

UW-L RESEARCH GRANT APPLICATION COVER SHEET

for grant period July 1, 2012 – June 30, 2013

1. Title of Project: **Labor Markets and Adaptive Expectations: Estimating a New Keynesian Model with Learning and Unemployment**

2. Applicant(s):

- a. Name(s): **James Murray**
- b. Department(s): **Economics**
- c. Rank: **Assistant Professor**
- d. Tenure (circle one) **No**
- e. Years of Service: **2**

3. Synopsis of proposed research – do not exceed the space provided

The purpose of this research is to investigate the effect expectations has on unemployment. One of the primary purposes of the literature in applied macroeconometrics is to identify causes for business cycle fluctuations by formulating and estimating mathematical models of countries' economies. Expectations can be one such cause for business cycle fluctuations. Low confidence on its own can bring about an economic downturn. As important as expectations can be, the most common way expectations are modeled in the literature is assuming economic agents are rational, which does not allow expectations themselves to have negative effects on the economy. I will instead contribute to a literature on adaptive expectations which does allow expectations to cause and/or exacerbate business cycle fluctuations. Another shortcoming of the macroeconometrics literature is that unemployment is not explicitly modeled, excepting only a very few very recent papers. The purpose of this paper is to build on this literature by estimating the degree to which expectations have been responsible in creating unemployment episodes in recent U.S. history.

4. Total amount requested: **\$5,000**

5. Will this proposal be submitted to another potential funding source? If yes, indicate where, when and the amount that will be/has been requested. **No**

6. Past faculty research funding (list project titles and funding years)

Academic Benefits of Living On Campus: A Look at Peer Influences and Utilization of University Provided Resources (July 1, 2010 – June 30, 2011)

7. Compliance with regulations: Indicate whether this proposal requires review for the following:

- a. Human Subjects **NO**
- b. Animal Care **NO**
- c. Hazardous biological materials **NO**
- d. Hazardous chemical materials **NO**

If you have circled "Yes" for the any of the compliance items, you are responsible for obtaining approval from the appropriate committee or office prior to beginning your research. For additional information, please see http://www.uwlax.edu/grants/compliance/compliance_main.htm