Discussion

-- “Inflation Perceptions and Expectations in the Euro Area: The Role of News”

-- “Information Flows and Disagreement”

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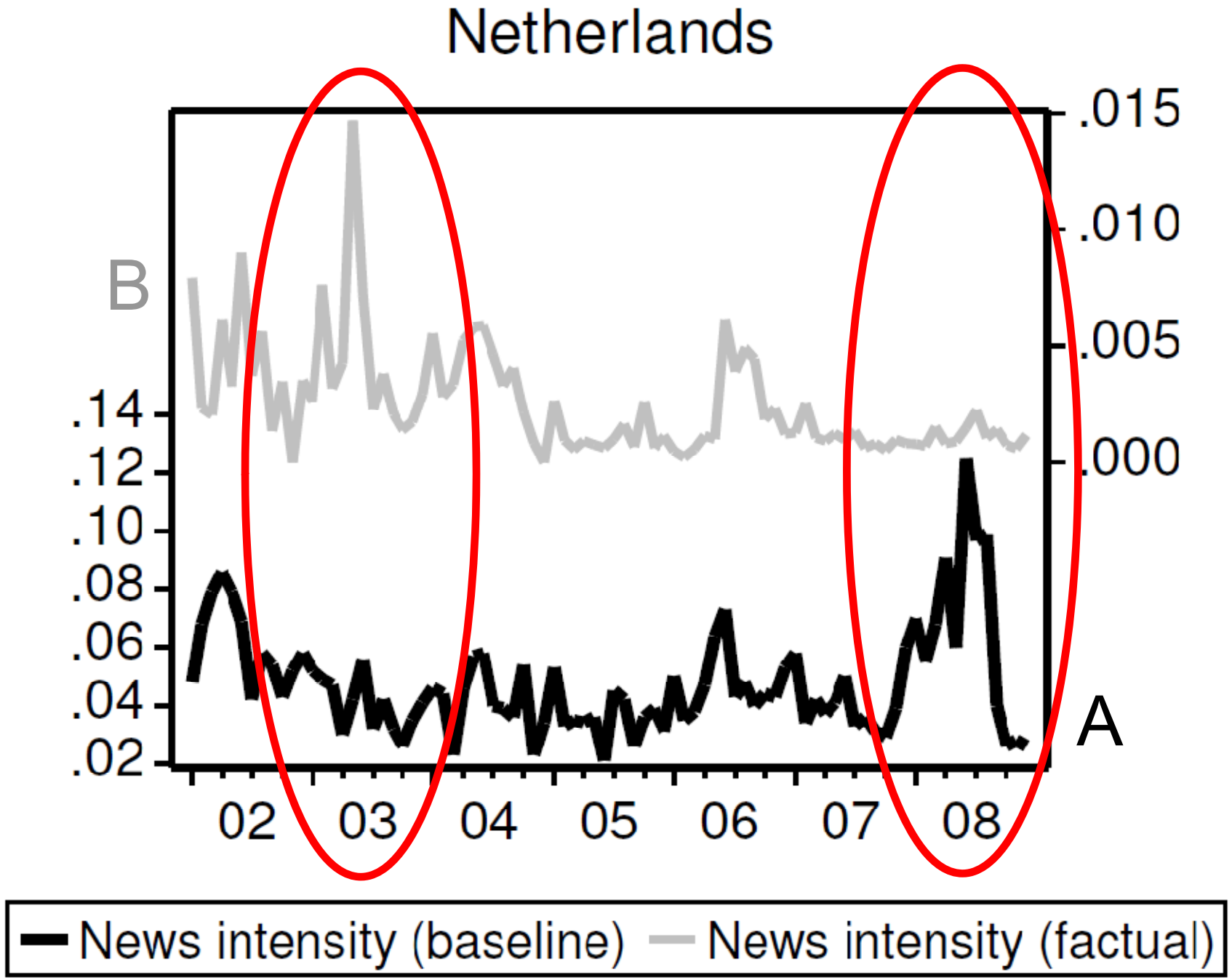
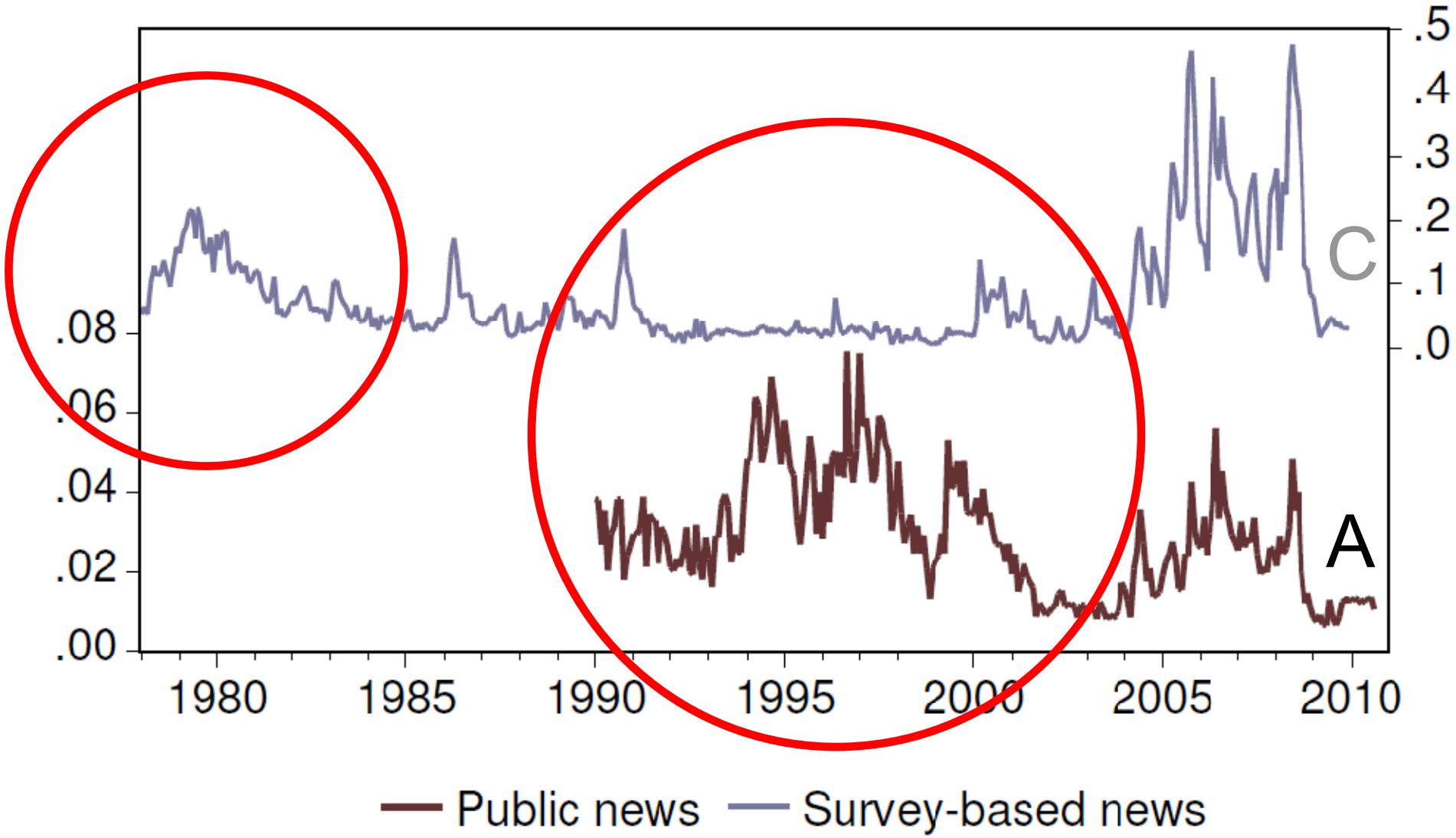
Measuring disagreement and news intensity

