

# Christopher D. Cotton

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## Education

Federal Reserve Bank of Boston, Economist, 2019-

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PhD in Economics, Columbia University, 2019  
MA in Economics, Toulouse School of Economics, 2013  
BSc in Economics, London School of Economics, 2011

## Fields of Specialization

Macroeconomics, Monetary Economics

## Working Papers

### **The Inflation Target and the Equilibrium Real Rate**

*Many economists have proposed raising the inflation target to reduce the probability of hitting the zero lower bound (ZLB). It is both widely assumed and a feature of standard models that raising the inflation target does not impact the equilibrium real rate. I demonstrate that once heterogeneity is introduced, raising the inflation target causes the equilibrium real rate to fall in the New Keynesian model. This implies that raising the inflation target will increase the nominal interest rate by less than expected and thus will be less effective in reducing the probability of hitting the ZLB. The channel is that a rise in the inflation target lowers the average markup by price rigidities and a fall in the average markup lowers the equilibrium real rate by household heterogeneity which could come from overlapping generations or idiosyncratic labor shocks. Raising the inflation target from 2% to 4% lowers the equilibrium real rate by 0.38 percentage points in my baseline calibration. I also analyse the optimal inflation level and provide empirical evidence in support of the model mechanism.*

### **A Long-Term Behavioral New Keynesian Model**

*The Behavioral New Keynesian model appears to offer a simple way to resolve many paradoxes within Macroeconomics. I demonstrate, however, that a key feature of the model is that the irrational part of agents' expectations are fixed at the steady state level. I relax this assumption and allow for the irrational part of expectations to update slowly in line with what agents observe. I derive an alternative Behavioral New Keynesian model within this long-term expectations framework. In this case, a fixed nominal interest rate rule is not determinate and the zero lower bound does not have bounded costs. Thus, important paradoxes remain unresolved. This contrasts with Gabaix (2018).*

### **Macroeconomic Revisions as Shocks** (with Emi Nakamura and Jón Steinsson)

*Recent work has attempted to make use of macroeconomic data revisions as exogenous shocks to beliefs and policy. We discuss some of the challenges researchers face when using this methodology. "Animal spirits"—i.e., revisions in beliefs about the state of the economy and its trajectory—have long been proposed as a potentially important source of business cycle fluctuations. The idea we investigate is whether macroeconomic data revisions provide a useful source of variation for evaluating the role of animal spirits in business cycles by generating noise in beliefs. We demonstrate that omitted variables bias and reverse causation imply that this approach is, unfortunately, uninformative in the business cycle context. Similar concerns arise when data revisions are used as shocks in other contexts.*

## Work in Progress

### **Big Data Evidence on Information Acquisition**

*I analyse the extent of learning following shocks using novel data on website access. I analyse the extent to which internet users access individual Wikipedia pages and overall website domains. I assess which categories of pages become more or less popular following shocks. I am able to determine which types of information agents choose to read about and whether they choose to learn for the future.*

## Fellowships and Awards

Dissertation Fellowship, Columbia University, 2018-2019  
Dean's Fellowship, 2013-2018  
Vickrey Prize, 2016 (runner-up, best 3rd year paper)  
Harriss Prize, 2015 (runner-up, best 2nd year paper)  
Jean-Jacques Laffont Scholarship, Toulouse School of Economics, 2012-2013  
University of Toulouse 'Prix d'Excellence', 2012

## Research Experience

Dissertation Fellow, Federal Reserve Board (Monetary Studies); Summer 2018  
Research Assistant for Serena Ng; Summer 2017  
Research Assistant for Emi Nakamura and Jón Steinsson; Summer 2014, Summer 2016

## Teaching Experience

Intermediate Macroeconomics; TA for Jón Steinsson; Columbia; Spring 2017, Spring 2018  
Macroeconomics I for MA; TA for Ron Miller; Columbia; Fall 2016, Fall 2017  
Macroeconomics II for MA; TA for Irasema Alonso; Columbia; Spring 2016  
Advanced Macroeconomics; TA for Irasema Alonso; Columbia; Fall 2015  
Introduction to Econometrics; TA for Seyhan Erden; Columbia; Fall 2014, Summer 2015  
Time Series; Columbia; TA for Seyhan Erden; Spring 2015  
Economics Instructor; Oxbridge Academic Experience (pre-college classes); Summer 2014

## Professional Experience

Summer Intern, UK Government Economic Service, 2012  
Summer Intern, Goldman Sachs, 2010

## Presentations

- 2019: Federal Reserve Bank of Boston, University of Kansas, Auburn University, Federal Reserve Bank of San Francisco, Federal Reserve Bank of Cleveland

## Personal

Citizenship: United Kingdom  
Languages: English (Native), French (Proficient)

## References

Jón Steinsson (co-advisor)  
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