

# Macroeconomics under Imperfect Knowledge

DUFE

Summer 2019

Qingyuan Du (qingyuan.du@monash.edu)

## 1 Course overview:

Macroeconomic models depend on households' and firms' expectations. This short unit covers a theory of macroeconomics imperfect knowledge. We introduce learning into standard DSGE models and study how imperfect knowledge may affect macroeconomic dynamics and the choices by policy makers.

## 2 Topics To Be Covered

### 1. Introduction to expectation theory

Nerlove, Mark (1958), "Adaptive Expectations and Cobweb Phenomena", *Quarterly Journal of Economics*, 72, pp. 227 – 240.

Blanchard, O., and C. M. Kahn (1980) "The Solution of Linear Difference Models under Rational Expectations", *Econometrica*, 48, 1305-1313.

Sims, Chris (2000), "Solving Linear Rational Expectations Models", unpublished manuscript, Princeton University.

### 2. Learning models: techniques

Preston, Bruce (2013), "Notes on Macro Models under Imperfect Knowledge"

### 3. Learning models: applications to business cycle models

Eusepi, S., and Preston, B. (2011), "Expectations, Learning and Business Cycle Fluctuations", *American Economic Review*, Vol. 101, No.6, 2844-2872

### 4. Learning models: applications to fiscal and monetary policies

Preston, Bruce (2013), "Notes on Macro Models under Imperfect Knowledge"