Consumers' Attention to Monetary Policy: The Importance of Having "Skin in the Game"*

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Abstract

Using a five-year survey of over 170,000 US consumers, we provide a novel direct measure of attention to monetary policy and show that the data strongly support the predictions of a rational inattention model. First, attention is incentive-driven: consumers with "skin in the game"—those planning major purchases like homes or cars—are significantly more attentive to monetary policy news. Second, attention varies systematically with interest rate volatility and news supply, exhibiting cyclical patterns around FOMC meetings. Third, marginal effects of volatility and news supply decline with "skin in the game," implying external factors primarily affect low-skin-in-the-game consumers. These findings imply that, when communication is costly and attention is endogenous, optimal central bank communications in our model target consumers who bear the largest welfare losses from information frictions. This targeted communication approach increases aggregate attention to monetary policy, leading to an amplified response of consumption to interest rate changes.

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Keywords: monetary policy, rational inattention, communication

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1 Introduction

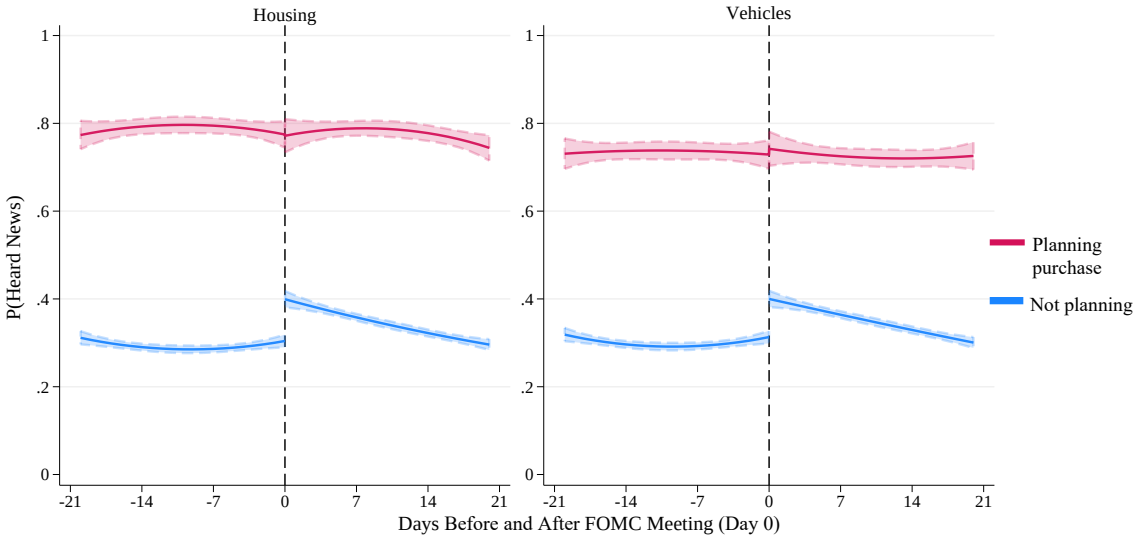
The strength of the monetary policy transmission mechanism depends, in part, on people being aware of policy changes. Information frictions can dampen transmission via canonical consumption Euler equations, and they play a role in the credit channel of monetary policy (e.g., see Bernanke and Gertler (1995)). This paper examines which consumers pay attention to monetary policy and the determinants of that attention. Understanding consumer attention is important for the effectiveness of conventional monetary policy decisions regarding interest rates and for designing effective communication strategies, as central banks increasingly rely on communication as a policy tool.

Figure 1 provides direct evidence on consumer attention using a new survey-based measure that asks consumers whether they heard news about monetary policy or the Federal Reserve. We separate respondents by whether they plan to make major purchases—homes or vehicles—that typically require financing and hence are more sensitive to interest rate fluctuations and monetary policy decisions, thus giving them high "skin in the game."

The figure reveals two key patterns. First, consumers with skin in the game consistently have a higher probability of paying attention to monetary policy throughout the policy cycle—direct evidence that attention is incentive-driven. Second, the cyclical volatility in attention around Federal Open Market Committee (FOMC) meetings is driven almost entirely by consumers *without* skin in the game. News coverage regularly rises around FOMC meetings and then declines. Consumers without skin in the game exhibit a jump in the probability of paying attention around FOMC meeting dates when news coverage increases, while high-skin-in-the-game consumers maintain high and stable attention regardless of the information environment.

This pattern reflects a fundamental mechanism of rational inattention: optimal attention depends on the *interaction* between individual incentives and external information costs. When information costs decline (e.g., when news surges around FOMC meetings), consumers with weak intrinsic incentives respond most, while those with strong incentives maintain high attention regardless. While rational inattention theory predicts this interaction, we provide the first empirical docu-

Figure 1: Attention to Monetary Policy Around FOMC Meetings by Skin in the Game



Note: This figure shows the probability that consumers report hearing news about monetary policy in the three weeks before and after Federal Open Market Committee (FOMC) meetings (day 0). Red lines show probabilities for consumers planning to purchase a home (left panel) or vehicle (right panel) within one month; blue lines show probabilities for those with no such plans. Lines show fitted values from a regression discontinuity design. Shaded areas represent 95% confidence intervals. Sample: March 2020–July 2025. Full specification details in Section 4.

mentation for monetary policy attention.

Motivated by these patterns, this paper comprehensively studies the determinants of consumers' attention to monetary policy. We address three questions: (1) What drives consumers to pay attention — individual characteristics like "skin in the game" or aggregate factors like news availability and interest rate volatility? (2) How do individual and aggregate factors interact to produce the patterns in Figure 1? (3) What do these interactions imply for optimal central bank communication when attention is endogenous and communication is costly?

