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Some stylized facts

Some of the most salient short-run features of macroeconomic time series in the industrialized market economies are the following (cf. B&F, 1989, ch. 1 and 89; Nishimura (1992)):

1. Large movements in quantities are often associated with little or no significant movement in relative prices, including real wages (relative price rigidity).

2. Shifts in aggregate demand (induced,e.g., by changes in the money supply) are largely accomodated by changes in quantities rather than by changes in nominal prices (nominal price rigidity; this holds for manufacturing and services).

3. By contrast, prices are sensitive to changes in cost (costbased prices).

The *menu costs* and *coordination failure* approaches(B&F, ch. 8.1) are contributions to the explanation of item 2). As to the explanation of items 1) and 3), contributions are found in the theories of the other kinds of market imperfections. Important themes within *labour market imperfections* are: implicit contracts, union bargaining, insiders and outsiders, and efficiency wages. Within the goods markets such imperfections as *increasing returns to scale* and *monopoly or oligopoly* are important and within the financial markets *credit rationing* and *bankruptcy costs* may be important for macroeconomic performance.