

Output Gap Reliability: An Update

The *Journal of Business Cycle Research* invites submissions for a special issue on the usefulness of output gaps in guiding macroeconomic policy. In addition to output gaps, studies of related variables are welcomed, including structural government deficits as well as deviations from natural rates of interest or unemployment.

Of particular interest are empirical studies that

- Propose and analyze new methods or compare existing methods on previously unexplored data sets.
- Analyze the usefulness of contemporary estimates as guides for monetary or fiscal policy decisions.
- Estimate the statistical uncertainty surrounding nowcasts and near-term forecasts.
- Provide results covering many business cycles and/or developed economies.
- Support the reproducibility of their results, whether by sharing code and data or by other means.

Special Issue Editor: Simon van Norden, HEC Montréal, CIRANO and CIREQ

Submission Deadline: 15 January 2023

Context:

Orphanides (2001) and Orphanides and van Norden (2001) re-invigorated the debate over the usefulness of estimated output gaps and other business cycle measures for macroeconomic policy. More than two decades have since passed, bringing substantial advances in state space methods, rich new data sets, new directions in macroeconomic modeling as well as new policy challenges with financial crises, interest rate bounds, quantitative easing, and the recent exceptional levels of government debt amid monetary tightening. A thorough reassessment of the reliability and usefulness of output gaps and connected business cycle measures is therefore overdue.

The intervening years have also seen tremendous increases in computing power, the availability of machine learning methods, and methods for processing ever larger panels of data. These advances bring an increasing awareness of the abusive potential of data mining to provide misleading results. Business-cycle studies are particularly vulnerable to this problem due to both the slow pace at which new observations become available and the focus on the US economy in academic macroeconomics. For those reasons, studies that provide evidence from multiple economies and/or use the longest feasible time spans are encouraged.