We address these questions in three steps. First, we leverage a partial-equilibrium model of rational inattention. In this model, consumers optimally choose attention to the real interest rate, which captures the net effect of nominal interest rates and inflation expectations—the two key variables through which monetary policy op-

erates. The model generates six sharp predictions about how attention varies with individual factors (skin in the game and information costs) and aggregate factors (interest rate volatility and news supply), and crucially, how these factors interact. Second, we validate all predictions using novel survey data spanning five years (March 2020 through January 2025) and over 170,000 US consumers. Third, we derive implications for optimal central bank communications.

Our first contribution is measurement. We provide a novel direct measure of US consumers' attention to monetary policy by explicitly asking them about whether they have heard monetary policy news, rather than proxying monetary policy attention through inflation attention. While several papers have proxied monetary policy attention through inflation attention (Pfäuti (Forthcoming), Afrouzi et al. (2024), and Weber et al. (2025)), Link et al. (Forthcoming) show using German data that the share of households that were attentive to monetary policy was much smaller than the share of those that were attentive to inflation.[1] A follow-up question in our survey confirms that news about interest rate changes dominates other types of monetary policy news. We also verify that attention to monetary policy strongly correlates with attention to interest rates. This highlights the importance of attention in the credit channel for monetary policy transmission.

Our second contribution is empirically validating a rational inattention framework that explains both cross-sectional and time-series variation in attention. Our model predicts that attention (i) increases with "skin in the game" and interest rate volatility, (ii) decreases with information costs, and, critically, (iii) shows declining marginal effects of external factors (such as macro news and interest rate volatility) as skin in the game increases. The data strongly support the model's predictions. For instance, consumers planning large purchases within one month that typically require financing are 28–32 percentage points more attentive, and the marginal effect of news supply is 19–22 percentage points smaller for these consumers. The effects are larger in absolute terms for consumers with shorter purchase horizons than those with longer purchase horizons. The interaction prediction (iii) explains the pattern in Figure 1: high-skin-in-the-game consumers consistently pay attention regardless of the FOMC meeting cycle because their strong intrinsic incentives

[1] Baldassarri et al. (2024) show that a similar finding applies to consumers in the European Central Bank's Consumer Expectations Survey.

dominate; low-skin-in-the-game consumers' attention is more sensitive to external factors like the surge in news coverage around FOMC meetings. When news becomes abundant, it is precisely those with weaker incentives who adjust their attention most.[2]

Our third contribution is using the validated model to derive implications for central bank communications when attention is endogenous and communication is costly. We formalize the trade-off: central bank communications reduce consumers' information acquisition costs and improve welfare but require real resources. Under our rational inattention modeling paradigm, we show that optimal communications target only consumers with sufficiently high skin in the game. These consumers bear the largest welfare losses from information frictions because their decisions depend critically on understanding policy. By contrast, communicating to consumers whose decisions are largely independent of policy generates costs without commensurate welfare gains because these consumers optimally remain inattentive even with lower information costs.

This targeted strategy has important aggregate implications. Communication amplifies monetary policy transmission by increasing aggregate attention: the response of aggregate consumption to the real interest rate is directly proportional to aggregate attention. If policymakers seek to prioritize when to communicate most intensively, focusing on periods of high interest rate volatility allows them to leverage when a larger share of consumers are endogenously attentive and communication reaches more people who can act on the information.

Relation to the literature. Our paper contributes to three literatures. First, we add to the growing body of work empirically documenting consumer and firm inattention to macroeconomic variables (Coibion et al. (2023); D'Acunto et al. (2021); Hajdini et al. (2022); Link et al. (Forthcoming); Knotek et al. (2025) for consumers;

[2]Reverse causality is a potential concern: hearing news about monetary policy might cause purchase plans to change, rather than plans driving attention. However, the direction of causality is clear in theoretical rational inattention models—attention is endogenous to incentives and circumstances. Empirically, we show that our estimate of a strong positive coefficient of skin in the game on attention is stable across demographic groups and over time, when interest rates were low and high, and, importantly, in the wake of unexpected increases in the monetary policy rate in 2022. We find no evidence that consumers who paid attention in the latter episode learned about an increase in interest rates and then reduced their purchase plans.

Kumar et al. (2015); Candia et al. (2023); Flynn and Sastry (2024); Hajdini et al. (2025) for firms). This literature has focused primarily on attention to inflation. A key exception is de Silva and Mei (2025), who document rational inattention to mortgage interest rates. We provide a novel direct measure of attention to monetary policy itself, not just specific financial products.

Second, we contribute to understanding the determinants of attention both cross-sectionally and how it evolves over time. This holistic treatment of attention under general circumstances differs from the special case of examining attention to the shift from flexible inflation targeting to average inflation targeting considered in Coibion et al. (2023). We show that attention varies systematically with both internal factors (skin in the game and individual information costs) and external factors (interest rate volatility and aggregate information costs). This finding resonates with results in Cavallo et al. (2017), Pfäuti (Forthcoming), and Weber et al. (2025), who show that attention to inflation increases with inflation.[3] Turen (2023) and Afrouzi et al. (2024) discuss how firms' attention depends on the incentives they face when making decisions. Macaulay (2021, 2025) explores households' time-varying attention to savings products, and, as we do, finds attention is higher when a household has most to gain from searching out the highest interest rates.

Crucially, we go beyond documenting separate effects to show how these factors *interact*: the marginal effects of external factors decline with skin in the game. This interaction explains the cyclical patterns of attention around FOMC meetings and why aggregate attention responds to policy communication. Our finding that skin in the game drives attention resonates with supporting evidence of consumers' rational inattention to mortgage interest rates in de Silva and Mei (2025) and firms' rational inattention in Flynn and Sastry (2024). We show that these patterns hold more broadly for monetary policy attention and derive their implications for policy transmission and communication.

