

# Macroeconomics 2 Presentation

Article review :

Gabaix, Xavier. 2020. "A Behavioral New Keynesian Model."  
American Economic Review, 110(8): 2271-2327

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# Outline

- 1 Contextualization
- 2 Baseline model of the paper
- 3 Consequences
- 4 Conclusion of the Baseline Model
- 5 Further Behavioral Extension
- 6 Limits and critics

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## 1 Contextualization

## 2 Baseline model of the paper

- Household's Problem
- Firms
- Solution
- Synthesis Of A Behavioral New Keynesian Model
- Calibration

## 3 Consequences

## 4 Conclusion of the Baseline Model

## 5 Further Behavioral Extension

## 6 Limits and critics

# Utility function

$$U = \mathbb{E} \left[ \sum_{t=0}^{\infty} \beta^t u(c_t, N_t) \right] \quad (1)$$

With

$$u(c_t, N_t) = \frac{c^{1-\gamma} - 1}{1-\gamma} - \frac{N^{1+\phi}}{1+\phi}$$

So we have the following objective function of the household :

$$U = \mathbb{E} \left[ \sum_{t=0}^{\infty} \beta^t \left( \frac{c^{1-\gamma} - 1}{1-\gamma} - \frac{N^{1+\phi}}{1+\phi} \right) \right]$$

# Real financial wealth

$$k_{t+1} = (1 + r_t)(k_t - c_t + y_t) \quad (2)$$

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  - On monetary policy
  - On fiscal policy
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