



Upcoming Seminars

Monday, 16.5.2022

Departmental Seminar

13.30-14.30
AWI room 00.010

Michael Bauer, Hamburg University
"Perceptions about Monetary Policy"
(host: Dietmar Fehr)

Wednesday, 18.5.2022

Internal Seminar

12.15-13.15
AWI room 00.010

Nino Buliskeria
"Uncertain Trends in Economic Policy Uncertainty"

Wednesday, 18.5.2022

Macro and Econometrics Seminar

13.30-14.30
AWI room 01.030

Christian Conrad
"Forward-looking monetary policy: Some limitations and suggestions " *this talk will be in German*

Friday, 20.5.2022

HKMetrics-Workshop

University of Mannheim,
Schloss, 1rst floor,
Lecture Hall SN 163
10.00-17.50 h

Local Organizer: Carsten Trenkler, Mannheim University
(the workshop program was sent to the faculty via e-mail)

Departmental Seminar

Michael Bauer

"Perceptions about Monetary Policy"*

We estimate time-varying perceptions about the Fed's monetary policy rule from cross-sectional survey data and document systematic shifts in the perceived rule that are relevant for both monetary policy and asset pricing. First, the perceived reaction coefficient to the output gap varies over the business cycle, consistent with a cycle of quick rate cuts but gradual tightenings. Second, this variation in the perceived rule explains changes in the sensitivity of interest rates to macroeconomic announcements. Third, high-frequency monetary policy surprises lead to updates in beliefs about the policy rule that depend on the state of the business cycle and are consistent with the predictions of rational learning. Fourth, when monetary policy is perceived to be more responsive to real activity, risk premia on long-term Treasury bonds are low, consistent with standard asset pricing logic. Our findings can explain several empirical puzzles, such as systematic forecast errors about short-term interest rates and the decoupling of long-term rates during tightening cycles.

*with Carolin Pflueger and Adi Sunderam)

Internal Seminar

Nino Buliskeria

"Uncertain Trends in Economic Policy Uncertainty"

The news-based Economic Policy Uncertainty indices (EPU) of Germany, France and the United Kingdom have discernible trends that cannot be found in other uncertainty indicators. We replicate the EPU index of European countries, and we show that the long-run dynamics of EPU do not necessarily mirror the dynamics of uncertainty-related articles, which makes the trends in EPU questionable. We propose an alternative construction of the EPU index that controls for the long-run trends in newspapers' article composition unrelated to uncertainty. The alternative EPU implies that the uncertainty associated with the Brexit referendum and COVID-19 pandemic was about half of what the original EPU index suggests. Consequently, our results suggest that the effects of the uncertainty related to these events on economic activity were overestimated.

Macro and Econometrics Seminar

Christian Conrad

"Forward-looking monetary policy: Some limitations and suggestions"*

Modern central banks set their instruments with a view toward keeping future inflation in check. The ECB is an extreme case. Since 2021 it pursues what it refers to as "new forward guidance": It compiles inflation projections and takes action only to the extent that the medium-term projection (12 to 18 months) deviates from its 2-percent target. By providing evidence that the ECB's inflation projections become uninformative for forecast horizons beyond one year, this paper argues that the

reliance on medium-term predictions is highly problematic. We also show that the effects of monetary policy on inflation start to materialize already within one year. In combination, these results suggest that it would be wise for monetary policy to be less forward-looking.

* with Zeno Enders and Gernot Müller

Talks and Research visits

Christoph Vanberg gave a talk on "Effects of Decision Rules in an Unstructured Legislative Bargaining Experiment" at the *Jahrestagung des Sozialwissenschaftlichen Ausschusses des Vereins für Socialpolitik*, Frankfurt, May 5.-7.

New Publications

Stefan Klöner and Christian Oldiges, 2022. The welfare effects of India's rural employment guarantee. *Journal of Development Economics*, 157, 102848.

New Working Papers

Please note Joep Lustenhouwer's New Working Papers at No 714 and No 715 of the *AWI Discussion Paper Series*, April 2022. ([here](#)).

Miscellaneous

Fabian Pohl's wife Katharina gave birth to a baby-girl named Mira, on May 2. Congrats!

Editorial deadline for issue 9/2022 of the newsletter:
Wednesday, May 18, 2022, 12 p.m.
newsletter@awi.uni-heidelberg.de