Our modeling approach builds on the rational inattention models of Sims (2003), Maćkowiak and Wiederholt (2009), Luo and Young (2010), and Roth et al. (2023) to

[3]Our paper is also related to the experimental literature showing that incentivizing survey respondents through differential payment structures improves information accuracy (Drobot et al., 2024); similarly, we find real stakes (e.g., planned purchases) drive endogenous attention to monetary policy news.

characterize consumers' incentives for acquiring information about the real interest rate. We show that such models can explain both time-series and cross-sectional variation in our new survey-based measure of consumers' attention to monetary policy. Other works have shown the importance of inattention for the macroeconomy. Maćkowiak and Wiederholt (2015) show that a model in which rational inattention is the only source of slow adjustment can account for macro aggregate dynamics. Exploring the strategic inattention of firms, Afrouzi (2024) and Afrouzi et al. (2024) show that such frictions have relevant implications for monetary nonneutrality. Pfäuti (Forthcoming) shows that changes in attention can explain the recent inflation surge. Jeong et al. (2025) show that attention matters for the passthrough of policy news to consumers' beliefs.

Third, we contribute to the monetary policy communication literature. Blinder et al. (2008) and Haldane and McMahon (2018), among others, discuss the relevance and effectiveness of monetary policy communication. Multiple papers have shown that communication impacts consumers' macroeconomic expectations (e.g., see Coibion et al. (2020b); Blinder et al. (2024)). We show that when attention is endogenous and communication is costly, more communication is not always better—optimal communication targets efforts strategically. Our result that communication should focus on high-stakes consumers echoes findings in Angeletos and Sastry (2025) that more information is not always welfare-improving and the evidence in favor of targeted communication in Byrne et al. (2023) in the context of mortgage refinancing. Our work connects to research on communication challenges by Gaballo (2016), who shows how loose communication can amplify shocks; Candia et al. (2020), Andre et al. (2022), and Kamdar and Ray (2024), who discuss how communication effectiveness depends on consumers' models of the economy; and broader work on the practical challenges of communicating with the public. We provide a framework for optimal targeting of communication efforts based on who needs information most and can use it most effectively.

The rest of the paper is organized as follows. Section 2 develops the rational inattention model and derives testable implications. Section 3 introduces our survey and measurement of key variables. Section 4 presents empirical tests of all model predictions. Section 5 analyzes implications for monetary policy communi-

cation. Section 6 concludes. The Online Appendix contains supplementary results, as referenced in the main paper.

2 Attention to Monetary Policy

This section leverages a partial-equilibrium model of rational inattention, which we ultimately show can formalize the patterns documented in Figure 1. The model considers a standard intertemporal consumption-savings problem with one key friction: consumers have imperfect information about the real interest rate. This friction matters because optimal consumption and borrowing depend on expected real rates. Consumers can acquire costly information to reduce the noise associated with their estimate of the real interest rate. The model yields six testable predictions about how attention varies with individual incentives (skin in the game and information costs) and external factors (interest rate volatility and news supply), and, crucially, how these factors interact.

2.1 Model Setup

The economy is populated by a continuum of households, $i \in [0,1]$, with discount factor β, that maximize utility with respect to their consumption C_{it} and real bond holdings B_{it} each period t. Household i receives exogenous real income Y_{it} and real interest payments R_{t-1} from previous bond holdings $B_{i,t-1}$. The household's optimization problem is formally given by

$$\max_{C_{it},B_{it}} \mathbb{E}_{i0} \sum_{t=0}^{\infty} \beta^t ln\left(C_{it}\right), \tag{1}$$

subject to the intertemporal budget constraint:

$$C_{it} + B_{it} = R_{t-1}B_{i,t-1} + Y_{it}. \tag{2}$$

In the steady state, the solution satisfies $\bar{R} = 1/\beta$ and $\bar{C}_i = \bar{Y}_i - (\bar{R}-1)\bar{B}_i$. We define consumer i's "skin in the game" as $|a_i| \equiv |\bar{B}_i/\bar{C}_i|$, the absolute value of net borrowing (or saving) relative to consumption in the steady state.[4] Consumers

[4]The absolute value is appropriate because welfare losses from interest rate forecast errors

who borrow extensively to finance consumption (high $|a_i|$) are more sensitive to interest rate changes than those with balanced budgets (low $|a_i|$), creating stronger incentives to track monetary policy.

In our model, we treat $|a_i|$ as a consumer-specific constant, capturing persistent differences in interest rate sensitivity across consumers. This modeling choice reflects both tractability and the structure of our empirical analysis. Our survey is a repeated cross-section—we observe different consumers each period—so we can neither track how individual i's circumstances evolve over time nor how individual attention adjusts with changing circumstances. Instead, our empirical strategy exploits cross-sectional variation: comparing attention levels across consumers with different degrees of interest rate sensitivity within the same time period.[5]

In principle, our empirical proxy for skin in the game—planned major purchases—should vary as consumers enter and exit purchase planning phases. Once a consumer has such a plan in place, they face sustained exposure to interest rate fluctuations. Major purchases usually require time to prepare: e.g., researching vehicles or homes, securing financing or mortgage preapproval, and assessing one's own financial situation. This extended planning horizon creates persistent rather than transitory incentives to track monetary policy, justifying our model's treatment of $|a_i|$ as a consumer-specific constant during the periods in which we observe them.[6] In addition, many major purchases reflect life-cycle or exogenous events: for vehicles, e.g., an accident, breakdown, or lease expiration; for houses, marriage, divorce, job relocation, birth of a child.

We denote the log of any variable Z in deviation from its steady state $\bar{Z}$ with a small letter, that is, $z = log(Z/\bar{Z})$. For simplicity, we assume that the log deviation

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are proportional to a_i^2 (see Appendix B.2, equation (B.37)), making both borrowers ($a_i < 0$) and savers ($a_i > 0$) with large $|a_i|$ equally sensitive to rate changes. Our empirical analysis focuses on borrowers planning major purchases, as they represent the primary credit channel of monetary policy transmission.

