

Macroeconomics and Behaviour

2014 Summer Term

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1 Introduction: Issues in Behavioural Macroeconomics

1.1 Macroeconomics

- Economic growth
- Business cycles
- Nominal rigidities
- Unemployment
- Saving and investment
- Inflation and monetary policy
- Fiscal policy and budget deficits

1.2 Behaviour

- Akerlof (2002) “Behavioral Macroeconomics and Macroeconomic Behavior”
- Camerer and Loewenstein (2004) “Behavioral Economics: Past, Present, Future”
- Crawford (2013) “Boundedly Rational versus Optimization-Based Models of Strategic Thinking and Learning in Games”
- Fudenberg (2006) “Advancing beyond *Advances in behavioral economics*”
- Harstadt and Selten (2013) “Bounded-Rationality Models: Tasks to Become Intellectually Competitive.”
- Mullainathan and Thaler (2001) “Behavioral Economics”
- Rabin (2013) “Incorporating Limited Rationality into Economics”

2 Economic growth

2.1 Convergence debate

- Baumol (1986) “Productivity Growth, Convergence, and Welfare: What the Long-run Data Show,”
- BLS (2012) “International Comparisons of GDP per Capita and per Hour, 1960–2011”

- Sala-i-Martin (2006) “The World Distribution of Income: Falling Poverty and ... Convergence, Period”
- World Bank (2014) “World Development Report 2014”

2.2 Theory

- Aghion and Howitt (1992) “A Model Of Growth Through Creative Destruction“
- Galor (2005) "From Stagnation to Growth: Unified Growth Theory"
- Jones (1995) “R&D-Based Models of Economic Growth”
- Rebelo (1991) “Long-Run Policy Analysis and Long-Run Growth”
- Romer (1986) “Increasing Returns and Long-Run Growth”
- Romer (1990) “Endogenous Technological Change”
- Segerstrom (1998) “Endogenous Growth without Scale Effects”
- Solow (1956) “A Contribution to the Theory of Economic Growth“ (see Aghion and Howitt, 1998, ch. 1.1)
- Wälde (1999) “A Model of Creative Destruction with Undiversifiable Risk and Optimising Households”
- Wälde (2012) “Applied Intertemporal Optimization”

2.3 Towards behavioural growth

- Foellmi, Rosenblatt-Wisch, Schenk-Hoppé and Reiner (2011) “Consumption paths under prospect utility in an optimal growth model”
- Fudenberg and Levine (2006) “A Dual Self Model of Impulse Control.“

3 Business cycles

3.1 Some numbers on business cycles

- Eurocoin (2014)
- GDP per capita OECD countries 1980 - 2010
- Jones (1995) “Time series test of endogenous growth models” (fig. I)
- Marczak and Beisinger (2013) “Real wages and the business cycle in Germany”
- NBER’s Business Cycle Dating Committee (2010)
- Schirwitz (2009) “A comprehensive German business cycle chronology”
- Wälde and Woitek (2004) “R&D expenditure in G7 countries and the implications for endogenous fluctuations and growth”

3.2 The real business cycle approach

- Kydland and Prescott (1980) “A Competitive Theory of Fluctuations and the Feasibility and Desirability of Stabilization Policy“
- Kydland and Prescott (1982) “Time to Build and Aggregate Fluctuations“
- Wälde (2012) “Applied Intertemporal Optimization“ (ch. 8.1)

3.3 Natural volatility

- Francois and Lloyd-Ellis (2003). “Animal Spirits Trough Creative Destruction“
- Wälde (2005) “Endogenous Growth Cycles“
- Wälde (2005) “Introduction to natural volatility”

3.4 Sunspot cycles

- Benhabib and Farmer (1994) “Indeterminacy and Increasing Returns“
- Benhabib and Nishimura (1998) “Indeterminacy and Sunspots with Constant Returns“
- Dixit and Stiglitz (1977) “Monopolistic Competition and Optimum Product Diversity”
- Farmer and Guo (1994) “Real Business Cycle and the Animal Spirits Hypothesis”
- Howitt and McAfee (1992) “Animal spirits”

3.5 Towards behavioural business cycles?

- Banerjee (1992) “A simple model of herd behaviour”
- Acemoglu and Ozdaglar (2011) “Opinion Dynamics and Learning in Social Networks”

3.6 Banks and business cycles

t.b.d.

4 Unemployment

4.1 Facts about unemployment

- Krebs and Scheffel (2013) "Macroeconomic Evaluation of Labor Market Reform in Germany"
- Launov and Wälde (2012) Slides for "Estimating incentive and welfare effects of non-stationary unemployment benefits"
- OECD (2011) "Persistence of high unemployment: what risks? what policies?"
- Reinberg and Hummel (2005) "Höhere Bildung schützt auch in der Krise vor Arbeitslosigkeit"
- Strasser and Wälde "Unemployment stocks and flows for Germany"(see web site)

4.2 Traditional theories of unemployment

- Akerlof (1982) "Labor Contracts as Partial Gift Exchange"
- Akerlof and Yellen (1988) "Fairness and Unemployment"
- Burda and Wyplosz (2012) Macroeconomics: A European Text
- Cahuc and Zylberberg (2004) Labor Economics
- Shapiro and Stiglitz (1984) "Equilibrium Unemployment as a Worker Discipline Device"
- Solow (1979) "Another Possible Source of Wage Stickiness"

4.3 The search and matching approach

- Burdett and Mortensen (1998) "Wage Differentials, Employer Size, and Unemployment"
- Moen (1997) "Competitive search equilibrium"
- Pissarides (1985) "Short-run Equilibrium Dynamics of Unemployment Vacancies, and Real Wages"
- Rogerson, Shimer and Wright (2005) "Search-Theoretic Models of the Labor Market: A Survey"

4.4 Behavioural views on unemployment

- Akerlof and Yellen (1988) "Fairness and Unemployment"
- DellaVigna and Paserman (2005) "Job search and impatience"
- Paserman (2008) "Job Search and Hyperbolic Discounting: Structural Estimation and Policy Evaluation"
- Fehr and Schmidt (1999) "A Theory of Fairness, Competition, and Cooperation"
- The discouragement effect for unemployed workers

5 Saving and investment

5.1 Saving and retirement

- Laibson (1997) "Golden Eggs and Hyperbolic Discounting"
- Strotz (1955/56) "Myopia and Inconsistency in Dynamic Utility Maximization"
- Thaler and Benartzi (2004) "Save More Tomorrow: Using Behavioral Economics to Increase Employee Saving"

5.2 Asset prices

- Barberis, Huang and Santos (2001) “Prospect Theory and Asset Prices”
- Benartzi and Thaler (1995) “Myopic Loss-Aversion and the Equity Premium Puzzle”
- Caplin Leahy (2004) “Psychological Expected Utility Theory And Anticipatory Feelings”
- Loomes and Sugden (1982) “Regret Theory: An Alternative Theory of Rational Choice under Uncertainty”
- Loomes and Sugden (1986) “Disappointment and Dynamic Consistency in Choice under Uncertainty”
- Mehra and Prescott (1985) "The Equity Premium A Puzzle"

6 Fiscal policy and budget deficits

- Barro (1974) “Are government bonds net wealth?”
- Barro (1979) “On the Determination of the Public Debt”
- de Grauwe (2009) Economics of Monetary Union 8th edition
- Lane (2012) “The European Sovereign Debt Crisis”
- Uribe (2006) “On Overborrowing”

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