



APPLIES TO ACADEMIC YEAR 2015/2016

## DRE 7005 Topics in Search Theory

### Programme

Economics

### Responsible for the course

Plamen Nenov

### Department

Department of Economics

### Term

According to study plan

### ECTS Credits

6

### Language of instruction

English

### Introduction

The aim of the course is to give the students an introduction to search theory, and its applications to labor economics, housing economics, and financial economics.

### Learning outcome

The course aims to take the students to the research frontier on topics related to search theoretic models

### Prerequisites

Admission to a PhD Programme is a general requirement for participation in PhD courses at BI Norwegian Business School. The course builds on DRE 4007 Advanced Macroeconomics and DRE 4010 Advanced Microeconomics.

External candidates are kindly asked to attach confirmation of admission to a PhD programme when signing up for a course with the doctoral administration. Other candidates may be allowed to sit in on courses by approval of the course leader. Sitting in on courses does not permit registration for courses, handing in exams or gaining credits for the course. Course certificates or conformation letters will not be issued for sitting in on courses.

### Compulsory reading

#### Books:

Pissarides, Christopher A. 2000. *Equilibrium unemployment theory*. 2nd ed. MIT press. Selected chapters

#### Articles:

Blanchard, O and P. Diamond. 1989. "The Beveridge Curve". *Brookings Papers on Economic Activity*. 1989 (1). 1-76

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

Duffie, D., N. Garleanu and L. Pedersen. 2005. "Over-the-Counter Markets". *Econometrica*. 73. 1815-1847

Hagedorn, M and I. Manovskii. 2008. "The Cyclical Behavior of Equilibrium Unemployment and Vacancies Revisited". *American Economic Review*. 98 (4). 1692-1706

Hall, R. 2005. "Employment Fluctuations with Equilibrium Wage Stickiness". *American Economic Review*. 95 (1). 25-49

Jovanovic, B. 1979. "Firm-specific Capital and Turnover". *Journal of Political Economy*. 87 (6). 1246-1260

Jovanovic, B. 1979. "Job Matching and the Theory of Turnover". *Journal of Political Economy*. 87 (5). 972-990

Kiyotaki, N. and R. Wright. 1989. "On Money as a Medium of Exchange". *Journal of Political Economy*. 97. 927-954

Kiyotaki, N. and R. Wright. 1993. "A Search-Theoretic Approach to Monetary Economics". *American Economic Review*. 83 (1). 63-77

Lagos, R. and R. Wright. 2005. "A Unified Framework of Money Theory and Policy Analysis". *Journal of Political Economy*. 113. 463-484

Lucas, R. and E. Prescott. 1974. "Equilibrium Search and Unemployment". *Journal of Economic Theory*. 7. 188-209

Moen, E. 1997. "Competitive Search Equilibrium". *Journal of Political Economy*. 105 (2). 385-411  
 Rocheteau, G. and P.O. Weill. 2011. "Liquidity in Frictional Asset Markets". *Journal of Money, Credit, and Banking*. 43 (7). 261-282  
 Rogerson, R., R. Shimer, and R. Wright. 2005. "Search-Theoretic Models of the Labor Market: A Survey". *Journal of Economic Literature*. 43 (4). 959-988  
 Shimer, R. 2005. "The Cyclical Behavior of Equilibrium Unemployment in Vacancies". *American Economic Review*. 95 (1). 25-49  
 Weill, P.O. 2007. "Leaning Against the Wind". *Review of Economic Studies*. 74. 1329-1354  
 Wheaton, W. 1990. "Vacancy, Search, and Prices in a Housing Market Matching Model". *Journal of Political Economy*. 98 (6). 1270-1292

## Recommended reading

### Course outline

In the first part of the course, the main search models of the labor market are discussed. These include the Diamond-Mortensen-Pissarides model, the Lucas and Prescott model, the Jovanovic model, and the Burdett-Mortensen model. Then we look at various extensions of the models with applications to product market search, monetary theory, financial markets and housing.

Students are required to participate in class – both in discussions and by presenting models/material from the reading lists.

## Computer-based tools

### Learning process and workload

#### Workload (6 ECTS)

Lectures	30 hours
Specified learning activities (including reading)	75 hours
Autonomous student learning (including exam preparation)	75 hours
Total	180 hours

### Examination

30 hours home exam.  
 Graded pass/fail

### Examination code(s)

DRE 70051 accounts for 100% of the final grade in DRE 7005

### Examination support materials

All written material

### Re-sit examination

Re-takes are only possible at the next time a course will be held. When the course evaluation has a separate exam code for each part of the evaluation it is possible to retake parts of the evaluation. Otherwise, the whole course must be re-evaluated when a student wants to retake an exam.

### Additional information

#### Honour Code

Academic honesty and trust are important to all of us as individuals, and represent values that are encouraged and promoted by the honour code system. This is a most significant university tradition. Students are responsible for familiarizing themselves with the ideals of the honour code system, to which the faculty are also deeply committed.

Any violation of the honour code will be dealt with in accordance with BI's procedures for cheating. These issues are a serious matter to everyone associated with the programs at BI and are at the heart of the honor code and academic integrity. If you have any questions about your responsibilities under the honour code, please ask.