

Helsinki GSE 2019-20

Course on Learning and Macroeconomics

Contents

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Overview

The course analyses expectations and learning in dynamic stochastic macroeconomics. We develop techniques for solving for rational expectations equilibrium (REE) and examine whether economic agents endowed imperfect knowledge but following statistical learning schemes will over time converge to REE. Cases where learning can lead to non-REE learning dynamics and dynamic paths of temporary equilibria are also considered. The approach has yielded important implications for different aspects of macroeconomic policy. Monetary policy has in particular been studied. A range of other applications are also discussed.

Recent survey articles give overviews of the subject:

Evans, G.W. and S. Honkapohja, “Learning and Macroeconomics”, *Annual Review of Economics*, Vol.1, 2009.

Evans, G.W. and S. Honkapohja, “Learning as a Rational Foundation for Macroeconomics and Finance”, Chapter 2 in *Rethinking Expectations: The Way Forward for Macroeconomics*, Frydman R. and E.S. Phelps (Eds.), Princeton University Press.

Woodford M. “Macroeconomic Analysis without the Rational Expectations Hypothesis”, *Annual Review of Economics*, Vol.5, 2013.