

Preface

My purpose in presenting the exercises in this book is to provide a vehicle for the practice of rational expectations theory on problems of manageable dimensions. The exercises in *Advanced Macroeconomics - a primer* involve variations and extensions of the analyses contained in the text. By working these exercises, the reader will, I hope, acquire the ability to put the theory to work in a variety of new situations. I have tried to make the answers set forth in this book relatively self-contained and have therefore tolerated a certain amount of repetition. No doubt, some might find the book hard going in places. My advice is not to simply 'read' the book but to keep a pen and paper at one's side and carefully work through the equations.

My main emphasis in this manual is restricted to explaining how the rational expectation of variables determined in complex models is to be found, and how those models are accordingly to be solved. The method of solution set out in the manual namely, the '*Basic method*', '*Muth method*', '*Difference equation method*', '*Sargent forward operator technique*', '*Lucas method*', and *McCallum's MSV Criterion*' will suffice for all linear rational expectation models in general applications. Clearly the method of solution is a matter purely of convenience. I have discussed six, all of which have been used extensively according to the problem and tastes of the researcher. All have their advantages and disadvantages and are worth the reader's while to understand and appreciate.

I have had much help in writing this manual. Among those I have to acknowledge for their considerable help are David Meenagh, Laurian Lungu, Ruthira Naraidoo, Bruce Webb, Vidya Mahambare, and finally Francesco Perugini who took it upon himself to read the whole manuscript. To all of these, many thanks—and apologies if not every suggestion was followed up. I alone am responsible for what remains.

Last, but not least, I must acknowledge my intellectual debt to Professor Patrick Minford. Much of the material for this book is derived from his work. In many ways, this book is a result of my effort to understand just a very small part of what he has written.

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