

Alexander M. Dietrich

Personal Info

Danmarks Nationalbank
Langelinie Allé 47
2100 København Ø

amdi@nationalbanken.dk
sites.google.com/view/alexanderdietrich
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Academic Positions

Research Economist, Danmarks Nationalbank 2023

Education

University of Tübingen, Ph.D. in Economics 2018-2023
University of Tübingen, M.Sc. in International Economics 2016-2018
University of Munich (LMU), B.Sc. in Economics 2013-2016

Visiting Positions

Visiting Researcher, Federal Reserve Bank of Cleveland 2022
Visiting Researcher, Prof. Raphael Schoenle, Brandeis University 2021

Publications

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

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.

BIG NEWS: CLIMATE CHANGE AND THE BUSINESS CYCLE – with Gernot Müller and Raphael Schoenle [Latest version]

News—anticipated changes of an economy’s fundamentals—drive the business cycle. Climate change is big news: it will impact the economy profoundly, but its full effect will take time to materialize. To better understand the transmission of news this paper focuses on climate-change expectations. First, we measure the expected economic impact of climate change in a representative survey of U.S. consumers. We find, in particular, that costly natural disasters are salient of climate change. Second, we calibrate a New Keynesian model with rare disasters to the survey results and find that shifts in climate-change expectations operate like adverse demand shocks.

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.

THE PANDEMIC, PUBLIC POLICY, AND BEHAVIORAL ADJUSTMENT – with Gernot Müller and Wilhelm Kohler [Latest version]

The study of infection dynamics routinely relies on versions of the compartmental SIR model. We extend the basic SIR model to explore the trade-offs which govern individual behavior. We limit our analysis to a highly stylized version of the model and analyze peoples’ response to specific public policies in closed form. For both, vaccination and lockdown policies we establish Peltzman effects: As policies lower the risk of infections, people become more socially active, in turn, undermining their effectiveness. Data for US states and countries in Western Europe suggest that such effects are shaping actual infection dynamics to a considerable extent.

Work in Progress

INFLATION PREFERENCES

– with Hassan Afrouzi, Gernot J. Müller, Kristian O. Myrseth, Romanos Priftis and Raphael S. Schoenle

Research Interests

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

Presentations

2023 Örebro University, Bank of Denmark, Federal Reserve Board, Bank of Canada, Reserve Bank of Australia, Bank of England, University of Glasgow, CEBRA Inflation: Drivers and Dynamics, National Bank of Ukraine, CEBRA Annual Meeting (scheduled), Ifo Venice Summer Institute (scheduled), Banque de France/PSE conference (scheduled), VfS Annual Meeting (scheduled), IEA World Congress (scheduled)

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, 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

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

Teaching Experience

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

Languages: German (native), English (fluent)
Programming: Stata, Matlab, Dynare, L^AT_EX

Awards and Grants

DAAD Research Grant	2021-2022
Best Paper Award, Tübingen-Hohenheim Economics Workshop	2022
EEA-UniCredit Econ Job Market Best Paper Award 2022 (Finalist)	2022

References

Prof. Gernot Müller
University of Tübingen
Tübingen, Germany
gernot.mueller@uni-tuebingen.de

Prof. Raphael Schonele
Brandeis University
Waltham, USA
schoenle@brandeis.edu

Prof. Michael Weber
Booth School of Business
University of Chicago
Chicago, USA
Michael.Weber@chicagobooth.edu

Edward Knotek II
Federal Reserve Bank of Cleveland
Cleveland, USA
edward.knotek@clev.frb.org