



You are cordially invited to

UCLouvain Economics Seminar

On Thursday November 2, 2017, from 12:45 to 14:00
Doyen 22, Place des Doyens, 1

Felix Kubler
(University of Zurich)

Will give a presentation on

Self-justified equilibria in dynamic economies with heterogenous agents

Abstract:

In this paper I introduce the concept of equilibrium as an alternative to rational expectations equilibrium in stochastic general equilibrium models heterogeneous agents. In a self-justified equilibrium agents' expectations can be described by finite sets and agents forecast future prices by some simple function that depends on this set. The expectations are correct for a finite number of points in the endogeneous state space but it might lead to incorrect forecasts otherwise.

I consider a model with overlapping generations, stochastic production and idiosyncratic risk. Unlike rational expectations equilibria, self-justified equilibria always exist in this economy and they can be approximated numerically with standard methods. Error analysis for approximate solutions is straightforward and there exist approximate equilibria where forecasting errors are arbitrarily small.

Information:

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