

# Alexander M. Dietrich

## Personal Info

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University of Tübingen  
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## Education

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University of Tübingen, Ph.D. in Economics	2018-
University of Tübingen, M.Sc. in International Economics	2016-2018
University of Munich (LMU), B.Sc. in Economics	2013-2016

## Academic Positions

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Visiting Researcher, Federal Reserve Bank of Cleveland	2022
Visiting Researcher, Prof. Raphael Schoenle, Brandeis University	2021
Research Assistant, Prof. Gernot Müller, University of Tübingen	2018-
Student Research Assistant, Prof. Wilhelm Kohler, University of Tübingen	2017-2018
Student Research Assistant, Institute for Applied Economic Research	2016-2017

## Job Market Paper

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CONSUMPTION CATEGORIES, HOUSEHOLD ATTENTION, AND INFLATION EXPECTATIONS: IMPLICATIONS FOR OPTIMAL MONETARY POLICY [Latest version]

What inflation measure should central banks target? This paper shows optimal monetary policy targets headline inflation if households pay limited attention to different consumption categories when forming inflation expectations. This result stands in contrast to standard rational expectations models, where optimal policy targets core inflation. The core inflation rate excludes volatile energy and food prices (non-core) from headline inflation. Using novel survey data on inflation expectations for disaggregated consumption categories, I find household expectations are disproportionately driven by beliefs about future non-core prices. I develop a sparsity-based rational inattention model to account for the empirical evidence. While forming inflation expectations, households pay attention to the volatile non-core components; the stable core inflation component receives little attention. Finally, I embed this framework into a multi-sector New Keynesian model to derive the optimal inflation target. In the model, targeting headline inflation is optimal, whereas a core inflation target would fail to stabilize the economy sufficiently.

## Publications

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NEWS AND UNCERTAINTY ABOUT COVID-19: SURVEY EVIDENCE AND SHORT-RUN ECONOMIC IMPACT  
– with Keith Kuester, Gernot Müller and Raphael Schoenle

**Journal of Monetary Economics**, 129, S35-S51, 2022 [Published version]

We provide a tailor-made survey that documents consumers' perceptions of the US economy's response to a large shock: the advent of the COVID-19 pandemic. The survey ran at a daily frequency between March 2020 and July 2021. Consumer's perceptions regarding output and inflation react rapidly. Uncertainty is pervasive. A business-cycle model calibrated to the consumers' views provides an interpretation. The rise in household uncertainty accounts for two-thirds of the fall in output. Different perceptions about monetary policy can explain why consumers and professional forecasters agree on the recessionary impact, but have sharply divergent views about inflation.

## THE LOCKDOWN EFFECT: A COUNTERFACTUAL FOR SWEDEN

– with Benjamin Born and Gernot Müller, **PLOS ONE** 16(4), 2021 [Published version]

While most countries imposed a lockdown in response to the first wave of COVID-19 infections, Sweden did not. To quantify the lockdown effect, we approximate a counterfactual lockdown scenario for Sweden through the outcome in a synthetic control unit. We find, first, that a 9-week lockdown in the first half of 2020 would have reduced infections and deaths by about 75 percent and 38 percent, respectively. Second, the lockdown effect starts to materialize with a delay of 3–4 weeks only. Third, the actual adjustment of mobility patterns in Sweden suggests there has been substantial voluntary social restraint, although the adjustment was less strong than under the lockdown scenario. Lastly, we find that a lockdown would not have caused much additional output loss.

## Working Papers

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### THE EXPECTATIONS CHANNEL OF CLIMATE CHANGE: IMPLICATIONS FOR MONETARY POLICY

– with Gernot Müller and Raphael Schoenle [Latest version]

We measure expectations about the short-run economic impact of climate change in a representative survey of US consumers. Respondents expect not much of an impact on GDP growth, but perceive a high probability of costly, rare disasters—suggesting they are salient of climate change. Furthermore, expectations vary systematically with socioeconomic characteristics, media consumption, various information treatments and over time. We calibrate a New Keynesian model to key results of the survey and spell out two implications for monetary policy. First, climate-change related disaster expectations lower the natural rate of interest substantially. Second, time-variation in disaster expectations contributes to cyclical fluctuations.

### GREATER THAN THE SUM OF ITS PARTS: AGGREGATE VS. AGGREGATED INFLATION EXPECTATIONS

– with Edward Knotek, Kristian Myrseth, Robert Rich, Raphael Schoenle and Michael Weber [Latest version]

Using novel survey evidence on consumer inflation expectations disaggregated by personal consumption expenditure (PCE) categories, we document the paradox that consumers' aggregate inflation expectations usually exceed any individual category expectation. We explore procedures for aggregating category inflation expectations, and find that the inconsistency between aggregate and aggregated inflation expectations rises with subjective uncertainty and is systematically related to socioeconomic characteristics. Overall, our results are inconsistent with the notion that consumers' aggregate inflation expectations comprise an expenditure-weighted sum of category beliefs. Moreover, aggregated inflation expectations explain a greater share of planned consumer spending than aggregate inflation expectations.

## Work in Progress

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### THE PANDEMIC, PUBLIC POLICY, AND BEHAVIORAL ADJUSTMENT

– with Gernot Müller and Wilhelm Kohler

## Research Interests

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Monetary Economics, Household Expectations, Behavioral Economics, Surveys, Climate Change

## Presentations

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**2022** Brandeis University PhD Seminar, Federal Reserve Bank of Cleveland Seminar, IECA Inflation Conference, EABCN/Bundesbank conference, European Economic Association Annual Congress, CEBRA Annual Meeting, Tübingen-Hohenheim Economics Workshop, Bundesbank Research Seminar, DNB Annual Research Conference (scheduled), IWH-CIREQ-GW Macroeconometric Workshop Halle (scheduled)

**2021** European Economic Association Annual Congress, German Economic Association Annual Conference

**2019** Heidelberg-Tübingen-Hohenheim Workshop on International Financial Markets, GEP/CEPR Postgraduate Conference Nottingham

## Referee

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Journal of Public Economics, European Economic Review, Scandinavian Journal of Economics, World Development, SiTns

## Teaching Experience

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Macroeconomics I (Bachelor Tutorial)	2018, 2019, 2020
Macroeconomics II (Bachelor Tutorial)	2019, 2020
Monetary Economics (Master Tutorial)	2020
Advanced Macroeconomics II (Master Tutorial)	2021
Open Economy Macroeconomics (Master Tutorial)	2022
Master Thesis Supervision	2021

## Personal skills

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Languages: German (native), English (fluent)  
Programming: Stata, Matlab, Dynare, L<sup>A</sup>T<sub>E</sub>X

## Awards and Grants

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DAAD Research Grant	2021-2022
Best Paper Award, Tübingen-Hohenheim Economics Workshop	2022

## References

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