

Scottish Graduate Programme in Economics PhD Training Sequence

Workshop in
Monetary Policy, Credibility and Adaptive Learning
Heriot-Watt University
September 18-19, 2007

Speakers: Dr. Eva Carceles-Poveda (SUNY Stony Brook)
Prof. Kaushik Mitra (St Andrews)
Prof David Cobham (Heriot-Watt)
Dr. Atanas Christev (Heriot-Watt)

Starts 11am September 18, finishes 5pm September 19.

Overview: 'Expectations' play a crucial role in economics. Their significance owes much to the impact they exert on the current and future decisions of the main economic players (households, firms and governments). In macroeconomic models the economics profession has widely accepted the rational expectations (RE) hypothesis as the benchmark approach to modelling expectations. Two fundamental questions remain open: (a) How do agents come to acquire RE, given some upper bound to knowledge (a form of bounded rationality); and (b) If there are multiple RE equilibria present, along which one will the economy evolve? Adaptive learning rules, such as recursive least squares, and the concept of expectational stability (E-stability), provide a guide to some of the answers to these questions. The course, while accepting the RE paradigm as a starting point, will go beyond it and introduce students to models of adaptive learning behaviour. Evans and Honkapohja's (2001) treatise on this adaptive learning approach is a recent development in the literature and will serve as the main reference. Adaptive learning is currently an emerging and promising new area in economics, and provides economists with new and better ways of understanding equilibrium behaviour. It has slowly gained recognition into the mainstream and has found many theoretical, some empirical and few policy applications. This course will cover some of the major recent advances in the field with a particular emphasis on the New Keynesian model of monetary policy design. Students will also learn a 'toolbox' of techniques to study, analyse and apply adaptive learning in their models of the economy.

Further Information:

- Prof. Robert E. Wright, Executive Director, SGPE (r.e.wright@strath.ac.uk)
- Dr. Atanas Christev, Heriot-Watt University (a.christev@hw.ac.uk)
- Mr. Neil Andrew, Training Sequence Administrator (neil.andrew@strath.ac.uk)
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- WEBSITE: www.sgpe.ac.uk

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