Inflation Preferences

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Abstract

Across two waves of a new nationally representative survey, we document three novel facts about preferred long-run inflation rates among US consumers. (1) The median consumer prefers a 0% annual inflation rate, well below the Federal Reserve's 2% target. (2) Inflation preferences correlate with demographic, socioeconomic and psychographic characteristics, as well as with *economic reasoning*. (3) Using a Randomized Control Trial (RCT), we investigate the impact on inflation preferences of plausible economic narratives—mainstream economic theories about the effect of inflation—and we find that narratives about the eroding effects of inflation on wages or cash savings can weaken elicited preferences. A model of inflation preferences under competing narratives explains how elicited preferences can vary under different economic conditions and over time.

Keywords: Inflation preferences, consumer surveys, inflation
JEL-Codes: C83, E31, E52

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1 Introduction

It is no secret that people strongly dislike inflation (Shiller, 1997; Stantcheva, 2024) and that they take costly actions to mitigate its ostensibly adverse impact on their economic circumstances—especially wages (e.g., Afrouzi et al., 2024c; Guerreiro et al., 2024). Moreover, cost-of-living crises brought about by inflation can spur political turmoil and de-stabilize voter behavior (see, e.g., Aytaç et al., 2025; Baccini and Weymouth, 2025; Federle et al., 2024). In this light, it is perhaps unsurprising that legislation across the globe mandates *stable prices* as goals of monetary policy. However, such mandates are arguably distinct from the *inflation targeting* interpretation adopted in recent decades by central banks—the institutions that determine the long-run rate of inflation.[1] Although a reason for adopting inflation targeting could be that an inflation rate higher than zero is optimal, as some economic theories prescribe, it is not evident that the public shares this view.[2][3] An apparent reconciliation of this tension between economic theory and the desire for price stability might be that consumers (and lawmakers) simply fail to understand the theories of optimal inflation or place substantially higher weights on theories that prescribe lower inflation rates to be optimal.[4]

In this paper, we shed light on the tension between central bank targets and consumer preferences by providing an empirical measure of the long-run level of inflation preferred by US consumers, which could replace the optimal rate of inflation in central bank objectives. We show that the median consumer prefers a 0% annual inflation rate, well below the Federal Reserve's 2% target. Moreover, inflation preferences correlate with demographic, socioeconomic and psychographic characteristics, as well as with economic reasoning. A vignette study reveals that inflation preferences are relevant for economic decisions. Consumers adjust their planned economic decisions differentially in response to hypothetical rates of inflation; their planned adjustment depends to a large extent on their personal inflation preferences. Finally, in a randomized control trial (RCT), we investigate the effect of various economic narratives—mainstream economic theories about the effect of inflation—on inflation preferences. We find that narratives about the eroding effects of inflation on wages or

[1] For instance, the Federal Reserve Act of 1977, Bank of Japan Act of 1998, Treaty on the Functioning of the European Union of 1992, Reserve Bank of New Zealand Act of 1989, National Bank Act of 2004 in Switzerland state their central banks' mandates specifically in terms of *price* stability.

[2] See, e.g., Adam and Weber (2019), Blanchard et al. (2010), Coibion et al. (2012), and Tobin (1972), but this contrasts with the literature on optimal policy with commitment, which prescribes as the optimal policy price targeting at zero inflation (Svensson, 1999b; Woodford, 2003).

[3] Canonically, optimal monetary policy models embody such long-run optimal targets as a rate $\bar{\pi}$ in their objectives. For instance, see Svensson, 1999a, which minimizes the discounted sum of the following per-period loss function:

$$L_t = \frac{1}{2}\left[(\pi_t - \bar{\pi})^2 + \lambda\,(y_t - y_t^n)^2\right]$$

where the policy maker considers the deviation of inflation (π_t) from $\bar{\pi}$ as the cost of inflation.

[4] This gap can also be viewed in light of Rogoff (1985)'s theory that society benefits from more hawkish central bankers than social preferences would suggest.

cash savings can lead to lower preferences.

Across two waves of a new nationally representative survey of US residents, our analysis detects a sizable gap between consumer preferences and actual policy targets: Consumers prefer a substantially *lower* inflation rate than both the *actual* and their own *perceived* rate of inflation targeted by the Federal Reserve. The median unconditional inflation preference of respondents across both waves is for 0% inflation, and a large majority (more than 75%) prefers a monetary policy targeting a long-term inflation rate for the US economy lower than the Fed's two-percent target. This finding is robust; it holds across the survey waves, multiple question variants, and in the context of potential demand effects. To better understand the drivers of this tension, our analysis addresses a range of potential explanatory variables—socio-demographic, psychographic, and economic—and uses a vignette to validate the relevance of inflation preferences for economic decision-making. We also embed a randomized control trial (RCT) in our survey to test the causal relationship between inflation preferences and economic narratives consumers may have in mind.

We find that respondent demographic and socioeconomic characteristics, together with consumers' economic reasoning, correlate with their stated inflation preferences. Older respondents, for example, prefer lower inflation on average. Survey participants whose total income is more dependent on wages also prefer lower inflation. In contrast, respondents who hold mortgages express higher inflation preferences, in line with the redistributive effects of inflation. Respondents who studied economics report significantly higher inflation preferences, by approximately one percentage point. This finding in particular points to the potential importance of reasoning and economic narratives for inflation preferences among the public. Indeed, when articulating their preferred rate of inflation, consumers report having in mind narratives that economists typically deem relevant for calculating optimal inflation rates. Whether or not respondents considered these narratives correlates meaningfully and significantly with the inflation preferences expressed: Respondents who considered how inflation erodes real wages also expressed preferences for lower inflation. In contrast, those who considered the consequences of the effective zero-lower bound on economic activity expressed preferences for higher inflation.

Psychographic characteristics, elicited in the second wave, also correlate meaningfully with inflation preferences. Both numeracy and financial literacy, adapted from Stango and Zinman (2022), are negatively associated with inflation preferences, indicating that respondents more apt to answer our survey questions prefer less inflation. This result speaks against the possibility that our main finding—that the median consumer prefers a zero-percent inflation rate—can be explained by incompetence or misunderstanding on the part of the respondents. Moreover, a measure of constant relative risk aversion, adapted from Bradford et al. (2018), is negatively associated with inflation preferences; those who are more averse to risk systematically want lower inflation.

To assess not only the determinants of inflation preferences but also whether they translate into

economic behavior, we also study a vignette experiment in which respondents are randomly exposed to hypothetical changes in long-run inflation and report how they would adjust their savings and labor-market decisions. Higher hypothetical trend inflation reduces households' willingness to save and increases the likelihood of wage renegotiation and job search, consistent with standard mechanisms through which inflation erodes real asset values and interacts with nominal rigidities. Crucially, these behavioral responses are strongly heterogeneous: households with lower preferred inflation respond much more aggressively to higher inflation, while those who prefer higher inflation are significantly less likely to adjust their savings behavior or renegotiate wages when faced with the same inflation increase. This interaction implies that inflation preferences shape the perceived marginal cost of inflation and, in turn, households' economic decisions. From a policy perspective, these results suggest that changes in the inflation target would induce quantitatively different behavioral responses depending on where households' preferred inflation lies, with implications for wage flexibility and the transmission of monetary policy.

These results—showing that inflation preferences shape economic decisions and may conflict with long-run policy objectives—naturally raise the question of whether communication about the economic rationale for long-run inflation goals can shift consumers' inflation preferences. The randomized controlled trial (RCT) in our first survey wave speaks directly to this question by testing whether—and which—economic narratives causally affect inflation preferences. The RCT randomly assigned respondents to a control group or one of five treatment groups. Each treatment provided information in clear, understandable language about a specific narrative capturing a theory of the optimal inflation rate. All treatments are intentionally qualitative—highlighting a mechanism, without quantifying an optimal level of inflation. Compared to untreated respondents, two narratives causally influenced inflation preferences: (1) the negative effect of inflation on the real value of cash holdings and (2) inflation eroding real wages. Both narratives reduced inflation preferences, each highlighting a specific and distinct negative impact of inflation. To further test stability of these causal effects over time, we repeated the experiment in the second wave of our survey with only the wage erosion treatment. We found that the treated group was significantly more likely to reduce their inflation preferences relative to the control group, but the magnitude of the difference was smaller and insignificant relative to the first wave.

Although the RCT identifies causal effects of specific narratives on stated inflation preferences, these effects do not have a one-to-one interpretation. In particular, a treatment effect conflates two distinct objects: the extent to which the treatment shifts the weight respondents place on a narrative, and the difference in preferred inflation implied by that narrative relative to others. Absent structure, it is therefore unclear whether a small or insignificant effect reflects weak persuasion, strong prior beliefs, or limited disagreement across narratives. To address this identification problem, we develop a simple model that links narratives, their weights, and inflation preferences.

The model first assumes that conditional on every narrative, households have a potentially distinct inflation preference: For example, considering only the effective lower bound, one might prefer a relatively high inflation rate; considering instead the idea that inflation erodes real wages independently, one might deem less inflation to be optimal. However, because each of these narratives merely highlights a sole and distinct aspect of inflation, consumers are likely to entertain several competing narratives at the same time, weighting them – and the respective optimal inflation levels – against each other given the economic conditions of the time or their perceived state of the economy. Therefore, by nudging consumers with a particular narrative, we do not expect to change their preferences conditional on each narrative, but to shift the weight that they put on that narrative relative to competing ones. Thus, if we were successful in doing so, then the treatment effect would highlight whether the preferred rates of inflation across different narratives are distinct or not. In fact, we formally derive that the treatment effects under our experiments are the product of two terms: the shift in the weights assigned to these narratives caused by the treatment and the difference in the rate of inflation preferred under each narrative. Thus, a non-zero treatment effect indicates both a shift in the corresponding weights (i.e., a successful intervention) and a different rate of inflation preferred under the treatment relative to competing models. However, a zero and insignificant treatment affect can be either due to a failure of treatment in shifting the corresponding weights among the treated or an insignificant difference in preferred inflation across narratives.

This framework allows us to interpret our results further through the following key prediction: If respondents already assign a high weight to a narrative prior to treatment, any potential treatment effect will necessarily be smaller than otherwise, even if the narrative has strong theoretical implications. In a similar vein, the effects of the treatment may change over time if the respondents update their beliefs and thus the weights they assign to different narratives based on new information and economic circumstances. These predictions thus allow us to interpret the finding from the second wave of the survey, which replicated the real-wage erosion treatment. In line with results from the first wave, this treatment increased the probability of revising inflation preferences downwards, although without generating a quantitative preference shift at the same time. According to the model, this is consistent with the the premise that in the second wave the control group already assigned a higher weight to the the wage erosion effects of inflation, leading to a smaller treatment effect. A secondary prediction of this argument is that if respondents assign more weight to the wage erosion narrative in the second wave, then aggregated inflation preferences should be lower in that wave relative to the first one, which indeed applies to average preferences.

Therefore, our findings demonstrates that economic reasoning plays an important part in explaining the inflation preferences expressed by US consumers and, thereby, the gap between their preferred long-term rate and that targeted by the Federal Reserve. Consumers express inflation preferences consistent with their socioeconomic circumstances, economic education, and the eco-

nomic narratives they have in mind. Importantly, the gap is not explained by consumers' inability to grasp the questions posed, as those with higher numeracy and financial literacy scores prefer less inflation. The gap persists across two survey waves and variations in elicitation procedures. Finally, our RCT provides evidence of a causal relationship between economic narratives and inflation preferences: Economic reasoning appears to matter for why consumers dislike inflation by connecting their preferences to the prevailing narratives of the time. While more research is required to understand the fundamental underpinnings of how the appeal of such narratives changes over time and in different economic environments, the link between narratives and preferences also highlights potential mechanisms through which central bank communication can close the gap between consumer preferences and policy objectives, especially pertaining to monetary policy targets (e.g., D'Acunto et al., 2020).

Related literature While the literature has made strides in studying the theoretical optimal long-run inflation rate, there is scant work that directly elicits consumers' preferences over inflation. The pioneering survey of Shiller (1997) and its recent redux by Stantcheva (2024) come close by eliciting the reasons why respondents dislike inflation. Our findings resonate with their main result—that people dislike inflation because it erodes their standard of living. Frey (2008), Hübner and Klemm (2015), and Ruprah and Luengas (2011), as well as Di Tella et al. (2001), echo the findings in Shiller (1997) more generally by presenting cross-country survey evidence that people's happiness or life satisfaction is adversely related to their country's inflation rate. Consistent with this evidence, Draeger et al. (2024) and Pfajfar and Winkler (2024) show that consumers in Germany and the U.S., respectively, prefer inflation to be lower than the rate they expect over the next 12 months. In addition, Pfajfar and Winkler (2024) investigate the acceptable sacrifice ratio of US consumers. The complementary contribution of our analysis is threefold: First, we quantify the long-term preferred rates of inflation held by respondents in detail, together with an extensive set of correlates: demographic, psychographic and socioeconomic. Second, we map out the relevance of economic models in the formation of such preferences. Third, we implement an RCT to investigate the causal link between economic narratives and inflation preferences.

In charting the economic narratives that people have in mind when they express their inflation preferences, we connect to the work in Candia et al. (2020), Hajdini et al. (2022) and Jain et al. (2024). Based on an RCT, Hajdini et al. (2022) causally establish a perceived low individual-level pass-through of inflation expectations into future income growth and point to underlying labor-market frictions as the reason, modeled in more detail in recent work by Guerreiro et al. (2024). Jain et al. (2024) extend these findings, showing that consumers link high inflation with bad labor-market conditions. Similarly, Candia et al. (2020) interpret evidence on inflation expectations in a manner somewhat analogous to our analysis of inflation preferences: Consumers provide a supply-

side interpretation of inflation ("inflation is bad for the economy") because it implies negative income effects. Our investigation into inflation preferences and economic reasoning complements these papers.

Our paper also speaks to a large literature on pref erences concerning the macro economy and broad demographic and socioeconomic correlates. For example, Falk et al. (2018) document substantial heterogeneity in economic preferences across and within countries, establishing correlations with demographic factors and economic outcomes. Coles and Chen (1990), Hofstetter and Rosas (2021), Jayadev (2008), Lelyveld (1999), and Scheve (2003, 2004) document variations in the short-run trade-off between inflation and unemployment across countries, while Hayo (1998) shows trends and heterogeneity in broad macroeconomic policy preferences, including over "fighting rising prices." Similarly, Aklin et al. (2022), Easterly and Fischer (2001), and Howarth and Rommerskirchen (2016) document significant heterogeneity in the aversion to inflation. Supporting the general finding that economic preferences are highly heterogeneous, and systematically related to demographic and socioeconomic factors, we provide evidence on long-run inflation preferences—a central element of central-bank objective functions.

Our paper also relates to the literature that studies how the socially preferred (or optimal) inflation rate differs from that of policy makers. On the one hand, such wedges can exist due to time-inconsistency issues, as in Barro and Gordon (1983), which may lead to an inflationary bias on part of policy makers who lack commitment. On the other hand, optimal inflation can be achieved if society appoints central bankers who put more weight on inflation stabilization than that prescribed by social preferences (Rogoff, 1985).[5] Our findings are informative about such models, as they measure the distance between socially preferred rate of inflation and the one targeted by the central bank. In particular, we find that socially preferred inflation is below the target inflation rate of the Federal Reserve in the U.S., in contrast to the optimal policy prescribed in Rogoff (1985).

2 Survey

The analysis builds on two survey waves, the first run in February-March 2024 ("Wave 1") and the second in August-September 2024 ("Wave 2"). Both waves elicit inflation preferences from a nationally representative sample of US consumers. The first wave focuses on the economic circumstances of the respondents. It also includes a number of treatments to test causal links between economic narratives and preferences. The second wave measures key psychographic characteristics not captured in the first wave. It also tests the robustness of the preference-elicitation procedure and replicates one of the treatments from the first wave.

[5] See also Afrouzi et al. (2024c) for a treatment of this idea in a modern New Keynesian model.

2.1 Survey wave I - Economic conditions and narratives

The first survey wave collected responses from a nationally representative sample of approximately 3,500 respondents, in February and March 2024. The survey was administered by Qualtrics Research Services. Table A.1 in the Appendix presents a breakdown of the demographic characteristics of the respondents, together with the respective population targets; the demographics are reasonably representative according to our targets. In order to improve representativeness, our analysis applies iterative proportional fitting to create respondent weights that achieve representativeness by re-weighting("raking," see for example Bishop et al., 1975; Idel, 2016). Appendix E provides further details, including the survey instrument.

The first wave of the survey comprises five stages. The first elicits respondents' prior long-term inflation preferences—that is, preferences for inflation in a typical year:

> *Consider the economy you live in. Its prices tend to move up or down over time. What would you prefer the inflation rate to be for these goods and services, in a typical year? On average, the inflation rate should be:*
>
> *O positive*
> *O zero*
> *O negative*

If a respondent selects positive or negative inflation, a follow-up question is posed, which refers to either inflation or deflation, according to the answer provided in the question prior:

> *In a typical year, what rate of [inflation/deflation] would you prefer?*

The respondent then selects one of six inflation intervals, from *"more than 0% and less than or equal to 1%"* to *"more than 8%, please specify ___."*

This two-step format mimics that used to elicit point-forecast inflation expectations in the New York Fed Survey of Consumer Expectations (e.g., Armantier et al., 2017). A series of questions that probe demographic and socioeconomic characteristics follow. Respondents report gender, income, general education, economic education, ethnicity, and state of residence.[6]

In the second stage, respondents are randomly assigned to one of five treatments or a control group. The treatments (see T1-5, below) feature narratives that correspond to one of five models of price determination, encompassing the predominant paradigms in the literature. The control group receives no information.

[6]These questions have the added benefit of serving as a buffer before posterior inflation preferences are elicited in stage three.

