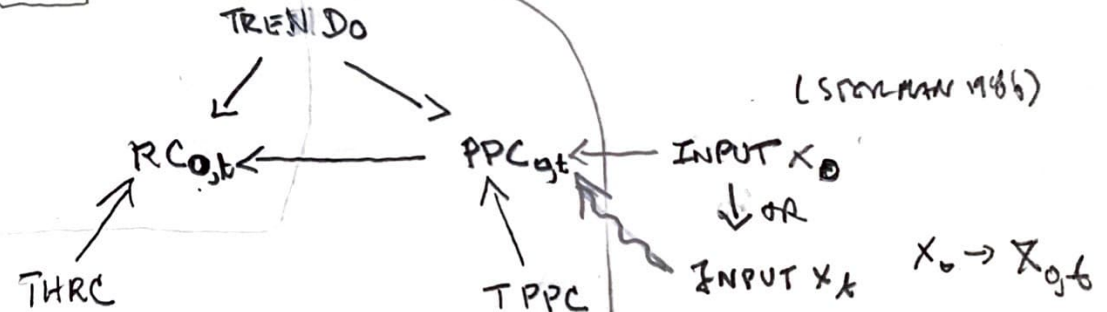
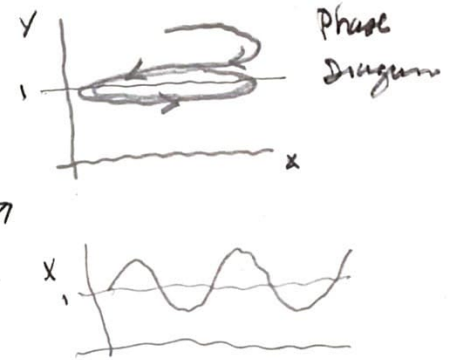
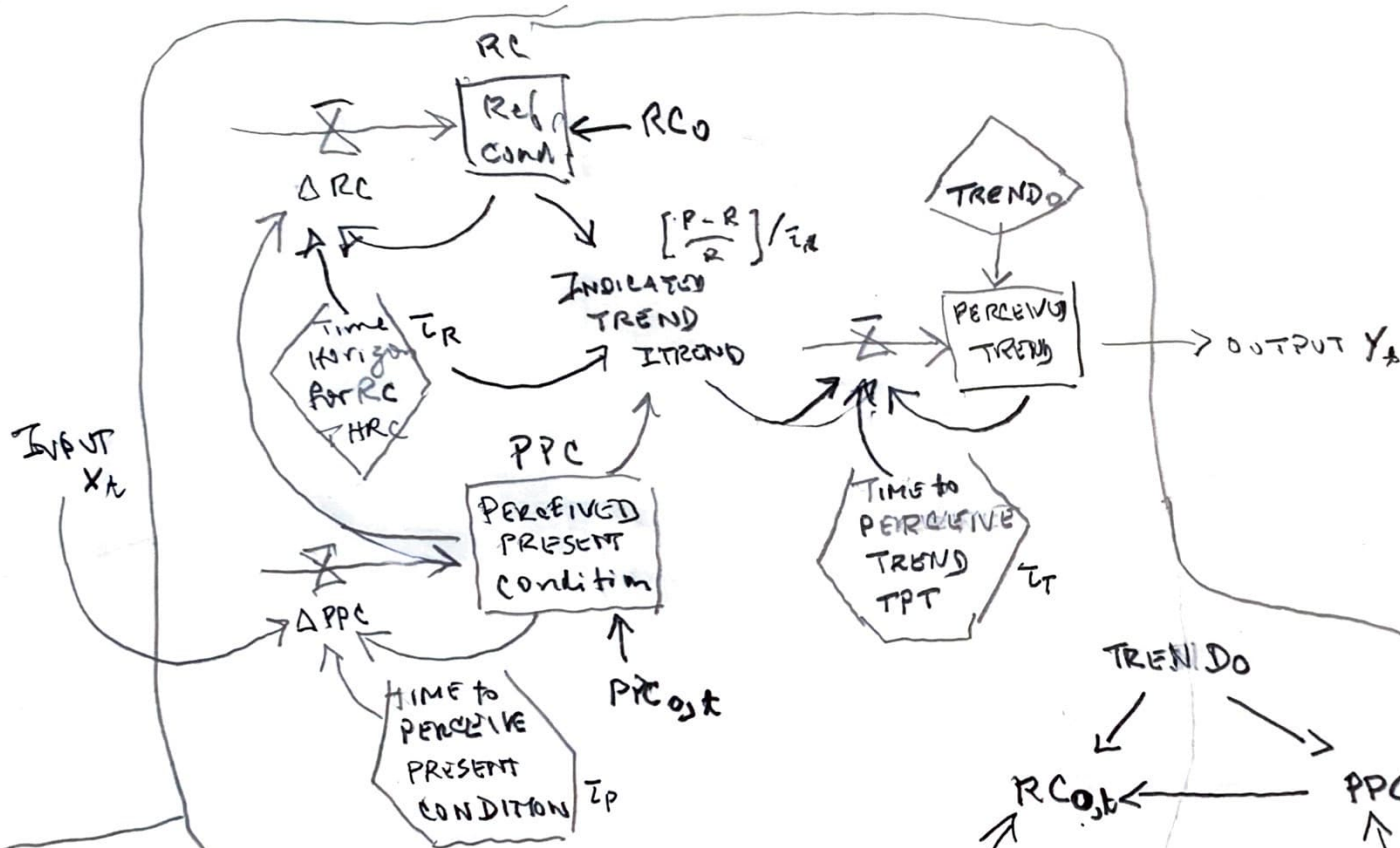


# Behavioristic Expectations Formation



$$\frac{dR}{dt} = [P - R] / \bar{z}_R, \quad R_0 = P_0 / (1 + \bar{z}_R T_0)$$

$$\frac{dP}{dt} = [X - P] / \bar{z}_P, \quad P_0 = X_0 / (1 + \bar{z}_P T_0)$$

$$\frac{dT}{dt} = \left[ \frac{(P - R)}{R \bar{z}_R} - \frac{1}{T} \right] / \bar{z}_T, \quad T_0 = 1$$

Bayesian WHAT IF?

- dynamically change  $\bar{z}$ 's? (cf. Agile Manifesto also "brace large" approach)
- dynamically change  $T_0$  to  $T_{0,t}$

$$\left[ -1 \left[ 1 - \frac{1}{R \bar{z}_R} \right] - T \right] \frac{P - R}{R \bar{z}_R} = - \left( \frac{P}{R} + 1 \right) / \bar{z}_R \Rightarrow \left[ 1 + T - \frac{P}{R \bar{z}_R} \right] \rightarrow \text{limits to trend growth}$$

$$-1 \left[ 1 - \frac{1}{R \bar{z}_R} + T \right]$$

(SROGAMAN 1986)

Dynamic updating of forecast