Doctoral course in Economics

2021 - 2022

Semester 1 : ◯ September ◯ October ◯ November ◯ December

Semester 2 : ◯ January ◯ February ◯ March ◯ April ⬤ **May** ⬤ **June**

Title	Macroeconomics expectations: theory and evidence
Code course	LECON2705
Professor	Francesca Monti
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Agenda	3h on Wednesday morning from mid-May to mid-June
Abstract	Given the intertemporal nature of most economic decisions, the role of expectations is central to macroeconomics. Until recently modern macroeconomic analysis typically relied heavily upon the full-information rational expectations paradigm, which assumes that economic agents are fully informed about their environment, and that they act on expectations that are rational given the available information. With the increased availability of well-designed survey data, a growing body of empirical work has questioned both these hypotheses, and a number of alternative models for expectations formation and equilibrium have been put forward. The aim of this course is to discuss with the students some of the recent evidence on deviations from the full expectations rational expectations hypothesis, including : • Coibion, O. and Y. Gorodnichenko, « Information Rigidity and the Expectations Formation Process: A Simple Framework and New Facts » 2015. American Economic Review 105(8), 2644-2678. • Bordalo, P., N. Gennaioli, Y, Ma and A. Shleifer,« Overreaction in Macroeconomic Expectations », AMERICAN ECONOMIC REVIEW, VOL. 110, NO. 9, SEPTEMBER 2020 We will then talk about some of the recently proposed alternative models for expectations formation and equilibrium, focusing on work that relaxes rational expectations (rather than relaxing full information). For example, we will look at : • Models that introduce cognitive discounting of the future (e.g. McKay, Nakamura and Steinsson, 2017 and Gabaix, 2019).

	• Diagnostic expectations, which overweigh more "representative" information (Bordalo, Gennaioli, and Shleifer, 2017, Bianchi, Ilut and Saijo, 2021). • Models in which economic agents maintain as possible many models, but are unable to assign exact probabilities to any of these models (e.g. Ilut and Schneider, 2014). • Models that relax the idea of common knowledge, introducing k-level thinking, (Garcıa-Schmidt and Woodford, 2019; Farhi and Werning, 2019)

NOTE : if you plan to follow this course, please follow the next steps :

1. Ask the authorization of your thesis director to add this course in your doctoral program
2. Send an e-mail to solange.dujardin@uclouvain.be and geraldine.carette@uclouvain.be to confirm your registration with your Name, the Code of your Program (ECGE3FD or other) and the Code of the Course
3. Put your thesis director and the professor in CC of this e-mail
4. Specify also if you plan to pass the exam or not