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Massaro, D.

**Publication date**  
2012

[Link to publication](#)

#### **Citation for published version (APA):**

Massaro, D. (2012). *Bounded rationality and heterogeneous expectations in macroeconomics*. [Thesis, fully internal, Universiteit van Amsterdam]. Thela Thesis.

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## *Bounded Rationality and Heterogeneous Expectations in Macroeconomics*

Domenico Massaro

This thesis studies the effect of individual bounded rationality on aggregate macroeconomic dynamics. Boundedly rational agents are specified as using simple heuristics in their decision making. An important aspect of the type of bounded rationality described in this thesis is that the population of agents is heterogeneous, that is, actors can choose from different rules to solve the same economic problem. The set of rules is disciplined by an evolutionary selection mechanism where the best performing rule, measured according to some fitness metric, attracts the higher number of agents. An important role in triggering switching between rules is played by the dynamic feedback between individual expectations of macroeconomic variables and their aggregate realizations. The macroeconomic models with heuristics switching developed in the thesis are used to evaluate standard policy advices and to explain aggregate time series data as well as experimental data on individual expectations and aggregate macro behavior.

**Domenico Massaro** (1983) holds a M.Sc. in Economics and Social Sciences from Bocconi University, Milan, Italy (2007). In September 2007 he joined CeNDEF at the University of Amsterdam as a PhD student. After submitting his thesis in September 2011 he continued working at CeNDEF as a post-doc researcher. His research interests include heterogeneous agents models, expectation formation and learning, bounded rationality, nonlinear dynamical systems, DSGE models and monetary policy.