

Index

- adaptive control, 63, 197
 additive separability, 10
 Ancot, J. P., 90, 92
 Anderson, P. A., 133, 136
 antithetic variates, 107
 Aoki, M., 14, 26, 197
 approximate priorities, 88–90
 Arrow, K. J., 77
 assignment problem, 4
 Aviel, M., 125
- Backus, D., 219, 221
 bargaining, 198, 209–16
 Barnett, S., 39
 Barro, R., 219, 222
 Bar-Shalom, Y., 197
 Basar, R. A., 170
 Baumol, W., 2, 37
 Beenstock, M., 129
 Begg, D. K. H., 119
 Bellman, R., 40, 80
 Bishop, R. L., 211
 Black, J., 28, 37
 Blanchard, O., 122, 129
 Boot, J. C. G., 36
 Brainard, W., 7, 69, 94
 Brandsma, A. S., 170, 187
 Brogan, W. L., 139
 Brown, B. W., 107, 140
 Buiter, W., 27, 120, 129, 142
- Calvo, G. A., 152
 Canzoneiri, M., 26, 170, 206, 207
 capital asset pricing model, 89
 certainty equivalence, 7, 50, 96, 99, 107
 first order, 66
 and non-linearities, 106–8
 cheating, and time inconsistency, 198–200, 220
 cheating solutions, 216–17
- Chow, G., 14, 17, 67, 130
 classical control methods, 2, 31–2
 closed-loop rule, 6, 58–60, 107
 Cobb, D., 121
 conjectural variations, 181–7
 consistent planning, 159–61
 controllability, 4, 21–8
 static controllability, 21–2
 dynamic controllability, 23–5, 34, 35
 stochastic controllability, 25, 36
 path controllability, 25–8, 34
 in rational expectations models, 117, 141–7
 Cooper, J. P., 109, 207
 cooperative solutions, 198
 Corden, M., 209
 Cournot games, 169, 173–5
 Craine, R., 70, 100
 credibility, 219
 Cross, J. G., 211
 Currie, D., 206
- descriptor forms, 121
 desired values, 40
 Dorf, R. C., 32
 Dow, C., 4
 Driffill, J., 139, 162, 219, 221
 Duncan, G. T., 95
 dynamic games, 4, 169–95
 dynamic inconsistency, *see* time inconsistency
 dynamic programming, 39–45
 under multiplicative uncertainty, 67–73
 solution for rational expectations models, 148–50
- Edgeworth, F. Y., 210
 Elgard, D. I., 39
 engineering control systems, 2
ex-ante, open-loop policy, 10

242 INDEX

- ex-ante* optimal decisions, 153
ex-post optimal decisions, 155
 exogenous variables, 7
 expected utility, 75, 89
- Fair, R., 130, 133, 136
 feedback, 1
 rule, 58–60, 110
 matrix, 41, 43
 optimal rule, 41–3
 revisions to, 55–6
 feedforward, 7, 62, 70
 final form, 19–20
 Fischer, S., 109, 142, 200
 Fisher, P., 133, 136, 137
 Foldes, L., 211
 Friedman, J. W., 170
 Friedman, M., 69, 141, 162
- game theory, 3
 Gauss–Newton algorithms, 113–14
 variable metric iterations, 113
 Gersovitz, M., 27
 Gill, P. E., 113
 Gordon, D., 219
 Gray, J. A., 170, 206
- Hall, S., 136
 Hamada, K., 170, 206
 Hamalainen, R. P., 200
 Hannan, E. J., 109
 Harsanyi, J. C., 210
 Harvey, A., 84
 Havenner, A., 100
 Ho, Y. C., 169
 Holbrook, R. S., 116
 Holly, S., 108, 109, 124, 129, 133, 136, 137,
 162, 187, 192, 219, 225
 Holtham, G., 209
 Howrey, E. P., 37
 Hughes Hallett, A. J., 27, 77, 90, 92, 94, 97,
 114, 133, 136, 137, 170, 187, 207, 208,
 209
- Isaacs, R., 169
- Johansen, L., 97, 206
- Kahn, C. M., 122
 Kalchbrenner, J. W., 84
 Kalman Filter, 9, 16, 82–6, 197
 Kalman, R., 14
 Keller, H. B., 138
 Kendrick, D., 67, 197
 Kreps, D., 219, 221
 Kromer, W., 27
 Kuhn, H. W., 169
 Kydland, N., 10, 152, 162
- Levine, P., 206, 225
 linear model, 12–13
 rational expectations, 117–47
 Lintner, J., 89
 Lipton, D., 136, 138
 Livesey, D., 32
 loss functions, *see* objective functions
 Lucas, R., 75, 119
 Luenberger, D. H., 121
- McCarthy, M. D., 107
 McFarlene, A. G. J., 32
 Machina, M. J., 77, 93, 95, 99
 Maciejowski, J. M., 32
 Macroeconomic models, 1
 Malinvaud, E., 97, 209
 Mariano, R. J., 107, 140
 Meade, J., 1, 32
 mean variance analysis, 62
 optimal decisions, 77–80
 Miller, M., 206
 Minford, P., 129, 133, 207
 minimum principle, 45–8
 modern control theory, 2
 Morgenstern, O., 169
 Mossim, J., 89
 multicollinearity, 109
 multivariate feedback control, 33–34
 multivariate risk premium, 96
 Mundell, R., 209
 Murray, W., 113
 Muth, J., 118, 128
- Nash, J. F., 213
 Nash solutions, 171–3
 feedback solution, 176–79
 Newberry, D., 65, 89
 Newton algorithm, 112
 damped, 113
 Newton-type descent direction, 113
 non-causal models, 148
 non-cooperative solution, 11
 non-cooperative dynamic games, 169–95
 non-linearity, 3
 non-linear optimal control, 105–16
 linear approximations, 105, 108–11
 linearisation in stacked form, 110–11
 non-linear programming, 111–15
 repeated linearisations, 115–16
 non-recursive methods, 150–2
 numerical solution of rational expectations
 models, 131–9
 Jacobian methods, 132–7
 Shooting methods, 138–9
 Nyquist criterion, 32

