

The characterizations of labor market dynamics and their implications for the study of business cycles are topics of debate. This paper re-examines a general equilibrium version of the search and matching model to see whether it fits the data. I use both Israeli and U.S. data. I seek to determine to what extent the model which explains stocks and worker flows can account for the business cycle facts. The paper shows that a DSGE model with search and matching in the labor market has limited success in matching the data for both the U.S. and Israel.