[5] If panel data tracking individuals over time were available, we could estimate fixed-effect specifications that identify the effect of purchase planning from within-consumer variation, substantially strengthening causal identification by controlling for all time-invariant unobserved heterogeneity.

[6] Appendix B.6 formalizes this reasoning, showing that even when skin in the game varies stochastically over time—as consumers enter and exit purchase planning phases—our empirical estimates correctly identify the model's causal predictions under the assumption that purchase timing is driven by idiosyncratic life-cycle events orthogonal to unobserved attention determinants.

of the real rate and income from the steady state follow iid processes:[7]

$$r_t \sim \mathcal{N}(0, \sigma_r^2), \tag{3}$$

$$y_{it} \sim \mathcal{N}(0, \sigma_y^2) \text{ such that } \mathbb{E}(y_{it} y_{jt}) = 0 \; \forall i \neq j. \tag{4}$$

Households have perfect information about the economy in the steady state, the current and past history of their real income realizations, and the unconditional distribution of the real interest rate, σ_r^2. However, consumers have imperfect information about current and previous realizations of the real interest rate. Each period they observe a noisy signal, s_{it}, about the real rate:[8]

$$s_{it} = r_t + \nu_{it}, \text{ such that } \nu_{it} \sim iid\, \mathcal{N}(0, \sigma_{\varepsilon_i}^2), \; \mathbb{E}(\nu_{it} r_t) = 0 \; \forall i. \tag{5}$$

The variance of the real rate conditional on signal s_{it} is $\sigma_{r|s_i}^2 = \mathbb{E}\left[(r_t - \mathbb{E}(r_t \mid s_{it}))^2\right]$. Consumers choose their information acquisition effort, which determines the signal precision $\sigma_{\varepsilon_i}^2$ and thus the posterior variance $\sigma_{r|s_i}^2$; henceforth we work directly with $\sigma_{r|s_i}^2$ as the object of choice.[9] Consumers choose the optimal constant signal precision once and for all in period $t = -1$, before making any consumption or borrowing decisions, similar to Paciello and Wiederholt (2013).[10]

Each consumer i tries to minimize uncertainty from imperfect information by acquiring information about the real interest rate at cost $\lambda_i \geq 0$ per unit of information flow. Following Sims (2003), we rely on an entropy-based flow of information, defined as the difference in the entropy from observing no information versus sig-

[7] The assumption of an iid income process has no consequences for the optimal attention problem since income is assumed to be known and uncorrelated with the real rate. Relaxing the assumption of an iid real rate complicates the attention problem—because, for instance, past signals can be informative for the current interest rate—without adding much insight for our purposes.

[8] Consumers choose the precision of their signal by selecting $\sigma_{r|s_i}^2$, but for simplicity we take as given the *form* of the signal (additive Gaussian noise), similar to, for instance, Paciello and Wiederholt (2013).

[9] For Gaussian signals, $\sigma_{r|s_i}^2 = \sigma_r^2 \sigma_{\varepsilon_i}^2 / (\sigma_r^2 + \sigma_{\varepsilon_i}^2)$, so choosing signal precision is equivalent to choosing posterior uncertainty.

[10] Appendix B.3 shows that the solution to the information acquisition problem remains the same if consumers choose attention levels each period.

nal s_{it}:[11]

$$\mathbb{I}(\sigma^2_{r|s_i}) = \frac{1}{2} log_2 \left(\frac{\sigma^2_r}{\sigma^2_{r|s_i}} \right). \tag{6}$$

What are the trade-offs consumers face when optimizing the signal precision? On one hand, they increase their welfare by reducing idiosyncratic uncertainty about the real interest rate; on the other hand, reducing uncertainty comes at a cost. In balancing this trade-off, a unique optimal signal precision emerges. Specifically, the rational inattention problem of the consumer is given by:

$$\sigma^2_{r|s_i} = argmin_{\sigma^2_{r|s_i} \leq \sigma^2_r} \left[\underbrace{E_{i,-1} \sum_{t=0}^{\infty} \frac{\beta^t}{2} (c_{it} - c^*_{it})^2}_{\text{welfare loss from mistakes}} + \underbrace{\frac{\lambda_i}{1-\beta} I(\sigma^2_{r|s_i})}_{\text{information cost}} \right], \tag{7}$$

where c^*_{it} is the consumer's optimal consumption under the frictionless full information (FIRE benchmark), and $(c_{it} - c^*_{it})^2$ captures the squared deviation from this benchmark. The welfare loss arises because imperfect information about the real interest rate causes consumers to make suboptimal consumption and borrowing decisions. More precise signals (lower $\sigma^2_{r|s_i}$) reduce consumption mistakes but require paying information cost λ_i. We denote this welfare loss function as $W(\sigma^2_{r|s_i}) \equiv E_{i,-1} \sum_{t=0}^{\infty} \frac{\beta^t}{2} (c_{it} - c^*_{it})^2$; Appendix B.2 shows that for non-hand-to-mouth consumers, $W(\sigma^2_{r|s_i}) = \frac{\beta + (1-\beta) a_i^2}{1-\beta} \sigma^2_{r|s_i}$. Hand-to-mouth consumers, who consume their entire income each period, face zero welfare losses since their consumption is independent of interest rates, implying they optimally choose $\sigma^2_{r|s_i} = \sigma^2_r$ (no information acquisition).

