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ECON 527 01 / LAW 20083 01 / MGT 565 01 (F14)



SHILLER.BEHAVIORAL AND INSTITUTIONAL ECON FALL. 2014.SYLLABUS.REV.10.1.14.doc

ECON 527 01 / LAW 20083 01 / MGT 565 01 (F14)

11.3.14

ECON 527, LAW 20083, MGT 565**BEHAVIORAL AND INSTITUTIONAL ECONOMICS
Fall 2014****Time: Mondays and Wednesdays, 8:30-9:45am****** First Lecture September 3, 2014****Place: Zhang Auditorium, Evans Hall - SOM**Syllabus as of August 24, 2014, *subject to change*.**Robert J. Shiller**robert.shiller@yale.edu

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Behavioral economics incorporates insights from other social sciences, such as psychology and sociology, into economic models, and attempts to explain anomalies that defy standard economic analysis. Institutional economics is the study of the evolution of economic organizations, laws, contracts, and customs as part of the historical and continuing process of economic development. Behavioral economics and institutional economics are naturally treated together, since so much of the logic and design of economic institutions has to do with complexities of human behavior. Topics include economic fluctuations and speculation, herd behavior, attitudes towards risk, money illusion, involuntary unemployment, saving, investment, poverty, identity, religion, trust, risk management, social welfare institutions, private risk management institutions, institutions to foster economic development.

Course Requirements: midterm exam, take-home final exam of short essay form.

Dates shown are subject to change. There are four items to purchase; three at Yale Bookstore

- George A. Akerlof and Robert J. Shiller, *Animal Spirits: How Human Psychology Drives the Economy and Why It Matters for Global Capitalism*, Princeton, 2010 (\$9.67 Amazon paperback, \$8.98 Kindle)
- Daniel Kahneman, *Thinking Fast and Slow*, New York: Farrar, Straus and Giroux, 2011, (\$9.75 Amazon paperback, \$2.99 Kindle)
- Reinhart, Carmen, and Kenneth Rogoff, *This Time Is Different: Eight Centuries of Financial Folly*, Princeton University Press, 2009. (\$13.02 Amazon paperback, \$9.18 Kindle)
- Richard H. Thaler and Cass Sunstein, *Nudge: Improving Decisions about Health, Wealth and Happiness* Yale University Press, 2009, (\$10.59 Amazon paperback, \$10.06 Kindle)

All other important readings can be accessed by clicking [here](#). Many links rely on Yale subscriptions and so they will not work on a non-Yale computer. Reserve books are at the new CSSI Library cssi@yale.edu. Other relevant online readings can be found on my [web site](#). Our workshops in [Behavioral Finance](#) and [Macroeconomics and Individual Decision Making](#), and [Schmid's list](#) of reading lists in institutional economics also have additional readings.

Sept. 3, 2014

1.INTRODUCTION AND METHODOLOGY: Macroeconomic Theory and the Current Crisis:

*Shiller, Robert J., "[Behavioral Economics and Institutional Innovation](#)", *Southern Economic Journal*, 72(2):269-83, 2005.

*Akerlof and Shiller, Introduction

*Thaler and Sunstein, Introduction, Chapter 4 “When Do We Need a Nudge? Chapter 5, “Choice Architecture

Part I: Theory of Behavioral Economics

Sept. 5 – FRIDAY – (make-up class)

2. Confidence

*Kahneman *Thinking Fast and Slow*, Part 1 “Two Systems,” Part 3, “Overconfidence”

*Thaler & Sunstein, Chapter 1, “Biases and Blunders”

Glaeser, Edward L., David Laibson, Jose A. Scheinkman and Christine L. Soutter, [What is Social Capital? The Determinants of Trust and Trustworthiness](#)” NBER Working Paper, 1999.

Fehr, Ernst, Urs Fischbacher and Michael Kosfeld, “ [Neuroeconomic Foundations of Trust and Social Preferences](#),” Institute for Empirical Research in Economics, University of Zurich, Working Paper No. 221, June 2005.

September 8

3. Fairness, Inequality

*Sen, Amartya, *Poverty and Famines: An Essay on Entitlement and Deprivation*, Oxford University Press, 1983, Chapter 1, Also on RESERVE

*Kahneman, pp. 305-8.

