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The National Bureau of Economic Research
1050 Massachusetts Ave
Cambridge, MA 02138

December 4th, 2019

Dear Sir or Madam,

I am writing to you to submit my application to attend the NBER's Behavioral Macroeconomics Boot Camp for Graduate Students.

I believe I would make a strong addition to your admitted class. I have an excellent background in Macroeconomics, with demonstrated success at the coursework level. My recent exposure to Behavioral Economics has also left me well suited to tackle the material on offer. I am an enthusiastic and energetic participator in class discussions and department colloquia. In short, I believe I have the skills and disposition to take full advantage of this course.

Please find enclosed a copy of my CV, an essay detailing in greater depth my motivations and suitability for the course, and a recommendation letter from Professor Mark Dean. For any further information or questions, please don't hesitate to contact me; contact details are available in my CV and at the top of this letter.

Thank you for your consideration, and all the best,

Edward Shore

Edward Shore

Curriculum Vitae
Behavioral Macroeconomics Research Boot Camp

PERSONAL DETAILS

DOB	January 30, 1993
Address	1990 Lexington Ave, Apt 21H, New York, NY, 10035
Phone	(929)316-5770
Mail	eps2148@columbia.edu

EDUCATION

PhD. Economics 2018-Present
Columbia University in the City of New York

Achieved the following grades in the first year, with grade in the first semester given first:
-Macroeconomics: A, A+
-Microeconomics: B+, A
-Econometrics: A, A

Second Year courses selected (grades pending):
-*Macro Field:* Advanced Macroeconomic Theory, Macro Finance, International Macroeconomics
-*Behavioral Field:* Behavioral Economics, Computation Models of Perception and Choice
-*Additional Class:* Industrial Organisation I

MSc. Economics 2016-2017
University College London

-Achieved a high Distinction grade (76% average).
-Came top of the class (1st out of 20) in Advanced Macroeconomic Theory (80%), an optional PhD level course offered by the department.

MA. Economics and Management 2011-2014
Jesus College, University of Oxford

-Graduated in the First Class.

WORKING PAPERS

Inequality and the Probability Weighting Function 2017
A Heterogeneous Agent Model with Modified Expectations

Why are national wealth distributions so unequal? In this paper I offer a modified version of the classic Aiyagari (1994) model in the hope of improving our answer to this question. Through application of the probability weighting function described by Prelec (1998) to the household problem, I am able to drastically increase the level of wealth inequality present in the steady state of the model. I conclude that expectations updated by the plausible behavioural assumption of probability weighting could explain part of why wealth distributions are so unequal.

REFERENCES

Prof. Mark Dean
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Prof. Antonio Cabrales
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London UK, WC1H 0AX
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Prof. Peter Esö
University of Oxford
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Behavioral Macroeconomics Boot Camp Essay

Eddie Shore

December 6, 2019

In this brief essay I will outline three key motivations behind my application for the Behavioral Macroeconomics Boot Camp, namely: (i) Behavioral Macroeconomics is the field that motivated me to pursue a PhD, (ii) I want to develop tools for, and generate feedback on, a handful of ideas I'm currently working on in the area, and (iii) I would enjoy the opportunity to meet like-minded students who share my passion for the field. I will also briefly discuss why I believe I am a suitable candidate for selection to this program. I believe my academic credentials, my demonstrated interest in the field, and my enthusiastic and energetic approach to the classroom, make me an excellent fit for the Behavioral Macroeconomics Boot Camp.

Behavioral Macroeconomics as my field of interest

As a Master's student, I produced a heterogeneous agent model with modified expectations that sought to incorporate probability weighting to the household problem[1]. My intuition was that households have incorrect assessments of the processes underlying their income, and that this could have consequences for inequality.

This project, and my enjoyment pursuing it, ultimately motivated my application to study for a PhD in Economics. I chose to attend Columbia as a direct consequence of their excellent reputation in Behavioral Macroeconomics. My choice of second year classes also reflects my passion for the field. For all these reasons, attending the boot camp has obvious appeal for me.

Developing my Research Ideas

I am currently working on three projects, all of which would benefit from exposure to this program.

Saliency of employment risk

This project is an outcropping of the research paper I described above. I am interested in the degree to which consumers understand their employment risk. My intuition is that people broadly underestimate the likelihood that they will lose their job. If true, this has important consequences for savings behavior. For individuals towards the bottom of the income distribution, underestimation of employment risk could result in under-saving. This under-saving may lead individuals to unexpectedly become borrowing constrained in the event of them losing their jobs. This might explain why we empirically observe such a large measure of individuals at the borrowing constraint, something that we struggle to explain in more standard models.

