



## **Discussion on Assessing the Causal Effects of Inflation Expectations on Household Decisions**

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# Summary of the paper

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- **Methodology:** Randomised control trials (RCT) using large-scale survey data.
- **Research question:** looks at how different types of information on inflation influence household inflation expectations and spending decisions.
- **Key findings:**
  - Central Bank Comms influences inflation expectations. Eg, increasing awareness of the current inflation rate changes households' subsequent beliefs about inflation.
  - Expectations of inflation and inflation uncertainty effect spending.
  - So, central bank communications influences the transmission of monetary policy. Eg, reducing inflation uncertainty is one way of supporting household spending.



# Contribution of the paper

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- **Very important topic:** understanding the role of central bank comms on inflation expectations in economic decision-making.
  - Other literature: Roth and Wohlfart (2018), Coibion et al. (2017) Blinder et al. (2008) for New Zealand, Haldane and McMahon (2018), D'Acunto et al. (2020).
- **Policy Importance:**
  - Understanding how inflation expectations translate into real economic decisions is essential for effective policy design. It is important to understand how these decisions change with different information treatments.



# Minor comments

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- **Rational Attention (timing matters):** The estimated impact of uncertainty on spending could be overstated. The effect of information treatments on inflation expectations could be underestimated.
- **The return of low and stable inflation:** it could be valuable to (re)assess whether the same uncertainty effects on household decision-making still hold.
- **Housing?:** Exploring housing channel by adding house prices and mortgage rates to the information set could be interesting.
- **Demographics?:** Given the rich datasets, examining the demographics of these results might be fruitful.



# Policy implications

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- Inflation expectations and central bank communication are highly policy-relevant issues, particularly within an inflation-targeting framework.
- Could we really change expectations to achieve our Remit?
  - We already emphasise aspects of the economic environment we want people to know about.
  - Robustness: could spending decrease with higher inflation expectations (stagflation).
  - Should we really increase economic uncertainty?
  - What would it mean for financial market behaviour?