

FAU – School of Business, Economics and Society
Chair of Statistics and Econometrics
Macroeconomic Expectations (Seminar)
Winter term 2019/20 – Syllabus

Seminar meetings: Weekly, Tuesdays 16:45h – 18:15h, room tba

Main Instructor:

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Office hours: By appointment

Overview: Expectations are at the heart of modern macroeconomic theories. The commonly made assumption of full information rational expectations, which has dominated the profession for a long time, is very simplistic and has lately been criticized more and more. In particular, this model does not allow for heterogeneity of macroeconomic expectations.

Over the recent years, researchers, central banks, and other institutions have collected more and more survey data on macroeconomic expectations that allow analyzing the nature of those expectations. How large is the observed heterogeneity? Which factors can explain differences in, for instance, inflation or growth forecasts? Do agents with different expectations behave differently?

In this seminar, students will discuss different empirical papers that analyze various aspects which are relevant in the context of macroeconomic expectations. Students will be able to explain different models of expectation formation in macroeconomics. They will get to know different surveys of macroeconomic expectations and be able to discuss the advantages and disadvantages of different survey designs. They will discuss how one can use such survey data to test models of expectation formation. In addition, students will enhance their presentation skills and practice how to write an academic text.

Registration: Please send an e-mail to wiso-oekonometrie@fau.de if you want to register for this seminar.

- Please state clearly i) your name and surname, ii) your student ID, and iii) your first, second, and third choice for a topic that you want to work on in the seminar (see list of topics below).
- **Please register as early as possible – we distribute topics according to a first come-first served principle and the number of students is restricted to a maximum of 25. The ultimate deadline for registrations is October 14, 2019.**

Grading: Your grade for the module depends on the seminar paper (70 %), the presentation (roughly 45 minutes) of the paper in the seminar (20 %), and your participation in the discussions after the seminar presentations (10 %). Information

about the formal requirements regarding length and layout of the seminar papers will be distributed during the first seminar meeting.

Deadline for seminar papers: Your seminar paper is due on February 28, 2020 at 12:00h. I highly encourage earlier submissions.

List of topics:

1. Abel, J., Rich, R., Song, J. and J. Tracy (2016). The Measurement and Behavior of Uncertainty: Evidence from the ECB Survey of Professional Forecasters, *Journal of Applied Econometrics*, 31, 533-550.
2. Andrade, P. and H. Le Bihan (2013). Inattentive Professional Forecasters, *Journal of Monetary Economics*, 60(8), 967-982.
3. Andre, P., C. Pizzinelli, C. Roth, and J. Wohlfart (2019). Subjective Models of the Macroeconomy: Evidence from Experts and a Representative Sample, Working Paper, briq Institute, April 2019.
4. Armantier, O., W. Bruine de Bruin, G. Topa, W. van der Klaauw, and B. Zafar (2015). Inflation Expectations and Behavior: Do Survey Respondents Act on Their Beliefs?, *International Economic Review*, 56, 505-536.
5. Bachmann, R., T. O. Berg, and E. R. Sims (2015). Inflation Expectations and Readiness to Spend: Cross-Sectional Evidence, *American Economic Journal: Economic Policy*, 7(1), 1-35.
6. Berger, H., M. Ehrmann, and M. Fratzscher (2009). Forecasting ECB Monetary Policy: Accuracy Is a Matter of Geography, *European Economic Review*, 53, 1028-1041.
7. Binder, C. (2017). Fed Speak on Main Street: Central Bank Communication and Household Expectations, *Journal of Macroeconomics*, 52, 238-251.
8. Boero, G., J. Smith, and K. F. Wallis (2015). The Measurement and Characteristics of Professional Forecasters' Uncertainty, *Journal of Applied Econometrics*, 30, 1029-1046.
9. Bruine de Bruin, W., C. F. Manski, G. Topa, and W. van der Klaauw (2011). Measuring Consumer Uncertainty about Future Inflation, *Journal of Applied Econometrics*, 26, 454-478.
10. Cavallo, A., G. Cruces, and R. Perez-Truglia (2017). Inflation Expectations, Learning, and Supermarket Prices: Evidence from Survey Experiments, *American Economic Journal: Macroeconomics*, 9(3), 1-35.
11. Clements, M. P. (2014). Forecast Uncertainty – Ex Ante and Ex Post: U.S. Inflation and Output Growth, *Journal of Business & Economic Statistics*, 21, 206-216.
12. Coibion, O. and Gorodnichenko, Y. (2015). Information Rigidity and the Expectations Formation Process: A Simple Framework and New Facts, *American Economic Review*, 105(8), 2644-78.
13. Coibion, O., Y. Gorodnichenko, and R. Kamdar (2018). The Formation of Expectations, Inflation and the Phillips Curve, *Journal of Economic Literature*, 56(4), 1447-1491.
14. Coibion, O., Y. Gorodnichenko, and S. Kumar (2018). How Do Firms Form Their Expectations? New Survey Evidence, *American Economic Review*, 108(9), 2671-2713.

