

# Thinking Ourselves into Recession

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**Abstract:** *Using a public and private information global games framework, we develop a macroeconomic business-cycle model. For this model, we characterize those information structures that give rise to self-fulfilling macroeconomic crises in which economic output and employment are depressed. In particular, we find that once we embedded the global games framework in a macroeconomic equilibrium context public signals of high precision can reduce, rather than amplify, the number of self-fulfilling equilibria, respectively, the prospect for crises equilibria. Similarly, we find that increases in the precision of agents' private information, which tends to reduce the number of equilibria in the pure global games setting can increase the number of equilibria in macroeconomic equilibrium models. Finally, we characterize the conditions under which public information increases ex-ante utility.*

**Keywords:** Coordination Games, Equilibrium Selection, Business Cycle

**This version:** April 15, 2016

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