



## Assessing Rational Expectations: No. 2: Eductive Stability in Economics (Hardback)

By Roger Guesnerie

MIT Press Ltd, United States, 2005. Hardback. Book Condition: New. 230 x 156 mm. Language: English . Brand New Book. The rational expectations hypothesis (REH) dominates economic modeling in areas ranging from monetary theory, macroeconomics, and general equilibrium to finance. In this book, Roger Guesnerie continues the critical analysis of the REH begun in his *Assessing Rational Expectations: Sunspot Multiplicity and Economic Fluctuations*, which dealt with the questions raised by multiplicity and its implications for a theory of endogenous fluctuations. This second volume emphasizes eductive learning: relying on careful reasoning, agents must deduce what other agents guess, a process that differs from the standard evolutionary learning experience in which agents make decisions about the future based on past experiences. A broad eductive stability test is proposed that includes common knowledge and results in a unique rationalizable expectations equilibrium. This test provides the basis for Guesnerie's theoretical assessment of the plausibility of the REH's expectational coordination, emphasizing, for different categories of economic models, conditions for the REH's success or failure. Guesnerie begins by presenting the concepts and methods of the eductive stability analysis in selected partial equilibrium models. He then explores to what extent general equilibrium strategic complementarities interfere...

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### Reviews

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