

UNIVERSITY OF MARYLAND
Department of Economics

John Haltiwanger Economics 602 Spring 2009

* - indicates suggested reading.

** - indicates lectures will draw on heavily.

I. Business Cycle Models

A. Examples of Real and Nominal Shock Based Rational Expectations Models

* Blanchard and Fischer (1989), Lectures on Macroeconomics, Chapter 7.

* Romer, D. (2006), Advanced Macroeconomics, Chapters 4 and 6.

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

B. Examples for Generating Persistence in Rational Expectations Models

* Sargent, T. (1987, 2nd edition), Macroeconomic Theory, Academic Press, Chapter 18.

* Blanchard and Fischer, Chapter 7

* 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 (1995) "Plant-Level Adjustment and Aggregate Investment Dynamics," Brookings Papers on Economic Activity, 1995:2, 1-54.

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

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

II. Imperfections

A. *Nominal Rigidities*

* Blanchard and Fischer, Chapter 8.

* Romer, Chapters 5 and 6

** 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.

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.

C. *Financial Accelerator*

** Bernanke, B., M. Gertler and S. Gilchrist (1999) "The Financial Accelerator and the Flight to Quality" Review of Economics and Statistics, 78, 1-15.

* Bernanke, B., M. Gertler and S. Gilchrist (1999) "The Financial Accelerator in a Quantitative Business Cycle Framework," Handbook of Macroeconomics.

III. Labor Market Dynamics and Unemployment

* Romer, D., 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 (1990), "Gross Job Creation and Destruction: Microeconomic Evidence and Macroeconomic Implications", NBER Macroeconomics Annual 1990, 123-168.

** 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.

** Cooper, R., J. Haltiwanger and J. Willis (2007) "Hours and Employment Implications of Search Frictions: Matching Aggregate and Establishment-Level Implications," Journal of Monetary Economics, September, 54, 56-78.