Kahneman, Daniel, Jack Knetsch and Richard H. Thaler, “[Fairness as a Constraint on Profit-Seeking: Entitlements in the Market](#),” *American Economic Review* September 76:4 (September 1986) pp. 728-41.

Solow, Robert M. “Piketty Is Right: Everything You Needed to Know about Capital in the Twenty-First Century,” spring 2014, *The New Republic* <http://www.newrepublic.com/article/117429/capital-twenty-first-century-thomas-piketty-reviewed>

September 10

4. Epidemics

*Bikhchandani, D., David Hirshleifer and Ivo Welch, “[A Theory of Fashion, Social Custom and Cultural Change](#),” *Journal of Political Economy* 81:637-54, 1992.

*Thaler & Sunstein, Chapter 3, “Following the Herd”

September 15

5. Market Society, Civil Society and Social Movements: Phishing for Phools

Akerlof, George A. *Phishing for Phools*, Lecture at Duke University 2013. (Excluding for now the discussion of Akerlof and Tong near beginning, start at 14:00)

Friedman, Milton and Rose Friedman, [Free to Choose, Volume 1, The Power of the Market](#), PBS TV series, 1980 (includes debate with Michael Harrington 1928-1989, Chairman of Democratic Socialists of America).

September 17

6. Prospect Theory

*Kahneman, Chapter 26, pp. 278-99

Kahneman, Daniel, and Amos Tversky, “ [Prospect Theory](#),” *Econometrica* 1979, also Appendix A of *Thinking Fast and Slow*

Kahneman, Daniel, and Amos Tversky, "Choices Values and Frames," *American Psychologist*, Vol. 34, 1984, also in Appendix B of *Thinking Fast and Slow*.

Tversky, Amos, and Daniel Kahneman, "[Advances in Prospect Theory: Cumulative Representation of Uncertainty](#)," *Journal of Risk and Uncertainty* 5:297-323, 1992, also in Kahneman, Daniel, and Amos Tversky, *Choices, Values and Frames*, Cambridge University Press, 2000, pp. 44-65. RESERVE

September 22

7. Neuroeconomics

*Society for Neuroscience, [Brain Facts: A Primer on the Brain and Nervous System](#), pp. 4-9.

*Bloom, Paul, "Seduced by the Flickering Lights of the Brain," [SEEDMAGAZINE.COM](#), June 26, 2006.

*Glimcher, Paul, [Foundations of Neuroeconomic Analysis](#), Yale Electronic Resource, New York: Oxford University Press, 2011. [Introduction: Wherefore Neuroeconomics?](#), Chapter 9, "[Stochasticity and the Separation of Utility from Choice](#)"

September 24

8. Religion

*Barro, Robert J. and Rachel McCleary "[Religion and Economic Growth](#)," NBER Working Paper No. w9682, May 2003.

*Timur Kuran, *The Long Divergence: How Islamic Law Held Back the Middle East*, Princeton 2011, Chapter 1 "[The Puzzle of the Middle East's Economic Underdevelopment](#)."

Schumacher, E. F. [Buddhist Economics](#) 1955.

Part II Applications of the Theory: Answering Some Basic Questions

September 29

9. Why Do Economies Fall into Depression?

*George A. Akerlof and Paul M. Romer, "[Looting: The Economic Underworld of Bankruptcy for Profit](#)," *Brookings Papers on Economic Activity*, 2, 1-74, 1993.

*Lamont, Owen, and Jeremy Stein, "[Investor Sentiment and Corporate Investment: Micro and Macro](#)," *American Economic Review Papers and Proceedings*, May 2006.

October 1

10. Why Are Some People Unable to Find a Job?

*Akerlof and Shiller, Chapter 8 "Why Are Some People Unable to Find a Job?"

*Bewley, Truman, "[A Depressed Labor Market as Explained by Participants](#)," *American Economic Review*, 85:250-54, 1995.

*Yellen, Janet L. "[Efficiency Wage Models of Unemployment](#)." *American Economic Review*, (Papers and Proceedings), 74(2), pp. 200-5, May, 1984.

October 3 – FRIDAY CLASS – MAKE-UP

11. Why Are There Problems with Borrowing, Collateral, Repurchase?

*Gorton, Gary, *Slapped by the Invisible Hand: The Panic of 2007*, Oxford: Oxford University Press, 2010, Chapter 2 pp. 13-59. [Under Reserves: [Slapped by the Invisible Hand – Chapter 2 Banking and the Panic of 2007](#)]

October 6

12. Why Do Central Bankers Have Power over the Economy?

*Akerlof and Shiller, Chapter 4, "Money Illusion," Chapter 7 "Why Do Central Bankers Have Power over the Economy, Insofar as They Do?"

