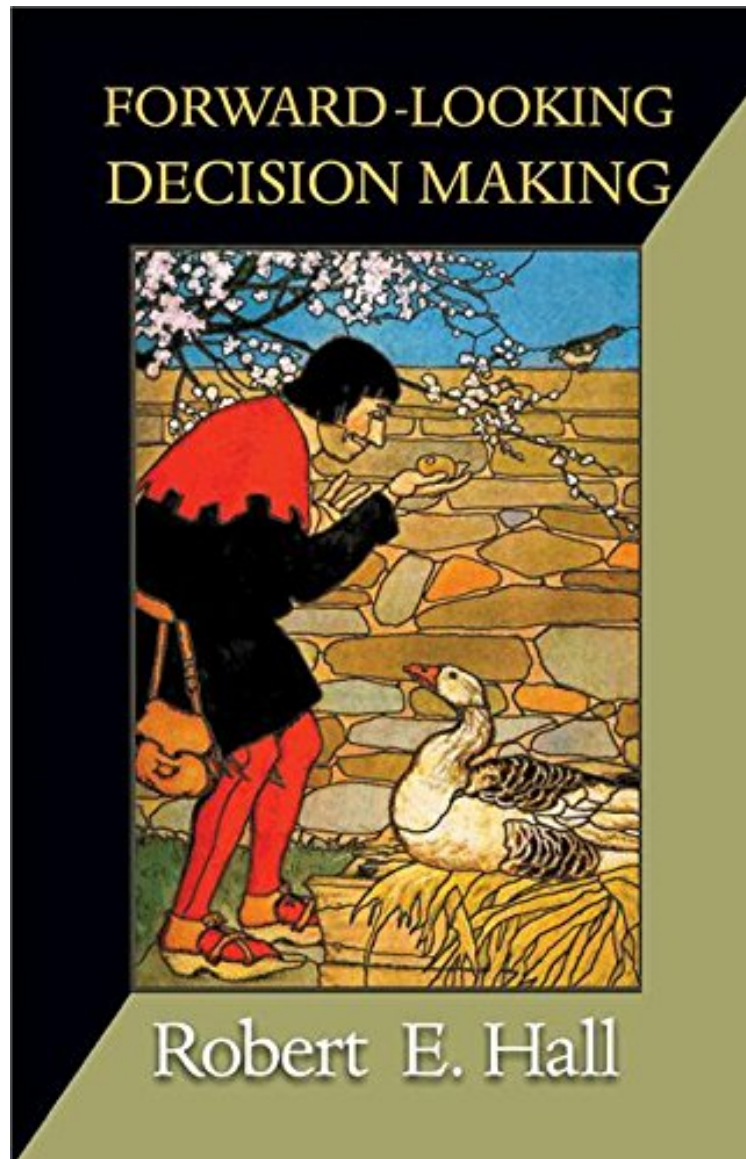


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Forward-Looking Decision Making: Dynamic Programming Models Applied to Health, Risk, Employment, and Financial Stability (The Gorman Lectures in Economics)

Robert E. Hall

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Robert E. Hall : Forward-Looking Decision Making: Dynamic Programming Models Applied to Health, Risk, Employment, and Financial Stability (The Gorman Lectures in Economics) before purchasing it in order to gage whether or not it would be worth my time, and all praised Forward-Looking Decision Making: Dynamic Programming

Models Applied to Health, Risk, Employment, and Financial Stability (The Gorman Lectures in Economics):

1 of 1 people found the following review helpful. Economic Applications by Dynamic Programming By Taro Okamoto As I have had an interest in this book before, I read it through just now. The author is a prominent macroeconomist of Stanford. He writes the basic principles of Dynamic Programming (DP) used in economic theory and the parameters used in the following models in this book, and then issues on health, insurance, labor, risk and government-guaranteed debt through the lens of DP. I like Chapter 3 on health best of all. This is based on Hall and Jones (2007), QJE and asks and tackles why the health spending has been rising in the United States. This is the very serious issue not only in the US but also in Japan, my lovely and rapidly aging country. The author tells the health spending rises over time as income grows if the marginal utility of consumption fall sufficiently rapidly relative to the joy of living an extra year (pp31) and shows it through the model built by DP. This is highly recommended for students and policymakers who have a great interest in health issue. I studied DP as a graduate student and could read this book. If you like to read it, it is better to know how to build the dynamic models by DP. That is, building the Bellman equation, $\max\{U(C) + \beta EV(K')\}$, and deriving the Euler equation, $R \beta E(C'/C)^{-\sigma} = 1$, is best for readers to grasp the contents of the book. I would like the author to write more on DP for beginners, and the models introduced in the book, but it is true that shorter book is accessible to read. Highly recommended sub text or book for econ and business graduate and upper-level undergraduate students and econ or public policy researchers.

2 of 2 people found the following review helpful. Great Economist, Disappointing Book By Rob Szarka Although billed as a set of lectures, the contents of this book are essentially rehashed versions of Hall's papers. (The first chapter does provide some background on dynamic programming, but not in a form that would be useful to a beginner or provide new information to someone already familiar with the technique.) In short, while the economics contained in the book is interesting, there's little reason to buy the book itself.

Individuals and families make key decisions that impact many aspects of financial stability and determine the future of the economy. These decisions involve balancing current sacrifice against future benefits. People have to decide how much to invest in health care, exercise, their diet, and insurance. They must decide how much debt to take on, and how much to save. And they make choices about jobs that determine employment and unemployment levels. Forward-Looking Decision Making is about modeling this individual or family-based decision making using an optimizing dynamic programming model. Robert Hall first reviews ideas about dynamic programs and introduces new ideas about numerical solutions and the representation of solved models as Markov processes. He surveys recent research on the parameters of preferences--the intertemporal elasticity of substitution, the Frisch elasticity of labor supply, and the Frisch cross-elasticity. He then examines dynamic programming models applied to health spending, long-term care insurance, employment, entrepreneurial risk-taking, and consumer debt. Linking theory with data and applying them to real-world problems, Forward-Looking Decision Making uses dynamic optimization programming models to shed light on individual behaviors and their economic implications.

From the Back Cover "Forward-Looking Decision Making provides interesting applications of the dynamic programming approach for analyzing individual decisions that balance current and future welfare. The subjects are timely and the book contains a good selection of topics, united by a common analytical theme."--John Ermisch, University of Essex

About the Author Robert E. Hall is the Robert and Carole McNeil Professor of Economics and Hoover Senior Fellow at Stanford University. He is the author of *The Rational Consumer*, *Booms and Recessions in a Noisy Economy*, and *Digital Dealing*.