

Discussion of “Animal Spirits”

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- In a dynamic version of the model, cool propagation: hump-shaped responses to shocks, eventually going away.
- Policy analysis: the government should not do anything (the equilibrium is “constrained-efficient”).

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- But words are not so important! Does this kind of model capture something that seems relevant in reality?
 - I really think so!
 - But I have some specific comments.

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 - So what are these aggregate signals?
- 2 The authors repeatedly say that this is a very standard model because most of it is competitive. But what real-world markets/interactions motivate the spatial/distributional setting? Perhaps it would make more sense with pairwise meetings between agents, not islands?

Comments, cont'd

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 - So how calibrate these things in dynamic model?

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- 5 Summary comments:
 - The setting is **very interesting** and potentially important for macro (but does not need the big words perhaps).
 - It is also quite nifty and should be a great teaching tool. At least I will use it.