T1 (Cash value) *You don't earn interest on your cash at home and only little interest on money in your checking account. But if goods and services become more expensive over time (inflation), your cash becomes less valuable. Hence, lower inflation can be beneficial when you hold cash.*

This first narrative represents the idea that nominal assets that bear little to no interest, such as cash or money in checking accounts, depreciate in real value with inflation. This is consistent with the paradigm of determining optimal inflation via the (opportunity) cost of producing currency, which is (approximately) zero, thus calling for deflation as optimal in the long run (Friedman, 1969).

T2 (ELB) *When prices increase over time (inflation), interest rates tend to be high. But in times of economic crisis, lower interest rates are needed to the boost the economy. Higher inflation, therefore, gives central banks more opportunities to lower interest rates and help the economy to recover.*

This second narrative refers to the notion that the existence of an effective lower bound (ELB) on nominal interest rates makes it more difficult for inflation-targeting central banks to meet their inflation objectives with conventional monetary policy tools. This is the case not only when policy rates are at (or close to) the ELB, but also when policy rates have risen above it. Under this paradigm, therefore, some positive inflation is optimal to mitigate the risk of policy rates becoming constrained by the ELB (see, e.g., Andrade et al., 2019; Coibion et al., 2012).

T3 (Labor market) *In times of crisis, it is sometimes necessary for firms to reduce wages in order to keep people employed. But if they cannot cut wages, they might fire employees instead. Higher inflation reduces wages implicitly. Thus, firms are not forced to reduce wages explicitly or fire workers in times of crisis.*

This third narrative corresponds to the premise that higher inflation reduces real wages implicitly, making high inflation an attractive way for firms to keep workers employed. In other words, inflation under this paradigm is useful because it "greases the wheels of the labor market" (see, e.g., Tobin, 1972).

T4 (Wage inflation) *When prices increase over time (inflation), workers' wages may not immediately adjust in proportion. Inflation, therefore, affects the amount of goods and services that workers can buy with their wages. By keeping inflation low, workers can buy a similar amount of goods and services over time.*

In contrast, the fourth narrative describes how nominal wages may prove sticky and not immediately catch up with price changes, thereby making it more desirable that prices be stable over time.

> **T5 (Asset inflation)** *When prices increase over time (inflation), the dollar value of your assets (such as real estate, retirement savings, stocks, bonds and so on) may not immediately adjust in proportion. Inflation, therefore, affects the amount of goods and services that you can buy with your assets. By keeping inflation low, you can buy a similar amount of goods and services with your assets over time.*

The fifth narrative concerns potential asset holders and outlines the general belief that the nominal values of assets—such as real estate and stocks—may not immediately adjust in proportion to changes in prices (for evidence, see Fama and Schwert, 1977).

Following the RCT in the second stage, the third stage of the survey presents a variant of the question eliciting inflation preferences introduced in the first. The purpose is to capture posterior long-term inflation preferences. The posterior question is thus phrased in a similar but not identical manner (see Appendix E).

The fourth stage confronts the respondent with narratives corresponding to all five inflation models, in random order. For each narrative, the respondent is asked whether or not she had considered it in the question prior, when articulating inflation preferences.

The fifth and final stage presents a series of questions about the Federal Reserve, its monetary policy, and the economic circumstances of the respondents. This stage also features some hypothetical questions in vignette form about inflation and personal economic behavior, as well as inflation and personal wage growth. The purpose is to gauge whether consumers understand the consequences of inflation for *their own* economic circumstances. Appendix E offers a comprehensive overview of our survey questions.

2.2 Survey wave II - Psychographic characteristics and robustness

The second wave collected responses from a nationally representative sample of about 5,000 respondents in August and September 2024. As with the first, the second wave was administered by Qualtrics Research Services. Table A.1 in the Appendix offers a breakdown of the demographic characteristics of the sample, with the corresponding population targets. The sample appears reasonably representative, and we apply iterative proportional fitting to create respondent weights that improve representativeness by re-weighting, as we did with the sample from Wave I. Appendix F provides further details.

The second wave serves two purposes. First, it presents a new set of questions that assess psychographic characteristics. These include conventional multiple-price-list (MPL) measures of

risk and time preferences, following Bradford et al. (2018), alternative measures of risk preferences, together with measures of loss aversion, numeracy, and financial literacy, all from Stango and Zinman (2022). Second, it tests the robustness of the inflation-preference elicitation, as well as the susceptibility of respondents to demand effects. To address robustness, two question variants are included: One excludes the zero-answer option from the original inflation-preference question, to avoid nudging responses toward zero. The other provides an open-ended response option as opposed to predefined support. To assess susceptibility to demand effects, the survey embeds treatments following the methodology of Quidt et al. (2018): Some respondents are randomly assigned to an additional textual element that immediately precedes preference elicitation, as follows:

> *The next question asks about your preference over inflation.*
> *We expect that participants who are shown these instructions will prefer [less/more] inflation than they normally would.*

Half of these respondents receive a negative demand treatment, with "less inflation" in the text above; the other half a positive demand treatment, with "more inflation" in the demand prompt.

The second wave also replicates the real-wage information treatment (T4), described above, and explores the role of demand effects in shaping posterior inflation preferences.

3 Determinants of inflation preferences

This section establishes our main finding, which emerges from both survey waves: Consumers prefer a near-zero long-run inflation rate, and this result is highly robust. At the same time, there is a striking tension between the inflation rate consumers prefer and the higher rate perceived to be the target of the Federal Reserve. To better understand the sources of this tension, our analysis examines the demographic, socioeconomic, and psychographic factors at play, together with plausible economic models consumers may have in mind when they express their preferences.

3.1 Unconditional inflation preferences

The responses to the inflation-preference question show a clear, unconditional preference for near-zero inflation. After winsorizing extreme outliers of the response distribution at 15% (-15%), which affects 0.31% of all respondents, the Huber-robust and survey-weighted mean inflation preference in the first wave is 0.20%.[7] In the second wave, a slightly lower mean preference of -0.21% emerges. The median response lies at 0% across both survey waves. The distribution of first-wave responses further shows that 34.49% of respondents state a preference for inflation above 0, while 23.54%

[7] We use midpoints of each density range to compute density means.

prefer deflation. The second-wave responses are similarly distributed. Table A.3 in the Appendix provides additional descriptive statistics.

This main finding is quite robust, as further results from the second wave of the survey show. In particular, unlike what one might expect, including a zero-response option does not mechanically "drag down" responses to zero. In fact, presenting respondents with a question variant that lacks a zero option yields a lower mean inflation preference of -0.60%, and a median preference of -0.50%. Likewise, allowing for an open-ended numerical response instead of preset response ranges reveals the robustness of our main finding: The mean inflation preference is now -0.01% and the median inflation preference 0%. Although the mean for the robustness with the open answer format is not statistically significantly different from our baseline measure at a 90% confidence level, the mean from the robustness exercise that removes the zero option is significantly lower.[8] This lower mean effect suggests that our baseline question format, which includes the zero option, if anything, biases inflation preferences upward. Generally, the standard deviation of responses across robustness exercises is larger. Tables A.3 and Table A.5 in the Appendix summarize these findings. Because the second wave was administered six months after the first, our results indicate robustness over time. Indeed, mean inflation preferences in the second wave are significantly lower than in the first wave, even though the median stays constant.

Furthermore, demand effects do not statistically significantly affect the unconditional mean inflation preference, as second-wave results show. When respondents face the question on prior inflation preferences in conjunction with a *demand treatment*, intended to artificially generate a positive or negative demand effect, the unconditional mean inflation preference is neither affected by the positive nor the negative treatment. Table A.6 in the Appendix summarizes this result, with $\mathbb{D}_+$ denoting positive and $\mathbb{D}_-$ negative demand effect treatments.

These inflation preferences contrast markedly with the *perceived* inflation target of the Federal Reserve. In what follows, we present statistics on this distribution of preferences, but refrain from interpreting the statistics as a welfare measure because it is unclear how a social planer should weight social groups or individuals. Our results show that the mean perceived target is 3.03%, and the median 2%, locating a potentially well-informed consumer in the vicinity of the official Fed target. Moreover, 74% of respondents (81% in the second wave) would prefer less inflation than the official Federal Reserve target of 2% per year, as the Figure 1 shows.

Inflation preferences also remain firmly below measures of (perceived) inflation targets according to multiple robustness checks in the second wave. Most strikingly, about two thirds of the respondents prefer less than 2% inflation per year in this second wave. This result holds across all three variations of the question formats, which in each case are consistent for the preferred inflation

[8] Table A.5 in the Appendix also shows that a different treatment of outliers can affect the invariance finding of the question format.

rate and the perceived inflation target. A qualitatively similar result also holds when comparing preferred inflation rates to *perceived* inflation targets at the respondent level. For our baseline format, 42% of respondents prefer less inflation than their perceived target. For the question format without a zero option, the same share, 42%, prefer less inflation than their perceived Fed target. For the open question format, 46% of respondents prefer less inflation than their perceived Fed target. Although variations in the question formats have some impact on the comparison at the individual level, potentially by explicitly allowing for a zero or deflation answer, the results do not change qualitatively. Table A.4 in the Appendix summarizes these findings.

3.2 Demographic and socioeconomic determinants

To explore the relationship between inflation preferences and demographic and socioeconomic factors, our analysis regresses respondent preferences π_i^* (prior preference) on a set of demographic characteristics, denoted by D_i, and on socioeconomic conditions, E_i, elicited in the first survey wave:

$$\pi_i^* = \beta_0 + \delta D_i + \zeta E_i + \epsilon_i \tag{1}$$

where the vectors δ and ζ correspond to the impact associated with the demographic and socioeconomic characteristics. To gauge how much each set of factors account for the variation in inflation preferences, our analysis considers specifications that include D_i and E_i separately, as well as jointly, shown in Columns (1) and (2) of Table 1 and, respectively, Column (3). Demographic factors include gender, age bracket, college education, having had an economics-related major, ethnicity, and political leaning. Socioeconomic conditions include income bracket, the composition of income according to various sources, as well as the size and composition of financial (non-housing) assets. Other variables include information on real-estate holdings and mortgages.

A number of patterns emerge for demographic characteristics. First, and across specifications, older respondents prefer less inflation on average. For example, participants over 55 prefer 0.951 percentage points *lower* inflation than those below 35 years of age, while those aged 35 to 55 prefer 0.281 percentage points lower inflation. Second, relative to Democratic voters, Republicans and independent voters also prefer lower inflation. Third, respondents indicating that they have majored in economics report significantly *higher* inflation preferences, by nearly a full percentage point.

In terms of socioeconomic factors, respondents with low disposable income, below USD 50k per year, prefer significantly higher inflation. When breaking down income into different major sources, respondents with a higher share of labor income prefer less inflation. A 10-percentage points higher share of wage income in total income corresponds to a 0.065-percentage point *lower*

inflation preference. By contrast, asset-rich respondents prefer on average inflation to be higher. The composition of assets—the share of cash, pension, and financial-investment holdings—does not seem to play a significant role for preferences. Instead, home-ownership is associated with lower inflation preferences, by 0.263 percentage points. Those who hold a home mortgage, however, prefer more inflation, by 0.391 percentage points, consistent with the redistributional effect of inflation, from savers to borrowers, as described by Fisher (1933). Our age effect—with older respondents more averse to inflation—is possibly a further manifestation of this effect, as younger (older) households are more likely to be borrowers (savers) (see e.g., Doepke and Schneider, 2006).

3.3 Inflation preferences and psychographics

Psychographic characteristics elicited in the second wave across two broad categories—literacy (numerical and financial) and basic microeconomic preferences (risk preferences, time preferences, and loss aversion)—correlate with inflation preferences.[9] Our analysis estimates the following regression:

$$\pi_i^* = \beta_0 + \eta P_i + \delta D_i + \epsilon_i \tag{2}$$

where P_i denotes a vector of psychographic characteristics and D_i represents demographic characteristics of respondents.

As seen in Table 2, both numeracy and financial literacy are negatively associated with inflation preferences, regardless of whether they are included as the sole psychographic factor (columns 1 and 2, respectively) or together with all psychographic factors (column 7). These results are noteworthy because they indicate that respondents more apt to answer our survey questions properly prefer less inflation. Thus, our main finding—that consumers prefer approximately zero inflation—is not readily explained by incompetence on the part of the respondents.

Microeconomic preferences are also associated meaningfully with inflation preferences. Constant relative risk aversion, derived from multiple price lists, is negatively associated with inflation preferences, regardless of whether it is included with time preferences alone (columns 3) or together with all other psychographics (column 7). Financial risk aversion, derived from a question asking respondents to rate the extent to which they see themselves as "a person who is fully prepared to take risks," is also negatively correlated with inflation preferences, both when included alone (column 5) and together with the other measures (column 7). However, large-stakes risk aversion, derived from vignette-style questions about job options, is positively correlated with inflation preferences when included on its own (column 6), but uncorrelated when included together with the other psychographics (column 7). Overall, when we consider the estimation that includes all psychographics

[9] Appendix D outlines the estimation of time and risk preferences, following the methodology of Bradford et al. (2018).

(column 7), it appears that consumers who prefer less risk also desire lower inflation.

For time preferences and loss aversion, our results show no significant association with inflation preferences when other psychographics are accounted for (column 7). Time-consistent preferences are negatively associated with inflation preferences, but only at the ten-percent level and when included separately from unrelated psychographics (column 3). Present bias exhibits no significant association with inflation preferences (columns 3 and 7). Loss aversion, in contrast, is negatively associated with inflation preferences when included separately (column 4), but not when included with the other psychographics (column 7).

3.4 Economic inflation models

An additional potential determinant of inflation preferences, which we specifically explore, is the set of economic narratives that consumers might have in mind (see e.g., Shiller, 2017). It is important to note that we consider here a relatively narrow definition of narratives—as simplified explanations of *economic models* that have implications for the optimal rate of inflation. Accordingly, this section summarizes the importance of narratives corresponding to economic models from the literature, and their quantitative relation to the inflation preferences elicited.

To gauge the baseline prominence of the respective narratives, we proceed by considering the information elicited from our untreated respondents in the first wave, who did not receive any narrative treatments. Notably, respondents generally indicate that they deem more than one economic narrative to have been relevant in their articulation of inflation preferences; only 5.6% of respondents indicated that they considered exactly one narrative; and 10.4/22.2/24.9/30.1% considered 2/3/4/5 different narratives, respectively; while a mere 6.8% stated that they considered none of the narratives given. As for the most prominent narrative, 77.4% of respondents indicated that they considered the narrative about inflation eroding workers' purchasing power. In contrast, the narrative about potentially positive effects of inflation on aggregate employment ("greasing the wheels of the labor market") is the least prominent, with only 56.6% of respondents stating that they considered it. Table 3, Column (1) provides for each economic narrative on inflation the fraction of respondents indicating that they considered it.

To understand the *relative* importance of different narratives at the individual-respondent level—rather than a narrative's unconditional aggregate frequency count—we calculate $p_i(m_k)$, the relative weight respondent i places on narrative m_k, as:

$$p_i(m_k) = \begin{cases} \frac{\mathbb{I}_i(m_k)}{\sum_{j=1}^{5} \mathbb{I}_i(m_j)} & \text{if } \sum_{j=1}^{5} \mathbb{I}_i(m_j) > 0 \\ 0 & \text{if } \sum_{j=1}^{5} \mathbb{I}_i(m_j) = 0 \end{cases} \tag{3}$$

where $\mathbb{I}_i(m_k)$ denotes an indicator variable equal to 1 if respondent i reports considering narrative m_k. For example, if a respondent considered 2 narratives, the wage-inflation narrative and the ELB narrative, then $p_i(ELB) = \frac{1}{2}$. Our results show that respondents on average place a weight of 21.5% on the wage-inflation narrative, which is the highest weight placed on any narrative, and also aligns with the aggregate frequency counts described above. In contrast, the weight on the labor-market effects of inflation is the lowest, at 14.5%, again consistent with the above findings. Table 3 shows all relative weights across the different narratives.

Two narratives of inflation, indicated by respondents as relevant in their considerations, exhibit a statistically significant relationship with consumer inflation preferences in line with the respective economic theory. Our analysis gauges the strength of this relationship by estimating the following specification:

$$\pi_i^* = \beta_0 + \sum_{k=1}^{5} \alpha_k \mathbb{I}_i(m_k) + \delta D_i + \zeta E_i + \epsilon_i \tag{4}$$

where again $\mathbb{I}_i(m_k)$ denotes an indicator variable equal to 1 if respondent i considered narrative m_k. As Columns (4) to (8) of Table 1 show, respondents who considered the narrative on wage inflation eroding purchasing power reported significantly *lower* inflation preferences, on average by 0.734 percentage points. In contrast, respondents who considered the ELB on average stated inflation preferences that are 0.533 percentage points *higher*.

The share of variation explained by the economic narratives in total, accounting for inflation preferences, is 13.7% according to Owen values, as seen in Figure A.1 in the Appendix. The two other sets of factors, demographics and socioeconomic characteristics, account for 46.9% and 39.4%, respectively. In other words, all three sets of factors play a role, and economic narratives appear to be the least important of the three.

Interestingly, the effective-lower-bound narrative accounts for the largest share of the inflation-preferences variation explained by the five narratives (50.5%), with the wage-inflation narrative coming in second (26.2%), seen Figure A.2 in the Appendix. The narrative on labor-market effects accounts for 10% of the variation explained by the five narratives. In contrast, the cash value and asset-inflation narratives seem to account for very little of the total variation explained (3.6% and 2.7%, respectively), even though a significant share of survey respondents indicated that they considered them.

4 Inflation preferences and economic decisions

Having characterized inflation preferences and their determinants, we proceed to a vignette experiment designed to capture potential economic adjustments as they might occur in response to changes in the Federal Reserve's long-run inflation objective (see, Federal Reserve, 2025). The cen-

tral finding is that consumers with higher preferred inflation are less likely to substitute away from their savings towards consumption, and are also less likely to search for jobs or renegotiate their wages.

