Info session

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Subjective Expectations: Belief Elicitation, Evaluation, and Modelling

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PhD Seminar, 2023

Roadmap today

- ▶ Concept of the seminar

- ▶ Summary of teaching

- ▶ Summary of research avenues

- ▶ Discussion: What is interesting to you?

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- Brownbag lunch?

Teaching

1. Decision theory
2. measurement
3. evaluation
4. modeling

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  ► Main theorem: If preferences over acts follow certain axioms,
    the preference relation can be represented by SEU with some
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▶ ⇒ If we measure utility and subjective probability, we can
  understand (rational) choices!

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▶ Many generalizations of SEU

Teaching: Decision-theory

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▶ For you: Experiments that show deviation from SEU? Or take models from literature and apply them to your field of interest.

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Teaching: Measurement

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- ▶ Main trade-off: Informative questions vs simple questions?

Teaching: Measurement

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- ▶ Distributions: With visual help (online tool or tokens)

Teaching: Measurement

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- ▶ Use binarized version to make robust to utility function.

- ▶ Comparison of subjective expectations to reality

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  - ► Updating: Overreaction/underreaction

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  - ▶ How are deviations from reality correlated with covariates?

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  ▶ How are deviations from reality correlated with covariates?

▶ True probabilities commonly unknown such that evaluation is an econometric exercise.

Modeling

Two directions:

- ▶ 1. Modeling of subjective expectations

- ▶ 2. Economic models enriched with subjective expectations (facilitates identification, e.g. asset market participation lagging because of pessimistic expectations or attitudes, e.g. risk aversion?)

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- ▶ Economic modeling: Use subjective expectations to...
  - ▶ ...extend existing models
  - ▶ ...identify/estimate previously unfeasible models

Research

- A wide range of topics are in the reference list on QIS-LSF
  - macro (inflation, overreaction in beliefs, information rigidities, firm expectations, household consumption)
  - micro (ambiguity, experimental studies, trust)
  - finance (volatility, risk measures)
  - econometrics (machine learning, professional forecasters)
  - applied economics (health, job search, housing, labor market, education, development)

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- Good starting point: Handbook of Economic Expectations (2023).

Research: Data sources

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▶ Existing data sources:
  ▶ Survey of Professional Forecasters (Fed, ECB, etc.)
  ▶ Survey of Consumer Expectations (SCE)
  ▶ IFO business survey (need to go to Munich)
  ▶ Existing papers with replication material

- ▶ What are my research interests broadly?

Discussion

▶ What are my research interests broadly?

▶ What am I currently most interested in specifically?

▶ Where could I see subjective expectations to be useful?

▶ Which part of the teaching would be most useful to me?
(theory, lab experiments, measurement, evaluation, modeling)

Plan

- ▶ Fill in this sheet of paper: Name, email, fields, projects in mind (Don't worry, if there is nothing substantial yet.)

- ▶ If you have not been here today, write me a mail.

- ▶ Listen to my presentations and think about research ideas (October 25/November 1)

- ▶ Prepare presentation (No meeting November 8)

- ▶ Present a paper and/or first research ideas (November 15/22/29)

- ▶ Write a short research proposal (5 pages)