Economics 990x Presentation Feedback Form

Listen carefully to the presentation, answer the following questions, and return to the presenter.

Paper Contents

1. The paper addresses the following question (answer in one sentence):

Under a model with adaptive learning, unanchored inflation expectations matters for optimal monetary policy?

2. The most important thing I learned from the talk is (answer in one sentence):
Optimal responsiveness of the central bank is largely dependent on the rational environment of the model.

Presentation technique (Please provide suggestions for improvements.)

3. Could you see the slides clearly?
Yes, they were well designed

4. Did the presenter speak clearly, and maintain eye contact with the audience?
The presenter performance was good, allowing the audience a high understanding of the topic

5. Did the presenter manage time well?
I agree.

6. Did the presenter handle questions well?
I think the reply to the question about the two sources of trade offs could be addressed in a better way

7. Other comments:
Regarding the paper, there are some part that I did not get completely, as:

- In the initial figure, the second half of the long run inflation expectations are more close to the one year expectation, which could be a motivation to discard the rational expectation assumption. However, I would like to point out two things
    - The FED announcement for the long run target was in 2012, from when the 10-year expectation exhibited a smaller gap respect to this point. Moreover, before 2012, the implicit targeting was also 2 (or even smaller than). The presenter suggested that this statistical significance from the regression is enough to say that in the second half of the sample there were unanchored

inflation expectations without making a contrast with this fact. ***(If I misunderstand the conclusion for this graph I apologize)***
    - How this regression, could disentangle between no rational expectations behave and unanchored expectations
- In the state-space representation, the equation that connects states and observables does not consider any measurement errors, is the identification of fluctuations in steady-state inflation achieved? For example, usually model a previous step for model estimation is drop out the mean-sample, but it doesn't mean that measurements errors are zero, indeed $\pi_t = \pi + \varepsilon_t \equiv \pi_{t-1} + \eta_t$, In this sense I dont have a clear vision of how the model-estimation differs from a model with measurement errors (maybe a plot of the long run inflation expectations filtered with the theoretical model and the baseline calibration could shed lights about that)
- At the end of the presentation, the paper shows how under adaptive learning, the optimal monetary policy response drops almost 50% of the aggregate loss, in comparison to pick-up the parameter as the rational expectation one. However, in the case in which the true model were a Rational Expectation one the change in the loss function if we choose the adaptive learning estimated coefficient (around 1.1) gives us just a loss level just 2 percent higher than the optimal one (5.4 vs 5.3) with a parameter which is almost half of the optimal (1.1 vs 2.1). In this line, one could claim that given the uncertainty over the true model, choosing it from the Adaptive learning model is a better strategy. In contraposition I would like to mention that given that the big changes in the optimal parameter for the RE case causes small variations in the loss function, this model (the RE) could have identification problems, then when you estimate both model, maybe one of the parameter combinations in the confidence bands of the RE parameter space, could lead similar results in the adaptive learning model, in consequence there would be not big differences between both.