*Bernanke, Ben S., and Alan S. Blinder, " [Credit, Money, and Aggregate Demand](#)," *American Economic Review Papers and Proceedings* 78(2):435-9, May 1988.

*Eldar Shafir, Diamond, Peter, and Tversky, Amos. " [Money Illusion](#)." *Quarterly Journal of Economics*, May 1997, 112(2), pp. 341-74.

October 8 Midterm Exam: in-class exam – Zhang Auditorium

October 27

13. Why Does Inflation Bring Down Unemployment?

*Akerlof and Shiller, Chapter 9 "Why Is there a Tradeoff between Inflation and Unemployment in the Long Run?"

*Reinhart and Rogoff, Chapter 12, "Inflation and Modern Currency Crashes" RESERVE

*Akerlof, George A., William T. Dickens and George L. Perry. "[Near-Rational Wage and Price Setting and the Long-Run Phillips Curve](#)." *Brookings Papers on Economic Activity*; 2000:1, pp. 1-44.

*Fuhrer, Jeffrey C., "[The Phillips Curve is Alive and Well](#)," *New England Economic Review*, March/April 1995, pp. 41-56.

October 29

14. Why Do People Under-save?

*Akerlof and Shiller, Chapter 10 "Why Is Saving for the Future so Arbitrary?"

November 3

15. Why Is Asymmetric Information Really a Problem?

*Akerlof, George, and Hui Tong, [Lemons with Naivete](#), unpublished manuscript, International Monetary Fund, 2012

November 5

16. Why Do News Media Sometimes Fail US?

*Matthew Gentzkow, Edward L. Glaeser, and Claudia Goldin, "[The Rise of the Fourth Estate: How Newspapers Became Informative and Why It Mattered](#)," National Bureau of Economic Research Working Paper No. 10791, September 2004.

Matthew Gentzkow and Jesse Shapiro, "[What Drives Media Slant? Evidence from U.S. Daily Newspapers](#)," *Econometrica*, Vol. 78, No. 1 January 2010, 35-71.

Hamilton, James T., *All the News That's Fit to Sell: How the Market Transforms Information Into News*, Princeton, 2004.

November 7 – FRIDAY (make-up class)

17. Why Do Financial Markets Boom and Crash?

*Akerlof and Shiller, Chapter 11 "Why Are Financial Prices and Corporate Investments so Volatile?"

*Thaler and Sunstein, Chapter 7, "Naïve Investing"

November 10

Why Is Efficient Markets Theory a Half Truth?

*Shleifer, Andrei, and Robert Vishny, "[The Limits of Arbitrage](#)," National Bureau of Economics Working Paper No. W5167, 1995, Published: *Journal of Finance*, Vol. 52, no. 1 (1997): 35-55.

November 12

19. Why Do Real Estate Markets Go through Cycles?

*Akerlof and Shiller, Chapter 12 "Why Do Real Estate Markets Go through Cycles?"

November 13 – THURSDAY, 6-7:15 pm

20. Why Does Poverty Persist amidst Economic Growth?

*Akerlof and Shiller, Chapter 13, "Why Is There Special Poverty among Minorities?"

*Akerlof, George A., and Rachel E. Kranton, "[Economics and Identity](#)." *Quarterly Journal of Economics*, August 2000, 115(3), pp. 715-53.

Part III: Institutional Design

November 17

21. Making Government Social Insurance Work to Reduce Inequality

*Thaler and Sunstein, chapters 8, 9, 11, 12

November 19

22. Regulation and Nudges

*Thaler and Sunstein, Chapter 8, "Credit Markets," Chapter 9 "Privatizing Social Security Smorgasbord Style"

*Beshears, John, James J. Choi, David Laibson, Brigitte C. Madrian, [The Importance of Default Options for Retirement Savings Outcomes: Evidence from the United States](#) NBER Working Paper No. 12009.

