

UNIVERSITY OF MARYLAND  
Department of Economics

John Haltiwanger      Economics 602      Spring 2011

- \* - 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, Ben and Mark Gertler, "Agency Costs, Net Worth and Business Fluctuations." American Economic Review, March 1989.

\*\* 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.

\* Carlstrom, Charles and Timothy Fuerst, "Agency Costs, Net Worth and Business Fluctuations: A Computable General Equilibrium Analysis," American Economic Review, March 1997.

\* Kiyotaki, Nobuhiro and John Moore, "Credit Cycles," *Journal of Political Economy*, 1977.

### 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.

\*\* Davis, S., J. Faberman, and J. Haltiwanger (2010), "Labor Market Flows in the Cross Section and Over Time," Working Paper.

\*\* Davis, S., J. Faberman, and J. Haltiwanger (2010), "The Establishment-Level Behavior of Hiring and Vacancies," NBER Working Paper No. 16265.

\* 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.