

UNIVERSITY OF MARYLAND  
Department of Economics

John Haltiwanger      Economics 602      Spring 2008

- \* - 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.

## 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. and J. Haltiwanger (2006) "On the Nature of Capital Adjustment Costs," Review of Economic Studies, 73, 611-634.

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. Labor Market Dynamics and Unemployment**

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

\*\* 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

\*\* Mortensen, Dale T., and Pissarides, Christopher A., 1994. "Job Creation and Job Destruction and the Theory of Unemployment." *Review of Economic Studies* 61(3): 397-415.

\* Shimer, R. (2005), The Cyclical Behavior of Unemployment and Vacancies," *American Economic Review*, 95, 24-49.