

Abstract

In this paper we derive the closed loop form of the *Expected Optimal Feedback* rule, sometimes called passive learning stochastic control, with time varying parameters. As such this paper extends the work of Kendrick (1981,2002, Chapter 6) where parameters are assumed to vary randomly around a known constant mean. Furthermore, we show that the cautionary myopic rule in Beck and Wieland (2002) model, a test bed for comparing various stochastic optimizations approaches, can be cast into this framework and can be treated as a special case of this solution.