

10th IZA Summer School in Labor Economics

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“Labor Markets and Economic Integration: Imperfections, Regulation, and Reforms”

The six lectures will (1) review theory and evidence on the role of policy in shaping labor outcomes, then focus on (2) financial market imperfections as a motivation for labor market regulation and redistributive policies, (3) the labor market impact of international trade, immigration, FDI, offshoring, (4) labor market reform pressures and economic integration obstacles arising from the interaction of these aspects in the European Union, and globally.

It may be useful to read in advance outline material

“European Labor Markets” for *The New Palgrave Dictionary of Economics* 2nd edition.

“Europe's Unemployment Problems” for M.Artis and F.Nixson (eds) *Economics of the European Union* 3rd edition.

available at <http://www.personalweb.unito.it/giuseppe.bertola> and some textbook portions and survey papers:

Ch. 10 (section 2) 11 (section 1) 12 of *Labor Economics* by P. Cahuc and A. Zylberberg (MIT Press 2004).

Ch. 3 of *Models for Dynamic Macroeconomics* by F.-C. Bagliano and Giuseppe Bertola (Oxford UP 2004).

Blanchard O.J. (2006) “European unemployment: the evolution of facts and ideas” *Economic Policy* 45 7–59.

Bertola G. “Microeconomic Perspectives on Aggregate Labor Markets” in O.Ashenfelter and D.Card (eds.) *Handbook of Labor Economics* vol.3 Amsterdam: North-Holland 1999 pp. 1399-1461.

The lectures will also refer to papers in the following ‘further reading’ list (and to some of their references and to additional ongoing work), with the aim of conveying to students the motivation, approach, and relationship to each other of more or less technical contributions to somewhat different streams of literature.

1. Institutions, policies, and labor market outcomes

Nickell, S. (1997) “Unemployment and Labor Market Rigidities: Europe versus North America.” *Journal of Economic Perspectives* 11(3): 55-74.

Prescott, E.C. (2004) “Why do Americans work so much more than Europeans?” *Federal Reserve Bank of Minneapolis Quarterly Review* 28(1) 2–13.

Blanchard, O.J. and J.Wolfers (2001) “The Role of Shocks and Institutions in the Rise of European Unemployment: The Aggregate Evidence” *Economic Journal* 110(462): C1-33.

Bertola, G., F. D. Blau L. M. Kahn (2002) “Comparative Analysis of Labor Market Outcomes: Lessons for the US from International Long-Run Evidence” pp.159-218 in A.Krueger and R.Solow (eds.) *The Roaring Nineties: Can Full Employment Be Sustained?* Russell Sage and Century Foundations.

Baker, D., A. Glyn, D. Howell, and J. Schmitt J. (2005) “Labour Market Institutions and Unemployment: A Critical Assessment of the Cross-Country Evidence” in *Fighting Unemployment: The Limits of Free Market Orthodoxy* ed. D. Howell. Oxford: Oxford University Press.

Bassanini A. and R. Duval (2006) Employment patterns in OECD countries: reassessing the role of policies and institutions, Working Paper No. 486, Economics Department OECD.

Algan. Y. P.Cahuc A.Zylberberg (2001) “Public Employment and Labour Market Performance” *Economic Policy* 34 pp.9-65.

2. Labor market income risk and policies

Varian, H.R. (1980) “Redistributive Taxation as Social Insurance” *Journal of Public Economics* 14 49-68.

Johnson, W.R. (1987) “Income Redistribution as Human Capital Insurance” *The Journal of Human Resources* Vol. 22 No. 2. pp. 269-280.

- Agell, J. (2002) "On the Determinants of Labour Market Institutions: Rent Seeking vs. Social Insurance" *German Economic Review* 3 107-35.
- Bénabou, R. and E.A. Ok (2001) "Social Mobility and the Demand for Redistribution" *Quarterly Journal of Economics* 116 447-87.
- Alesina, A. and E. La Ferrara (2005) "Preferences for Redistribution in the Land of Opportunities" *Journal of Public Economics* 89 897-931.
- Bertola, G (2004) "A pure theory of Job Security and Labor Income Risk" *Review of Economic Studies* 71:1 43-61.
- Bertola, G. and W.Koeniger (2006) "Consumption Smoothing and Income Redistribution" *European Economic Review* forthcoming, CEPR discussion paper.

3. Internationalization and labor markets

- O'Rourke, K.H. (2001) "Globalization and Inequality: Historical trends" NBER WP 8339
- Feenstra, R. and G. Hanson (1996) "Globalization, outsourcing and wage inequality" *American Economic Review* 86(2) pp. 240-245.
- Grossman, G.M. and E. Rossi-Hansberg (2006) "The Rise of Offshoring: It's not Wine for Cloth Anymore" Jackson Hole Conference volume.
- Mankiw, N.G. and P.Swagel (2006) "The Politics and Economics of Offshore Outsourcing" Carnegie-Rochester conference and NBER w.p.12398
- Yeaple, S. R. (2005) "A Simple Model of Firm Heterogeneity, International Trade, and Wages" *Journal of International Economics* 65 1– 20
- Bernard, A.B., S. J.Redding and P. K.Schott (2007) "Comparative Advantage and Heterogeneous Firms" *Review of Economic Studies* 74 31-66
- Scheve, K. and M.J.Slaughter (2004) "Economic Insecurity and the Globalization of Production" *American Journal of Political Science* 48:4 662-674
- Mayda, A. M. and Rodrik, D. (2005), "Why are Some People (and Countries) More Protectionist than Others?" *European Economic Review* 49 1393-1430.

4. Economic integration and policy

- Iversen, T. and T.R.Cusack (2000) "The causes of welfare state expansion: Deindustrialization or Globalization?" *World Politics* 52 313-349
- Bertola, G. Jimeno J.F. Marimon R. and Pissarides C. (2001) "Welfare systems and labour markets in Europe: what convergence before and after EMU?" in *Welfare and Employment in a United Europe* ed. G. Bertola T. Boeri and G. Nicoletti. Cambridge MA: MIT Press.
- Bertola, G. and T.Boeri "EMU Labour Markets Two Years On: Microeconomic Tensions and Institutional Evolution" in M.Buti and A.Sapir (eds.) *EMU and Economic Policy in Europe: The Challenge of the Early Years* Edward Elgar Aldershot.
- Bertola, G. (2004) "Labor Market Institutions in a Changing World" *Moneda y Crédito* 218pp.61-98.
- Bertola, G. (2006) "Social and Labor Market Policies in a Growing EU" *Swedish Economic Policy Review* 13:1 pp.189-232.
- Bertola, G. (2007) "Welfare Policy Integration Inconsistencies" in H.Berger and T.Moutos eds. *Designing the New European Union* Amsterdam: Elsevier pp.91-120.