

Paradigms of Business-Cycle Research

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Paradigms	Labor + Product Market	Prices + Wages	Other names
IS-LM	NO MICROFOUNDATIONS		
Disequilibrium 1960s, 1970s	Walrasian (do not necessarily clear)	Fixed	Excess supply/demand - Regimes - Notional vs Effective supply/demand
Real Business Cycle 1980s, 1990s, 2000s	Walrasian (always clear)	Flexible	- HP filter - productivity shocks - Calibration + simulation
New Keynesian late 1980s, 2000s, 2005, 2020s	Monopolistic competition	Rigid	- Inflation expectations - Taylor rule - Markups
Matching	Matching functions	Flexible or Rigid (but rigid more realistic)	- Vacancies - Tightness/slack - Unemployment - Gaps - Sufficient statistics