studies*, 57:279–298.
- Kiyotaki, N. and Wright, R. (1993). A search-theoretic approach to monetary economics. *American Economic Review*, 83(1):63–77.
- Menzio, G. and Shi, S. (2011). Efficient search on the job and the business cycle. *Journal of Political Economy*, 119:468–510.
- Moen, E. R. (1997). Competitive search equilibrium. *Journal of Political Economy*, 105:385–411.
- Mortensen, D. T. and Pissarides, C. A. (1994). Job creation and job destruction in the theory of unemployment. *Review of Economic Studies*, 61:397–415.
- Pissarides, C. A. (2000). *Equilibrium Unemployment Theory*. Oxford University Press.
- Shimer, R. (2005). The cyclical behavior of equilibrium unemployment and vacancies. *American Economic Review*, 95(1):25–49.