Macroeconomics 2 Presentation

Article review :

Gabaix, Xavier. 2020. "A Behavioral New Keynesian Model."
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GUGELMO CAVALHEIRO DIAS Paulo
MITASH Nayanika
WANG Shang

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Sciences Po

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Contextualization

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

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Utility function

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

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 houshold :

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

Real financial wealth

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

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- On monetary policy
- On fiscal policy

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