

Challenge >

Volume 22, 1980 - Issue 6

16 Views | 9 CrossRef citations to date | 0 Altmetric

Articles

The Significance of Rational Expectations Theory

Bennett T. McCallum

Pages 37-43 | Published online: 08 Oct 2015

🗨️ Cite this article <https://doi.org/10.1080/05775132.1980.11470578>

Sample our
Economics, Finance,
Business & Industry Journals

>> [Sign in here](#) to start your access to the latest two volumes for 14 days

🗨️ Citations

📊 Metrics

📄 Reprints & Permissions

Read this article

🔗 Share

We Care About Your Privacy

We and our 870 partners store and access personal data, like browsing data or unique identifiers, on your device. Selecting "I Accept" enables tracking technologies to support the purposes shown under "we and our partners process data to provide," whereas selecting "Reject All" or withdrawing your consent will disable them. If trackers are disabled, some content and ads you see may not be as relevant to you. You can resurface this menu to change your choices or withdraw consent at any time by clicking the ["privacy preferences"] link on the bottom of the webpage [or the floating icon on the bottom-left of the webpage, if applicable]. Your choices will have effect within our Website. For more details, refer to our Privacy Policy. [Here](#)

We and our partners process data to provide:

I Accept

Reject All

Show Purpose



BENNETT T. McCALLUM

The Significance of Rational Expectations Theory

An accurate understanding of how expectations are formed leads to the conclusion that short-run macroeconomic stabilization policies are untenable.

Ever since the “Keynesian Revolution” in the 1930s and 1940s, it has been widely agreed that a major responsibility of any national government is to utilize monetary and fiscal policy actively in an effort “to promote maximum employment, production, and purchasing power,” as stated in the U.S. Employment Act of 1946. Most economists, in other words, have accepted what Franco Modigliani terms “the fundamental message of [Keynes’] *General Theory*: that a private enterprise economy using an intangible money *needs* to be stabilized, *can* be stabilized, and therefore *should* be stabilized by appropriate monetary and fiscal policies.”

There have been recent developments in macroeconomic theory, however, that suggest that the

ians will be unsuccessful—not because of inept behavior on the part of policy-makers, but for more fundamental reasons.

These developments have resulted from a revised conception of the way in which individual economic agents—consumers, workers, and firms—form their expectations about future values of economic variables relevant for current behavior. The revised conception, usually referred to as the hypothesis of rational expectations, was formally proposed by John F. Muth in 1961. It was adopted by analysts of financial markets during the 1960s but had little impact on general economic thinking until the present decade. The principal contributions in macroeconomics were made by Robert E. Lucas, Jr. be-



Log i



Log i

> Log

Resto

> Res


Purchase options *

Save for later

PDF download + Online access

- 48 hours access to article PDF & online version
- Article PDF can be downloaded
- Article PDF can be printed


USD 53.00

 Add to cart

Issue Purchase

- 30 days online access to complete issue
- Article PDFs can be downloaded
- Article PDFs can be printed

USD 183.00

 Add to cart

* Local tax will be added as applicable

Related Research



Information for

- Authors
- R&D professionals
- Editors
- Librarians
- Societies

Opportunities

- Reprints and e-prints
- Advertising solutions
- Accelerated publication
- Corporate access solutions

Keep up to date

Register to receive personalised research and resources by email

 Sign me up

- 
- 
- 
- 
- 

Open access

- Overview
- Open journals
- Open Select
- Dove Medical Press
- F1000Research

Help and information

- Help and contact
- Newsroom
- All journals
- Books

Copyright

Accessib

Registered
5 Howick Pl

or & Francis Group
orma business

