Im Rahmen der öffentlichen Vortragsreihe

Economic Theory and Policy

der Forschungsgruppe Ökonomie
am Institut für Stochastik und Wirtschaftsmathematik der TU Wien

hält

Prof. Emanuel Gasteiger

(School of Business and Economics at Freie Universität Berlin)

einen Vortrag

mit dem Titel

Endogenously (Non-)Ricardian Beliefs

Abstract:

This paper develops a theory of endogenously (non-)Ricardian beliefs. That is, whether Ricardian Equivalence holds in an equilibrium depends on endogenous private sector beliefs about whether the sequence of real primary surpluses suffices to satisfy the government's intertemporal budget constraint. The novelty here is a restricted perceptions viewpoint: agents, when facing a complex forecasting problem, forecast aggregate state variables with (potentially) misspecified models that are optimal within the restricted class, i.e., a restricted perceptions equilibrium (RPE). A misspecification equilibrium is a refinement of an RPE where the choice of restricted model is endogenous. Two natural forecasting rules arise in which for one rule Ricardian beliefs emerge as a self-confirming equilibrium, while the other features an equilibrium with non-Ricardian beliefs. We show that (1.) there can exist misspecification equilibria where beliefs are endogenously (non-)Ricardian, (2.) multiple equilibria exist where the economy can coordinate on either a Ricardian or non-Ricardian equilibrium. The theory suggests a novel interpretation of post-war U.S. inflation data as being generated by endogenous belief-driven regime change. We explore this possibility quantitatively and estimate the latent states in order to provide evidence of time-varying (non-)Ricardian beliefs. Several counterfactual exercises illustrate a novel and nuanced trade-off in designing monetary policy rules.

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