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Monetary Policy
Communications and
their Effects on
Household Inflation
Expectations

RCT with information
treatment on
household inflation
expectations survey

Main result: simple messages (current inflation, Fed decision, Fed forecast) are the most effective on having an effect on inflation expectations.

Effects are extremely NOT persistent (disappear completely after 6 months) —> persistent communication is needed, one-time communication not

enough (talking in
time project
motivation!)

Ricardo Reis

discussion: agents
are either inattentive
or over-confident
(estimated updating
coefficients are
huge!)

Past inflation and
inflation target have
the same effect on E
—> surprising given
that one is varying
and the other
constant —> me: not
if the other is not
perceived to be

constant!

1. Incomplete info
—> ppl under
react to news
2. Overconfidence
—> over-update
to info
3. Learning from
experience
4. Slow updating

Is this news or noise?