2.2 Optimal Attention to Monetary Policy

We now solve the consumer's attention problem in equation (7) to characterize optimal attention to monetary policy. The solution balances two forces: higher attention reduces welfare losses from consumption and borrowing mistakes, but comes at information cost λ_i. Consumers optimally choose how precisely to track

[11] More generally, the change in entropy is given by $\frac{1}{2} log_2 \left(\mathbb{E}(r^2_t | s_{i,t-1}, ..., s_{i,-1}) - \mathbb{E}(r^2_t | s_{it}, s_{i,t-1}, ..., s_{i,-1}) \right)$. Since $r_t \sim iid$, $\mathbb{E}(r^2_t | s_{i,t-1}, ..., s_{i,-1}) = \sigma^2_r$ and $\mathbb{E}(r^2_t | s_{it}, s_{i,t-1}, ..., s_{i,-1}) = \mathbb{E}(r^2_t | s_{it}) = \sigma^2_{r|s_i}$.

interest rates by selecting signal precision $\sigma^2_{r|s_i}$. We then measure optimal attention as $\kappa_i \equiv 1 - \sigma^2_{r|s_i}/\sigma^2_r$ — the reduction in uncertainty about the real rate from acquiring information.[12]

Proposition 1 provides the closed-form solution and shows how attention depends on three key parameters: the consumer's "skin in the game" $|a_i|$, their unit information cost λ_i, and interest rate volatility σ_r. The solution reveals a threshold structure: consumers with sufficiently low skin in the game optimally choose zero attention, while those above the threshold acquire information with attention increasing in their stakes.

Proposition 1. *The optimal level of attention κ_i for any consumer i is given by:*

$$\kappa_i = 1 - \frac{\sigma^2_{r|s_i}}{\sigma^2_r} = \begin{cases} 1 - \frac{\lambda_i}{(\beta+(1-\beta)a_i^2)\sigma_r^2(ln2)} & \text{if } |a_i| \geq a_i^* \\ \\ 0 & \text{otherwise,} \end{cases} \tag{8}$$

where $|a_i|$ is consumer i's "skin in the game" (defined earlier) and $a_i^* = \sqrt{\frac{\lambda_i - \beta ln(2)\sigma_r^2}{ln(2)\sigma_r^2(1-\beta)}}$.

Proof. See Appendix B.2. □

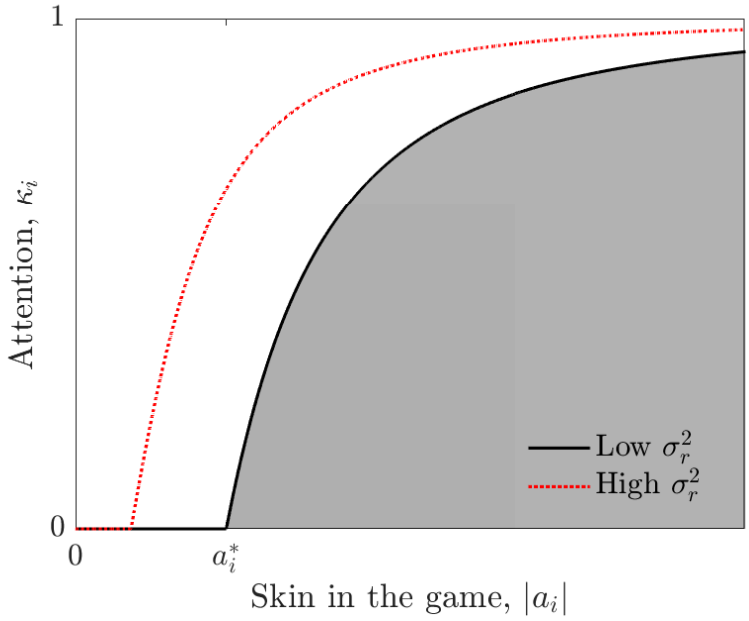
Proposition 1 formalizes the key economic mechanism behind Figure 1. Consider two consumers: one planning a major purchase financed with debt (high $|a_i|$), and another with no major purchases planned (low $|a_i|$). The consumer with the purchase plan is highly exposed to interest rates on that debt, so they gain substantial welfare from tracking interest rate changes—making information acquisition worthwhile despite its cost λ_i. The consumer without a major purchase gains little from tracking rates, so they optimally remain inattentive unless information becomes very cheap or rate volatility becomes very high.

Figure 2 visualizes this mechanism. The upward-sloping attention frontier shows that attention increases with "skin in the game," $|a_i|$. Consumers below the threshold a_i^* optimally pay zero attention; those above it acquire information, with

[12] Technically, κ_i is the Kalman gain associated with the state and measurement equations in (3) and (5), respectively.

attention rising in $|a_i|$. The dashed red line shows how higher interest rate volatility, that is higher σ_r, shifts the entire frontier upward and lowers the threshold a_i^*. This brings more consumers into the attentive region and increases attention among those already paying attention.

Figure 2: Attention as a Function of Skin in the Game



Note: This figure plots the attention frontier as a function of "skin in the game" for two different values of interest rate volatility (low in solid black and high in dashed red). Consumers below threshold a_i^* optimally choose zero attention. Higher volatility shifts the frontier upward and lowers the threshold.

Beyond these main effects visible in Figure 2, the model generates two additional predictions. First, external factors—interest rate volatility σ_r and information costs λ_i—affect attention on both the extensive margin (who is attentive, via the threshold a_i^*) and the intensive margin (how much attention the attentive allocate). For example, higher volatility not only brings more consumers into the attentive region by lowering a_i^*, but also increases attention among those already paying attention by shifting up the entire frontier. Similarly, lower information costs λ_i both expand the attentive population and increase attention intensity for a given $|a_i|$.

Second, and most importantly for explaining Figure 1, the marginal effects of these external factors decline with "skin in the game." High-skin-in-the-game consumers (large $|a_i|$) maintain high attention regardless of external conditions like news availability, while low-skin-in-the-game consumers' attention is driven primarily by these external factors. This interaction explains why the cyclical attention patterns around FOMC meetings visible in Figure 1 are driven by consumers without skin in the game. This declining sensitivity corresponds to the visual flattening of the attention frontier at high $|a_i|$ in Figure 2.