Dec. 1

23. Encouraging Saving, Pensions

*Thaler and Sunstein Chapter 6 "Save more Tomorrow"

December 3

24. Democratizing Insurance and Finance

- *Gosselin, Peter, "[How Bedrock Promises of Security Have Fractured across America](#)" *Los Angeles Times* December 30, 2005, "[On Their Own in New Orleans](#)", *Los Angeles Times* December 5, 2005, "[The Safety Net She Believed In Was Pulled Away When She Fell](#)" *Los Angeles Times* August 21, 2005
- *Johnson, Eric, John Hershey, Jacqueline Meszaros and Howard Kunreuther, "[Framing, probability distortions, and insurance decisions](#)" *Journal of Risk and Uncertainty* 7(1):35-71, August 1993.
- *Shiller, Robert J. *Macro Markets: Creating Institutions for Managing Society's Largest Economic Risks*, Oxford: Oxford University Press, 1993, 1 Introduction, 4. National Income and Labour Income Markets, 5. Real Estate and Other Markets
- *Backus, David, Patrick Kehoe, and Finn Kydland, "[International Real Business Cycles](#)," *Journal of Political Economy*, 1992, 100: 745-775.

December 8

24. Development and Dynamism

- *Easterly, William, *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics* MIT Press, 2002. RESERVE, Preface, Chapter 1 "To Help the Poor," and Chapter 14, "Conclusion." *Reinhart and Rogoff, *This Time Is Different* Chapter 5, "Sovereign Default Cycles on External Debt"
- *Gordon, Robert J., "[Why Was Europe Left at the Station when America's Productivity Locomotive Departed?](#)" NBER Working Paper No. 10661, August 2004.
- *Clark, Gregory, "[Why Isn't the Whole World Developed? Lessons from the Cotton Mills](#)," *The Journal of Economic History* 47(1):141-73, March 1987.
- *Reinhart and Rogoff, *This Time Is Different*, Chapter 17, "Reflections on Early Warnings, Graduation, Policy Responses, and the Foibles of Human Nature"
- Phelps, Edmund. *Mass Flourishing*, Princeton: 2013.

FINAL EXAM: Dec. 10 – 15: Take home 24-hour, any time within that week

* Indicates required reading

OPTIONAL SUGGESTED READINGS

Introduction and Methodology: Macroeconomic Theory and the Current Crisis

- "What went Wrong with Economics", (cover story) p. 11-12 and "The Other-Worldly Philosophers" pp. 65-7 and "Efficiency and Beyond" pp. 68-9, *The Economist* July 18th-24th, 2009. Hatoyama, Yukio, [Japan must shake off US-style globalization](#) Christian Science Monitor August 17, 2009
- Cohen, Patricia, [Ivory Tower Unswayed by Crashing Economy](#)" *New York Times* March 5, 2009.

- Barberis, Nicholas, and Richard C. Thaler, "A Survey of Behavioral Finance," NBER Working Paper No. w9222, 2002.
- Joskow, Paul A. "The New Institutional Economics: A Report Card," International Society for the New Institutional Economics Presidential Address, 2004.
- Williamson, Oliver, "The New Institutional Economics: Taking Stock, Looking Ahead," *Journal of Economic Literature*, 38: 595-613, September 2000.
- Mitchell, Wesley C., "Commons on Institutional Economics," *The American Economic Review*, 25(4):635-52, December 1935.
- Jolls, Christine, Cass R. Sunstein and Richard Thaler, "A Behavioral Approach to Law and Economics" *Stanford Law Review* 50(5):1471, 1998.
- Thaler, Richard, *Quasi-Rational Economics* New York: Russell Sage, 1994. RESERVE
- Wilson, E. O. *Consilience: The Unity of Knowledge* Knopf, 1998 RESERVE
- Douglas C. North, *Institutions, Institutional Change and Economic Performance*, Cambridge University Press, 1990, RESERVE
- Schmid, A. Allan, *Conflict and Cooperation: Institutional and Behavioral Economics*, Blackwell, 2004.
- Koopmans, Tjalling "Measurement without Theory," *Review of Economics and Statistics* 29:161-72, August 1947.
- Sims, Christopher A. "Macroeconomics and Reality," *Econometrica* 48:148, January 1980.
- Popper, Karl R. *The Logic of Scientific Discovery* Section 1 and Section 20, New York, Science Editions, 1961. RESERVE
- Caldwell, Bruce J., "Clarifying Popper," *Journal of Economic Literature* 29(1):1-33, 1991.
- Friedman, Milton, "The Methodology of Positive Economics," in M. Friedman *Essays in Positive Economics* Chicago: University of Chicago Press, 1956. RESERVE
- Green, Donald and Ian Shapiro, *Pathologies of Rational Choice Theory: A Critique of Applications in Political Science*, New Haven: Yale University Press, 1996.
- Lo, Andrew W., and Mark T. Mueller, "WARNING: Physics Envy May Be Hazardous to Your Wealth," unpublished paper, Massachusetts Institute of Technology, 2010.

