

Behavioral Macro Syllabus 2

1 General Introduction

Readings Introduction to “Thinking Fast and Slow” on web as “fair use Kahneman Introduction”

2 Tversky Kahneman 1974 and other things about inference and forecasting.

Readings Fair Use Kahneman 2

3 choice under risk = prospect theory

4 Consumption 1 (standard permanent Income Hypothesis and empirical work showing it is a falsified hypothesis or a possibly useful approximation)

5 Consumption 2 (what I think)

6. Investment (standard Q theory and empirical work showing why it doesn't even appear in current academic macro-economic models)

7 Investment 2 (reality, data, investment ignored in standard academic models)

8 Manias

Reading: Introduction by Kindleberger

9) Panics and Crashes.

Guiso, Sapienza, Zingales experiment.

Important economics which will not be addressed in the formal models.

10) First effort to apply psychology to macroeconomists' problem. Uses only KT 1974 at most – will require strong assumptions made for tractability – are we keeping weak points of standard approach ?

Bitcoin.

Readings DeGrauwe chapter 1

11) The 3 equation New Keynesian Model with DeGrauwe's assumptions about psychology. DeGrauwe's MatLab program

Readings DeGrauwe (as much as you want)

12) introducing a liquidity constraint

Reading Annichiarico et al

13) Trying to consider investment with DeGrauwe's behavioral assumptions.

(lecture notes are a MatLab program)

14) Back to Words all about where might we go from here.