- Measuring disagreement
  - Quantitative measures (US paper)
  - Categorical measure (US and Euro papers)
- Measuring news
  - Broadcasting
    - (A) General news intensity (US and Euro papers)
      - % of inflation-related news in overall economic news
    - (B) Factual news intensity (Euro paper)
  - Receiving
    - (C) Survey news (US paper)



** Figure 3, Badarinza and Buchmann (2009)*



**** Figure 3, Badarinza and Buchmann (2010)***

Conceptual modelling of inflation expectations

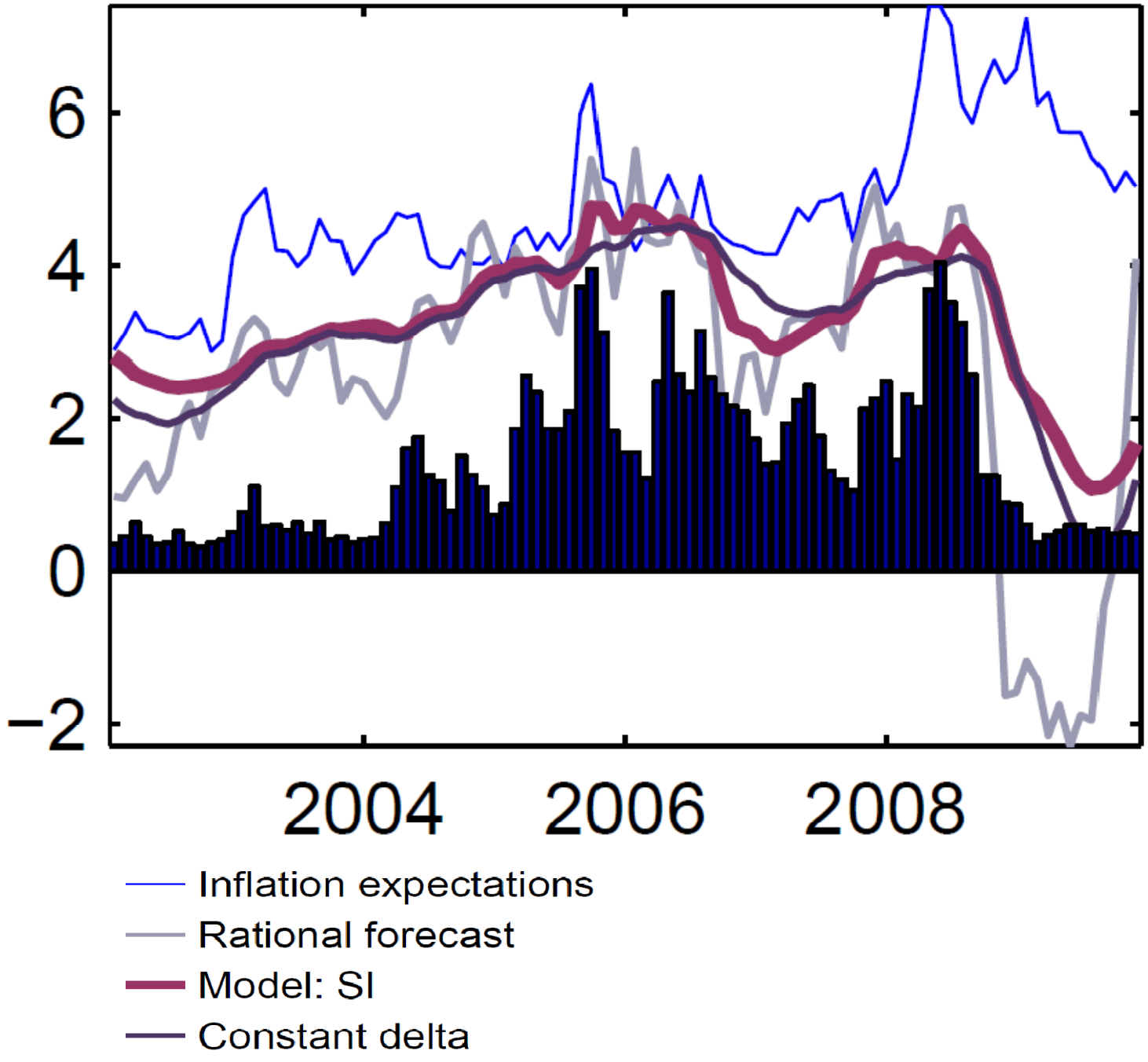
Rational $$E_t X_{t+12} = A^{12} X_t$$

Sticky information $$E_t^{SI} X_{t+12} = \delta_t A^{12} X_t + (1 - \delta_t) A E_{t-1}^{SI} X_{t+12}$$

