Discussion of 'Subjective Models of the Macroeconomy: Evidence from Experts and a Representative Sample' by P. Andre, C. Pizzinelli, C. Roth and J. Wohlfart

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General comments

- Great paper
  - Innovative research idea, well written, careful implementation
  - Expert survey useful in its own right
  - Good-bad heuristic is an interesting new proposal
- Discussion on three points
  1. Two views on expectation formation
  2. Why ask about *exogenous* shocks?
  3. Predictability of consumers vs experts
- Discussion mostly thinking aloud, paper very good in current form

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The paper is roughly based on the following view:

- Agent holds a subjective model M of the economy. M may be very simple (e.g. good-bad heuristic)
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Questions

- Can both views be reconciled?
- Can M be interpreted as the agent's prior in the second view?

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  - Many real-world shocks are not exogenous. Implications for consumers' assessment and response? Robustness check on misperceived endogeneity (p. 23 in paper) suggests that difference may not be large, though
- Worthwhile to motivate exogeneity when introducing vignettes in Section 2.3

Predictability of consumers vs experts

- Paper mentions that consumers disagree more than experts (Results 1 & 2).
  Related but separate point: Experts are much more predictable than consumers
- Key regression given by

$$\Delta \pi_i = \gamma_1 \text{Rise}_i + \gamma_2 \text{Fall}_i + \varepsilon_i$$

where
  - $\Delta \pi_i$ is person i's assessment of the policy impact
  - $\text{Rise}_i = 1$ if person i was asked about a 'rise' shock
  - $\text{Fall}_i = 1 - \text{Rise}_i$
- Population R^2 given by

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- Table 2
  - R^2 for consumers ranges from 3–16%
  - R^2 for experts ranges from 9–37%
- Mostly driven by higher disagreement $V(\Delta\pi_i)$ among consumers

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