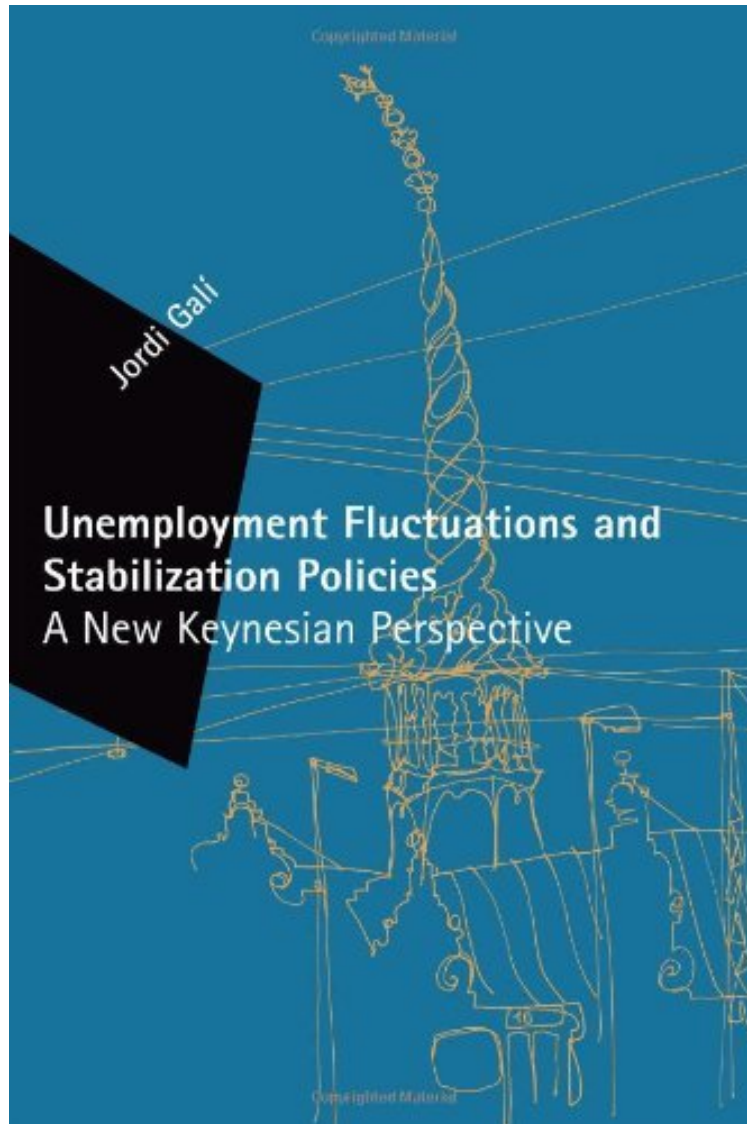


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Unemployment Fluctuations and Stabilization Policies: A New Keynesian Perspective (Zeuthen Lectures)

Jordi Galiacut;
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Jordi Galiacut; : **Unemployment Fluctuations and Stabilization Policies: A New Keynesian Perspective (Zeuthen Lectures)** before purchasing it in order to gage whether or not it would be worth my time, and all praised Unemployment Fluctuations and Stabilization Policies: A New Keynesian Perspective (Zeuthen Lectures):

The past fifteen years have witnessed the rise of the New Keynesian model as a framework of reference for the analysis of fluctuations and stabilization policies. That framework, which combines the rigor and internal consistency of dynamic general equilibrium models with such typically Keynesian assumptions as monopolistic competition and nominal rigidities, makes possible a meaningful, welfare-based analysis of the effects of monetary policy rules. But the conspicuous absence of unemployment from the standard New Keynesian model has given rise to both criticism and attempts to rectify this anomaly. In this book, Jordi Galiacutè, one of the major contributors to the New Keynesian literature, offers a new approach to introducing unemployment into that framework. Galiacutè's approach involves a reinterpretation of the labor market in the standard New Keynesian model with staggered wage setting (rather than a modification or extension of the model, as has been proposed by others). The resulting framework preserves the convenience of the representative household paradigm and allows one to determine the equilibrium levels of employment, the labor force, and hence the unemployment rate conditional on the monetary policy in place. Galiacutè develops the basic model, embedding it in a standard New Keynesian framework with staggered price and wage setting; revisits the relationship between economic fluctuations and efficiency through the lens of the new model, developing a measure of the output gap; and analyzes the relation between unemployment and the design of monetary policy.

"The New Keynesian model is a beautiful construction. But it is only a basic structure that needs to be extended in many ways if we are to understand the world, and design policy. An essential extension is a treatment of the labor market that allows for involuntary unemployment. In this book, Jordi Galiacutè takes an important step in that direction. The elegance and the clarity of his treatment will allow others to further build on it." Olivier Blanchard, Economic Counsellor and Research Department Director, International Monetary Fund, and Class of 1941 Professor, MIT "This book represents an authoritative, modern statement of a classic theory of unemployment, the monopoly power theory. Not only does Galiacutè provide a lucid statement of the theory, but he works out a number of important implications. As is to be expected, given the author, the book also provides other important insights into dynamic macroeconomic modeling. For example, it proposes a very elegant way to integrate 'indivisible labor' into a business cycle model." Lawrence Christiano, Alfred W. Chase Chair in Business Institutions and Professor of Economics, Northwestern University "This is a masterly exposition of how unemployment can explicitly be introduced in the basic New Keynesian model with important implications for understanding unemployment fluctuations and the benefits of stabilization policies." Frank Smets, Director General of Research, European Central Bank

About the Author: Jordi Galiacutè is Director of CREI, Professor at Universitat Pompeu Fabra, and Research Professor at Barcelona Graduate School of Economics. He is the author of *Monetary Policy, Inflation, and the Business Cycle: An Introduction to the New Keynesian Framework*.