

**Discussion of “Sticky Information in General Equilibrium”  
by N. Gregory Mankiw and Ricardo Reis**

Bartosz Maćkowiak, *Humboldt University Berlin*

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- In macro data we see a combination of smooth impulse responses and high-frequency randomness. DSGE models can match this by introducing multiple adjustment cost mechanisms, for both prices and quantities, and shocks to these mechanisms. Examples: prices and wages, investment and output.
- The mechanisms, while being important for models' fit, are apparently hard to justify as an outcome of optimal behavior and may not be invariant to policy interventions.
- This paper is part of an ambitious, remarkable research agenda of the authors that confronts modeling stickiness.

- The paper develops, solves and estimates a model with monopolistically competitive firms and Dixit-Stiglitz preferences in which some agents only sporadically update their information sets. This is impressive progress.
- Information disseminates as a Poisson process.
- There are five shocks in the model, including two mark-up shocks.

# **Sticky Information in General Equilibrium: Issues in Model Construction**

- There are many firms and households. Each firm makes 2 decisions: what price to set and how much of each labor type to hire. Each household makes 3 decisions: what wage to set, how much of the composite good to consume, and how much of each good type to consume. Monetary policy follows a Taylor rule.
  - In the market for each labor type and in the market for each good type, there is perfect information on the demand side of the market. This implies that demand for each labor type and demand for each good type are standard. This simplifies the analysis.
- Is this information structure optimal? This is a crucial question if this approach is to become a credible tool for positive and normative analysis of policy.

- I am afraid that the modeling device of a fixed cost of “making a plan” loses some of its intuitive appeal and tractability in a setting where multiple decisions are taken and multiple variables matter for a given decision.
  - Is there a trade-off between multiple decisions being taken?
  - Is it equally costly for a household to “make a plan” about wage setting and consumption of the composite good?
  - When a household pays to obtain information relevant for wage setting, isn't this information correlated with information relevant for the choice of how much of the composite good to consume? How do we account for this correlation?
  - How does the cost of “making a plan” depend on stochastic properties of variables being tracked?

- Once a fixed cost is paid, a decisionmaker has perfect information about all aggregate conditions and all local conditions. I am afraid that this can lead to counterintuitive predictions in normative analysis of policy.
  - In this setting, isn't it a good idea for monetary policy to make nominal variables volatile? The cost will be losses from more frequent planning (which are bounded) and the benefit will be better tracking of perfect-information decisions.

- The paper relies on staggering of information acquisition. This is similar to models that rely on staggering of price setting.
  - Hellwig and Veldkamp (2006) show that, when agents' actions are strategic complements, agents have an incentive to synchronize information acquisition. "If an agent wants to do what others do, then they want to know what others know." Synchronization reduces stickiness.
  - Furthermore, when agents can choose to observe the true state of the economy, multiple equilibria can arise.

- The paper assumes that agents insure against the risk of being uninformed. How are the insurance contracts enforced in a world where agents' information sets differ?
  - It is true that New Keynesian models typically assume that agents insure against the risk of not being able to change prices and wages. However, New Keynesian models assume perfect information.

- In sum, further work on sticky information and inattentiveness in general equilibrium will be challenging.
- Other remarks: (i) Rabanal and Rubio-Ramírez (2005) compare formally the fit of different versions of the New Keynesian model; (ii) What is the estimated variance decomposition by horizon?