

Abstract.

I study dynamic economic models where agents are uncertain not only about some relevant parameters of the economy (the "fundamentals"), but where agents are also uncertain about the actions that will be chosen by other agents in the economy. Agents will be assumed to obey the axioms of choice of Savage (1954) and so choose actions to maximize their subjective expected utility given their beliefs. I do not suppose that agents are in a Nash or Bayesian-Nash equilibrium and I do not impose any variant of the Common Prior assumption. When agents are learning or updating their beliefs I suppose that they use Bayes' Rule or the laws of probability given their initial beliefs and their observations.

In the context of a model of a large number of quantity-setting firms facing unknown stochastic demand curves the following results are obtained: Convergence to the Nash equilibrium occurs if some key parameters are less than unity and agents have well-specified beliefs which have the "truth" in its support. Without the assumption that agents' models are correctly-specified I show that one may obtain optimal actions exhibiting cyclical behavior on every sample path. Without the bound on the key parameters I obtain an "anything is possible" result which says that any feasible stochastic process of actions may be the optimal action process under some beliefs.