

Discussion of “Inflation Expectations as a Policy Tool?”

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Comments

- This is a must-read paper!
- We have a lot left to learn about inflation expectations, but important progress has been made over the past few years.

Comments

- One corollary of this work is that we don't fully understand why professional forecasters exist in equilibrium.
 - Presumably they provide a service that's consumed by someone. But who if not HHs or firms?
 - Alternatively, is there another macro variable with less misalignment?
- Why does the wedge between HH/firm and PF forecasts start appearing in early 1990s?

Comments

- Why should monetary policy matter for households?
 - How much of our spending is interest sensitive beyond house and maybe car?
 - Perhaps education spending? Do people currently enrolled in higher education behave differently in these data?
 - Perhaps HHs should care about inflation for wage setting? Do unionized workers have more accurate info about inflation? Unions engage more in wage negotiations, may spread more news to members, etc.
- Are HHs more accurate when asked about recent house price dynamics than general inflation? Gas price dynamics?
- Why do information treatments for firms die out quickly? Are they receiving signals from other sources or simply forgetting?

Comments

- Pinning down difference between NZ and Italy seems important. One sense in which they may not be so different:
 - Firms in NZ think current inflation (π) and inflation target ($\bar{\pi}$) are high. They're told $\bar{\pi}$ is low. If not also told π is low, they now think $\pi > \bar{\pi}$ and expect contractionary monetary policy. They cut back hiring and investment.
 - Firms in Italy think π and $\bar{\pi}$ are low. They're told π is high. If not also told $\bar{\pi}$ is high, they now think $\pi > \bar{\pi}$ and also expect contractionary policy. They cut back hiring and investment.

Comments

- Age old concern about surveys:
 - Get the most detailed info from people with the lowest opportunity cost of time so these people may also be inherently less informed.
 - Only a concern if they are not the decision-maker of the HH/firm.
 - Can still vary information treatments to test communication strategies but then need external validity to more informed agents.
- Loss of credibility if public misinterprets targeted information treatments as opposite messages?

Comments

- For Figure 9 (actual vs internalized news about monetary policy):
 - Maybe consider salience of the story in NYT (i.e., front page news versus small article in the business section)
 - MSC asks HHs whether they've heard of favorable/unfavorable changes in business conditions. Distinct from asking whether they've heard news related to monetary policy.
 - In general, we need to know more about where people get their news.