Our experimental module presented the following prompt:

> Imagine that the future inflation rate in the US, in a typical year, is $\Delta\pi_i^R$ percentage points [*lower/higher*] than currently expected

where $\Delta\pi_i^R$ was selected at random from the set $[-5, 5]$. Following this prompt, respondents reported how they would adjust their behavior across five domains of economic decision-making. The first three—cash holdings, real estate purchases, and holdings of financial assets—concern consumption-savings decisions, while the last two—wage negotiations and job search—pertain to labor market behavior. On a five-point Likert scale, respondents indicated the likelihood that they were to take the actions described: much more, somewhat more, approximately the same, somewhat less, or much less.

To estimate the likelihood of taking each of these actions as a function of the treatment, the rate of preferred inflation, and their interaction, we estimate the following Probit specification:

$$P(\mathbb{A}_i^s) = \Phi\left(\rho + \alpha\Delta\pi_i^R + \beta\bar{\pi}_i + \gamma\Delta\pi_i^R \times \bar{\pi}_i + \delta D_i + \zeta E_i\right) \tag{5}$$

where $\mathbb{A}_i^s$ indicates whether the respondent is much more (much less) or more (less) likely to engage in the respective activity (e.g., negotiate wages more often). Here $\Delta\pi_i^R$ denotes the treatment, $\bar{\pi}_i$ the inflation preference of the individual, and the matrices D_i and E_i account for demographic and socioeconomic characteristics.

Our analysis reveals several insights, captured in Table 5. Panel A) shows whether respondents are "much more" or "somewhat more" likely to take action, panel B) whether they are "much less" or "somewhat less." Columns (1) to (3) in each panel show how respondents would change their savings behavior in terms of cash holdings, real estate, or holdings of financial assets. First, regarding the effect of trend inflation on economic behavior, we observe that a higher rate of treated inflation in the long-run ($\Delta\pi_i^R$) reduces the likelihood of saving across all three margins—consistent with the hypothesis that more inflation erodes the real value of any type of savings. These coefficients are statistically significant for real estate in both specifications, and for the other two margins in the specification of panel B) of Table 5. Moreover, Columns (4) and (5) show that respondents are more likely to engage in wage renegotiation and job search, respectively, at higher rates of long-run inflation, consistent with theories of nominal wage rigidity (see, e.g., Guerreiro et al., 2024).

Second, the interaction term in equation (5) reveals insights into the heterogeneous effect of higher trend inflation on economic behavior. The behavioral response towards higher trend inflation

is strongest for those most averse to inflation. In particular, the interaction between the treatment $\Delta\pi_i^R$ and the preferred inflation rate $\bar{\pi}_i$ is significant on multiple margins: It is positive for wage renegotiation and negative for real-estate saving. Taken together with the main effects, these estimates imply that, holding the inflation treatment fixed, respondents who prefer higher inflation are *less* inclined to renegotiate wages and *more* inclined to save in real estate when receiving a treatment of hypothetically higher trend inflation. Although any detailed discussion of these effects would require a disciplining model, one natural interpretation is that higher preferred inflation lowers the perceived utility marginal cost of additional inflation for these respondents, attenuating the behavioral impact of the treatment. However, taking the wage negotiations as an example, within a framework similar to Guerreiro et al. (2024), negotiations create a fixed cost, but restore the real value of wages. As higher trend inflation erodes the real value of wages, workers will negotiate and try to reset nominal wages more often in a high-inflation environment. This need to readjust wages more frequently might be more apparent to those that would *prefer* lower inflation, as they are likely affected more negatively by higher inflation—for example, they might have less flexible nominal wage contracts.

We draw two key takeaways from this exercise. First, the significant interaction terms indicate that inflation preferences shape consumer decision-making. Indeed, the quantitative inflation preferences collected in our survey reveal a degree of meaningful heterogeneity in the response to changes in inflation: Those with higher inflation preferences are less likely to adjust behavior to higher long-run inflation. Second, taking a representative-agent perspective, our results speak to the potential economic adjustments resulting from a change in the inflation target. For example, assuming an increase in the target, the frequency of wage negotiations increases more given the documented preference for 0% inflation, relative to a preference for 2%. As wage negotiations are linked to wage flexibility, this difference has implications for the effectiveness of future monetary policy.

5 Inflation preferences and policy communication

So far, we have shown that inflation preferences matter for economic decisions and documented a gap between household inflation preferences and policy goals. This naturally raises the question of whether communication about the economic reasons underlying long-run inflation goals can shape consumers' inflation preferences. While the analysis in section 3 shows that narratives are indeed associated with respondents' inflation preferences, the direction of causality could in principle go either way. On the one hand, narratives can affect consumers' elicited preferences. On the other hand, other confounding factors—such as socioeconomic and demographic factors, or even ex-post justification and unobserved characteristics—can determine which narratives resonate with

respondents. This section draws on our RCT to examine this causal link. We then introduce a simple framework to conceptualize the interplay between economic narratives and inflation preferences and discuss how the causal effects of economic narratives on inflation preferences could be inherently complex, along different margins and over time.

5.1 Treatment Effects

Treatments have a nuanced causal effect on inflation preferences, as our analysis shows, based on estimating two specifications. First, our analysis uses a probit specification to gauge the treatment effects along the intensive margin, that is, whether or not respondents revise their inflation preferences upwards or downwards following a treatment. This specification, estimated separately for each type of adjustment decision, is as follows:

$$P(\mathbb{R}_i^s) = \Phi\left(\beta_0 + \beta_1 \pi^*_{Prior} + \sum_{k=1}^{5} \alpha_k \mathbb{T}_i(m_k)\right) \;\forall\; s \in (down, up) \tag{6}$$

Here, $\mathbb{R}_i^s$ denotes an indicator variable, showing whether respondent i revised their inflation preference downwards (upwards). The variable $\mathbb{T}_i(m_k)$ denotes an indicator variable, for respondent i treated with inflation narrative m_k.

A second specification gauges the overall effect of treatments on inflation preferences, incorporating not only the intensive adjustment margin, but also its magnitude:

$$\pi^*_{Posterior} = \beta_0 + \beta_1 \pi^*_{Prior} + \sum_{k=1}^{5} \alpha_k \mathbb{T}_i(m_k) + \epsilon_i \tag{7}$$

Our results reveal that two treatments in the first wave have significant effects on inflation preferences: Receiving the treatment on the cash value model (T1) increases the probability of a downward revision of preferences, by approximately 6.9 percentage points (see Column 1 in Table 4). Similarly, this treatment reduces inflation preferences, by 0.187 percentage points on average (Column 3). The treatment on inflation eroding wages (T4) likewise increases the probability of a downward revision by 4.0 percentage points and reduces inflation preferences by 0.146 percentage points. The other treatments do not yield causal effects.

Although survey wave 2 maintains a different focus, it also allows for the investigation of one specific treatment—real wage erosion (T4). In line with wave 1, this treatment increases the probability of revising inflation preferences downwards, by 6.4 percentage points (Column 4). This estimated treatment effect is not statistically different across survey waves 1 and 2, suggesting a constant intensive-margin effect. In contrast to survey wave 1, however, the treatment now no longer quantitatively affects inflation preferences in a significant way overall (Column 6).

The reading of this differential effect of the treatment over time may take on several interpretations. An initial interpretation may be that treatments have a limited effect on inflation preferences, and further research is required to establish, in a Bayesian sense, more tightly estimated posterior beliefs about treatment effects. A second interpretation, one we deem at least equally plausible, may be that respondents had already internalized the real-wage erosion narrative by the time of the second survey wave. We will come back to this hypothesis after presenting a formal model below. Although the intensive-margin effect in response to the treatment remains constant across waves, the average downward adjustment is smaller in the second wave for the same reason: Inflation preferences are now closer to what the narrative at hand would suggest. Combined with some measurement error, this would lead to an nonsignificant overall effect in the second wave.

Demand Effects The second wave of the survey also allows us to investigate the impact of demand effects on the real-wage treatment. As with prior preferences (reported in section 3.1), demand treatments do not impact posterior inflation preferences. However, when combined with the real-wage treatment, demand treatments can play a role, depending on directionality. A positive demand treatment embedded with the real-wage treatment counteracts the increased likelihood of a *downward* revision otherwise resulting from the latter. In contrast, a negative demand treatment combined with the real-wage treatment does not amplify the effect of the latter on the probability of adjusting inflation preferences downwards. Table A.7 in the Appendix shows these results in Column 1 ("Down"), presenting the coefficients for all treatment combinations and, at the bottom, tests of significance for the difference between the coefficient on the real-wage erosion treatment, alone, and its combination with the respective demand-effect treatments; only the positive demand treatment modifies the effect of the real-wage treatment (p-value of 0.0795).

In terms of *upward* adjustments of inflation preferences, a symmetric result arises: A positive demand treatment embedded with the real-wage treatment does not influence the effect of the latter on the probability of adjusting inflation preferences upward. In contrast, a negative demand treatment embedded with the real-wage treatment does reduce the effect of the latter on the probability of an upward adjustment (p-value of 0.0895), even though the coefficient on the combined treatment itself is not significant. The net effect of the treatments—embodying both adjustment decisions and their magnitudes—is not statistically affected by embedding demand treatments(p-values 0.3981 and 0.2122). Column 3 captures this finding.

The fact that demand treatments have no impact on inflation preferences in their own right reassures us that our treatment effects for the wage-erosion narrative have not arisen from demand effects alone. However, when embedded in a real-wage treatment, demand treatments can have counteractive effects, indicating that conflicting instructions may influence how participants interpret the narrative. That demand treatments do not move inflation preferences on their own, but

indeed yield directional effects when embedded with narratives, invites two observations. First, participants take into account the narrative provided when reporting their inflation preferences, but they are uncertain of their interpretation—otherwise, the pure demand treatment should also have moved preferences; this uncertainty can be related to a difficulty in determining how narratives translate to personal preferences. Second, that demand treatments only mitigate the treatment effect—rendering it nonsignificant—is consistent with the hypothesis that participants interpret the main narrative as one under which preferences should be lower, and that they move away from that interpretation only when explicitly instructed to report higher inflation preferences as an additional, but conflicting signal.

5.2 Model

How should treating participants with a narrative, as we have done in our experiment, affect their elicited preferences (if at all)? Moreover, how should we expect the results of such an experiment to inform us about the causal effects of narratives on households' inflation preferences? It is hard to answer these questions without a model because even if narratives causally shape households' preferences, it is not clear that treating them with a different narrative would change their mind and, consequently, their elicited preferences. In particular, changes in the details of treatment effects, like we have documented across our two surveys, signal that more complex mechanisms might be at play. After all, if narratives were irrelevant to inflation preferences, then we should have seen no effect in either of the surveys, and the significant effect in the first survey is a false positive. However, to the extent that it was not, it is our goal in this subsection to introduce a simple conceptual framework to understand why such treatment affects can change in response to other economic factors or over time.

Formally, our framework considers a set of individual types, denoted by $\theta \in \Theta$, where θ can capture either the whole population or demographic or socioeconomic types, such as gender, age, and economic conditions. We assume that these types consider a set of possible models about inflation, denoted by $m \in M$, where m can denote models of optimal or preferred inflation as in one of our treatments or other potential models that these types might consider.

Denote by $\pi^*(\theta|m)$ the optimal or preferred inflation rate from the perspective of an individual of type θ, given economic model m. These preferred inflation rates should differ across types and models because, for instance, individuals with a higher propensity to save might prefer lower inflation since their assets would be devalued more under higher inflation. Additionally, participants in our study are presumed to arrive with a preconceived probability distribution over models: $p(m|\theta)$ (which are meant to map to the weights that respondents assign to each narrative in our survey). Their desired inflation rate, therefore, can be expressed as the preferred inflation average under

these probability weights:

$$\pi^*(\theta) = \mathbb{E}^m[\pi^*(\theta|m)] = \sum_{m \in M} p(m|\theta)\pi^*(\theta|m) \tag{8}$$

Our experimental treatments are designed to alter $p(m|\theta)$ by signaling to participants that certain models are more likely than others. Since $\pi^*(\theta|m)$ already conditions on m, we posit that revealing information about m does not change an individual's preference conditional on m.

Now, consider a treatment arm featuring a specific model $m_0 \in M$. Let $p(m|\theta, m_0)$ denote the probability assigned to model m by an individual of type θ who was treated with information about model m_0. We proceed with the assumption that while this treatment can change the probability weight assigned to that model m_0, it does not change the *relative* probabilities assigned to models other than m_0; i.e., for any $m' \neq m_0$:

$$\frac{p(m'|\theta)}{1 - p(m_0|\theta)} = \frac{p(m'|\theta, m_0)}{1 - p(m_0|\theta, m_0)} \tag{9}$$

As a result, one can derive the following identity that relates type θ's pre- and post-treatment inflation preferences to one another:

$$\underbrace{\pi^*(\theta|T = m_0)}_{\text{post-treatment belief}} = \underbrace{\pi^*(\theta)}_{\text{pre-treatment belief}} + \underbrace{\overbrace{(p(m_0|\theta, m_0) - p(m_0|\theta))}^{(1)} \times \overbrace{(\pi^*(\theta|m_0) - \pi^*(\theta|\neg m_0))}^{(2)}}_{\text{treatment effect}} \tag{10}$$

According to this equation, the treatment effect—that is, the difference between the pre- and post-treatment beliefs, $\underbrace{\pi^*(\theta|T = m_0)}_{\text{post-treatment belief}} - \underbrace{\pi^*(\theta)}_{\text{pre-treatment belief}}$, —is comprised of two components. First, Part (1) , $p(m_0|\theta, m_0) - p(m_0|\theta)$, which captures the change in the likelihood of model m_0 from the perspective of type θ. Importantly, if the treatment does not change the likelihood of model m_0, we expect to see no differences between the control and treatment groups, a prediction that follows from term (1) being equal to 0. And second, part (2), $\pi^*(\theta|m_0) - \pi^*(\theta|\neg m_0)$, where $\neg m_0$ denotes the set of all models in M except for m_0. This term captures that idea that if the treatment *does* shift the likelihood of model m_0, so that (1) is not zero, then the treatment effect is proportional to the difference between type θ's preferred inflation under model m_0 relative to all other models in M.[10]

Thus, to summarize and answer our motivating question for this framework, the sign and size of the treatment effect under different models depend on two channels: (1) how much the treatment

[10]To provide some evidence to our model, in Appendix B we apply the structural model to the data from survey wave I. We document that the treatments do indeed shift the probability weight $p_i(m_k)$ that survey respondents place on a narrative m_k and that this shift in weights does significantly affect stated inflation preferences.

with m_0 shifts the likelihood of m_0 among the treated individuals and in which direction, and (2) how different type θ's preferred rate of inflation is under model m_0 versus all other models in M.

We can then apply these findings to interpret our results. The first obvious hypothesis is that narratives are irrelevant for preferences—i.e., participants do not have different preferences under different narratives. Under this hypothesis, term (2) is zero, and independently of term (1), one will always obtain a treatment effect of zero for any narrative m_0. Moreover, to the extent that preferences under each narrative are stable over time—as one would expect preferences to be—one would expect the treatment effect to be constant over time, in contrast to what we find.

A second, more subtle hypothesis emerging from the model is that some narratives do have a causal effect on households' preferences—i.e., term (2) is non-zero for some m_0, but we observe a zero or nonsignificant treatment effect because term (1) is close to zero. To give an economic interpretation, any factor that can lead to the control group assigning a similar probability of considering model m_0, would then bring about a small or significant treatment effect, as term (1) will be close to zero, even if term (2) is non-zero. Because participants are constantly treated with new information (outside the experiment) that is shifting the likely narratives in their minds, we would expect the treatment effect under this hypothesis to be unstable over time or under different circumstances, consistent with what our two surveys show. However, the hypothesis implies that the sign of the adjustment across the two waves is aligned and significant, as we find in Table 4.

Noting that these two hypotheses have drastically different implications for the role of narratives in consumers' preferences, let us consider for the moment that the second hypothesis is the one driving our results. Then one should conclude that in the second survey wave the control group is assigning a more similar (also much higher) probability to the role of inflation in erosion of their wages, as the leading narrative about inflation. In this case, in addition to expecting the overall treatment effect of this narrative to be small, we should also expect to see a lower average inflation preference in the second survey wave because the second term in equation (10) no longer makes a positive contribution. This prediction is consistent with our findings. However, this observation provides only indirect evidence for the second hypothesis. Overall, the distinct implications of these hypotheses for the role of narratives in shaping inflation preferences suggest a need for further investigation.

6 Conclusion

Our paper provides novel insights into inflation preferences. First, our survey quantifies inflation preferences in the US population, including their correlation with demographic and socioeconomic characteristics—as well as economic reasoning. Strikingly, the median U.S. consumer prefers a 0% annual inflation rate, pointing to a discrepancy between inflation targets set by policymakers and

inflation rates preferred by consumers. Second, our analysis of an RCT indicates that some economic narratives—in particular, that of the erosion of real wages—can have *causal* impact on inflation preferences. Third, we provide a simple, yet general framework to conceptualize the interplay between economic narratives and inflation preferences and discuss how the effects of economic narratives on inflation preferences can prove complex, along different margins and over time.

The view emerging from our analysis also speaks to the viability of central-bank communication about policy targets. Although our results point to the possibility of central bank communication affecting preferences, they also suggest associated complexity in gauging the relevant communication effects along different margins and at different points in time. Future research is needed, both theoretical and empirical.

