

Economics 2455r
Imperfect Knowledge in Macroeconomics
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Class meetings: W 2-4

This course considers the consequences for macroeconomic modeling of departures from the full-information/rational-expectations paradigm. Topics treated include models of sticky information, rational inattention, coordination failures and global games, and adaptive learning. Particular attention will be given to applications to analyses of price adjustment and the effects of monetary policy, to implications of bounded rationality for the choice of a desirable monetary policy, and to explanations of asset-pricing anomalies and “bubbles.”

SYLLABUS

1. Imperfect Information, Higher-Order Beliefs, and Inertia

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2. “Sticky Information” and Adjustment Dynamics

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5. Strategic Implications of Inattention

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