15. Das, S., C. M. Kuhnen, and S. Nagel, (2017). Socioeconomic Status and Macroeconomic Expectations, NBER Working Paper, No. 24045, November 2017.
16. Dovern, J., U. Fritsche, and J. Slacalek (2012). Disagreement among Forecasters in G7 Countries, *Review of Economics and Statistics*, 94(4), 1081-1096.
17. Dräger, L., M. J. Lamla, and D. Pfajfar (2016). Are Survey Expectations Theory-consistent? The Role of Central Bank Communication and News, *European Economic Review*, 85, 84-111.
18. Engelberg, J., C. F. Manski, and J. Williams (2009). Comparing the Point Predictions and Subjective Probability Distributions of Professional Forecasters, *Journal of Business & Economic Statistics*, 27(1), 30-41.
19. Hurd, M., van Rooij, M., and J. Winter (2011). Stock Market Expectations of Dutch Households, *Journal of Applied Econometrics*, 26, 416-436.
20. Koga, M. and H. Kato (2017). Behavioral Biases in Firms' Growth Expectations, Bank of Japan Working Paper Series, No. 17-E-9, July 2017.
21. Kuchler, T. and B. Zafar (2019). Personal Experiences and Expectations about Aggregate Outcomes, *The Journal of Finance*, forthcoming.
22. Kumar, S., H. Afrouzi, O. Coibion, and Y. Gorodnichenko (2015). Inflation Targeting Does Not Anchor Inflation Expectations: Evidence from Firms in New Zealand, NBER Working Paper, No. 21814, December 2015.
23. Leduc, S. and K. Sill (2010). Expectations and Economic Fluctuations: An Analysis Using Survey Data, *The Review of Economics and Statistics*, 95, 1352-67.
24. Malmendier, U. and S. Nagel (2011). Depression Babies: Do Macroeconomic Experiences Affect Risk Taking? *The Quarterly Journal of Economics*, 126, 373-416.
25. Malmendier, U. and S. Nagel (2016). Learning from Inflation Experiences, *The Quarterly Journal of Economics*, 131, 53-87.
26. Mankiw, N. G., R. Reis, and J. Wolfers (2003). Disagreement about Inflation Expectations, *NBER Macroeconomics Annual*, 18, 209-248.
27. Roth, C. and J. Wohlfart (2019). How Do Expectations about the Macroeconomy Affect Personal Expectations and Behavior?, *Review of Economics and Statistics*, forthcoming.
28. Tanaka, M., N. Bloom, J. M. David, M. Koga (2019). Firm Performance and Macro Forecast Accuracy, NBER Working Paper, No. 24776, June 2018.

Course requirements: Course participants are required to ...

- **Attend.** Students can only pass the course if they regularly attend the seminar because the discussions of the presented papers are an essential part of the seminar.
- **Be interested in empirical research.** The topics deals with empirical analyses of macroeconomic expectations. Ideally, students will make themselves familiar with the data that the discussed papers use if data sets are available.
- **Prepare.** All students are required to read at least the abstract and the introduction of the presented papers before each seminar session.
- **Register on StudOn.** I will make course material available through the course website on StudOn. I will also make announcements using this platform.