# Model Evolution of Heterogeneous Beliefs in a Network Economy

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## Abstract

We model a simple communication network model for the evolution of heterogeneous beliefs in an overlapping generation economy. Each agent gathers information from his contacts and forms an inflation forecast based on this information, using the belief generating procedures. When the actual inflation is realised, an agent is in a position to learn *i.e.* adjust his own network strategy and belief. The learning is modelled as an evolving network process i.e. a local network of agents, with non-zero costs of communication. The network economy as a whole acts efficiently in achieving convergence to the Pareto superior equilibrium, in which agent's perception of information is local and is subject to available resource. It seems to suggest that local interaction through contacts has the same efficiency as global interaction in the GA.