

SUMMARY

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Research Project Description: This project involved research for Professor Shiller's book on the relationship between the irrational, psychological and sociological factors (so-called Animal Spirits by Keynes) and economic behavior. The traditional model, which assumes perfect rationality, is shown to be insufficient and the book tries to construct an entirely new theoretical approach to understand and evaluate economic behaviors such as investment, capital market, unemployment, and saving.

Major Findings: The project is still ongoing and is expected to be concluded January 2007. So far, a correlation between several of the key factors, such as confidence and self-esteem, and economy, has been found. A survey will also be conducted in August to gather empirical evidence.

Responsibilities: I am responsible primarily for researching the link between confidence and saving/investment behaviors. The research work is very different from others in that little quantitative analysis is involved. Instead, we discussed the conceptual issues regularly, which led to many major revisions of the book. It's the open exchange of ideas that made this summer experience extremely exciting.

Educational Achievements: One learns how to think abstractly and creatively in trying to find the hidden link between factors that were previously assumed to have no correlation. In addition, by working with a great economist like Robert Shiller one learns how to think "like a pro" as well.

Opinion of Program: This is the most amazing summer experience I've ever had in terms of things learned and responsibilities held. Professor Shiller is very fun to work with and takes every single bit of your opinion seriously. The project itself is extremely exciting and great satisfaction results when you see some of your ideas printed and published. I recommend this program wholeheartedly to anyone who is serious about pursuing a career in economics and/or finance.