- objective functions, 3
 - quadratic, 40, 88
 - in dynamic games, 176
- Olsder, G. J., 170
- open-loop policy, 6
- open-loop rules, 58
- optimal policy revisions, 52–5, 165–7
- Ortega, J. M., 113
- Oudiz, G., 170, 186, 206

- Pagan, A., 21, 26, 121, 139
- Pandolfi, L., 121
- Pareto-optimal, 11, 198, 204–6
- Pareto-efficient, 203
- Peleg, B., 97
- penalty function approach, 151
 - for dynamic games, 194–5
- perfect cheating, 200
- perfect equilibrium, 171
- Persson, M., 142
- Phillips, A. R., 1
- Pierce, J. L., 170
- Pigou, A. C., 202
- Pindyck, R., 14, 45, 169, 170, 176
- Plasmans, J., 176
- pole assignment, 33, 36
- policy coordination, 202–9, 206–9
- Poole, W., 75
- Pratt, J. W., 77
- precommitment, 159–61, 219
- preference function respecification, 90–2
- Preston, A. J., 14, 16, 26, 121, 139
- Preston, R. S., 114
- Prescott, E., 10, 21, 152, 162
- principle of optimality, 4, 40–1
- punishment schemes, 218–19

- quadratic functions, *see* objective functions

- rank-one update, 90
- rational-expectations models, 2, 3, 117
 - general linear model, 120–1
 - analytic solutions, 121–7
 - stochastic properties, 127–8
 - final form, 123–4
 - penalty function solution, 124–6
 - multiperiod solution, 126–7
 - terminal conditions, 128–31
 - numerical solutions, 131–6
 - dynamic programming solution, 148–50
- rational observers, 192–5
- Rees, H. J. B., 27, 90, 94
- reneging, 11
- reputation, 12, 198, 202, 220
- reputational equilibria, 219–24
- Rheinboldt, W. C., 113
- ridge factors, 101

- risk, 3
 - non-diversifiable, 89–90
 - neutral, 92, 97
 - management, 99–101
 - function, 100
- risk aversion, 8, 75–82, 87–104
 - local relative, 88
- risk-sensitive policies, 61, 79–82, 97
- Robustness, 61
- Rosenbrock, I., 33, 121
- Rustem, B., 84, 90, 113, 170, 211

- Sachs, J., 170, 186, 206
- Sakuri, M., 170
- Salmon, M., 32, 107, 140, 206
- Sargent, T., 9, 117, 121, 129, 141, 144
- Selton, R., 169
- sequential open-loop optimisation, 48–9, 164–5
 - and closed loop policies, 163–7
- sequential updating, 6
- Sharpe, W. F., 89
- Shiller, R. J., 128, 131, 142
- shooting methods, 138–9
- Sieper, E., 21
- stabilisability, 34–7
- Stackelberg games, 169, 173, 174
 - feedback solutions, 179–80
 - full information, 189–92
 - and cheating, 198–200
- Starr, A. W.
- state space, 13–19
 - minimal realisations, 14
 - non-minimal realisations, 14–15
 - structural realisations, 16–17
- Stiglitz, J., 65, 89
- stochastic simulation, 107
- strategic interdependencies, 4, 11, 170
- Strotz, R. H., 156, 219
- sub-game perfect equilibrium, 171, 195
- superposition, 109
- sustainable cooperation, 215–16

- Taylor, J., 119, 130, 170, 206
- terminal conditions, 9, 128–31, 149
- Theil, I., 4, 19, 36, 130
- time inconsistency, 4, 10, 152–5, 198, 220
 - Stackelberg games and cheating, 200
- Tinbergen, J., 1, 4, 22, 142
- Tinsley, P., 84
- tracking gain, 41, 43
- tracking gain, 41, 43
- transfer functions, 31–2, 109
 - open loop, 32
 - closed loop, 32
- transversality conditions, *see* terminal conditions

244 INDEX

- Truxal, J. G., 32
Tucker, A. W., 169
Turnovsky, S., 34, 209
Tustin, A., 1
uncertainty, 3
 additive, 50, 64–5
 multiplicative, 3, 50, 65–7
utility functions, 3
 von Neumann–Morgenstern, 92–3, 95, 99
 exponential, 97–8
- Van der Ploeg, R., 97, 170, 211
variable metric algorithm, 90
Velupillai, K., 84, 211
Vines, D., 32
von Neumann, J., 169
- Wall, K., 14, 16, 121
Wahlmann, H. W., 27
Wallac, N., 9, 117, 141, 144
Wallis, K. F., 107, 140
Waud, . M., 94, 97
Westcott, J., 109
White noise, 109
Whittle, P., 77, 81, 97
Wilson, R., 219, 221
- Yaari, M. E., 97
Young, P., 32
- Zangwill, W. I., 126
Zarrop, M., 16, 63, 109, 113, 124, 162, 170,
 219
Zeuthen, F., 210