**Legacies of Rational Expectations, Lucas’s Contributions,**

**and Philosophy of Time and Existence**

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**Abstract**

This paper exploresthe close affinitybetween the theory of rational expectations that revolutionized economics in the 1960s and 1970s and the phenomenology of consciousness and human existence in philosophy that preceded it. In so doing, we trace the evolution of the views in economics on the decision making modes and the role of the market system, from Keynes, to Friedman, to Muth, and then to Lucas, and place the theory of rational expectations in perspective in relation to the phenomenology of the inner time consciousness *a la* Husserl and of human existence *a la* Heidegger as well as to Aristotle's ethics of human life as a life of actions. It is argued that the theory of rational expectations, along with its insight and implications, has brought economics to its home ground, that is, the ethical nature of human existence.

**Keywords**: Rational expectations, Intertemporal Optimization, Phenomenology, Internal time consciousness, Human existence, Anticipation, Environment, Neutrality of money, Econometric policy evaluation, Ethical nature

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