

UNIVERSITY OF MARYLAND
Department of Economics

John Haltiwanger Economics 602 Spring 2007

- * - indicates required reading.
- ** - indicates lectures will draw on heavily.

I. Equilibrium Business Cycle Models

A. Alternative Models

- ** Blanchard, O. and S. Fischer (1989), Lectures on Macroeconomics, Chapter 7.
- ** Romer, D. (2006), Advanced Macroeconomics, Chapters 4 and 6.
- * Plosser, C., (1989), "Understanding Real Business Cycle Models," Journal of Economic Perspectives, Summer, 51-78.
- * Mankiw, G., (1989), "Real Business Cycles: A New Keynesian Perspective," Journal of Economic Perspectives, Summer, 79-90.
- * Mankiw, G., (2006), "The Macroeconomist as Scientist and Engineer," Journal of Economic Perspectives, Fall, 29-46.

- Lucas, R., (1975), "An Equilibrium Model of the Business Cycle," Journal of Political Economy, Vol. 83, No.6, December, 113-144.

- * _____ and _____, (1982), "Time to Build and Aggregate Fluctuations," Econometrica, Vol. 50, No. 6, November, 1345-1370.

- ** Long, J. and C. Plosser, (1983), "Real Business Cycles", Journal of Political Economy, February, 39-69.

- * King, R., C. Plosser, and S. Rebelo, (1988), "Production, Growth and Business Cycles: I. The Basic Neoclassical Framework," Journal of Monetary Economics, March/May 1988, 195-232.

- * King, R., C. Plosser, and S. Rebelo, (1988), "Production, Growth and Business Cycles: II. New Directions," Journal of Monetary Economics, March/May 1988, 309-41.

- * Cooper, R., (1997), "Business Cycles: Theory, Evidence and Implications," NBER Working Paper No. 5994.

B. *Explanations of Persistence in Rational Expectations Models*

** Sargent, T. (1987, 2nd edition), *Macroeconomic Theory*, Academic Press,

Chapter 18.

** Blanchard and Fischer, Chapter 7

* Kydland and Prescott, (1982), SEE ABOVE

* Blinder, A. and S. Fischer, (1981) "Inventories, Rational Expectations and the Business Cycle," Journal of Monetary Economics, November, 1981.

** Blinder, A. and L. Maccini (1991) "Taking Stock: A Critical Assessment of Recent Research on Inventories," Journal of Economic Perspectives, Winter, 73-96.

** Caballero, R., E. Engel and J. Haltiwanger (1997) "Aggregate Employment Dynamics: Building From Microeconomic Evidence," American Economic Review, March 1997, 115-137.

** Cooper, R., J. Haltiwanger and J. Willis, (2004) "Dynamics of Labor Demand: Evidence from Plant-Level Observations and Aggregate Implications", NBER Working Paper No. 10297.

* Taylor, J., (1980) "Aggregate Dynamics and Staggered Contracts," Journal of Political Economy, February, 1-23.

* Taylor, J., (1998), "Staggered Price and Wage Setting in Macroeconomics," Handbook of Macroeconomics, Amsterdam: North-Holland.

* Darby, M., J. Haltiwanger, and Mark Plant, (1985) "Unemployment Rate Dynamics and Persistent Unemployment under Rational Expectations," American Economic Review, September, 614-637.

II. **New Keynesian Macroeconomic Models**

A. *Nominal Rigidities*

** Blanchard and Fischer, Chapter 8.

** Romer, Chapters 5 and 6

** Akerlof, G. and J. Yellen (1985), "Can Small Deviations from Rationality Make Significant Differences to Economic Equilibria?" American Economic Review, 708-720.

** Akerlof, G. And J. Yellen (1985), "A Near-Rational Model of the Business Cycle, with Wage and Price Inertia," Quarterly Journal of Economics, 823-838.

** Mankiw, G. (1985), "Small Menu Costs and Large Business Cycles: A Macroeconomic Model of Monopoly," Quarterly Journal of Economics, 529-539.

Mankiw, G. (1990), "A Quick Refresher Course in Macroeconomics," Journal of Economic Literature, 1645-1660.

* Romer, D. (1993), "The New Keynesian Synthesis," Journal of Economic Perspectives, 5-22

* King, R. (1993), "Will the New Keynesian Macroeconomics Resurrect the IS-LM Model?" Journal of Economic Perspectives, 67-82.

B. *Coordination Failures*

* Romer, Chapter 6.

* Diamond, P. (1982), "Aggregate Demand Management in Search Equilibrium," Journal of Political Economy, October, 881-894.

** Cooper, R. and A. John, (1988) "Coordinating Coordination Failures in Keynesian Models," Quarterly Journal of Economics, 441-463.

* Haltiwanger, J. and M. Waldman, (1989) "Limited Rationality and Strategic Complementarities: The Implications for Macroeconomics," Quarterly Journal of Economics, 463-484.

III. **Unemployment**

* Romer, D., (2001), Chapter 9.

* Solow, R., (1980), "On Theories of Unemployment," American Economic Review, 1-11.

** Rosen, S., (1985), "Implicit Contracts: A Survey," Journal of Economic Literature, September, 1144-1175.

** Shapiro, C. and J. Stiglitz, (1984), "Equilibrium Unemployment as a Worker

Discipline Device," American Economic Review, June, 433-444.

* Davis, S. and J. Haltiwanger (1999), "Gross Job Flows," Handbook of Labor Economics, Amsterdam: North-Holland, Volume IIIB, 2711-2808.

* Davis, S., J. Faberman and J. Haltiwanger (2006), "The Flow Approach to Labor Markets: New Data Sources and Micro-Macro Links," Journal of Economic Perspectives, Summer, 3-26.

** Mortensen, D. and C. Pissarides (1999), "Job reallocation and employment fluctuations" in M. Woodford and J.B. Taylor, eds, *Handbook of Macro Economics* vol 1: 1171-1227. Amsterdam: Elsevier Science, 1999