Discussion of
The diversity of Forecasts
from Macro Models of the US economy
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1. This paper investigates the accuracy and heterogeneity of output growth and inflation forecasts during the current and the four preceding NBER-dated U.S. recessions.

2. We generate forecasts from six different models of the U.S. economy and compare them to professional forecasts from the Federal Reserve’s Greenbook and the Survey of Professional Forecasters (SPF).

3. The model parameters and model forecasts are derived from historical data vintages so as to ensure comparability to historical forecasts by professionals.
4. The mean model forecast comes surprisingly close to the mean SPF and Greenbook forecasts in terms of accuracy even though the models only make use of a small number of data series. Model forecasts compare particularly well to professional forecasts at a horizon of three to four quarters and during recoveries.

5. The extent of forecast heterogeneity is similar for model and professional forecasts but varies substantially over time. Thus, forecast heterogeneity constitutes a potentially important source of economic fluctuations. While the particular reasons for diversity in professional forecasts are not observable, the diversity in model forecasts can be traced to different modeling assumptions, information sets and parameter estimates.
Comments - Point 1

“This paper investigates the **accuracy and heterogeneity** of output growth and inflation forecasts during the current and the four preceding NBER-dated **U.S. recessions.**”

**Issues:**

1. US and EU
2. **Stress testing** inflation-targeting monetary policy during recessions
3. **Loss function** and turning points
4. Forecast **combination** (model averaging), model **selection** and **volatility** of forecasts
Comments - Point 2

“We generate forecasts from six different models ...”

Issues:

1. DSGE, VAR, Factor models
2. Simple rules are often hard to beat, see Faust and Wright (2009)
3. Different tools for different objectives, or one-class-takes-it-all?
4. Woodford’s price-targeting and error corrections
5. Same loss function for DSGE and professional forecasters?
“The model parameters and model forecasts are derived from historical data vintages so as to ensure comparability to historical forecasts by professionals.”

**Issues:**

1. use of higher frequency data (Giannone et al. 2009) by professional forecasters

2. data may suggest model revisions (intercept correction), i.e. qualitative learning
Comments - Point 4

“The mean model forecast comes surprisingly close to the mean SPF and Greenbook forecasts ...”

Issues:

1. cross-sectional mean, conditional expectations, RMSE and quadratic loss
2. overall forecast unbiasedness as a minimal requirement
3. forecast encompassing as a way to improve models
“The extent of forecast heterogeneity is similar ... ” Thus, forecast heterogeneity constitutes a potentially important source of economic fluctuations. ... the diversity in model forecasts can be traced to different modeling assumptions, information sets and parameter estimates.

**Issues:**

1. forecast heterogeneity $\neq$ forecast uncertainty

2. I subscribe to the statement ‘forecast heterogeneity ...’ without a leading ‘Thus’.

3. may wish to separate model-, estimation- and forecast-uncertainty

4. rational expectations, information sets and Rational beliefs and endogenous uncertainty (Kurz)