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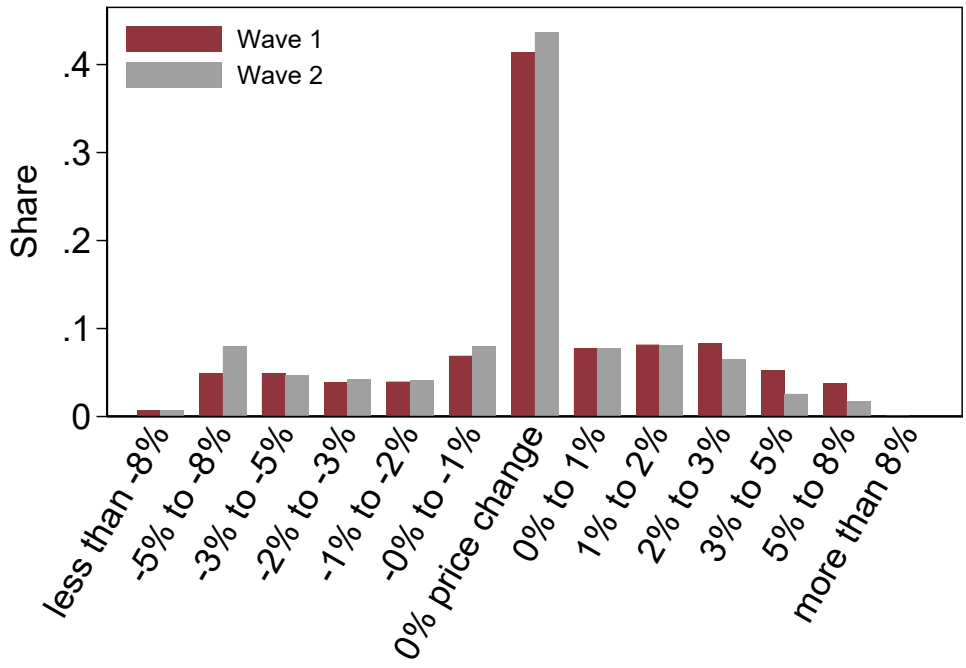
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Figure 1: Subjective inflation preferences and the perceived target of the Fed



Notes: Red (gray) bars indicate the distribution of inflation prefaces by means of a histogram, in survey Wave 1 (2).

Table 1: Determinants of inflation preferences

	(1) π_i^*	(2) π_i^*	(3) π_i^*	(4) π_i^*	(5) π_i^*	(6) π_i^*	(7) π_i^*	(8) π_i^*
Female	-0.166**		-0.0653	-0.0966		-0.207		-0.0827
	(-2.23)		(-0.83)	(-0.62)		(-1.35)		(-0.53)
35 to 55 years	-0.287***		-0.281***	-0.0135		-0.0474		-0.00751
	(-2.79)		(-2.66)	(-0.07)		(-0.23)		(-0.04)
over 55 years	-0.765***		-0.951***	-0.890***		-0.549***		-0.815***
	(-7.49)		(-8.35)	(-4.04)		(-2.75)		(-3.71)
College degree or above	0.267***		-0.0298	0.0227		0.344*		-0.00329
	(3.00)		(-0.28)	(0.11)		(1.95)		(-0.02)
Economics major	1.027***		0.906***	0.829***		0.973***		0.820***
	(9.92)		(8.58)	(3.82)		(4.40)		(3.75)
Hispanic	-0.0638		-0.0542	-0.308		-0.309		-0.312
	(-0.58)		(-0.45)	(-1.32)		(-1.44)		(-1.34)
Black	0.236**		0.213*	0.178		0.124		0.0823
	(2.02)		(1.73)	(0.71)		(0.54)		(0.33)
Asian	-0.370**		-0.283*	-0.570*		-0.680**		-0.658**
	(-2.41)		(-1.76)	(-1.77)		(-2.21)		(-2.09)
Republican	-0.255***		-0.258***	-0.346*		-0.450**		-0.403**
	(-2.87)		(-2.80)	(-1.87)		(-2.49)		(-2.19)
Independent	-0.357***		-0.326***	-0.485***		-0.551***		-0.470***
	(-4.06)		(-3.59)	(-2.70)		(-3.13)		(-2.67)
50k to 100k income		-0.561***	-0.321***	-0.727***			-0.802***	-0.663***
		(-4.88)	(-2.60)	(-3.01)			(-3.53)	(-2.74)
over 100k income		-0.0187	-0.0757	-0.412			-0.0844	-0.304
		(-0.15)	(-0.53)	(-1.47)			(-0.34)	(-1.09)
Labor income (share)		-0.00952***	-0.00647***	-0.0100***			-0.0112***	-0.00931***
		(-7.71)	(-5.17)	(-4.20)			(-4.68)	(-3.92)
Pens./Trans. income (share)		-0.00402***	0.00186	-0.000802			-0.00528**	-0.000668
		(-2.90)	(1.26)	(-0.29)			(-1.98)	(-0.24)
20K to 200k assets		0.394***	0.309***	0.399*			0.401*	0.403*
		(3.95)	(3.07)	(1.92)			(1.94)	(1.96)
over 200k assets		0.870***	0.867***	0.870***			0.829***	0.872***
		(7.06)	(6.76)	(3.21)			(3.19)	(3.25)
Investment assets (share)		-0.462**	-0.344	-0.441			-0.476	-0.362
		(-2.16)	(-1.60)	(-1.04)			(-1.13)	(-0.87)
Retirement assets (share)		-0.225	-0.225	-0.541			-0.397	-0.485
		(-1.25)	(-1.25)	(-1.57)			(-1.19)	(-1.44)
Homeowner		-0.508***	-0.263**	0.198			0.00422	0.207
		(-4.49)	(-2.28)	(0.85)			(0.02)	(0.90)
Home mortgage		0.562***	0.391***	0.258			0.471**	0.280
		(5.80)	(4.06)	(1.33)			(2.37)	(1.45)
$\mathbb{I}_i(Cash\ value)$					0.194	0.152	0.122	0.139
					(1.12)	(0.85)	(0.67)	(0.78)
$\mathbb{I}_i(ELB)$					0.648***	0.574***	0.616***	0.533***
					(3.93)	(3.38)	(3.58)	(3.16)
$\mathbb{I}_i(Labor\ market)$					0.219	0.0643	0.168	0.0429
					(1.40)	(0.39)	(1.00)	(0.26)
$\mathbb{I}_i(Wage\ inflation)$					-0.689***	-0.723***	-0.748***	-0.734***
					(-3.64)	(-3.67)	(-3.74)	(-3.71)
$\mathbb{I}_i(Asset\ inflation)$					-0.207	-0.225	-0.229	-0.190
					(-1.06)	(-1.11)	(-1.08)	(-0.92)
Constant	0.506***	0.833***	0.831***	1.246***	0.127	0.714***	0.971***	1.334***
	(4.49)	(4.57)	(3.86)	(3.12)	(0.83)	(2.70)	(2.67)	(3.17)
N	3520	3520	3520	1002	1002	1002	1002	1002
r2	0.0797	0.0565	0.113	0.126	0.0279	0.0960	0.0941	0.145

Notes: Table shows the effect of demographic and socioeconomic factors on inflation preferences of consumers. The labor income (pension and transfer income) share of total income refers to question E4 in the survey (see Appendix E). The share of investment assets (retirement assets) of total assets is based on responses to questions E9, E10 and E11 (see Appendix E for the construction of these variables). The estimated equation for the full model (column 3) is $\pi_i^* = \beta_0 + \delta D_i + \zeta E_i + \epsilon_i$. Columns (4) to (8) estimated on only untreated respondents, because the narratives considered were elicited after the treatments. The estimated equation for the full model (column 8) is $\pi_i^* = \beta_0 + \sum_{k=1}^{5} \alpha_k \mathbb{I}_i(m_k) + \delta D_i + \zeta E_i + \epsilon_i$. Huber-robust and survey weighted estimates. t statistics in parentheses * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Table 2: Inflation preferences and psychographic characteristics

	(1) π_i^*	(2) π_i^*	(3) π_i^*	(4) π_i^*	(5) π_i^*	(6) π_i^*	(7) π_i^*
Numerical Ability	-1.824***						-0.697**
	(-10.93)						(-2.23)
Financial Literacy		-1.787***					-0.635***
		(-12.16)					(-2.78)
Constant Relative Risk Aversion			-0.740***				-0.683***
			(-3.56)				(-2.99)
Time-consistent discount factor			-0.180*				-0.155
			(-1.83)				(-1.49)
Present bias			-0.0474				-0.0454
			(-0.80)				(-0.70)
Loss Aversion				-0.193***			-0.0529
				(-6.01)			(-1.16)
Financial risk aversion					-0.0154***		-0.00871***
					(-8.88)		(-3.71)
Large stakes risk aversion						0.0677**	0.0260
						(2.17)	(0.55)
Constant	1.253***	0.724***	0.211	0.401***	0.548***	-0.293	1.341***
	(8.02)	(6.01)	(0.98)	(3.25)	(4.19)	(-1.60)	(3.27)
N	3217	3217	1450	3217	3217	3217	1456
r2	0.0844	0.0911	0.0370	0.0531	0.0670	0.0438	0.0691

Notes: Table shows the correlation between reported inflation preferences (prior) and a set of psychographic characteristics. Numerical ability: Index between 0 and 1; Financial Literacy: Index between 0 and 1; Constant relative risk aversion, time-consistent discount factor and present bias, see Appendix D; Loss Aversion; Index between 1 and 4; Financial risk aversion: Index between 0 and 100; Large stakes risk aversion: Index between 1 and 6. All other models use Huber robust and survey-weights. t statistics in parentheses * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Table 3: Consideration of inflation theories

	(1) $\bar{\mathbb{I}}(m_k)$	(2) $\bar{p}(m_k)$
Cash value	69.7%	18.1%
ELB	64.5%	16.9%
Labor market	56.6%	14.5%
Wage inflation	77.4%	21.5%
Asset inflation	74.8%	20.0%

Notes: The table displays the fraction of respondents that indicate they have considered the respective theory, in column (1). Survey weighted results displayed in column (1). In column (2), the table displays the weight assigned to a specific theory, following equation (3). Huber robust and survey weights used in column (2). Results based on untreated respondents.

Table 4: RCT treatment effects

	(1)	(2)	(3)	(4)	(5)	(6)
	Wave 1 (02/03 2024)			Wave 2 (08/09 2024)		
	Revision (Probit)			Revision (Probit)		
	Down	Up	π_i^* (posterior)	Down	Up	π_i^* (posterior)
Inflation preference (prior)	0.0407***	-0.0461***	0.657***	0.0408***	-0.0486***	0.635***
	(14.62)	(-17.06)	(39.40)	(8.61)	(-9.42)	(20.86)
$\mathbb{T}_i(Cash\ value)$	0.0694***	-0.0265	-0.187**			
	(3.11)	(-1.19)	(-2.33)			
$\mathbb{T}_i(ELB)$	0.00561	0.0313	0.0344			
	(0.27)	(1.35)	(0.41)			
$\mathbb{T}_i(Labor\ market)$	0.00386	0.0234	0.0446			
	(0.19)	(1.02)	(0.56)			
$\mathbb{T}_i(Wage\ inflation)$	0.0404*	-0.0235	-0.146*	0.0642***	0.0329	0.0357
	(1.84)	(-1.07)	(-1.88)	(2.86)	(1.15)	(0.38)
$\mathbb{T}_i(Asset\ inflation)$	0.00874	-0.00667	-0.0249			
	(0.42)	(-0.29)	(-0.31)			
Constant			0.283***			0.233***
			(6.33)			(5.16)
N	3519	3519	3518	1380	1380	1379
r2			0.523			0.517

Notes: Table shows the effect of receiving a treatment on the stated inflation preference. Models (1) to (3) rely on data from Wave 1, models (4) to (6) on data from Wave 2. Model (1) and (3) estimate a probit model on revising the inflation preference downwards, $Pr(\pi^*_{Posterior} < \pi^*_{Prior}|\theta) = \Phi\left(\beta_0 + \beta_1\pi^*_{Prior} + \sum_{k=1}^{5}\alpha_k\mathbb{T}_i(m_k)\right)$. The table displays average marginal effects. Model (1) and (3) estimate a probit model on revising the inflation preference upwards. $Pr(\pi^*_{Posterior} > \pi^*_{Prior}|\theta) = \Phi\left(\beta_0 + \beta_1\pi^*_{Prior} + \sum_{k=1}^{5}\alpha_k\mathbb{T}_i(m_k)\right)$. The table displays average marginal effects. Model estimated in column (3) and (6): $\pi^*_{Posterior} = \beta_0 + \beta_1\pi^*_{Prior} + \sum_{k=1}^{5}\alpha_k\mathbb{T}_i(m_k) + \epsilon_i$. Huber-robust and survey weighted estimates in models (3) and (6). All other models use survey-weights. t statistics in parentheses * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Table 5: Inflation and economic expectations and behavior

A) P(much more or more likely/often)					
	(1)	(2)	(3)	(4)	(5)
	I) Savings			II) Labor Market	
	Cash holdings	Buy real estate	Fin. asset holdings	Negotiate wages	Job search
$\Delta\pi_i^R$	-0.00438	-0.0867***	-0.00737	0.0503***	0.0401***
	(-0.57)	(-10.25)	(-0.94)	(6.37)	(4.91)
π_i^*	0.0524***	0.0836***	0.0545***	0.0268***	0.0422***
	(5.44)	(7.37)	(5.52)	(2.77)	(4.07)
$\Delta\pi_i^R \times \pi_i^*$	-0.00455	0.0159***	0.000453	-0.0104***	-0.00127
	(-1.45)	(4.24)	(0.14)	(-3.30)	(-0.38)
N	3520	3520	3520	3520	3520

B) P(much less or less likely/often)					
	I) Savings			II) Labor Market	
	Cash holdings	Buy real estate	Fin. asset holdings	Negotiate wages	Job search
$\Delta\pi_i^R$	0.0419***	0.118***	0.0372***	-0.0335***	-0.0233***
	(4.32)	(13.72)	(3.89)	(-3.49)	(-2.75)
π_i^*	-0.0336***	-0.0607***	-0.0305***	-0.0260**	-0.0249**
	(-3.23)	(-5.52)	(-2.70)	(-2.38)	(-2.42)
$\Delta\pi_i^R \times \pi_i^*$	-0.00195	-0.0138***	-0.00105	0.00644*	0.00253
	(-0.58)	(-3.62)	(-0.30)	(1.84)	(0.78)
N	3520	3520	3520	3520	3520

Notes: The table shows the effect of hypothetical changes in long-run inflation on economic decisions. All columns report marginals effects from probit estimations. All models control for demographic and socioeconomic factors, and use survey-weighted estimates. t statistics in parentheses * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Online Appendix

"Inflation Preferences"

by

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A Additional figures and tables

Table A.1: Survey respondent characteristics

	Wave 1	Wave 2	US pop.		Wave 2	Wave 2	US pop.
Age				**Ethnicity**			
18-34	27.3%	25.3%	29.8%	Non-hispanic White	63.3%	65.7%	57.7%
35-55	35.5%	37.0%	32.4%	Non-hispanic Black	10.3%	11.6%	11.9%
>55	37.2%	37.7%	37.8%	Hispanic	19.3%	16.6%	19.1%
				Asian and other	7.0%	6.1%	11.3%
Gender							
Female	51.2%	55.6%	51.1%	**Household income**			
Male	48.2%	43.7%	48.9%	less than 50k	23.8%	24.3%	23.3%
Other	0.7%	0.7%	-%	50k - 100k	39.1%	39.6%	39.7%
				more than 100k	37.1%	36.1%	37.0%
Region							
Midwest	20.0%	14.8%	20.5%	**Education**			
Northeast	17.1%	23.1%	17.3%	some college or less	67.0%	51.2%	67.0%
South	39.2%	39.6%	38.6%	bachelor's degree or more	33.0%	48.8%	33.0%
West	23.6%	22.5%	23.6%				
				$N_{Wave\,1} = 3,520$			
				$N_{Wave\,2} = 5,007$			

Notes: The "Survey" column represents characteristics in our survey; the "US population" column gives the value for the US population, obtained from the US Census Bureau (household income, age, ethnicity, gender, education: ACS, 2022; region: National Population Estimate, 2023). The US population statistics represent the target values for the survey weights. The survey weighted population statistics from our sample perfectly match the US population statistics. To calculate weights for the gender dimension, respondents who select "other" are added to the "male" group. Due to rounding, some percentages might not exactly add up to 100.

Table A.2: Descriptive statistics by treatment status

	Control N=1002		Treatment 1 Cash value N=505		Treatment 2 ELB N=501		Treatment 3 Labor market N=501		Treatment 4 Wage inflation N=505		Treatment 5 Asset inflation N=505		Full Sample	
	mean	sd	mean	sd	mean	sd	mean	sd	mean	sd	mean	sd	mean	sd
Gender														
Female	0.50	0.50	0.51	0.50	0.50	0.50	0.51	0.50	0.53	0.50	0.52	0.50	0.51	0.50
Age														
below 35	0.30	0.46	0.28	0.45	0.28	0.45	0.31	0.46	0.31	0.46	0.30	0.46	0.30	0.46
35 to 55	0.33	0.47	0.35	0.48	0.33	0.47	0.32	0.47	0.33	0.47	0.29	0.46	0.32	0.47
over 55	0.37	0.48	0.37	0.48	0.39	0.49	0.37	0.48	0.36	0.48	0.41	0.49	0.38	0.48
Household income														
less than 50k	0.23	0.42	0.22	0.41	0.21	0.41	0.25	0.44	0.23	0.42	0.26	0.44	0.23	0.42
50k to 100k	0.39	0.49	0.41	0.49	0.42	0.49	0.38	0.49	0.40	0.49	0.38	0.49	0.40	0.49
more than 100k	0.37	0.48	0.37	0.48	0.36	0.48	0.37	0.48	0.38	0.49	0.36	0.48	0.37	0.48
Education														
some college or less	0.65	0.48	0.66	0.47	0.68	0.47	0.70	0.46	0.68	0.47	0.68	0.47	0.67	0.47
bachelor's degree or more	0.35	0.48	0.34	0.47	0.32	0.47	0.30	0.46	0.32	0.47	0.32	0.47	0.33	0.47
Census region														
Northeast	0.15	0.36	0.18	0.38	0.17	0.37	0.20	0.40	0.18	0.38	0.18	0.39	0.17	0.38
Midwest	0.21	0.41	0.20	0.40	0.23	0.42	0.20	0.40	0.20	0.40	0.19	0.39	0.20	0.40
South	0.40	0.49	0.39	0.49	0.36	0.48	0.38	0.49	0.36	0.48	0.40	0.49	0.39	0.49
West	0.24	0.43	0.23	0.42	0.24	0.43	0.22	0.41	0.26	0.44	0.23	0.42	0.24	0.42
Ethnicity														
Non-hispanic White	0.59	0.49	0.59	0.49	0.60	0.49	0.59	0.49	0.56	0.50	0.53	0.50	0.58	0.49
Non-hispanic Black	0.10	0.30	0.11	0.31	0.11	0.32	0.13	0.33	0.14	0.35	0.14	0.35	0.12	0.32
Hispanic	0.21	0.40	0.20	0.40	0.17	0.38	0.19	0.39	0.19	0.39	0.18	0.38	0.19	0.39
Asian or other	0.11	0.31	0.11	0.31	0.12	0.32	0.10	0.30	0.10	0.31	0.14	0.35	0.11	0.32

Notes: The table displays sample moments for demographic and socioeconomic characteristics, according to treatment status. All moments are computed using sampling weights.

