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Belief Distortions and
Macroeconomic
Fluctuations (slides)

- Individual-specific benchmark
- Ex ante measure of bias, not ex post!
- Biases:
- Exist for all

variables

- Are often persistent
- But sometimes disappear
- Or often change sign (sic!)
- Luck vs. bias: the machine also gets recessions wrong in real time —> we can clearly distinguish luck vs. bias

Laura Veldkamp

comment: it's not really bias, rather "excess forecast error" b/c it's not

systematically over-
or under predicting
Xavier Gabaix: what
model of expectation
formation fits this?

What do ppl do
beyond not being as
good as the
machine? Over/ or
under extrapolate?

Survey of Consumers
bias is on a scale of
[-4,4] (difference
between machine
and survey
respondent forecast)
—> that might be a
reasonable range for
me

Angeletos: machine
here is a statistical
model of the forecast