

**NEWSLETTER 2017-22****CALENDAR:****Departmental Seminar**

Michael Neugart (TU Darmstadt)

*Helicopter Money: Survey Evidence on Expectation
Formation and Consumption Behavior*

Monday, October 30

16:30–18:00

VG H26

ABSTRACTS:

Departmental Seminar

Michael Neugart

Helicopter Money: Survey Evidence on Expectation Formation and Consumption Behavior

(joint work with Uros Djuric)

Abstract: The effects of helicopter money on expectations and economic outcomes is largely unexplored from an empirical point of view. We fielded a representative survey among the German population randomly assigning respondents to various unconventional monetary policy scenarios that raise household incomes. Asking participants on how they would spend the money and what their expectations on various key economic variables are, allowed us to explore the likely consequences of an injection of helicopter money into the economy. Our main findings are that in all policy treatments people consider money as a windfall and spend the same amount they would spend out of a lottery win, regardless whether the transfer was debt financed and provided by the government or printed and provided by the central bank. Policies seem not to suffer from Ricardian equivalence and do not raise inflation expectations. Furthermore, expectations about inflation, economic conditions and government behaviour are not strongly correlated with the individuals' spending decisions. Finally, while we do not confirm earlier results on mental accounting theories as a behavioural explanation of the respondents' answers, we do find interesting correlations between peoples' budgeting plans and spending decisions.

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