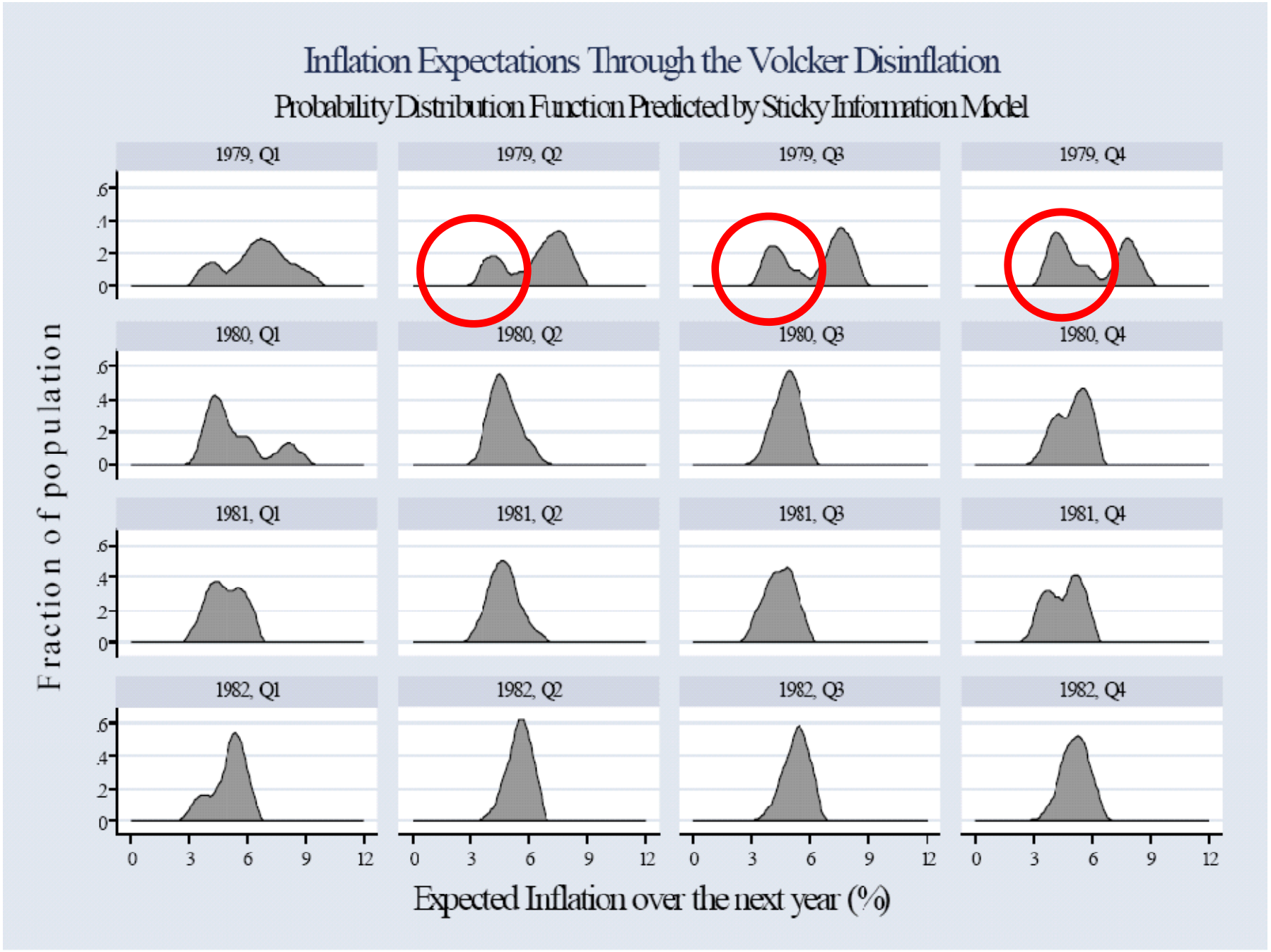
Sticky expectations $$E_t^{SE} X_{t+12} = \delta_t A^{12} X_t + (1 - \delta_t) E_{t-1}^{SE} X_{t+11}$$

Epidemiological $$E_t^{EPI} X_{t+12} = \delta_t E_t^{prof} X_{t+12} + (1 - \delta_t) E_{t-1}^{EPI} X_{t+11}$$

