

CONTENTS

<i>Preface</i>	<i>page</i> ix
<i>Preface to the first edition</i>	xi
1 The concept of rational expectations	1
Conditional expectations and Muthian rationality	4
A priori critiques of Muthian rationality	9
Survey data and rational expectations	14
Plan of the survey	21
2 Inflation and unemployment	25
Lucas’s account of the business cycle	28
How robust is the policy-ineffectiveness proposition?	34
The question of persistence	48
What is the evidence?	51
The gestalt behind the models	59
Recent directions	61
3 Further topics in macroeconomics	63
Macro models with rational financial markets	65
Rules, authorities, and the consistency of optimal policy	79
Econometric policy evaluation	89
4 Efficient markets and rational expectations	99
The microeconomics of rational expectations	101
Efficient markets: Theory and early tests	108
Against the paradigm	119
Alternative models of market equilibrium	127
	vii

viii	<i>Contents</i>	
5	Empirical microeconomic models	133
	Models without storage	138
	Models with storage	144
	Housing investment and price appreciation	150
	Micro decision making	155
6	Rational expectations in practice	157
	<i>References</i>	169
	<i>Index</i>	181