

Abstract
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This project proposes to study the role of expectations in explaining the correlation between money growth rate and inflation. Low inflation countries are characterized by the low correlation between money growth rate and inflation, whereas high correlation is observed in high inflation countries. The hypothesis is that economic agents revise inflation expectation at a higher rate in high inflation countries than in low inflation countries. It is proposed to use adaptive step-size mechanism that allows for variable speed of expectations adjustment, estimate the model using data for low and high inflation economies and compare the estimates of the speed of expectation revision.