Table A.3: Preferred inflation

	Raw			Robust		
	mean	median	sd	mean	median	sd
I) First Wave (02/03 2024)						
Prior inflation preference	0.07	0.00	2.66	0.20	0.00	2.07
Posterior inflation preference	0.31	0.00	2.43	0.38	0.00	1.99
Perceived Fed target*	8.80	2.90	17.67	3.03	2.00	2.91
II) Second Wave (08/09 2024)						
A) Intervals						
Prior inflation preference	-0.32	0.00	2.62	-0.21	0.00	2.11
Posterior inflation preference	0.01	0.00	2.42	0.11	0.00	1.82
Perceived Fed target*	0.75	0.00	2.49	0.75	0.00	2.42
B) Intervals, no zero option						
Prior inflation preference	-0.64	-0.50	3.39	-0.60	-0.50	3.32
Posterior inflation preference	-0.42	0.50	3.20	-0.39	0.50	3.14
Perceived Fed target*	0.54	1.50	3.46	0.64	1.50	2.81
C) Open format, no zero option						
Prior inflation preference	0.02	0.00	6.96	-0.01	0.00	6.81
Posterior inflation preference	0.95	0.00	6.85	0.91	0.00	6.70
Perceived Fed target*	6.07	2.00	20.43	2.73	2.00	9.12

Notes: Table shows descriptive statistics (mean, median and standard deviation) for inflation preferences (prior and posterior), as well as the perceived inflation target of the Fed. Statistics displayed for both survey waves and question formats. Both raw (survey weighted) and robust (survey and Huber-robust) statistics displayed. For each bin in the question on inflation preferences, we take the mean value. The data on inflation preferences is winsorized at 15% (-15%) while the data on the perceived inflation target is winsorized at 100% to avoid extreme outliers driving the results for the non Huber-robust weighted statistics. * The Federal Reserve inflation target was elicited as an open format question in survey wave 1 (compare question F4 in Appendix E). In survey wave 2, the format was adjusted to match exactly the format of the inflation preferences question (compare question F1 in Appendix F). For i) First Wave and II) Second Survey Wave, A) Intervals, the results refer only to respondents that did not receive a prior treatment.

Table A.4: Preferred inflation relative to (perceived) targets

	Dove $\pi_t^* > \pi^T$	Neutral $\pi_t^* = \pi^T$	Hawk $\pi_t^* < \pi^T$	Hawk (2% target) $\pi_t^* < 2\%$
Wave 1 (02/03 2024)	0.02	0.17	0.82	0.74
Wave 2 (08/09 2024) - interval	0.15	0.43	0.42	0.81
Wave 2 (08/09 2024) - interval, no zero option	0.16	0.42	0.42	0.69
Wave 2 (08/09 2024) - open format, no zero option	0.13	0.41	0.46	0.63

Notes: This table shows the fraction of respondents that have an inflation preference above, at or below their stated perceived inflation target (or 2%, respectively). We use the interval borders to compare preferences and targets. Only untreated respondents included in the table.

Table A.5: Survey Waves and Question wording

	(1) π_i^*	(2) π_i^*	(3) π_i^*	(4) π_i^T
Survey Wave 2	-0.388***			
	(-5.60)			
No zero option		-0.321*	-0.636	-0.215
		(-1.68)	(-1.49)	(-1.02)
Open answer		0.335	1.670	5.316***
		(0.88)	(1.51)	(4.60)
Wave 1 open answer				8.043***
				(13.70)
Constant	0.0689	-0.319***	-0.393***	0.754***
	(1.52)	(-6.08)	(-4.04)	(8.31)
N	6737	4102	4100	2795
r2	0.00535	0.00194	0.00508	0.0718

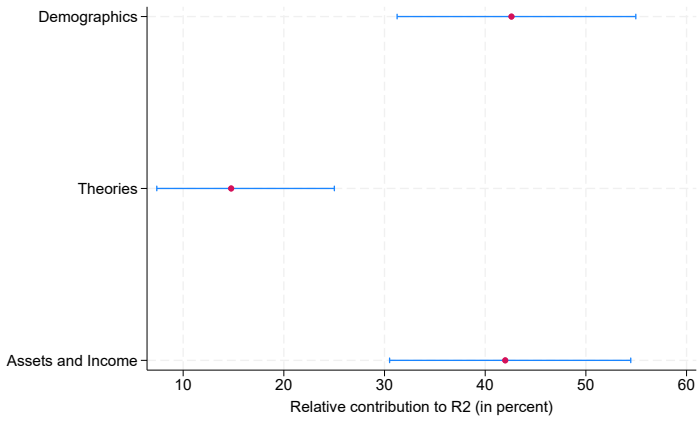
Notes: The table tests for the statistics difference between survey waves (1), the question wording within survey wave (2 and 3) and the perceived inflation target (4). Model (2) relies on the winsorized inflation preference data (prior, winsorized at 15% (-15%). Model (3) does not winsorize the data, but drops extreme outliers, at 1000% (-1000%). All models use survey-weighted estimates. t statistics in parentheses * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table A.6: Prior Inflation Preference - Demand Effect

	(1) π_i^*	(2) π_i^*
$\mathbb{D}_-$	0.0362	-0.00389
	(0.36)	(-0.03)
$\mathbb{D}_+$	0.0629	0.0743
	(0.57)	(0.56)
Constant	-0.104***	0.0362
	(-2.88)	(0.36)
N	4109	4122
r2	0.000105	0.0352

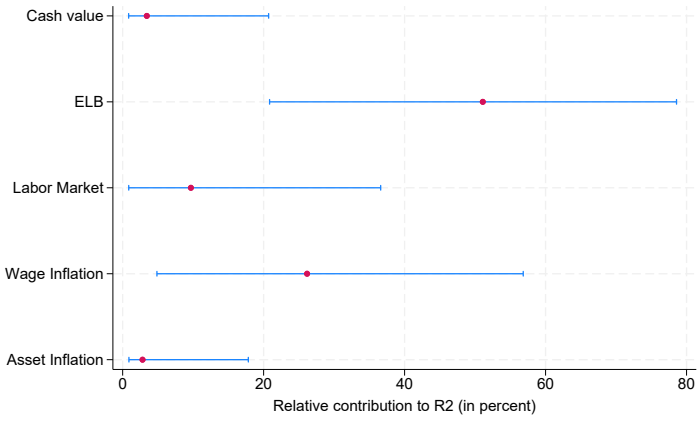
Notes: The table demand effects on the prior inflation preference. All respondents received the interval question with zero option. Model (2) additionally controls for demographic fixed effects. All models use survey-weighted and Huber robust estimates. t statistics in parentheses * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Figure A.1: Owen values



Notes: Figure displays the Owen values (relative contribution of a group of regressors to the total explained R2 of a model) for groups of variables. Demographic variables: for gender, age, education, economics education, ethnicity, race and political affiliation; Socioeconomic variables: income, financial asset holdings, ownership of real estate, real estate mortgages as well as the share of labor (pension and transfers) income and the share of fin. investments (retirement investments) on total assets (see also the variables in Table 1.). Theories: Consideration of economic narratives by individual respondent. Predicted variable is the prior inflation preference. Whiskers indicate 95% confidence intervals. Results based on 10.000 bootstrap iterations. Survey responses of untreated respondents used ($N = 1002$).

Figure A.2: Owen values - narratives about inflation



Notes: Figure displays the Owen values (relative contribution of a group of regressors to the total explained R2 of a model) for the five economic narratives. The estimation does not control for other factors. Predicted variable is the prior inflation preference. Whiskers indicate 95% confidence intervals. Results based on 10.000 bootstrap iterations. Survey responses of untreated respondents used ($N = 1002$).

Table A.7: RCT treatment and demand effects

	(1)	(2)	(3)
	Revision (Probit)		
	Down	Up	π_i^*
Inflation preference (prior)	0.0445***	-0.0493***	0.653***
	(11.26)	(-14.63)	(32.72)
Treatments (on posterior):			
1: No information treatment and $\mathbb{D}_-$	0.0197	-0.00596	-0.0636
	(0.94)	(-0.22)	(-0.76)
2: No information treatment and $\mathbb{D}_+$	0.00486	0.0336	0.0661
	(0.23)	(1.15)	(0.77)
3: $\mathbb{T}(Wage\ inflation)$ and no demand effect	0.0650***	0.0328	0.0386
	(2.86)	(1.15)	(0.44)
4: $\mathbb{T}(Wage\ inflation)$ and $\mathbb{D}_-$	0.0809***	-0.0202	-0.0460
	(3.68)	(-0.78)	(-0.58)
5: $\mathbb{T}(Wage\ inflation)$ and $\mathbb{D}_+$	0.0189	0.0702**	0.170**
	(0.91)	(2.55)	(1.99)
Constant			0.231***
			(5.21)
N	3217	3217	3213
r2			0.538
t-tests (p-val);			
H0: $\beta_{\mathbb{T}}$ is equal to the coefficient for interaction terms $\mathbb{T}$ and $\mathbb{D}$			
(i.e., demand effects do not change treatment effect)			
$\beta_{\mathbb{T}} = \beta_{\mathbb{T}\times\mathbb{D}_-}$	0.5612	0.0895	0.3981
$\beta_{\mathbb{T}} = \beta_{\mathbb{T}\times\mathbb{D}_+}$	0.0795	0.2535	0.2122

Notes: Table shows the effect of receiving a treatment on the stated inflation preference. Models (1) to (3) rely on data from Wave 1, models (4) to (6) on data from Wave 2. Model (1) and (3) estimate a probit model on revising the inflation preference downwards, $Pr(\pi^*_{Posterior} < \pi^*_{Prior}|\theta) = \Phi\left(\beta_0 + \beta_1\pi^*_{Prior} + \sum \alpha_k(\mathbb{T}_i \times \mathbb{D})\right.$. The table displays average marginal effects. Model (1) and (3) estimate a probit model on revising the inflation preference upwards. $Pr(\pi^*_{Posterior} > \pi^*_{Prior}|\theta) = \Phi\left(\beta_0 + \beta_1\pi^*_{Prior} + \sum \alpha_k\mathbb{T}_i \times \mathbb{D})\right.$. The table displays average marginal effects. Model estimated in column (3) and (6): $\pi^*_{Posterior} = \beta_0 + \beta_1\pi^*_{Prior} + \sum \alpha_k\mathbb{T}_i \times \mathbb{D} + \epsilon_i$. Huber-robust and survey weighted estimates in models (3) and (6). All other models use survey-weights. t statistics in parentheses * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Table A.8: Inflation theories: RCT (with control variables)

	(1) p_i(Cash value)	(2) p_i(ELB)	(3) p_i(Labor)	(4) p_i(Wage)	(5) p_i(Asset)
$\mathbb{T}_i(Cash\ value)$	0.0358***	-0.0177**	0.000372	-0.0221***	0.00158
	(4.31)	(-2.23)	(0.05)	(-2.76)	(0.21)
$\mathbb{T}_i(ELB)$	-0.0147*	0.0213**	-0.00493	-0.00563	-0.00982
	(-1.85)	(2.30)	(-0.60)	(-0.67)	(-1.22)
$\mathbb{T}_i(Labor\ market)$	-0.00339	-0.0104	0.0171**	0.00292	0.00827
	(-0.42)	(-1.28)	(1.97)	(0.36)	(1.06)
$\mathbb{T}_i(Wage\ inflation)$	-0.00251	-0.0116	0.0148*	0.0111	0.0105
	(-0.32)	(-1.45)	(1.73)	(1.34)	(1.32)
$\mathbb{T}_i(Asset\ inflation)$	0.00683	-0.00958	-0.000446	0.000338	0.0112
	(0.90)	(-1.18)	(-0.06)	(0.04)	(1.43)
Female	-0.0168***	0.00116	-0.0125**	0.00293	0.00256
	(-3.29)	(0.22)	(-2.34)	(0.55)	(0.50)
35 to 55 years	-0.00259	0.00254	-0.0191***	0.00860	0.00228
	(-0.40)	(0.37)	(-2.73)	(1.29)	(0.35)
over 55 years	-0.00991	-0.00700	-0.0476***	0.0293***	0.0156**
	(-1.33)	(-0.90)	(-6.00)	(3.70)	(2.05)
College degree or above	0.00721	0.00663	0.00416	0.00688	0.00890
	(1.18)	(1.01)	(0.63)	(1.03)	(1.39)
Economics major	0.00616	0.0266***	0.0116*	-0.0133**	-0.00264
	(1.02)	(4.01)	(1.86)	(-2.17)	(-0.43)
Hispanic	-0.00213	0.0108	0.0123	0.00103	0.00253
	(-0.30)	(1.38)	(1.65)	(0.14)	(0.36)
Black	-0.00507	0.0134	0.00338	-0.0232***	0.00642
	(-0.64)	(1.61)	(0.40)	(-2.83)	(0.80)
Asian	0.00976	-0.00208	-0.00198	0.00372	-0.0131
	(0.92)	(-0.20)	(-0.19)	(0.35)	(-1.33)
Republican	0.00359	0.0130**	0.00210	-0.0103*	-0.00591
	(0.60)	(2.09)	(0.35)	(-1.69)	(-1.03)
Independent	0.0119*	-0.00423	0.00116	0.00372	0.00278
	(1.87)	(-0.64)	(0.17)	(0.57)	(0.44)
50k to 100k income	0.00938	0.00162	0.00243	0.00746	0.0231***
	(1.18)	(0.19)	(0.29)	(0.87)	(2.90)
over 100k income	-0.000895	-0.00748	0.00291	0.00680	0.0299***
	(-0.10)	(-0.77)	(0.31)	(0.69)	(3.19)
Labor income (share)	-0.0000290	-0.000136	-0.0000929	0.000310***	0.0000477
	(-0.35)	(-1.60)	(-1.11)	(3.77)	(0.58)
Pens./Trans. income (share)	-0.000154	-0.0000239	0.0000712	0.000257**	0.0000310
	(-1.52)	(-0.23)	(0.70)	(2.49)	(0.31)
20K to 200k assets	0.00697	0.0109	-0.000514	0.0106	0.0148**
	(0.98)	(1.51)	(-0.07)	(1.41)	(2.16)
over 200k assets	0.00418	0.0180**	-0.0112	0.0156*	0.0181**
	(0.51)	(2.19)	(-1.33)	(1.82)	(2.28)
Investment assets (share)	0.00970	-0.0198	-0.0152	-0.0193	0.00890
	(0.68)	(-1.27)	(-1.02)	(-1.24)	(0.62)
Retirement assets (share)	0.00324	-0.0165	-0.00368	-0.0249*	0.00616
	(0.26)	(-1.21)	(-0.28)	(-1.85)	(0.49)
Homeowner	0.00690	-0.00530	-0.00534	-0.0120	0.00563
	(0.92)	(-0.68)	(-0.66)	(-1.50)	(0.75)
Home mortgage	0.00336	-0.000605	0.00902	0.0145**	-0.00368
	(0.53)	(-0.10)	(1.38)	(2.29)	(-0.59)
Constant	0.177***	0.172***	0.178***	0.193***	0.151***
	(11.76)	(10.81)	(11.73)	(12.64)	(10.48)
N	3519	3519	3519	3519	3519
r2	0.0216	0.0206	0.0320	0.0290	0.0223

Notes: Table shows the effect of receiving a treatment on the weight assigned to specific theories. Huber-robust and survey weighted estimates. The table reports estimates for the following model: $p_i(m_k|\theta) = \beta_0 + \sum_{k=1}^{5} \alpha_k \mathbb{T}_i(m_k) + \delta D_i + \gamma E_i + \epsilon_i$. t statistics in parentheses * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

B Randomized Control Trial - Empirical Application of a Structural Model

In section 5.2 we outline a structural model on how narratives shape inflation preferences. Given the lens of this framework, in this section we make a first attempt to bring the model to the data.

RCT and Narrative Probabilities First, we aim to understand the effect of treatments on the probability assigned to narratives. To do so, we estimate the following equation across all treatment arms:

$$p_i(m_k) = \beta_0 + \sum_{k=1}^{5} \alpha_k \mathbb{T}_i(m_k) + \delta D_i + \zeta E_i + \epsilon_i \tag{11}$$

where $p_i(m_k)$ is the probability assigned to the model in treatment k by participant i. Equation (3) above describes the construction of these probabilities assigned to theories. $\mathbb{T}_i(m_k)$ is an indicator variable equal to 1 if respondent i received treatment m_k and zero otherwise. Finally, D_i and E_i filter out demographic and socioeconomic effects.