Part I: Theory of Behavioral Economics

Confidence

- Reinhart and Rogoff, *This Time Is Different* "Preamble: Some Initial Intuition on Financial Fragility and the Fickle Nature of Confidence," "The This-Time-Is-Different Syndrome" RESERVE
- Khurana, Rakesh, *Searching for a Corporate Savior: The Irrational Quest for Charismatic CEOs* Princeton University Press, 2004. RESERVE
- Caballero, Ricardo, Kevin Cowan, and Jonathan Kearns, "Fear of Sudden Stops: Lessons from Australia and Chile" NBER Working Paper No. 10519, May 2004.
- Franklin, Benjamin, "Information to Those who Would Remove to America," *The Boston Magazine*, October 1784.
- Katona, George, "On the Origin of Changes in Attitudes," Chapter 5 in George Katona, *The Powerful Consumer: Psychological Studies of the American Economy*, 1960, McGraw-Hill Book Company, Inc., pp. 68-79.

Fairness

Arrow, Kenneth J., [Why People Go Hungry](#)" (Review of Sen's *Poverty and Famines*) 1982.

Bailey, Sydney D., "[Post-Mortem on the Bengal Famine](#) *Far Eastern Survey* 14(25):373-4, December 19, 1945.

Epidemics

Shiller, *Irrational Exuberance* 2nd Edition, Chapter 5, "Amplification Mechanisms: Naturally-Occurring Ponzi Processes

Bartholomew, *Stochastic Models for Social Processes*, 3rd Edition, Chichester, New York: Wiley 1982.
RESERVE

Bailey, Norman, *The Mathematical Theory of Infectious Diseases*, London: Griffin, 1975. [Medical library]

Hong, Harrison, Jeffrey Kubik and Jeremy Stein, "[The Neighbor's Portfolio: Word of Mouth Effects in the Holdings and Trades of Money Managers](#), NBER Working Paper No. 9711, 2003.

Avery, Christopher, and Peter Zemsky, "[Multidimensional Uncertainty and Herd Behavior in Financial Markets](#)," *American Economic Review* 88(4):724-48, 1998.

Banerjee, Abhijit, "[A Simple Model of Herd Behavior](#)," *Quarterly Journal of Economics* 107 (3):979-817, 1992.

Barberis, Nicholas, and Andrei Shleifer, [Style Investing](#) NBER Working Paper No. w8039, December 2000.

Barberis, Nicholas, Andrei Shleifer, and Robert Vishny, "[A Model of Investor Sentiment](#)," *Journal of Financial Economics*, 49 (1998): 30743.

Allen, Franklin, Stephen Morris, and Hyun Song Shin, "[Beauty Contests and Iterated Expectations in Asset Markets](#)," unpublished paper, University of Pennsylvania, 2005.

Market Society, Civil Society and Social Movements - Phishing for Phools

Aristotle, *Politics*, Book I (search for term civil society)

Ferguson, Adam, "[An Essay on the History of Civil Society](#)" 1819

Hirschman, Albert O. *Exit, Voice, and Loyalty*. 1970.

Polanyi, Karl, *The Great Transformation*

Anjam, Tanvir, "Historical Trajectory of the Development of the Concept of Civil Society in Europe: From Aristotle to Gramsci," *Journal of Political Studies*, 1(2): 147-60.

Lonkila, Markku, "[The Importance of Work-Related Ties in Post-Soviet Russia: The Role of Co-Workers in the Personal Support Networks in St. Petersburg and Helsinki](#)

Prospect Theory

Bernoulli, Daniel, " [Exposition of a New Theory on the Measurement of Risk](#)" ("Specimen Theoriae Novae de Mensaris Sortis") *Econometrica* 22(1):23-36 1954 (originally published 1738).

Rabin, Matthew, " [Risk Aversion and Expected Utility: A Calibration Theorem](#)," *Econometrica* 68:1281-92, September 2000.