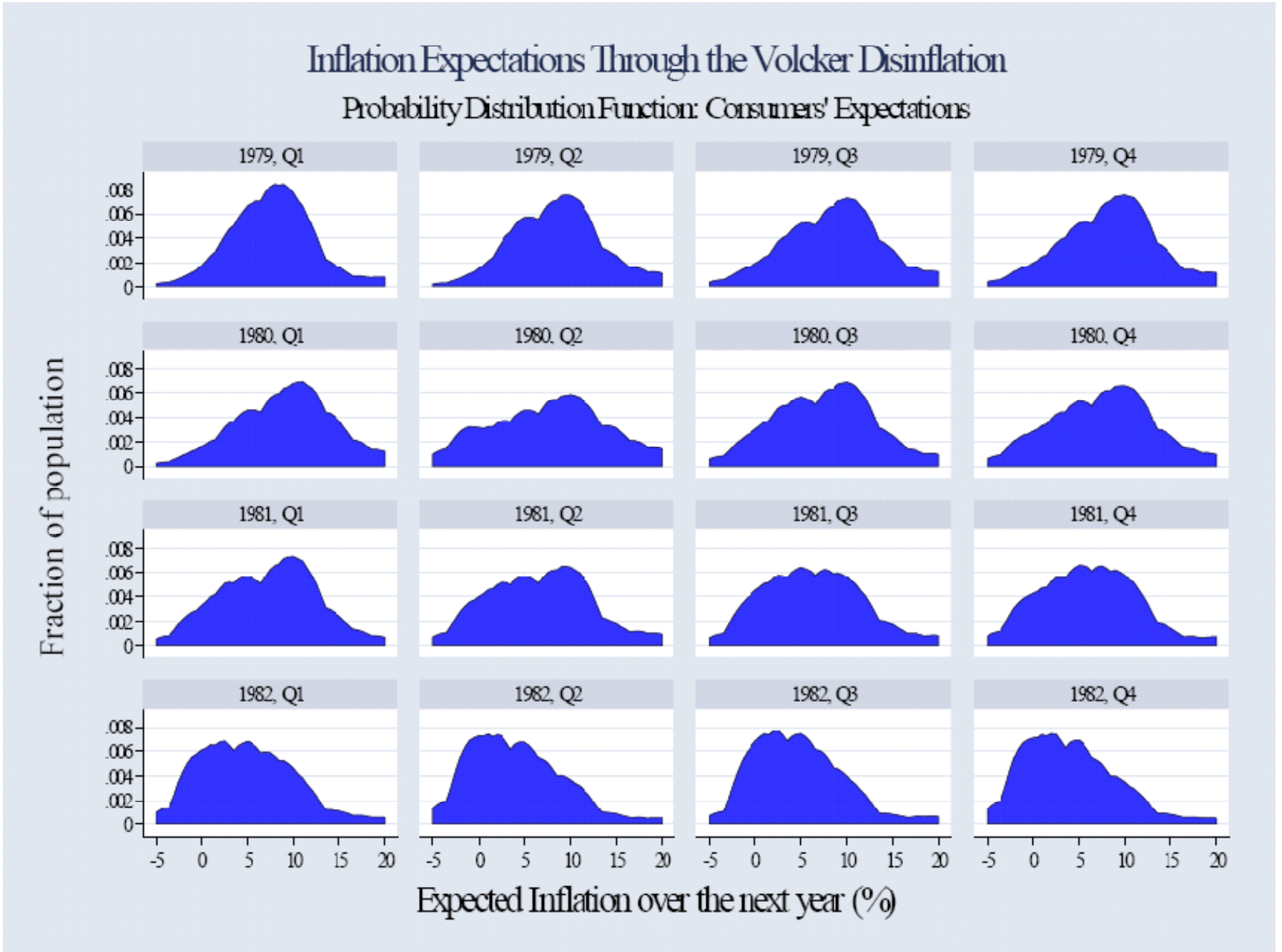
- Updating fraction δ_t either:
  - (i) constant
  - (ii) time-varying, proxied by survey-based news intensity
- Rational expectations proxied by VAR



**** Figure 7, Badarinza and Buchmann (2010)***



**** Mankiw, Reis and Wolfers (2003), p.47***



**** Mankiw, Reis and Wolfers (2003), p.46***