Why does attention matter for policy transmission? Because consumption and borrowing decisions depend on expected interest rates rather than actual rates, inattentive consumers respond less to monetary policy changes. As we derive in Appendix B.1, consumer i's consumption response to a real rate change is proportional to their attention level: $\frac{\partial c_{it}}{\partial r_t} \propto \kappa_i$. Intuitively, when the central bank changes rates, inattentive consumers do not update their rate expectations as much as attentive consumers (since $\mathbb{E}_{it} r_t = \kappa_i s_{it} = \kappa_i (r_t + v_{it})$). Because inattentive consumers form less accurate forecasts—their forecast error variance $\sigma_r^2(1-\kappa_i)$ is high—they do not adjust consumption much. This means aggregate policy transmission depends on the distribution of attention across consumers — a point we return to when analyzing optimal communication in Section 5 below.

2.3 Testable Implications

Suppose that in the data we observe a repeated cross-section of individuals i, so that the attention of consumer i in period t is κ_{it}. Consumer i has "skin in the game" $|a_i|$, and their cost of acquiring information $\lambda_{it} = \lambda_i + \lambda_t$ is composed of an individual component, λ_i, and an aggregate component, λ_t. Interest rate volatility in period t is captured by σ_{rt}. Appendix B.3 shows that when the interest rate volatility and information cost are dynamic and consumers choose optimal attention period-by-period, the optimal level of attention is given by $\kappa_{it} = \max\left(0, 1 - \frac{\lambda_{it}}{(ln2)\sigma_{rt}^2(\beta+(1-\beta)a_i^2)}\right)$, similar to what is derived in Proposition 1.

Our model generates six testable implications about consumer attention to monetary policy. We organize these into three categories: individual determinants, aggregate determinants, and their interactions.

Individual determinants. Consumers optimally allocate attention based on their own circumstances:

1. Skin in the game. Consumers with higher skin in the game $|a_i|$ allocate more attention: $\partial \kappa_{it} / \partial |a_i| > 0$.
2. Information costs. Attention decreases as a consumer faces higher individual information costs λ_i: $\partial \kappa_{it} / \partial \lambda_i < 0$.

Aggregate determinants. External aggregate factors systematically affect attention levels:

3. Aggregate information costs (news supply). Attention decreases as a consumer faces higher aggregate information costs, $\partial \kappa_{it} / \partial \lambda_t < 0$. By extension, an increase in the supply of monetary policy news coverage, N_t, reduces aggregate information costs ($\partial \lambda_t / \partial N_t < 0$) and increases attention: $\partial \kappa_{it} / \partial N_t > 0$.
4. Interest rate volatility. Attention increases when interest rates are more volatile, σ_{rt}: $\partial \kappa_{it} / \partial \sigma_{rt} > 0$.

Interaction effects. Crucially, individual and aggregate factors interact:

5. News supply interaction. The marginal effect of aggregate information costs on attention is attenuated (becomes less negative) with skin in the game: $\partial^2 \kappa_{it} / \partial \lambda_t \partial |a_i| > 0$. By extension, the marginal effect of monetary policy news supply on attention is attenuated (becomes less positive) with skin in the game: $\partial^2 \kappa_{it} / \partial N_t \partial |a_i| < 0$.
6. Volatility interaction. The marginal effect of interest rate volatility on attention declines with skin in the game: $\partial^2 \kappa_{it} / \partial \sigma_{rt} \partial |a_i| < 0$.

After introducing our data in the next section, Section 4 tests all six of these implications using regression specifications that map directly to these theoretical relationships. See Corollary 1 in the Appendix for formal derivations and Corollary 2 for corresponding predictions on the extensive margin of attention.

3 Data on Attention to Monetary Policy

Our data come from a daily online survey of consumer expectations conducted by the Federal Reserve Bank of Cleveland and administered by Qualtrics Research Services (see Coibion et al. (2023); Dietrich et al. (2023); Knotek et al. (2025)). Respondents are representatively drawn from several actively managed, double-opt-in market research panels, complemented using social media (Qualtrics (2019)). The survey is a repeated cross-section with no panel dimension. It has been conducted daily since the onset of the COVID-19 pandemic in March 2020.

This section describes how we measure each variable in our rational inattention model using our survey supplemented by external data sources.

3.1 Attention to Monetary Policy (κ_{it})

To measure attention, we ask respondents:

> *Have you heard any news about monetary policy or the Federal Reserve in the last week?*

Respondent i in period t answers yes ($\kappa_{it} = 1$) or no ($\kappa_{it} = 0$).[13]

Figure 3 plots the share of respondents reporting they heard news from 2020 through 2025. Attention exhibits cyclical patterns, with sharp increases immediately after FOMC meetings and some anticipation beforehand. Moreover, attention rose markedly as chatter picked up about raising interest rates prior to the first increase in the federal funds rate in March 2022, and it remained elevated through 2023. This measure declined in early 2024, as interest rates stabilized for a while, before rising again in late 2024 when the federal funds rate began to decline. Although the rise in attention from late 2020 to early 2022 correlates with rising inflation, attention remained elevated even as inflation rapidly declined in the second half of 2022 and into 2023.[14] This suggests that attention to monetary policy is closely linked to policy actions (or anticipation thereof)—that is, to changes in the federal funds rate.

[13] Note that we measure the extensive margin of attention to monetary policy. Corollary 2 in the Appendix shows that our testable implications apply to the extensive margin.

[14] See Figure A.1 in the Appendix, which adds CPI inflation and the federal funds rate to Figure 3.