Saliency is a key topic explored by a number of researchers listed as present at this program. I would be interested in feedback and discussion on (i) how to estimate the saliency of employment risk to consumers, (ii) how saliency might be affected by learning dynamics that only afford a very limited number of observations (people do not get fired very often), and (iii) how to incorporate saliency into continuous time frameworks.

[1] Some more details on this paper are available on my CV

External Forecasts as Targets

I am also interested in how external analyst forecasts influence firm-level behavior. My intuition is that firms treat these forecasts as targets. I believe this is reasonable given that performance relative to forecast is a key contributor to share value. If it is true that firms treat these forecasts as targets, then I believe this has profound consequences for the macroeconomy. Given that external analyst forecasts are updated only very infrequently on a quarterly basis, in the continuously updating environment of the firm, there exists incentives to sub-optimally adjust key long-term behaviors such as investment and R&D in order to meet short-term targets. In times of recession, the existence of these incentives may cause firms to react in a way that deepens the severity and length of recession.

Through attending this boot camp, I would hope to develop tools to help me address the following questions related to this project: (i) how can I causally show that external analyst forecasts influence behavior, (ii) how can I tractably construct a framework in which firms recognise the stickiness of external analyst forecasts, and (iii) what would general equilibrium look like?

Attention premium of idiosyncratic demand shocks

In many macroeconomic models, we discuss the importance of idiosyncratic shocks. However, in most cases, these shocks are not delineated into demand and supply shocks. I think this may be a mistake. From the perspective of the firm, understanding their demand environment requires considerably more effort and attention than understanding their supply environment. For a firm, the relevant contemporaneous information from their supply side is captured in the price offered to them for a given period. By contrast, the contemporaneous level of demand they face is knowable only *after* they set a price and observe the quantities sold. More broadly, understanding the level of demand for ones product requires a great deal more information because firms do not engage in direct dialogue with consumers, or do so only imperfectly.

In order to explore this project in greater detail, I need to resolve the following issues: (i) how can I delineate supply and demand shocks empirically, (ii) how can I measure price responsiveness with respect to those shocks, and (iii) how can I model the attention premium of demand shocks in a convincing fashion? Attending this boot camp will, I hope, allow me to make progress in these areas.

Engaging with Like-Minded Students

Whilst I get a lot out of discussing economics with my friends and colleagues, there are not many who share my interests. The chance to meet and interact with students who are also interested in Behavioral Macroeconomics would be a welcome opportunity, both for friendship, and also for meeting potential co-authors. I could sit around all day and talk about economics, and so much the better if the topic of conversation is the area I'm most interested in!

Why I believe I'm suitable for the program

I believe my academic success, especially in the area of Macroeconomics, demonstrates my capacity to engage at the requisite level with this course. I believe my research agenda, as outlined above, is a good fit with the field of Behavioral Macroeconomics. My sunny and enthusiastic disposition is well suited to the group setting of the boot camp, and will allow me to engage fully with the program. In short, I believe I have the skills, direction, and attitude to take full advantage of this course. I hope that you feel the same way!

COLUMBIA UNIVERSITY
IN THE CITY OF NEW YORK

ECONOMICS

FROM: Mark Dean
Associate Professor
Department of Economics
Columbia University
Email: mark.dean@columbia.edu

9th December 2019

To the Recruitment Committee

It gives me great pleasure to support the application of **Edward Shore** for the 2019 Behavioral Macroeconomics Research Boot Camp for Graduate Students. I have known Eddie for about a year and a half at this stage: I encouraged him to choose Columbia for his PhD, and I taught him Microeconomics in his 1st year and Behavioral Economics this year.

I am pretty certain that Eddie would be a great addition to the boot camp, and make excellent use of the opportunity. I have three reasons to believe this:

1. Despite being in his second year, Eddie has a long standing interest in behavioral macroeconomics. He expressed this when we first met during the admissions process, and it is one of the reasons he chose Columbia for his studies. His Masters thesis involved introducing probability weighting into a heterogeneous agent macro model in order to try to explain inequality. As you can see from his application, his 2nd year fields are behavioral economics and macroeconomics, and he is already in the process of developing a number of other research projects in this area.

2. His background and career stage mean that he will make good use of what he learns. Eddie is definitely smart enough to make good use of the boot camp. While his performance in my 1st year micro class was perfectly fine, he has been excellent during the 2nd year behavioral class – in particular in his reading and presentation of research papers. The fact that he is still early in

his PhD career also means that the program can have a big effect on his research path over the next few years.

3. Eddie is extremely gregarious, will make strong connections with the other attendees, and will help others to do so.

I realize the application process is likely to be extremely competitive, but I hope that you will find space for Eddie. It would be great for him and, I think, good for the boot camp.

Please contact me if I can be of further assistance.

Yours Sincerely



Mark Dean