6 Conclusion

6.1 Economic growth

- Central empirical questions
  - Why are some countries rich, why are some others poor?
  - Do countries converge to the same long-run level of income?
  - Is there a reduction of the poverty rate and of inequality as measured by the Gini coefficient?

- Current view of convergence debate
  - Poverty persists but the absolute number declines
  - Inequality as measured by Gini declines as well but very slowly

- Theory of economic growth
  - From exogenous factors of growth to endogenous, economically determined drivers of growth
  - Policy and politics play a crucial role in shaping the growth path of a society

- Contribution of psychological views
  - Impulse control and savings (Fudenberg and Levine, 2006)
  - Reference points and the impact on optimal growth (Foellmi et al, 2011)
  - Behavioural growth extends existing views on the growth process and allows for novel predictions
  - Empirical relevance still to be seen

6.2 Business cycles

- Central empirical questions
  - Why do growth rates of countries fluctuate over time?
  - How do we measure these fluctuations?
  - Can we date the beginning and end of a business cycle?

- The current approach to measurement
  - Various type of filters that produce trend vs cyclical component of a cycle
  - Dates of peak and trough of a cycle differ across methods but are sufficiently close

- Theories of business cycles
  - Real-business cycle vs natural volatility vs sunspot cycles
  - Exogenous shocks vs endogenous shocks vs mood
  - Efficient factor allocation vs potential inefficiency vs inefficiency

- Contribution of psychological views
  - Would allow to understand where moods come from
  - Sunspot models can be carried one step further
6.3 Unemployment

- Central empirical questions
  - How can unemployment meaningfully be defined?
  - How high are unemployment rates in Germany and how do they change over time?
  - How do unemployment rates differ across countries?
  - Who is most affected by unemployment? Skill, age, region ...
  - How often do individuals become unemployed and how many of them (stocks vs flows)?

- The central theoretical questions
  - Why is there unemployment?
  - How can one reduce unemployment?
  - Can unemployment be reduced without creating poverty?

- Theories of unemployment
  - Traditional theories of labour supply (voluntary unemployment)
  - Traditional theories of real wage rigidities (involuntary unemployment)
  - Pure search views – stresses worker’s behaviour
  - Matching models with vacancy creation – stresses the job creation by firms

- Contribution of psychological views
  - time-consistency and time-inconsistent behaviour is widely observed
  - this might play a role for theories of unemployment as well
  - empirical estimates show that “present bias” is highly relevant for search behaviour of the unemployed

6.4 Overall conclusion

- A lot can be learned from economic analysis about growth, business cycles, unemployment and other macroeconomic questions

- There are many macroeconomic questions that need further investigation

- Generalizing the “model of man” in economics to allow for more psychological thinking is useful per se

- More psychological thinking also promises to yield a better understanding of macroeconomic questions