You are kindly invited to attend a Joint Financial Research and Macroeconomics Seminar

by

Lars Peter Hansen (University of Chicago and winner Nobel Prize in Economic Sciences 2013)

on

Sets of Models and Prices of Uncertainty
(co-authored by Tom Sargent)

Abstract

A decision maker constructs a convex set of nonnegative martingales to use as likelihood ratios that represent parametric alternatives to a baseline model and also nonparametric models statistically close to both the baseline model and the parametric alternatives. Max-min expected utility over that set gives rise to equilibrium prices of model uncertainty expressed as worst-case distortions to drifts in a representative investor's baseline model. We offer quantitative illustrations for baseline models of consumption dynamics that display long-run risk. We describe a set of parametric alternatives that generates countercyclical prices of uncertainty.

The seminar will take place on Tuesday, February 9th from 16:30 until 18:00. The seminar will be held in the Auditorium of the National Bank of Belgium, entrance: rue Montagne aux Herbes potagères 61, Brussels.

Kind regards,
H. Dewachter (NBB-KU Leuven), H. Degryse (KU Leuven), M. Deloof (UA), L. Iania (UCL), K. Inghelbrecht (UGent), K. Oosterlinck (ULB), G. Hubner (ULg), F. Venmans (UMons), J.Y. Gnabo (UNamur), A. Claes (USaint-Louis) and K. Boudt (VUB)