

PROPOSAL: RESEARCH ON BEHAVIORAL MACROECONOMICS AND RELATED TOPICS

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The main topic that I plan for summer research is the completion of a book on behavioral macroeconomics that Prof. George Akerlof at the University of California at Berkeley and I have been working on for several years. Akerlof and I have been passing back and forth the manuscript between us, and at present he is working on it. I should get the manuscript back from him by March or April, and hope to bring it to completion over the summer.

The book is about the non-economic motives, and sometimes the downright irrationality, of consumers, investors, price setters, wage setters, employees, and customers, and buyers and sellers of homes and financial assets. We argue that these are important determinants of how the macro-economy operates. They are as important as the rational economic motives. This book is about how these missing motivations affect the macroeconomy. It is about being more ambitious than most current macroeconomists. It is about the belief that, as macroeconomists, we should analyze the whole economy, and not restrict our attention to an analysis based solely on rational economic motive.

As such, an interest in other social sciences, such as psychology, sociology, or political science, would be useful from the research assistant.

I would use the research assistance to try to improve the impact of this book, make it more convincing. I would ask the research assistant first to read the entire manuscript, and comment to me on it. Then, there would be work to do to find out important facts that will help generalize the conclusions made or to embellish them and make them more convincing. An undergraduate can help in this task, despite not knowing as much about economic theory as a graduate student would, since I envision getting help on historical facts, or even examples from recent episodes, that help improve our ability to connect with the reader and enliven the book.

I believe I would also ask the SRO research assistant to contribute to other research activities as well. I continue to work with Leonard Burman of the Tax Policy Center at the Urban Institute in Washington DC on a plan to index the income tax system to a measure of inequality, so as to protect our economy from the risk of rising inequality. I am also doing research on asset pricing and their relation to interest rates, with John Campbell and Luis Viceira, both of Harvard University. I also write a bi-monthly column for Project Syndicate and a column every six weeks for *The New York Times*, and may ask for a little help on these. I hope I can ask for a little flexibility from a research assistant, for it is hard to know exactly which of these items might be pressing during this summer. But, the main project, as I see it, is the book with George Akerlof.