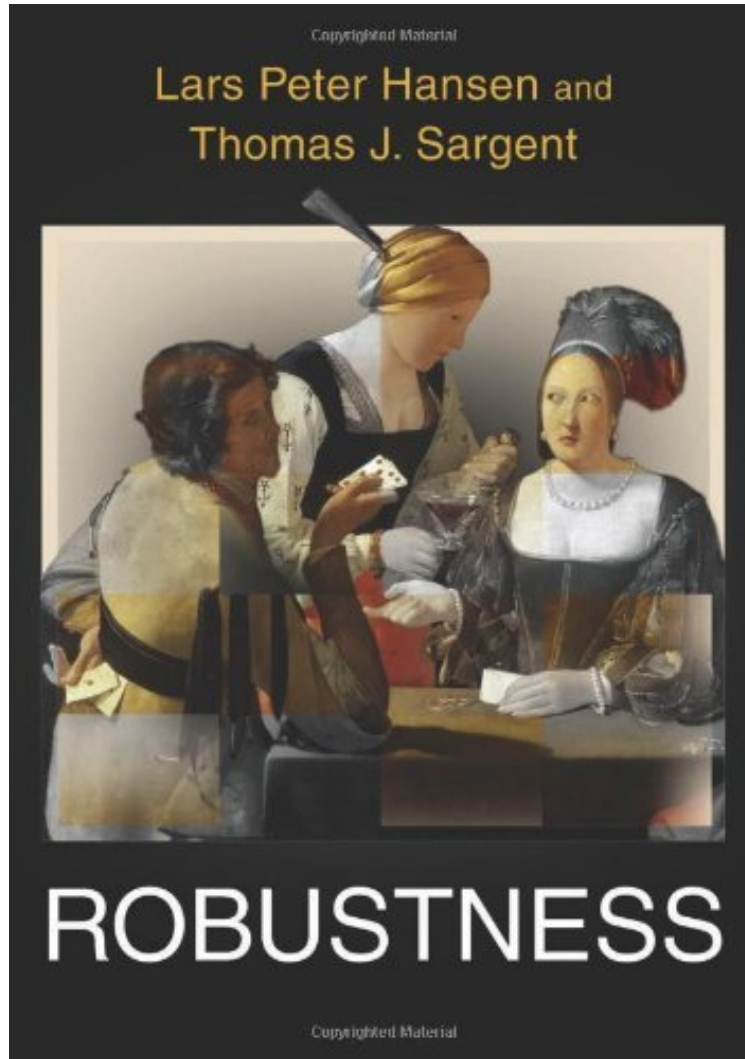


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Robustness

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The standard theory of decision making under uncertainty advises the decision maker to form a statistical model linking outcomes to decisions and then to choose the optimal distribution of outcomes. This assumes that the decision maker trusts the model completely. But what should a decision maker do if the model cannot be trusted? Lars Hansen and Thomas Sargent, two leading macroeconomists, push the field forward as they set about answering this question. They adapt robust control techniques and apply them to economics. By using this theory to let decision makers

acknowledge misspecification in economic modeling, the authors develop applications to a variety of problems in dynamic macroeconomics. Technical, rigorous, and self-contained, this book will be useful for macroeconomists who seek to improve the robustness of decision-making processes.

Lars Peter Hansen, Co-Winner of the 2013 Nobel Prize in Economics "The book is self-contained and rigorous and may be interesting not only for macroeconomists who seek to improve the robustness of decision making process but also for control engineers interested in different applications of their professional abilities."--A. Swierniak, Zentralblatt MATH
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About the Author
Lars Peter Hansen is the Homer J. Livingston Distinguished Service Professor in the Department of Economics at the University of Chicago. Thomas J. Sargent is professor of economics at New York University and senior fellow at the Hoover Institution. He is the author of "The Conquest of American Inflation" and the coauthor of "The Big Problem of Small Change" (both Princeton).