Several findings emerge based on the estimation of equation (11). Receiving a treatment shifts upwards the probability for the *corresponding* inflation model for the Cash value, ELB, and labor market models. In addition, we find a number of *indirect* treatment effects: receiving the treatment on the cash value model, for example, reduces the probability assigned to the ELB and wage inflation models.[11] These findings suggest that communicating these specific theories shapes the overall beliefs of participants about their likelihood and, therefore, may affect overall inflation preferences. Panel A of Table B.1 shows these results.

However, these findings also mask the heterogeneous effects of these treatments across various demographic and socioeconomic groups. After all, one would expect, for instance, that those with higher education are more familiar with economic impacts of inflation—not to mention those with an economics education—which in turn should render their beliefs more resilient to our treatments. To test this hypothesis, we consider next an augmented specification, where we interact demographic factors θ, such as an indicator variable for age or gender, with the *direct* treatments:

$$p_i(m_k) = \beta_0 + \sum_{\theta \in \Theta} [\gamma_{k,\theta} \mathbb{T}_i(m_k) \times \theta_i] + \delta D_i + \zeta E_i + \epsilon_i \tag{12}$$

where D_i and E_i again capture specific demographic or economic fixed effects.

[11] There are two potential explanations for this effect. First, the treatment might provide information that makes respondents less likely to consider another inflation model. Second, given the construction of probabilities in equation (3), a higher likelihood of considering one model mechanically reduces the probability on other models via a higher weight in the denominator in equation (3).

Table B.1: RCT: treatment effect on inflation model probability

	(1) p_i(Cash value)	(2) p_i(ELB)	(3) p_i(Labor)	(4) p_i(Wage)	(5) p_i(Asset)
	Panel A: All treatments				
$\mathbb{T}_i(Cash\ value)$	0.0358***	-0.0177**	0.000372	-0.0221***	0.00158
	(4.31)	(-2.23)	(0.05)	(-2.76)	(0.21)
$\mathbb{T}_i(ELB)$	-0.0147*	0.0213**	-0.00493	-0.00563	-0.00982
	(-1.85)	(2.30)	(-0.60)	(-0.67)	(-1.22)
$\mathbb{T}_i(Labor\ market)$	-0.00339	-0.0104	0.0171**	0.00292	0.00827
	(-0.42)	(-1.28)	(1.97)	(0.36)	(1.06)
$\mathbb{T}_i(Wage\ inflation)$	-0.00251	-0.0116	0.0148*	0.0111	0.0105
	(-0.32)	(-1.45)	(1.73)	(1.34)	(1.32)
$\mathbb{T}_i(Asset\ inflation)$	0.00683	-0.00958	-0.000446	0.000338	0.0112
	(0.90)	(-1.18)	(-0.06)	(0.04)	(1.43)
D_i and E_i controls	Yes	Yes	Yes	Yes	Yes
N	3519	3519	3519	3519	3519
r2	0.0216	0.0206	0.0320	0.0290	0.0223
	Panel B: Direct treatments				
All respondents					
Treatment	0.0379***	0.0296***	0.0154**	0.0152**	0.00951
	(5.12)	(3.53)	(1.99)	(2.09)	(1.37)
I) Age					
Treatment × below 35	0.0328**	0.00842	0.00164	-0.0114	0.0140
	(2.15)	(0.54)	(0.11)	(-0.89)	(1.04)
Treatment × 35 to 55	0.0303**	0.0182	0.0251*	0.0194	-0.00891
	(2.55)	(1.40)	(1.94)	(1.58)	(-0.78)
Treatment × over 55	0.0487***	0.0549***	0.0185	0.0343***	0.0199*
	(4.10)	(3.79)	(1.48)	(2.69)	(1.77)
II) Gender					
Treatment × male	0.0303***	0.0211*	0.0241**	0.0164*	-0.00111
	(3.22)	(1.92)	(2.23)	(1.65)	(-0.12)
Treatment × female	0.0454***	0.0380***	0.00695	0.0141	0.0193*
	(3.97)	(3.02)	(0.63)	(1.34)	(1.90)
III) Economic education					
Treatment × No econ. major	0.0364***	0.0365***	0.0222**	0.0179**	0.0153*
	(4.27)	(3.87)	(2.50)	(2.16)	(1.88)
Treatment × Econ. major	0.0433***	0.0000897	-0.0155	0.00523	-0.0120
	(2.99)	(0.01)	(-1.06)	(0.35)	(-0.95)
IV) Political affiliation					
Treatment× Democrat	0.0342***	0.0362***	0.0187	0.0263**	0.00617
	(3.15)	(2.89)	(1.63)	(2.33)	(0.56)
Treatment × Republican	0.0445***	0.0267*	0.0334**	-0.000636	0.00553
	(3.25)	(1.76)	(2.51)	(-0.05)	(0.48)
Treatment × Independent	0.0364**	0.0225	-0.0134	0.0157	0.0187
	(2.44)	(1.36)	(-0.82)	(1.08)	(1.34)

Notes: The upper part of the table (A) All treatments) reports estimates for the following model: $p_i(m_k|\theta) = \beta_0 + \sum_{k=1}^{5} \alpha_k \mathbb{T}_i(m_k) + \delta D_i + \gamma E_i + \epsilon_i$. Demographic controls include dummies for gender, age, education, economics education, ethnicity, race and political affiliation; Socioeconomic controls include dummies for income, financial asset holdings, ownership of real estate, real estate mortgages as well as the share of labor (pension and transfers) income and the share of fin. investments (retirement investments) on total assets (see also the variables in Table 1.) Table A.8 shows coefficients for all control variables. The lower part of the table (B) direct Treatments) shows the effect of receiving a treatment on the weight assigned to the same theory as the treatment. For each inflation theory (columns 1-5), the following equation is estimated: $p_i(m_k|\theta) = \beta_0 + \sum_k \alpha_k \mathbb{T}_i(m_k) + \delta D_i + \gamma E_i + \epsilon_i$. Rows I) to IV) in the table interact the treatment effect with demographic characteristics, such as age, gender, economics education and political affiliation, $p_i(m_k) = \beta_0 + \sum_{\theta \in \Theta} \gamma_{k,\theta} [\mathbb{T}_i(m_k) \times \theta_i] + \delta D_i + \gamma E_i + \epsilon_i$. Huber-robust and survey weighted estimates. t statistics in parentheses * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Indeed, the treatments have widely heterogeneous empirical effects across demographic and socioeconomic groups on the *probability* assigned to the economic models of optimal inflation. For example, as Panel B in Table B.1 shows, respondents *without* an economics education increase the probability weight assigned to models when they receive the corresponding treatment narratives. At the same time, respondents *with* an economics major increase the probability placed on the cash value model, only. Likewise, there are differences according to gender and age, as well as differences across political affiliation. While Democrats and Republicans can both be influenced in their probability assessment of the applicability of the cash value model and the ELB, they react differently to labor market theories. In response to treatment, the probability Republicans place on greasing the wheels of the labor market increases, while for Democrats the probability placed on the real-wage concerns increases.

Narrative Probabilities and Inflation Preferences We estimate a two-step procedure that implements an estimation of our structural model, equation (10) in the main text. As a first step, using the data from the control group, the two-step procedure constructs the average weights assigned to specific theories by respondents, based on their demographic and socioeconomic characteristics. This step estimates the following specification:

$$p_i(m_k|\theta) = \beta_0 + \delta D_i + \zeta E_i + \epsilon_i \tag{13}$$

We can then, for any respondent receiving a treatment, construct $\Delta p_i(m_k|\theta) = p_i(m_k|\theta) - \hat{p}_i(m_k|\theta)$ as the difference between the weight any respondent places on theory m and the weight he would on average place on m conditional on not receiving a treatment:

$$\hat{p}_i(m_k|\theta) = \hat{\beta}_0 + \hat{\delta} D_i + \hat{\zeta} E_i \tag{14}$$

As a second step, given $\Delta p_i(m_k|\theta)$, the two-step procedure estimates the effect of treatments on shifting inflation preferences, taking into account any induced shifts in the probabilities assigned to economic models, in line with equation (10):

$$\pi^*_{i,Posterior} = \beta_0 + \beta_1 \pi^*_{i,Prior} + \sum_{k=1}^{5} \gamma_k \left[\Delta p_i(m_k|\theta) \times \mathbb{T}_i(m_k)\right] + \sum_{k=1}^{5} \varphi_k \Delta p_i(m_k|\theta) + \epsilon_i \tag{15}$$

This procedure yields a statistically significant, economically large effect of treating respondents with the narrative that emphasizes the negative real wage effects of inflation. Conditional on this treatment representing the only 'true' model of the world, respondents exhibit an approximately 1-percentage point lower preferred long-term inflation rate relative to all other theories. Column 2

Table B.2: RCT: treatment effect on inflation preference - Survey Wave 1

	(1) π_i^* (posterior)	(2) π_i^* (posterior)	(3) π_i^* (posterior)
Inflation preference (prior)	0.657***	0.645***	0.642***
	(39.40)	(37.75)	(37.32)
$\mathbb{T}_i(Cash\ value)$	-0.187**		-0.168*
	(-2.33)		(-1.95)
$\mathbb{T}_i(ELB)$	0.0344		0.0154
	(0.41)		(0.18)
$\mathbb{T}_i(Labor\ market)$	0.0446		0.0402
	(0.56)		(0.48)
$\mathbb{T}_i(Wage\ inflation)$	-0.146*		-0.138*
	(-1.88)		(-1.71)
$\mathbb{T}_i(Asset\ inflation)$	-0.0249		-0.0227
	(-0.31)		(-0.27)
Δp_i(Cash value)		-0.172	-0.166
		(-1.00)	(-0.95)
Δp_i(ELB)		0.439**	0.431**
		(2.30)	(2.23)
Δp_i(Labor market)		0.0854	0.103
		(0.44)	(0.52)
Δp_i(Wage inflation)		0.0145	0.00638
		(0.08)	(0.03)
Δp_i(Asset inflation)		0.0386	0.0477
		(0.22)	(0.27)
$\mathbb{T}_i(Cash\ value) \times \Delta p$(Cash value)		-0.166	-0.0110
		(-0.47)	(-0.03)
$\mathbb{T}_i(ELB) \times \Delta p$(ELB)		0.727	0.717
		(1.53)	(1.49)
$\mathbb{T}_i(Labor\ market) \times \Delta p$(Labor market)		0.0974	0.0303
		(0.22)	(0.07)
$\mathbb{T}_i(Wage\ inflation) \times \Delta p$(Wage inflation)		-1.056**	-1.015**
		(-2.15)	(-2.06)
$\mathbb{T}_i(Asset\ inflation) \times \Delta p$(Asset inflation)		0.485	0.471
		(0.93)	(0.89)
Constant	0.283***	0.248***	0.287***
	(6.33)	(9.35)	(6.16)
N	3518	3519	3518
r2	0.523	0.509	0.505

Notes: Table shows the effect of receiving a treatment on the stated inflation preference. Model estimated in column (1): $\pi^*_{Posterior} = \beta_0 + \beta_1 \pi^*_{Prior} + \sum_{k=1}^{5} \alpha_k \mathbb{T}_i(m_k) + \epsilon_i$, replicationg colum (3) of Table 4. Model estimated in column (2) refers to the structural equation (10): $\pi^*_{i,Posterior} = \beta_0 + \beta_1 \pi^*_{i,Prior} + \sum_{k=1}^{5} \varphi_k \Delta p_i(m_k|\theta) + \sum_{k=1}^{5} \gamma_k \left[\Delta p_i(m_k|\theta) \times \mathbb{T}_i(m_k)\right] + \epsilon_i$. Model estimated in column (3): $\pi^*_{i,Posterior} = \beta_0 + \beta_1 \pi^*_{i,Prior} + \sum_{k=1}^{5} \varphi_k \Delta p_i(m_k|\theta) + \sum_{k=1}^{5} \gamma_k \left[\Delta p_i(m_k|\theta) \times \mathbb{T}_i(m_k)\right] + \sum_{k=1}^{5} \alpha_k \mathbb{T}_i(m_k) + \epsilon_i$. Huber-robust and survey weighted estimates. t statistics in parentheses * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

in Table B.2 shows this result.[12]

[12]Column (3) in this table also shows that this effect persists when we control for direct treatment effects in the estimated specification. This rules out the possibility that the interaction term spuriously captures any direct treatment effects, confirming that the treatment operates causally through shifts in the probability assessments. While there should be no such direct treatment effects according to the structural model, there may be several explanations, such as systematic measurement error in the probability shifts that lead to such findings, or the need to further refine the structural model. Regardless, the estimation provides a clear causal interpretation through the lens of the model.

C Do consumers understand inflation?

This section provides evidence to buttress the relevance of our findings showing that respondents understand the economic consequences of *unconditional* changes in (long-run) inflation, over which they express their preferences.

To assess this, our survey included several experiments at the end to test respondents' understanding of the implications of inflation on their economic situation and decision making. We present the following vignettes: In one vignette, each respondent is treated with a hypothetical long-run inflation rate and asked about her expected wage growth *conditional* on that inflation rate. In another, respondents are asked to assume inflation to be $X \in [-5, 5]$ percentage points higher or lower. They are then confronted with a number of economic decisions and asked to indicate, on a five-point scale, whether they are more or less likely to engage in the respective activity. Economic decisions evaluated include the amount of cash held, the frequency of wage negotiations and job searches, the likelihood of real estate purchases, and the amount of financial assets held. Our analysis thus relates outcomes Y_i to these induced changes in (long-run) inflation or the level of inflation X_i, that is:

$$Y_i = \alpha X_i + \delta D_i + \gamma E_i + \epsilon_i \tag{16}$$

where we are interested in the estimate of α.

Overall, results show that respondents appear to have an understanding of the economic consequences of changes in inflation. As Table C.1 shows, respondents indicate a positive relation between expected wage growth and the level of long-run inflation. Respondents who were treated with a higher hypothetical inflation rate also indicate that they are likely to negotiate their wages more often; to search for a new job more frequently; that they are less likely to invest into real estate; and that they are likely to hold less financial assets and cash.

Table C.1: Inflation and economic expectations and behavior

	(1)	(2)	(3)	(4)	(5)	(6)
		Pr(much more or more likely/often)				
	Wage growth	Cash holdings	Negotiate wages	Job search	Buy real estate	Fin. asset holdings
Inflation level (random)	0.0408***					
	(3.92)					
Δ long run inflation (random)		-0.00599	0.0465***	0.0391***	-0.0780***	-0.00752
		(-0.78)	(6.00)	(4.87)	(-9.67)	(-0.97)
D_i and E_i Control	Yes	Yes	Yes	Yes	Yes	Yes
N	3512	3520	3520	3520	3520	3520
r2	0.0925					
		Pr(much less or less likely/often)				
		Cash holdings	Negotiate wages	Job search	Buy real estate	Fin. asset holdings
Δ long run inflation (random)		0.0418***	-0.0321***	-0.0227***	0.116***	0.0371***
		(4.33)	(-3.37)	(-2.69)	(13.59)	(3.89)
D_i and E_i Control		Yes	Yes	Yes	Yes	Yes
N		3520	3520	3520	3520	3520

Notes: The table shows the effect of hypothetical inflation levels (column 1) and changes in long-run inflation (columns 2-6) on economic decisions. Column 1 reports an OLS model, and columns 2-6 probit relations. All models control for demographic and socioeconomic factors, and use survey-weighted estimates. The OLS model in column (1) additionally uses Huber robust weights. t statistics in parentheses * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

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D Estimation of time and risk preference parameters

To estimate individuals' time and risk preference parameters in a multiple price list (MPL) setting, we follow the maximum likelihood approach in Bradford et al. (2018).

Constant Relative Risk Aversion We begin by observing individuals' choices between two risky lotteries, A and B ("Lottery" in Appendix E). We assume respondents' utility for an outcome x follows a Constant Relative Risk Aversion (CRRA) functional form, i.e. $u(x) = x^r$, where r denotes the risk aversion parameter. Conditional on their personal risk aversion r, individuals are assumed to calculate the expected utility of each lottery, which we denote by $\mathbb{E}U^A$ and $\mathbb{E}U^B$.

The choice between lotteries is assumed to be probabilistic, and such that the probability of choosing lottery A is defined as $Pr(A) = \Phi(\mathbb{E}U^A - \mathbb{E}U^B)$, where Φ is the CDF of a standard normal distribution.

The conditional log-likelihood $\ln L^R(r; y)$ is then constructed based on the observed responses (individual lotteries) y_i:

$$\ln L^R(r, y) = \sum_i [\ln(Pr(A)|y_i = A) + \ln(1 - Pr(A)|y_i = B)] \tag{17}$$

Maximization of (17) yields the MLE risk-aversion parameter estimates $\hat{r}$.

Time Preference Parameter Estimation of the time preference parameters follows a similar approach. Respondents are expected to choose between the "Smaller Sooner" (SS) and "Larger Later" (LL) outcomes by calculating their discounted utility $DU(x_t) = \delta(t) \cdot x^r$, where the r parameter is determined by the MPL lottery (as estimated in equation 17 above). We define the probability of choosing the SS option as $Pr(SS) = \Phi(DU^{SS} - DU^{LL})$. As in Bradford et al. (2018), we consider two model specifications; the first model assumes time-consistent discounting and $\delta(t) = \delta^t$. The conditional log-likelihood is constructed as:

$$\ln L^D(r, \delta, y) = \sum_i [\ln(Pr(SS)|y_i = SS) + \ln(1 - Pr(SS)|y_i = SS)] \tag{18}$$

The second specification allows for quasi-hyperbolic time-inconsistent discounting, with $\delta(t) = \beta\delta^t$. The log-likelihood $L^D(r, \delta, \beta, y)$ is again given by (18), but now also depends on the β parameter in addition to δ and r. Consistent with Bradford et al. (2018), we label δ_{avg} the estimates from the univariate time-consistent specification, and β_{qh} and δ_{qh} the ones from the quasi-hyperbolic specification.

