

Citation/Abstract

This article discusses the accuracy and sources of economic assessments in three ways. First, following the rational expectations literature in economics, a large sample of countries over a long time period permits tests of the unbiasedness implication of the rational expectations hypotheses (REH), revealing much variation in the accuracy of expectations and the nature of the biases in expectations. Secondly, a theory of expectation formation encompassing the unbiasedness prediction of the REH and setting out the conditions under which economic expectations should be too optimistic or too pessimistic is elucidated. Zaller's theory of political attitude formation allows the identification of variables conditioning the accuracy of expectations across contexts, drawing a link between the thinking of political scientists and economists about expectation formation. Finally, the theoretical argument that political context impacts the accuracy of average expectations is tested.