
Contents

1	Introduction	1
2	Economic Systems With Expectations Feedback	7
2.1	An Introductory Example	8
2.2	The General Setup	10
2.3	Forecasting Rules With Finite Memory	12
2.4	Consistent Forecasting Rules	14
2.5	Unbiased Forecasting Rules	17
3	Adaptive Learning in Linear Models	23
3.1	Linear Models	24
3.2	Unbiased Forecasting Rules	28
3.2.1	No-Updating Rules	30
3.2.2	Linear MSV Predictors	34
3.3	Approximating Unbiased Forecasting Rules	37
3.4	Convergence of an AML-Based Learning Scheme	39
3.5	Mathematical Appendix	45
3.5.1	On the Stability of Linear Systems	45
3.5.2	Proofs of Theorem 3.2 and Theorem 3.3	47
4	Economic Models Subject to Stationary Noise	57
4.1	Forecasting Rules for Stationary Noise	59
4.1.1	Consistent Forecasting Rules	61
4.1.2	Unbiased Forecasting Rules	64
4.2	Existence of Unbiased Forecasting Rules	68
4.3	MSV Predictors	73
4.4	Random Fixed Points	75
4.5	Mathematical Appendix	79

5	Nonparametric Adaptive Learning	85
5.1	The Method of Stochastic Approximation	86
5.2	A Basic Convergence Result	90
5.3	Some Probabilistic Prerequisites	99
5.4	Sufficient Conditions for Contractions	102
5.5	Mathematical Appendix	108
5.5.1	Sobolev Imbedding Theorem	108
5.5.2	Proofs of Section 5.2	111
5.5.3	Proofs of Section 5.4	118
6	Stochastic Exchange Economies	127
6.1	A Model of Pure Exchange	127
6.2	The Existence of Perfect Forecasting Rules	129
6.3	Perfect Foresight Dynamics	131
6.4	Adaptive Learning of Perfect Forecasting Rules	134
6.5	Mathematical Appendix	136
7	Heterogeneous Beliefs in a Financial Market	139
7.1	The Model	141
7.2	Heterogeneous Beliefs	145
7.3	Risk Premia and Reference Portfolios	147
7.4	Mean-Variance Preferences	149
7.5	Perfect Forecasting Rules	152
7.5.1	Perfect Forecasting Rules for First Moments	152
7.5.2	Perfect Forecasting Rules for Second Moments	153
7.6	Dynamics Under Rational Expectations	156
7.7	Adaptive Learning With Heterogeneous Beliefs	161
7.7.1	The General Idea	161
7.7.2	The Case With Two Mediators	162
7.8	Mathematical Appendix	168
	References	171