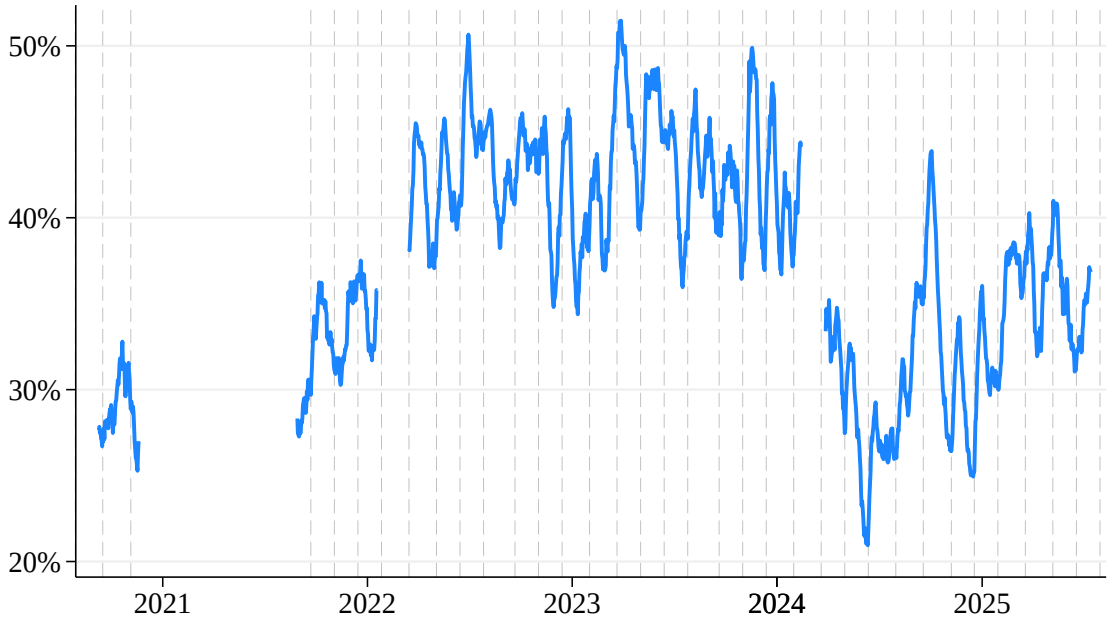
To verify this interpretation, we asked attentive respondents a follow-up question about the type of monetary policy news they heard. Figure A.2 in the Appendix shows that news about interest rate changes has dominated other types of monetary policy news since 2022.[15] Although other factors affect consumers' relevant interest rates (such as their own risk premium), focusing on monetary policy news enables us to cleanly analyze drivers of attention to a margin that is fixed across all consumers, yet affects all interest rates in the economy. Since we find (see Figure A.3 in the Appendix) that the inflation expectations of attentive and non-attentive respondents are similar, we again infer that attention is not simply reflecting beliefs about inflation but is about consumers seeking out information about nominal interest rates.

[15] The follow-up question asks:

> *What were the main pieces of news about monetary policy or the Federal Reserve that you heard most recently? Select all that apply.*

with the options being: *An international meeting of central bankers*; *A change in interest rates*; *Changes announced about the Federal Reserve's balance sheet*; *A change in the leadership at the Federal Reserve*; *An announcement about new strategies at the Federal Reserve*; *Other*; and *I don't remember*.

Figure 3: Consumers' Attention to Monetary Policy over Time



Note: The figure plots the two-week moving average of the daily share of respondents reporting that they heard news about monetary policy or the Federal Reserve in the past week. Vertical dashed lines indicate scheduled FOMC meeting dates.

3.2 "Skin in the Game" ($|a_i|$)

To measure "skin in the game," we directly ask consumers whether they plan to make major purchases that typically require financing:

> *Do you plan to purchase a home (for example, a house or a condominium) in the next month / year?*
>
> *Do you plan to purchase a motor vehicle in the next month / year?*

For each question, consumer i answers yes ($|a_i| = 1$) or no ($|a_i| = 0$). Big-ticket purchases such as homes or cars typically require consumers to take on large amounts of debt relative to their consumption, making their decisions highly contingent on interest rates. Hence, we consider consumers planning such purchases to have high "skin in the game." We address potential concerns about reverse causality between attention and skin in the game in Section 4.1.1.

Our measure captures a key margin where consumers use financial instruments directly affected by monetary policy. While other factors (e.g., existing mortgage debt, credit card balances, and savings decisions) also can create skin in the game, planned major purchases provide a clean, forward-looking measure of interest rate sensitivity that varies across consumers and over time.[16]

3.3 Cost of Acquiring Information (λ_{it})

Recall that the cost of acquiring information λ_{it} is composed of an individual component λ_i and an aggregate component λ_t. We measure each separately.

Individual costs (λ_i). At the individual level, we proxy for information costs using education and numerical literacy, both of which plausibly reduce the cost of acquiring and processing information about monetary policy.

For education, we ask respondents to select their highest level: less than high school, high school diploma, some college, bachelor's degree, master's degree, or doctorate/professional degree. For numerical literacy, we ask:

> *Imagine there are white and black balls in a ballot box. You draw a ball 70 times. 56 times, you have drawn a white ball, 14 times a black ball. Given this record, what would you say is the probability of drawing a black ball the next time?*

We create a dummy variable equal to 1 for respondents who answer correctly and 0 otherwise. Higher education and numerical literacy are assumed to lower λ_i.

Aggregate costs (λ_t). At the aggregate level, we exploit variation in news availability. Specifically, we count the number of articles mentioning "monetary policy" or "Federal Reserve" in a given month using Factiva.[17] A larger number of articles indicates greater news supply and thus lower aggregate information costs (λ_t). Figure A.5 and Figure A.6 in the Appendix show the evolution of news counts around monetary policy events, confirming significant variation related to FOMC meetings and the policy cycle. Since λ_t and news supply move in opposite direc-

[16] We collected "skin in the game" data from August 16, 2021, through January 18, 2022; from March 3, 2022, through February 13, 2024; and from August 28, 2024, through the end of the sample.

