

# Syllabus EC741 Topics in Macroeconomics

## — The Role of Firms in Wage Settings —

### Logistics:

MonWed 8:30-9:45am at SSW 315

### Instructor:

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Office hours: MonTue 4:15-5:45

### Overview:

This is the second half of the second-year Ph.D. course in macroeconomics. The theme of the course is to understand the role of firms in wage settings. Do wages of identical workers differ depending on their employer, and if so, why? How do firms shape wage inequality? How does labor market competition across firms play out in wage settings? Do wages vary over time for the same worker in the same firm, and if so, why? Do firms insulate workers against external shocks? How do firm dynamics translate into wage dynamics? How does firm size distribution translate into wage distribution?

### Requirements:

Grading will be based on problem sets (100%).

### Topic 1: Firm Wage Fixed Effect

- ◆ Kline, P. (2024). Firm wage effects. *Handbook of Labor Economics*, 5, 115-181.
- ◆ Abowd, J. M., Kramarz, F., & Margolis, D. N. (1999). High wage workers and high wage firms. *Econometrica*, 67(2), 251-333.
- ◆ Bonhomme, S., Lamadon, T., & Manresa, E. (2019). A distributional framework for matched employer employee data. *Econometrica*, 87(3), 699-739.

## Topic 2: Structural Interpretation of AKM

- ◆ Morchio, I., & Moser, C. (2024). The gender pay gap: Micro sources and macro consequences (No. w32408). National Bureau of Economic Research.

## Topic 3: Outside Offer Matching: The Role of Origin Firms

- ◆ Postel-Vinay, F., & Robin, J. M. (2002). Equilibrium wage dispersion with worker and employer heterogeneity. *Econometrica*, 70(6), 2295-2350.
- ◆ Cahuc, P., Postel-Vinay, F., & Robin, J. M. (2006). Wage bargaining with on-the-job search: Theory and evidence. *Econometrica*, 74(2), 323-364.
- ◆ Fukui, M., & Mukoyama, T. (2025). *Efficiency in Job-Ladder Models* (No. w33910). National Bureau of Economic Research.
- ◆ Di Addario, S., Kline, P., Saggio, R., & Sølvsten, M. (2023). It ain't where you're from, it's where you're at: hiring origins, firm heterogeneity, and wages. *Journal of Econometrics*, 233(2), 340-374.

## Topic 4: Assortative Matching and Wages in the Labor Market

- ◆ Shimer, R., & Smith, L. (2000). Assortative matching and search. *Econometrica*, 68(2), 343-369.
- ◆ Borovičková, K., & Shimer, R. (2024). Assortative Matching and Wages: The Role of Selection (No. w33184). National Bureau of Economic Research.

## Topic 5: Wage-Tenure Contracts and Insurance Role of Firms

- ◆ Beaudry, P., & DiNardo, J. (1991). The effect of implicit contracts on the movement of wages over the business cycle: Evidence from micro data. *Journal of Political Economy*, 99(4), 665-688.
- ◆ Shi, S. (2009). Directed search for equilibrium wage-tenure contracts. *Econometrica*, 77(2), 561-584.
- ◆ Balke, N., & Lamadon, T. (2022). Productivity shocks, long-term contracts, and earnings dynamics. *American Economic Review*, 112(7), 2139-2177.
- ◆ Souchier, M. (2022). The pass-through of productivity shocks to wages and the cyclical competition for workers. *Working Paper*.
- ◆ Souchier, M. (2025). Insurance Inside and Outside the Firm. *Working Paper*.

## Topic 6: Firm Size Distribution and Firm Dynamics

- ◆ Hopenhayn, H., & Rogerson, R. (1993). Job turnover and policy evaluation: A general equilibrium analysis. *Journal of Political Economy*, 101(5), 915-938.
- ◆ Gabaix, X. (2009). Power Laws in Economics and Finance. *Annual Review of Economics*, 1(1), 255-294.
- ◆ Luttmer, E. G. (2007). Selection, growth, and the size distribution of firms. *The Quarterly Journal of Economics*, 122(3), 1103-1144.

## Topic 7: Labor Reallocation and Misallocation

- ◆ Ilut, C., Kehrig, M., & Schneider, M. (2018). Slow to hire, quick to fire: Employment dynamics with asymmetric responses to news. *Journal of Political Economy*, 126(5), 2011-2071.
- ◆ Hopenhayn, H., & Rogerson, R. (1993). Job turnover and policy evaluation: A general equilibrium analysis. *Journal of Political Economy*, 101(5), 915-938.
- ◆ Carrillo, P., Donaldson, D., Pomeranz, D., & Singhal, M. (2023). Misallocation in firm production: A nonparametric analysis using procurement lotteries (No. w31311). National Bureau of Economic Research.
- ◆ McCrary, S. (2022). A Job Ladder Model of Firm, Worker, and Earnings Dynamics. Working paper.

## Topic 8: Large Firms and Monopsony in the Labor Market

- ◆ Berger, D., Herkenhoff, K., & Mongey, S. (2022). Labor market power. *American Economic Review*, 112(4), 1147-1193.
- ◆ Rossi-Hansberg, E., Sarte, P. D., & Trachter, N. (2021). Diverging trends in national and local concentration. *NBER Macroeconomics Annual*, 35(1), 115-150.
- ◆ Ma, Y., Zhang, M., & Zimmermann, K. (2024). Business Concentration around the World: 1900–2020.
- ◆ Cao, D., Hyatt, H. R., Mukoyama, T., & Sager, E. (2020). Firm growth through new establishments. Available at SSRN 3361451.

## Topic 9: Computational Methods for Macro Models with Heterogeneity (if time permits)

- ◆ Auclert, A., Bardóczy, B., Rognlie, M., & Straub, L. (2021). Using the sequence-space Jacobian to solve and estimate heterogeneous-agent models. *Econometrica*, 89(5), 2375-2408.

- ◆ Krusell, P., & Smith, Jr, A. A. (1998). Income and wealth heterogeneity in the macroeconomy. *Journal of Political Economy*, 106(5), 867-896.
- ◆ Reiter, M. (2009). Solving heterogeneous-agent models by projection and perturbation. *Journal of Economic Dynamics and Control*, 33(3), 649-665.