

Structuralist and Behavioral Macroeconomics

Mainstream macroeconomics is founded on the idea of perfectly rational representative agents. Yet there is a growing realization that economic theories based on such agents are inadequate guides to real-world decision-making. The behavioral evidence has had significant impacts on microeconomics, but the same cannot be said of macroeconomics. This book is part of the movement to do for macroeconomics what behavioral thinking has done for microeconomics. Using behavioral evidence and insights from Keynesian and institutionalist traditions, it presents an empirically grounded alternative to the paradigm that currently dominates macroeconomic theory. It highlights how dynamic interactions across markets can generate instability, endogenous cycles, and secular stagnation. It fully engages with macroeconomic theory, provides a multifaceted view that explains how and why it is time to rethink its foundations, and offers a path forward.

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Preface and Acknowledgments

This book has had a long gestation period, with early drafts of three chapters dating back to 2004 when I was invited to give a series of lectures at Kobe University, Japan. Having put it aside again, I returned to the project around 2013 as part of the preparation of lecture notes for a graduate course I have been teaching regularly at the University of Massachusetts Amherst. Other commitments slowed down the process, however, and there were times when I doubted that the book would ever be completed.

The intention is for the book to present an alternative to the paradigm that has dominated macroeconomic theory since the 1980s. There have always been dissenters within the profession who have questioned this paradigm, and the structuralist elements of the analysis presented here resonate with existing literatures, including institutionalist, post-Keynesian and Marxian economics, as well as the structuralist tradition in development economics. There is no attempt to provide a survey of these nonmainstream approaches as they relate to macroeconomics. The book in this sense is idiosyncratic: It outlines my view on what a promising macroeconomic paradigm may look like. The behavioral aspects of the analysis are in line with established and empirically well-founded research from behavioral economics, and the presentation has been structured in a way that I hope – maybe naively – will facilitate dialogue with macroeconomists who work within a mainstream tradition.

Most of the chapters draw liberally on earlier work, including coauthored papers with Leila Davis (Chapter 2), Amitava Dutt (Chapter 8), Frederick Guy (Chapter 7), Hyeon-Kyeong Kim (Chapter 7), Guilherme Klein Martins (Chapter 6), Soon Ryoo (Chapters 4 and 11), Fabian Slonimczyk (Chapter 7), and Ben Zipperer (Chapter 10). Working with these coauthors has been enormously helpful as well as a great pleasure, and I thank them all.

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that I must write this book – without that encouragement, the book probably would not have seen the light of day. Material from the book has also been used in lecture series and short courses at other universities and research institutes, including Aalborg University, Aarhus University, New School for Social Research, Kobe University, Hitotsubashi University, Universidad Javeriana, University of Sao Paulo, and Instituto de Pesquisa Econômica Aplicada (Brasilia). I have benefitted from feedback from participants at these lectures and courses, as well as from participants at conferences and workshops; discussions of key material from different chapters in the annual Analytical Political Economy Workshops have been particularly important. Reviewers for Cambridge University Press, finally, have added constructive comments that have also improved the final product.