Table (D.1) reports the estimated discount factors from the two model specifications. Our results are broadly consistent with Bradford et al. (2018), especially the mean estimates, indicating that

these metrics are on average stable across samples and time.

Table D.1: Estimated parameters

Parameter	Average	Std. Err.	Percentiles						
			5th	10th	25th	50th	75th	90th	95th
δ_{avg}	0.907	0.001	0.714	0.822	0.913	0.951	0.978	1.003	1.028
δ_{qh}	0.927	0.001	0.698	0.832	0.927	0.964	0.989	1.018	1.056
β_{qh}	1.056	0.004	0.575	0.708	0.829	0.924	1.047	1.373	1.800

Notes: Table displays values of the specified parameter at given points in the distribution as well as the mean value and its standard error. The sample size is 2352.

Note that for roughly 2/5 of respondents, the optimization algorithm failed to converge. This is comparable to Bradford et al. (2018), who also appear to lose about 1/3 of their data (according to their replication codes). The performance of the MLE estimation can potentially improve with closer initial values or a different line-search method.

E Survey Appendix – Survey Wave I

This section lists relevant survey questions used within the paper.

E.1 Survey overview

The survey was administered on the Qualtrics Research Core Platform, which recruited participants. Responses were provided in February-March 2024. Qualtrics Research Services produced a representative sample by drawing respondents from several actively managed, double-opt-in market research panels, complemented with social media (Qualtrics, 2019).

E.2 Sample

Invitations were issued to US residents, which were screened for residence status, English language fluency, and age. All respondents who failed to meet the screening criteria were discontinued from the survey. Only respondents who confirmed residence in the US, who professed English language fluency, and who reported to be of ages 18 or above, were entered into to the survey proper. Approximately one third were targeted to be between 18 and 34 years of age, another third between 35 and 55, and the final third older than age 55. We also required a distribution across US regions in proportion to population size, drawing 20 percent of our sample from the Midwest, 20 percent from the Northeast, 40 percent from the South, and 20 percent from the West.

To ensure response quality, we followed industry standards by embedding filters to eliminate respondents who entered gibberish for at least one response, or who completed the survey in less than six minutes. The survey also included CAPTCHA tests to reduce the likelihood that bots would interfere.[13]

E.3 Inflation and unemployment definitions

Before being asked the first survey questions, all respondents are shown some information on the definitions of inflation and unemployment.

Inflation

Please read the following for background:
The inflation rate measures how much prices change from year to year.
Assume, for example, that the inflation rate is 2%. In that case, prices for a typical basket of goods and services have risen by 2% in the last 12 months; say, from $1000 a year ago to $1020 now. If

[13] Qualtrics Research Services provides the filtered data. The total sample size refers to the number of respondents *after* filtering.

the inflation rate is negative - prices decline on average - we refer to this as deflation.
As an example, if the deflation rate is 3%, for a bundle of goods and services that cost $1000 a year ago, you would only pay $970 now.

Unemployment
Please read the following for background:
The unemployment rate measures how many people of those who would like to work for a salary are without a job.
For example, an unemployment rate of 4% means that out of 1000 people who would like to work for pay, 40 do not have a job.

E.4 Prior preferences

To learn about respondents' expectations of future inflation and income, we use the following set of questions. Note that we first ask about participants' point estimates and then collect additional data on the individual distribution of expectations. With this approach, we can gain insights into individual uncertainty.

Pr1: Prior inflation preference
Consider the economy you live in. Its prices tend to move up or down over time. What would you prefer the inflation rate to be for these goods and services, in a typical year? On average, the inflation rate should be:

- *O positive*
- *O zero*
- *O negative*

Depending on the answer given to the previous question, the participant is shown the next question:

Pr2: Prior inflation preference-numerical
In a typical year, what rate of ***inflation/deflation*** *would you prefer?*

- *O more than 0% and less than or equal to 1%*
- *O more than 1% and less than or equal to 2%*
- *O more than 2% and less than or equal to 3%*
- *O more than 3% and less than or equal to 5%*
- *O more than 5% and less than or equal to 8%*

O more than 8%, please specify ____

E.5 Inflation narratives

To test which mental economic models participants consider when forming their inflation preferences we present survey respondents with the following inflation narratives. First, we ask the control group to select which of the following narratives they consider after answering questions Pr1 and Pr2. Second, when performing the RCT we present each treatment group with one of the following questions.

Please read the following statement by some economists about inflation

***T1: Cash value**: You don't earn interest on your cash at home and only little interest on money in your checking account. But if goods and services become more expensive over time (inflation), your cash becomes less valuable. Hence, lower inflation can be beneficial when you hold cash.*

***T2: ELB**: When prices increase over time (inflation), interest rates tend to be high. But in times of economic crisis, lower interest rates are needed to the boost the economy. Higher inflation, therefore, gives central banks more opportunities to lower interest rates and help the economy to recover.*

***T3: Labor market**: In times of crisis, it is sometimes necessary for firms to reduce wages in order to keep people employed. But if they cannot cut wages, they might fire employees instead. Higher inflation reduces wages implicitly. Thus, firms are not forced to reduce wages explicitly or fire workers in times of crisis.*

***T4: Wage inflation**: When prices increase over time (inflation), workers' wages may not immediately adjust in proportion. Inflation, therefore, affects the amount of goods and services that workers can buy with their wages. By keeping inflation low, workers can buy a similar amount of goods and services over time.*

***T5: Asset inflation**: When prices increase over time (inflation), the dollar value of your assets (such as real estate, retirement savings, stocks, bonds and so on) may not immediately adjust in proportion. Inflation, therefore, affects the amount of goods and services that you can buy with your assets. By keeping inflation low, you can buy a similar amount of goods and services with your assets over time.*

E.6 Posterior preferences

Po1: Posterior inflation preference

Inflation rates tend to vary from year to year. Imagine for a moment that you could pick the inflation rate for the economy. In your opinion, what would be the optimal inflation rate, in a typical year? On average, the inflation rate should be:

- *O positive*
- *O zero*
- *O negative*

Depending on the answer given to the previous question, the participant is shown the next question:

Po2: Posterior inflation preference - numerical

In a typical year, what would you say is the optimal rate of ***inflation/deflation****?*

- *O more than 0% and less than or equal to 1%*
- *O more than 1% and less than or equal to 2%*
- *O more than 2% and less than or equal to 3%*
- *O more than 3% and less than or equal to 5%*
- *O more than 5% and less than or equal to 8%*
- *O more than 8%, please specify ____*

E.7 Consideration of inflation theories

After the posterior inflation preference, all respondents are asked the following question, separately for all five theories, in random order.

When you were thinking about your answer to the previous question, did your thoughts relate to any of the following ideas?

Please read each statement and choose yes or no. The next statement will appear after you choose your answer.

[Inflation narrative (T1-T5)]

- *O Yes, I thought about this*
- *O No, I didn't think about this*

E.8 Federal Reserve

F1: What would you say is the mandate of the U.S. Federal Reserve? Please select the answers that you think fits its mandate best.

- *O Keep inflation at a low target*
- *O Keep inflation at a low target but also fight unemployment*
- *O Fight unemployment and promote economic activity*
- *O Stabilize the value of the U.S. dollar*

F2: The Federal Reserve is mandated by the congress to keep inflation and unemployment low. To the extent that both of these are not attainable at a given time, how much weight do you think the Federal Reserve should place on each of them?

Please assign weights between 0 and 100. A weight of 0 implies no weight on that goal and full weight on the other; that is, weights must add up to 100.

- *Inflation* ____
- *Unemployment* ____
- *Total 100*

F3: Do you think that the Federal Reserve can control inflation in the long run?

- *O Yes*
- *O I don't know*
- *O No*

F4: On average, which inflation rate do you think the U.S. Federal Reserve is trying to achieve for the US economy in a typical year?

It is trying to achieve ____% inflation in a typical year.

F5: How much does the U.S. Federal Reserve affect the general economy?

[7 point scale, from "not at all" to "very much"]

F6: How much do you trust that the U.S. Federal Reserve is able to deliver price stability?

[7 point scale, from "Do not trust at all" to "Trust entirely"]

E.9 Personal economic situation

W: How much of your income would you be willing to give up - in each year – for the [inflation/deflation] rate in the economy to be on average [POSTERIOR PREFERENCE] in a typical year, in line with your stated preference, rather than what the inflation rate was on average over the last 10 years?
I would be willing to give up ___ % of my income, in a typical year.

E1: What is your current employment situation?
Please select all that apply.

- *O Working full-time (for someone or self-employed)*
- *O Working part-time (for someone or self-employed)*
- *O Unpaid work (e.g. unpaid internship, volunteering, etc.)*
- *O Not working, but would like to work*
- *O Temporarily laid off*
- *O On sick or other leave*
- *O Permanently disabled or unable to work*
- *O Retiree or early retiree*
- *O Student, at school or in training*
- *O Homemaker*
- *O Other, please specify: ____*

E2: Are you self-employed or do you receive a wage each month?

- *O I am self-employed (business owner)*
- *O I receive a fixed wage each month (wage, pension. . .)*
- *O I receive a variable wage each month, depending on how much I work (tips. . .)*
- *O Does not apply.*

E3: Have you experienced personal unemployment, in the last three years?

- *O Yes*
- *O No*

E4: You indicated earlier that your total pre-tax household income is [display answer from question D5].
How much of your total income derives from the following sources?
Please assign weights between 0 and 100. A weight of 0 implies no income in that category. Weights must add up to 100.

- *Wages and tips* ____
- *Returns from financial investments* ____

- *Net income from business, farm or rent* ____
- *Transfers (e.g.,. social security, food stamps or unemployment benefits)* ____
- *Pensions* ____
- *Other income (e.g., child support or alimony)* ____
- *Total 100*

E5: What is your civil status?

O Single
O Partner (not co-habiting)
O Partner (co-habiting)
O Married
O Divorced
O Widowed

E6: Do you or your spouse/partner own or rent your current primary residence?

O Own
O Rent
O Other, please specify ____

E7: (If E6 is "Own") Do you have a mortgage on your primary residence?
Please select only one.

O Yes
O No

E8: (If E7 is "Yes") Does your mortgage have a fixed or variable interest rate?
Please select only one.

O Fixed
O Variable
O Not applicable

E9: Approximately how much money do you hold altogether, in cash and in checking or savings accounts?

O below $500
O $500 to $1,000
O $1,000 to $3,000
O $3,000 to $6,000
O $6,000 to $15,000
O $15,000 to $50,000
O $50,000 to $100,000

O more than $100,000

E10: Approximately what valuation would you place on your combined investments in stocks, funds, bonds and other financial investments (which are not retirement savings)?

O below $1000
O $1,000 to $5,000
O $5,000 to $15,000
O $15,000 to $50,000
O $50,000 to $150,000
O $150,000 to $500,000
O more than $500,000

E11:Approximately how much money do you hold, in retirement savings accounts (i.e., 401k plans)?

O below $5000
O $5,000 to $10,000
O $10,000 to $50,000
O $50,000 to $100,000
O $100,000 to $200,000
O $200,000 to $500,000
O more than $500,000

E12: What would you say is your political affiliation?

O Democrat
O Independent
O Republican
O Other

In order to construct the total amount of financial assets hold by a survey respondent, we sum the responses for question E9, E10 and E11. Correspondingly, the share of cash holdings/fin. investments/retirement funds on total assets is the fraction of the answer from question E9, E10 and E11, divided by the total amount of assets.

E.10 Vignettes

As a first vignette, we investigate the relation between inflation and expected wage growth. Given that price and wage inflation are closely related concepts, we verify whether participants understand how their inflation preference is related to the evolution of wage changes by asking the following questions. We provide each respondent with an individual, random increase/decrease in prices and ask them to report how they think their wages will increase/decrease, respectively.

V1: Think about all the goods and services that you consume. Suppose that these prices ***increase/decrease*** *by* ***X%****, in a typical year in the future. How do you think the wage you receive will change in a typical year?*

O increase
O stay the same
O decrease

Depending on the answer selected, respondents are asked a follow up question:
If prices increase by ***X%*** *in a typical year, I expect that my wage will* ***increase/decrease*** *by ____ in a typical year.*

O 0% to 1%
O 1% to 2%
O 2% to 3%
O 3% to 5%
O 5% to 8%
O more than 8%, please specify ____

Next, we verify that respondents understand how their personal characteristics and economic decisions affect their inflation preferences by means of the following vignettes. Each vignette presents a random numerical value for inflation and then presents respondents with each of the following questions. Whether inflation or deflation is displayed depends on their choice to question Pr1. Participants then respond by selecting from the list of options below.

Imagine that the future inflation rate in the US, in a typical year, is ***X*** *percentage points* ***lower/higher*** *than currently expected.*

V2: In this scenario, would you choose to hold more or less money (both in cash and in your checking or savings account)?

O Much more
O Somewhat more

O Approximately the same
O Somewhat less
O Much less

V3: In this scenario, how much more or less likely to buy real estate?

O Much more likely
O Somewhat more likely
O Approximately the same
O Somewhat less likely
O Much less likely

V4: In this scenario, how much more or less likely is it that you would look for a new job regularly?

O Much more likely
O Somewhat more likely
O Approximately the same
O Somewhat less likely
O Much less likely

V5: In this scenario, would you negotiate your wage more or less often?

O Much more often
O Somewhat more often
O Approximately the same
O Somewhat less often
O Much less often

V6: In this scenario, would you choose to hold more or less financial assets (such as retirement savings, stocks or bonds)?

O Much more
O Somewhat more
O Approximately the same
O Somewhat less
O Much less

E.11 Demographics and experiences

To explore demographics and to make the survey representative, we recorded certain demographic characteristics. These include age, gender, ethnicity, state of residence, the highest educational level, personal income, and the personal savings rate.

D1: Please enter your age.

D2: Please indicate your gender.

- *O Male*
- *O Female*
- *O Non-binary / third gender*
- *O Prefer not to say*

D3: How would you identify your ethnicity? Please select all that apply.

- *O Asian/Asian American*
- *O Black/African American*
- *O White/Caucasian*
- *O Other*
- *O Prefer not to say*

D4: Do you consider yourself of Hispanic, Latino or Spanish origin?

- *O Yes*
- *O No*

D5: Which category represents the total combined pre-tax income of all members of your household (including you) during the past 12 months? Please include money from all jobs, net income from business, farm or rent, pensions, interest on savings or bonds, dividends, social security income, unemployment benefits, Food Stamps, workers' compensation or disability benefits, child support, alimony, scholarships, fellowships, grants, inheritances and gifts, and any other money income received by members of your household who are 15 years of age or older.

- *O Less than $10,000*
- *O $10,000 - $19,999*
- *O $20,000 - $29,999*
- *O $30,000 - $39,999*
- *O $40,000 - $49,999*
- *O $50,000 - $59,999*
- *O $60,000 - $49,999*

O $75,000 - $99,999
O $100,000 - $149,999
O $150,000 - $199,999
O $200,000 or more

D6: In which state do you currently reside?

D7: What is the postal (zip) code for the address of your permanent residence?

D8: What is the highest level of school you have completed, or the highest degree you have achieved?

O Less than high school
O High school diploma or equivalent
O Some college, but no degree
O Associate's degree
O Bachelor's degree
O Master's degree
O Doctorate or Professional Degree

D9: Has your education involved any courses or modules related to economics, business or finance?

O Yes, but only some courses (e.g., a minor or less in college, a graduate or professional degree)
O Yes, it was a major part of my degree (e.g., a major in college, a graduate or professional degree)
O No

D10: Are you the main grocery shopper in your household?

O Yes
O No

E.12 Numerical ability

At the end of the survey, we ask a set of questions to evaluate the numerical ability of survey respondents. From the answers, we construct a numerical ability index, as the fraction of questions answered correctly. Questions used are similar to the New York Fed Survey of Consumer Expectations (e.g., Armantier et al., 2017).

Num 1

In a sale, a shop is selling all items at half price. Before the sale, a sofa costs $300. How much will it cost in the sale?

Num 2

Let's say you have $200 in a savings account. The account earns ten per cent interest per year. Interest accrues at each anniversary of the account. If you never withdraw money or interest payments, how much will you have in the account at the end of two years?

Num 3

In the BIG BUCKS LOTTERY, the chances of winning a $10.00 prize are 1%. What is your best guess about how many people would win a $10.00 prize if 1,000 people each buy a single ticket from BIG BUCKS?

Num 4

If the chance of getting a disease is 10 percent, how many people out of 1,000 would be expected to get the disease?

Num 5

The chance of getting a viral infection is 0.0005. Out of 10,000 people, about how many of them are expected to get infected?

Num 6

Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After one year, how much would you be able to buy with the money in this account?

- *O More than today*
- *O Exactly the same*
- *O Less than today*

Num 7

Please tell me whether this statement is true or false: Buying a single company's stock usually provides a safer return than a stock mutual fund.

- *O True*
- *O False*

F Survey Appendix – Survey Wave II

This section lists relevant survey questions used within the paper.

