

# MULTIPLE-BELIEF RATIONAL-EXPECTATIONS EQUILIBRIA IN OLG MODELS WITH AMBIGUITY\*

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## Abstract

In this paper, we extend the concept of rational-expectations equilibrium, from a traditional single-belief framework to a multiple-belief one. In traditional framework of single belief, agents are supposed to know the equilibrium price “correctly.” We relax this requirement in the framework of multiple beliefs. While agents do not have to know the equilibrium exactly, they must be correct in that the equilibrium price must be always contained in the support of each probability distribution they think possible. We call this equilibrium concept a multiple-belief rational-expectations equilibrium. We then show that the indeterminacy and complexity could arise even when the degree of risk aversion is moderate.

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