Barberis, Nicholas, Ming Huang and Tano Santos, "[Prospect Theory and Asset Prices](#)," *Quarterly Journal of Economics* 116(1):1 2001.

Thaler, Richard and E. J. Johnson, " [Gambling with the House Money and Trying to Break Even: The Effects of Prior Outcomes on Risky Choice](#)," *Management Science* 36:643-60.

Benartzi, Shlomo, and Richard Thaler, " [Myopic Loss Aversion and the Equity Premium Puzzle](#)," *Quarterly Journal of Economics* 110(1):73-92, February 1995.

Neuroscience

Livnat, Adi, and Nicholas Pippenger. 2006. "[An Optimal Brain Can Be Composed of Conflicting Agents](#)." *Proceedings of the National Academy of Sciences* 103: 3198-3202.

Montague, Read P, Steven E. Hyman, and Jonathan D. Cohen. 2004. "[Computational Roles for Dopamine in Behavioural Control](#). *Nature* 431: 761-8 (14 October).

Schultz, Wolfram, Peter Dayan and P. Read Montague. 1997. "[A Neural Substrate for Prediction and Reward](#)." *Science* Vol. 275 no. 5306 pp. 1593-1599

Religion

Weber, Max, *The Protestant Ethic and the 'Spirit' of Capitalism* Chapter I (Religious Affiliation and Social Stratification) and II (The Spirit of Capitalism) translated by Talcott Parsons, Routledge 2002 [1904-5, 1930] RESERVE

Fogel, Robert W. *The Fourth Great Awakening and the Future of Egalitarianism*, University of Chicago Press 2000.

Geertz, Clifford, *The Interpretation of Cultures: Selected Essays*, Chapter 4, "Religion as a Cultural System," Basic Books, 1973.

Boyer, Pascal, *Religion Explained: The Evolutionary Origins of Religious Thought* Basic Books, 2001.

Levine, Aaron, *Case Studies in Jewish Business Ethics*, New York: Yeshiva University Press, 2000.

Brown, Donald E., *Human Universals*, New York: McGraw-Hill Humanities, 1991.

Mickelthwait, John, and Adrian Wooldridge, *God Is Back: How the Global Revival of Faith is Changing the World*, Penguin, 2009. RESERVE

Part II Applications of the Theory: Answering Some Basic Questions

Why Do Economies Fall into Depression?

Shiller, Robert, *Subprime Solution: How Today's Global Financial Crisis Happened and What to Do about It* Princeton University Press, 2008, Chapter 1 RESERVE

Bond, Stephen R. and Jason G. Cummins, "[The Stock Market and Investment in the New Economy: Some Tangible Facts and Intangible Fictions](#)," *Brookings Papers on Economic Activity*, 2000:1, pp. 61-108.

Lamont, Owen, " [Cash Flow and Investment: Evidence from Internal Capital Markets](#)," *Journal of Finance*, 52:1 (March 1997) pp. 83-109.

Why Are Some People Unable to Find a Job?

Louis Uchitelle, *The Disposable American: Layoffs and their Consequences*

Krueger, Alan B., and Lawrence H. Summers, " [Efficiency Wages and the Interindustry Wage Structure](#)," *Econometrica*, 56(2) (March 1988), pp. 259-93.

Fehr, Ernst, Georg Kirchsteiger and Arno Riedl. " [Does Fairness Prevent Market Clearing? An Experimental Investigation](#)." *Quarterly Journal of Economics*, May 1993, 108(2), pp. 437-59.

Blanchard, Olivier, and Lawrence Summers, "[Hysteresis in Unemployment](#) *European Economic Review*, 31:1/2 (February-March 1987), pp. 288-95, NBER Working Paper No. 1950

Paola Giuliano "[The Determinants of Living Arrangements](#)" Presented at Macroeconomics and Individual Decision Making Conference, NBER, 2004.

Why Are There Problems with Borrowing, Collateral, Repurchase?

Geanakoplos, John, and Ana Fostel, "[Leverage Cycles and the Anxious Economy](#)," *American Economic Review* 98(4):1211-44, 2008,

Geanakoplos, John, "[Solving the Present Crisis and Managing the Leverage Cycle](#)," Cowles Foundation for Research in Economics Working Paper, December 2009.

Why Do Central Bankers Have Power over the Economy?

Squam Lake Working Group, "[A Systemic Regulator for Financial Markets](#)" 2009.



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