F.1 Prior Preferences

F.1.1 Baseline

Pr1: Prior inflation preference
Consider the economy you live in. Its prices tend to move up or down over time. What would you prefer the inflation rate to be for these goods and services, in a typical year? On average, the inflation rate should be:

O positive
O zero
O negative

Depending on the answer given to the previous question, the participant is shown the next question:

Pr2: Prior inflation preference-numerical
In a typical year, what rate of ***inflation/deflation*** *would you prefer?*

O more than 0% and less than or equal to 1%
O more than 1% and less than or equal to 2%
O more than 2% and less than or equal to 3%
O more than 3% and less than or equal to 5%
O more than 5% and less than or equal to 8%
O more than 8%, please specify ____

F.1.2 Baseline

Pr1): Prior inflation preference
Consider the economy you live in. Its prices tend to move up or down over time. What would you prefer the inflation rate to be for these goods and services, in a typical year? On average, the inflation rate should be:

O positive

O negative

Depending on the answer given to the previous question, the participant is shown the next question:

Pr2: Prior inflation preference-numerical
In a typical year, what rate of ***inflation/deflation*** *would you prefer?*

O more than 0% and less than or equal to 1%
O more than 1% and less than or equal to 2%
O more than 2% and less than or equal to 3%
O more than 3% and less than or equal to 5%
O more than 5% and less than or equal to 8%
O more than 8%, please specify ____

F.1.3 No zero option

Pr1 (no zero): Prior inflation preference
Consider the economy you live in. Its prices tend to move up or down over time. What would you prefer the inflation rate to be for these goods and services, in a typical year? On average, the inflation rate should be:

O positive
O negative

Depending on the answer given to the previous question, the participant is shown the next question:

Pr2 (no zero): Prior inflation preference-numerical
In a typical year, what rate of ***inflation/deflation*** *would you prefer?*

O more than 0% and less than or equal to 1%
O more than 1% and less than or equal to 2%
O more than 2% and less than or equal to 3%
O more than 3% and less than or equal to 5%
O more than 5% and less than or equal to 8%
O more than 8%, please specify ____

F.1.4 Open format

Pr1 (open format): Prior inflation preference
Consider the economy you live in. Its prices tend to move up or down over time. What would you prefer the inflation rate to be for these goods and services, in a typical year? On average, the inflation rate should be:

O positive
O negative

Depending on the answer given to the previous question, the participant is shown the next question:

Pr2 (open format): Prior inflation preference-numerical
In a typical year, what rate of ***inflation/deflation*** *would you prefer? I would prefer the rate of inflation to be ____ % in a typical year.*

F.2 Posterior Preferences

F.2.1 No zero option

Po1 (no zero): Prior inflation preference
The Federal Reserve has the ability to influence the inflation rate in the US. What would you personally say is the optimal inflation rate that it should try to achieve, in a typical year? On average, the inflation rate should be ...

O positive
O negative

Depending on the answer given to the previous question, the participant is shown the next question:

Po2 (no zero): Posterior inflation preference-numerical
In a typical year, what rate of inflation would you say the Federal Reserve should try to achieve?

O more than 0% and less than or equal to 1%
O more than 1% and less than or equal to 2%
O more than 2% and less than or equal to 3%

O more than 3% and less than or equal to 5%

O more than 5% and less than or equal to 8%

O more than 8%, please specify ____

F.2.2 Open format

Po1 (open format): Posterior inflation preference

The Federal Reserve has the ability to influence the inflation rate in the US. What would you personally say is the optimal inflation rate that it should try to achieve, in a typical year? On average, the inflation rate should be ...

O positive

O negative

Depending on the answer given to the previous question, the participant is shown the next question:

Po2 (open format): Posterior inflation preference-numerical

In a typical year, what rate of inflation would you say the Federal Reserve should try to achieve? The Federal Reserve should target a ____ % inflation rate in a typical year.

F.3 Demand Treatment

Positive Demand

The next question asks about your preference over inflation.
We expect that participants who are shown these instructions will prefer more inflation than they normally would.

Negative Demand

The next question asks about your preference over inflation.
We expect that participants who are shown these instructions will prefer less inflation than they normally would.

F.4 Federal Reserve

F.4.1 Baseline

F1a

On average, which inflation rate do you think the U.S. Federal Reserve is trying to achieve in a typical year? In a typical year, it is trying to achieve an inflation rate that is...

- *O positive*
- *O zero*
- *O negative*

Depending on the answer given to the previous question, the participant is shown the next question:

F1b

On average, which rate of [inflation/deflation] do you think the U.S. Federal Reserve is trying to achieve in a typical year?

- *O more than 0% and less than or equal to 1%*
- *O more than 1% and less than or equal to 2%*
- *O more than 2% and less than or equal to 3%*
- *O more than 3% and less than or equal to 5%*
- *O more than 5% and less than or equal to 8%*
- *O more than 8%, please specify ____*

F.4.2 No zero option

F1a (no zero)

On average, which inflation rate do you think the U.S. Federal Reserve is trying to achieve in a typical year? In a typical year, it is trying to achieve an inflation rate that is...

- *O positive*
- *O negative*

Depending on the answer given to the previous question, the participant is shown the next question:

F1b (no zero)
On average, which rate of [inflation/deflation] do you think the U.S. Federal Reserve is trying to achieve in a typical year?

O between 0% and less than or equal to 1%
O more than 1% and less than or equal to 2%
O more than 2% and less than or equal to 3%
O more than 3% and less than or equal to 5%
O more than 5% and less than or equal to 8%
O more than 8%, please specify ____

F.4.3 Open format

F1a (open format)
On average, which inflation rate do you think the U.S. Federal Reserve is trying to achieve in a typical year? In a typical year, it is trying to achieve an inflation rate that is...

O positive
O negative

Depending on the answer given to the previous question, the participant is shown the next question:

F1b (open format)
On average, which inflation rate do you think the U.S. Federal Reserve is trying to achieve in a typical year? It is trying to achieve ____ % inflation in a typical year.

F.4.4 Other Question on the Role of the Federal Reserve

F2a: The Federal Reserve is mandated by the congress to keep inflation and unemployment low. To the extent that these are competing goals, there is a tradeoff. How much weight do you think the Federal Reserve places on each goal? Please assign weights between 0 and 100. A weight of 0 implies no weight on that goal and full weight on the other; that is, weights must add up to 100.

- *Inflation ____*
- *Unemployment ____*
- *Total 100*

F2b: How much weight would you prefer that the Federal Reserve places on each goal?

- *Inflation* ____
- *Unemployment* ____
- *Total 100*

F3a: In terms of the Federal Reserve's broad economic objectives, what do you think it views as most important among the following? Please select up to 2.

O Keeping interest rates low to reduce the government's cost of borrowing
O Promoting maximum employment
O Keeping stock prices high
O Bailing out failing financial institutions
O Ensuring price stability
O Maintaining a strong dollar
O Reducing economic inequality
O Fighting climate change

F3b: In terms of prices in the economy, which do you think best represents what the Federal Reserve is trying to do? Select all that apply.

O Keep the inflation rate as close as possible to a specific target at all times
O Make inflation, on average, be approximately equal to a target rate
O Keep prices from rising over time
O Ensure inflation is sufficiently high to erode the value of government debt
O Keep the inflation rate low enough to promote a strong dollar
O None of the above
O I don't know.

F4: How much do you trust the Federal Reserve (Fed)? Please indicate your level of trust on a scale from 0 to 10, where 0 means you cannot trust the Fed at all, and 10 means that you fully trust the Fed. [11 point scale, from "Cannot trust at all" to "Fully trust"]

F5: To what extent would you agree with the following statement? Public opinion affects the way the Federal Reserve (Fed) operates, for example, through the appointment of governors who prefer higher or lower inflation. [5 point scale, from "completely disagree" to "completely agree"]

F.5 Long run expectations

F.5.1 Baseline

E1

Now we would like you to think about inflation further into the future. Over the 12-month period between June 2029 and June 2030, do you think the inflation rate will be positive or negative?

O positive
O zero
O negative

Depending on the answer given to the previous question, the participant is shown the next question:

E2

What do you expect the rate of [inflation/deflation] to be over that period? Please give your best guess. Over the 12-month period between June 2029 and June 2030, I expect the rate of [inflation/deflation] to be ...

O more than 0% and less than or equal to 1%
O more than 1% and less than or equal to 2%
O more than 2% and less than or equal to 3%
O more than 3% and less than or equal to 5%
O more than 5% and less than or equal to 8%
O more than 8%, please specify ____

F.5.2 No zero option

E1 (no zero)

Now we would like you to think about inflation further into the future. Over the 12-month period between June 2029 and June 2030, do you think the inflation rate will be positive or negative?

O positive
O negative

Depending on the answer given to the previous question, the participant is shown the next question:

E2 (no zero)

What do you expect the rate of [inflation/deflation] to be over that period? Please give your best guess. Over the 12-month period between June 2029 and June 2030, I expect the rate of [inflation/deflation] to be ...

- *O more than 0% and less than or equal to 1%*
- *O more than 1% and less than or equal to 2%*
- *O more than 2% and less than or equal to 3%*
- *O more than 3% and less than or equal to 5%*
- *O more than 5% and less than or equal to 8%*
- *O more than 8%, please specify ____*

F.5.3 Open format

E1 (open format)

Now we would like you to think about inflation further into the future. Over the 12-month period between August 2029 and August 2030, do you think that there will be inflation or deflation?

- *O Inflation*
- *O Deflation (the opposite of inflation)*

Depending on the answer given to the previous question, the participant is shown the next question:

E2 (open format)

What do you expect the rate of [inflation/deflation] to be over that period? Please give your best guess. Over the 12-month period between August 2029 and August 2030, I expect the rate of inflation to be ____ %

F.6 Demographics and experiences

To explore demographics and to make the survey representative, we recorded certain demographic characteristics. These include age, gender, ethnicity, state of residence, the highest educational level and income.

D1: Please enter your age.

D2: Please indicate your gender.

O Male
O Female
O Non-binary / third gender
O Prefer not to say

D3: How would you identify your ethnicity? Please select all that apply.

O Asian/Asian American
O Black/African American
O White/Caucasian
O Other
O Prefer not to say

D4: Do you consider yourself of Hispanic, Latino or Spanish origin?

O Yes
O No

D5: Which category represents the total combined pre-tax income of all members of your household (including you) during the past 12 months? Please include money from all jobs, net income from business, farm or rent, pensions, interest on savings or bonds, dividends, social security income, unemployment benefits, Food Stamps, workers' compensation or disability benefits, child support, alimony, scholarships, fellowships, grants, inheritances and gifts, and any other money income received by members of your household who are 15 years of age or older.

O Less than $10,000
O $10,000 - $19,999
O $20,000 - $29,999
O $30,000 - $39,999
O $40,000 - $49,999
O $50,000 - $59,999
O $60,000 - $49,999
O $75,000 - $99,999
O $100,000 - $149,999
O $150,000 - $199,999
O $200,000 or more

D6: In which state do you currently reside?

D7: What is the postal (zip) code for the address of your permanent residence?

D8: What is the highest level of school you have completed, or the highest degree you have achieved?

O Less than high school
O High school diploma or equivalent
O Some college, but no degree
O Associate's degree
O Bachelor's degree
O Master's degree
O Doctorate or Professional Degree

F.7 Psychographic Characteristics and Numerical Abilities

F.7.1 Numerical Literacy

These questions follow the questionnaire by Stango and Zinman (2022).

Num 1

If the chance of getting a disease is 10 percent, how many people out of 1,000 would be expected to get the disease?

Num 2

If 5 people split lottery winnings of two million dollars ($2,000,000) into 5 equal shares, how much will each of them get?

Num 3

The chance of getting a viral infection is 0.0005. Out of 10,000 people, about how many of them are expected to get infected?

Num 4

In the BIG BUCKS LOTTERY, the chances of winning a $10.00 prize are 1%. What is your best guess about how many people would win a $10.00 prize if 1,000 people each buy a single ticket from BIG BUCKS?

Num 5

In a sale, a shop is selling all items at half price. Before the sale, a sofa costs $300. How much will it cost in the sale?

F.7.2 Financial Literacy

These questions follow the questionnaire by Stango and Zinman (2022).

Fin 1

Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After one year, how much would you be able to buy with the money in this account?

- *O More than today*
- *O Exactly the same*
- *O Less than today*

Fin 2

Please tell me whether this statement is true or false: Buying a single company's stock usually provides a safer return than a stock mutual fund.

Fin 3

Please tell me whether this statement is true or false: Buying a single company's stock usually provides a safer return than a stock mutual fund.

- *O True*
- *O False*

F.7.3 Loss Aversion

These questions follow the questionnaire by Stango and Zinman (2022).

Loss 1

Now, imagine you have a choice between the following two options. Which option would you choose?

- *O Option A: A lottery with a 50% chance of winning $80 and a 50% chance of losing $50.*
- *O Option B: Zero dollars.*

Loss 2

Now, imagine you have a choice between the following two options. Which option would you choose?

- *O Option A: Play the lottery from the previous question (50% chance of winning $80, 50% chance of losing $50) six times.*
- *O Option B: Zero dollars.*

F.7.4 Maximum Price Lists

These questions are based on the work by Bradford et al. (2018). Section D in the Appendix describes the estimation procedure for time and risk prefenrce parameters.

Intro

The next sections contain a series of hypothetical questions in which you are asked to choose one of two payment options. In each question you are choosing between a smaller, sooner payment and a larger, later payment. Please answer all of the following questions.

The section following that asks you to choose one of two lotteries, in which you would win one of two amounts of money depending on chance. Please answer all of these questions by indicating whether you would prefer lottery A or lottery B.

Please choose carefully, as if the choices were real.

Red Block (Questions 1 through 7): Decide between payment today and payment in one month.
Black Block (Questions 8 through 15): Decide between payment today and payment in six months.
Blue Block (Questions 16 through 22): Decide between payment in six months and payment in seven months.
Lottery Block (Questions 23 through 30): Decide between two lotteries (both of which pay today).

Red Block

Red Block (today vs. one month from today)
Decide for each pair if you would like the smaller payment for sure today or the larger payment for sure in one month.

29$ today O	*O 30$ in one month*
28$ today O	*O 30$ in one month*
26$ today O	*O 30$ in one month*
24$ today O	*O 30$ in one month*
21$ today O	*O 30$ in one month*
17$ today O	*O 30$ in one month*
13$ today O	*O 30$ in one month*

Black Block

Black Block (today vs. six months from today)
Decide for each pair if you would like the smaller payment for sure today or the larger payment for sure in six months.

29$ today O	*O 30$ in six months*
28$ today O	*O 30$ in six months*
26$ today O	*O 30$ in six months*
24$ today O	*O 30$ in six months*
21$ today O	*O 30$ in six months*
17$ today O	*O 30$ in six months*
13$ today O	*O 30$ in six months*
8$ today O	*O 30$ in six months*

Blue Block

Blue Block (six months from today vs. seven months from today)
Decide for each pair if you would like the smaller payment for sure in six months or the larger payment for sure in seven months.

29$ in six months O	*O 30$ in seven months*
28$ in six months O	*O 30$ in seven months*
26$ in six months O	*O 30$ in seven months*
24$ in six months O	*O 30$ in seven months*
21$ in six months O	*O 30$ in seven months*
17$ in six months O	*O 30$ in seven months*
13$ in six months O	*O 30$ in seven months*

Lottery Block
This block of questions asks you to choose one of two hypothetical lotteries, in which you would win one of two amounts of money depending on chance. Indicate for each pair whether you prefer lottery A or lottery B.

20% chance of winning $20, 80% chance of winning $16 O	*O 20% chance of winning $38.50, 80% chance of winning $1*
30% chance of winning $20, 70% chance of winning $16 O	*O 30% chance of winning $38.50, 70% chance of winning $1*
40% chance of winning $20, 60% chance of winning $16 O	*O 40% chance of winning $38.50, 60% chance of winning $1*
50% chance of winning $20, 50% chance of winning $16 O	*O 50% chance of winning $38.50, 50% chance of winning $1*
60% chance of winning $20, 40% chance of winning $16 O	*O 60% chance of winning $38.50, 40% chance of winning $1*
70% chance of winning $20, 30% chance of winning $16 O	*O 70% chance of winning $38.50, 30% chance of winning $1*
80% chance of winning $20, 20% chance of winning $16 O	*O 80% chance of winning $38.50, 20% chance of winning $1*
90% chance of winning $20, 10% chance of winning $16 O	*O 90% chance of winning $38.50, 10% chance of winning $1*

F.7.5 Risk Aversion

These questions follow the questionnaire by Stango and Zinman (2022).

Risk 1
Now we have another kind of question.
Suppose that you are the only income earner in the family. Your doctor recommends that you move because of allergies, and you have to choose between two possible jobs. The first would guarantee your current total family income for life. The second is possibly better paying, but the income is also less certain. There is a 50% chance the second job would double your current total family income for life and a 50% chance that it would cut it by a third. Which job would you take – the first job or the second job?

- *O The first job*
- *O The second job*

Risk 2 *[If Risk 1 is "The second job"]*
Suppose the first job would still guarantee your current total family income for life. Now, there is a 50% chance that the second job would double your current total family income for life, and 50% that it would cut it by half. Which job would you take, the first job or the second job?

- *O The first job*

O The second job

Risk 3 *[If Risk 2 is "The second job"]*
Suppose the first job would still guarantee your current total family income for life. Now, there is a 50% chance that the second job would double your current total family income for life, and 50% that it would cut it by seventy five percent. Which job would you take, the first job or the second job?

O The first job
O The second job

Risk 4 *[If Risk 1 is "The first job"]*
Suppose the first job would still guarantee your current total family income for life. Now, there is a 50% chance that the second job would double your current total family income for life, and 50% that it would cut it by twenty percent. Which job would you take, the first job or the second job?

O The first job
O The second job

Risk 5 *[If Risk 2 is "The first job"]*
Suppose the first job would still guarantee your current total family income for life. Now, there is a 50% chance that the second job would double your current total family income for life, and 50% that it would cut it by ten percent. Which job would you take, the first job or the second job?

O The first job
O The second job

Financial Risk
How do you see yourself: Are you generally a person who is fully prepared to take risks or do you try to avoid taking risks?
Please indicate your answer on a scale from 0-100, where the value 0 means: 'unwilling to take risks' and the value 100 means: 'fully prepared to take risks.' Higher numbers indicate more willingness to take risks. Click on the point on the scale below that best represents your answer.