

Topics in the Microeconomic Foundations of Macroeconomics

Jean-Michel GRANDMONT

Louis-Vuitton Japan Chaire, Keio University, Tokyo

(September 24 – November 2, 2007)

This set of 8 lectures (2 hours each) is aimed at 2nd year Ph.D. students and is intended to present them with the basic ideas and methods of a few research programs related to the “microeconomic foundations” of macroeconomics. Topics covered will include the following.

1. Distributions of heterogeneous individual characteristics and macroeconomic aggregates

Selected references

Calvet, L., Grandmont, J.-M. and I. Lemaire (1999), “Heterogeneous Probabilities in Complete Asset Markets”, *Advances in Mathematical Economics*, 1, 3-15.

Grandmont, J.-M. (1992), “Transformations of the Commodity Space, Behavioral Heterogeneity and the Aggregation Problem”, *Journal of Economic Theory*, 57, 1-35.

Grandmont, J.-M. (1993), “Behavioral Heterogeneity and Cournot Oligopoly Equilibrium”, *Ricerche Economiche*, 47, 167-187.

Hildenbrand, W. (1983), “On the Law of Demand”, *Econometrica*, 51, 997-1019.

Hildenbrand, W. (1994), *Market Demand : Theory and Empirical Evidence*, Princeton University Press, Princeton.

Marhuenda, F. (1995), “Distribution of Income and Aggregation of Demand”, *Econometrica*, 63, 647-66.

Quah, J. K.-H. (1997), “The Law of Demand When Income is Price Dependent”, *Econometrica*, 65, 1421-1442.

2. Heterogeneous beliefs, risk sharing and asset pricing

Selected references

Calvet, L., Grandmont, J.-M. and I. Lemaire (2004), “Aggregation of Heterogeneous Beliefs, Assets Pricing and Risk Sharing in Complete Financial Markets”, CREST Working Paper n° 2004-12.

Gollier, C. (2007), “Whom Should We Believe ? Aggregation of Heterogeneous Beliefs”, Working Paper, University of Toulouse.

Jouini, E. and C. Napp (2006), “Heterogeneous Beliefs and Asset Pricing in Discrete Time : An Analysis of Pessimism and Doubt”, *Journal of Economic Dynamics and Control*, 30, 1233-1260.

Jouini, E. and C. Napp (2007), “Consensus Consumer and Intertemporal Asset Pricing with Heterogeneous Beliefs”, *Review of Economic Studies*, 74, 1-26.

3. Non-linear dynamics, I : Basic methods

Selected references

Grandmont, J.-M. (1988), “Non-Linear Difference Equations, Bifurcations and Chaos : An Introduction”, Stanford Technical Reports and CEPREMAP Working Paper, under revision, forthcoming in *Research in Economics*, 2008.

4. Non-linear dynamics, II : economic applications

Selected references

Grandmont, J.-M. (1993), “Expectations Driven Non-Linear Business Cycles”, in *Proceedings of the German Academy of Sciences*, Westdeutscher Verlag 1993 and in *FIEF Studies on Business Cycles*, Oxford University Press, 1994.

Grandmont, J.-M. (2006), “Negishi-Solow Efficiency Wages, Unemployment Insurance and Dynamic Deterministic Indeterminacy”, CREST Working Paper n° 2006-16, forthcoming in *International Journal of Economic Theory*.

Grandmont, J.-M. (2007), “Negishi-Solow Efficiency Wages, Unemployment Insurance and Stochastic Endogenous Unemployment Business Cycles”, Craig Hiemstra Memorial Lecture, 15th Annual Meeting of the Society for Nonlinear Dynamics and Econometrics (SNDE), Paris.

Grandmont, J.-M., Pintus, P. A. and R. G. de Vilder (1998), “Capital-Labor Substitution and Competitive Non-Linear Endogenous Business Cycles”, *Journal of Economic Theory*, 80, 14-59.

Cazzavillan, G., Lloyd-Braga, T. and P. A. Pintus (1998), “Multiple Steady States and Endogenous Fluctuations with Increasing Returns to Scale in Production”, *Journal of Economic Theory*, 80, 60-107.

Lloyd-Braga, T., Nourry, C. and A. Venditti (2007), “Indeterminacy in Dynamic Models : When Diamond Meets Ramsey”, *Journal of Economic Theory*, 134, 513-536.

Seegmuller, T. (2004), “Market Imperfections and Endogenous Fluctuations : A General Approach”, mimeo, EUREQua, University of Paris I.

5. Learning and (non) convergence to rational expectations

Selected References

Grandmont, J.-M. (1998), "Expectations Formation and Stability of Large Socioeconomic Systems", *Econometrica*, 66, 741-781.

Chatterji, S. and S. Chattopadhyay (2000), "Global Stability in Spite of "Local Instability" with Learning", *Journal of Mathematical Economics*, 33, 155-165.

Brock, W. A. and C. H. Hommes (1997), "A Rational Route to Randomness", *Econometrica*, 65, 1059-1095.

Evans, G. W. and S. Honkapohja (1999), "Learning Dynamics", in Taylor, J. B. and M. Woodford (Eds.), *Handbook of Macroeconomics*, Elsevier Science B.V., Chap. 7, 449-542.

* * *