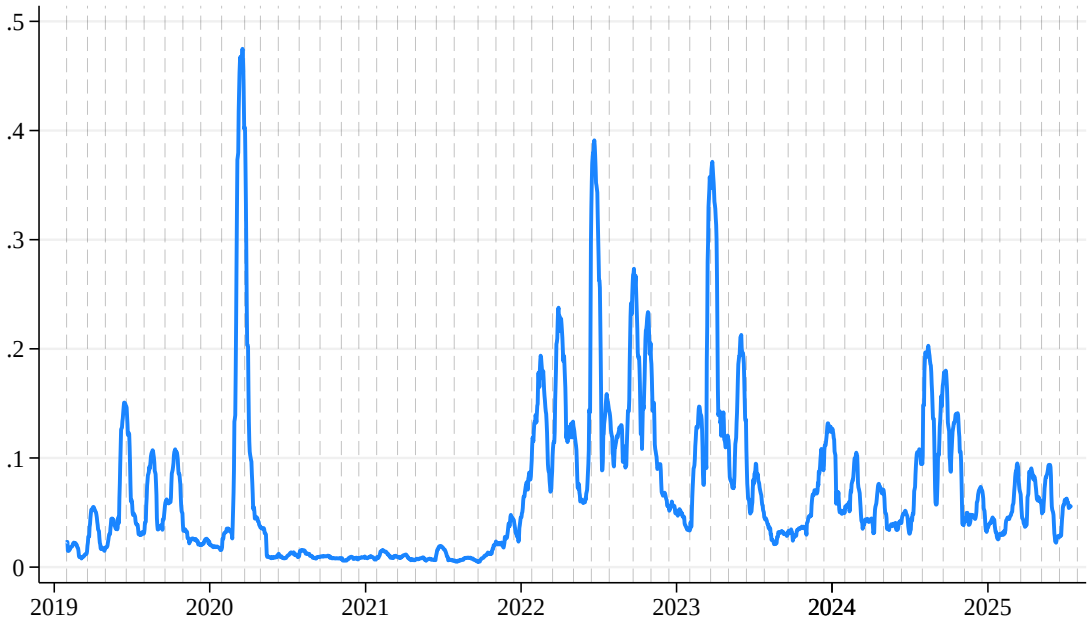
[17] The number of articles could reflect demand for (rather than supply of) news, which could confound identification. We address this concern in Section 4 using an instrumental variables approach.

tions, we expect that the predicted negative effects of λ_t correspond to the positive effects of news counts.

3.4 Interest Rate Volatility (σ_{rt})

We measure interest rate volatility as the standard deviation of the 1-year Treasury yield over the previous 30 days. Figure 4 shows its evolution over our sample period. Volatility rose with the onset of COVID-19, then declined as the Federal Reserve held rates at the effective lower bound for two years. Volatility increased again starting in late 2021 as inflation rose and markets began to anticipate a higher federal funds rate.

Figure 4: Interest Rate Volatility over Time



Note: The figure plots the 30-day rolling standard deviation of the 1-year Treasury yield (in percentage points), calculated daily. Vertical dashed lines indicate scheduled FOMC meeting dates.

For robustness analysis, we create a dummy variable to capture the "forward guidance" period from August 26, 2020, through March 16, 2022. During this period, interest rates were more predictable, as the Federal Reserve explicitly signaled that the federal funds rate would remain steady for some time. The dummy

variable takes a value of 1 during the "forward guidance" period and 0 otherwise, and it captures a time of low interest rate volatility.

4 Empirical Results

This section tests the six implications derived in Section 2.3. We organize results into three categories: individual determinants of attention (Implications 1–2), aggregate determinants (Implications 3–4), and their interactions (Implications 5–6). Throughout, we estimate specifications using both OLS and logit models, with robust standard errors. All regressions include appropriate controls as specified below.

4.1 Individual Determinants of Attention

4.1.1 Skin in the Game (Implication 1)

Our model predicts that consumers with more "skin in the game" pay greater attention to monetary policy. To test this, we estimate:

$$\kappa_{it} = \gamma_t + \beta_1 |a_i| + X_i'\theta + \varepsilon_{it}, \tag{9}$$

where κ_{it} is attention; $|a_i|$ equals 1 if individual i plans a big-ticket purchase, 0 otherwise; X_i includes demographic controls (education and income); and γ_t denotes monthly fixed effects that control for the common macroeconomic environment. β_1 captures the cross-sectional link between attention to monetary policy and skin in the game.

Table 1 reports results for both OLS and logit specifications, separately considering purchase plans within one month and one year. Across all specifications, we find strong support for Implication 1: higher skin in the game has a positive and statistically significant effect on attention. Consumers planning purchases within one month are 28–32 percentage points more likely to be attentive (columns 1–2). This effect diminishes to 10–13 percentage points for purchases planned within one year (as predicted by Corollary 3 in the Appendix), but remains highly significant.

Table 1: Attention and "Skin in the Game"

	OLS		Logit (Odds Ratio)	
	(1)	(2)	(3)	(4)
Plan to purchase in next...				
... month	0.32***	0.28***	3.85***	3.92***
	(0.01)	(0.01)	(0.12)	(0.15)
... year	0.13***	0.10***	1.83***	1.65***
	(0.01)	(0.01)	(0.04)	(0.05)
Demographic controls	No	Yes	No	Yes
Time fixed effects	Yes	Yes	Yes	Yes
Observations	75262	75262	75262	75262
Adj./Pseudo R^2	0.12	0.20	0.09	0.16

Note: The table reports the estimates of β_1 in equation (9). Columns (1) and (2): OLS specification; columns (3) and (4): logit specification. Columns (1) and (3) report the estimates of β_1 when we do not control for demographic characteristics X_i, while in columns (2) and (4) we control for X_i. Coefficients for demographic controls and time fixed effects not reported in the table. Robust standard errors in parentheses. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

These effects are economically large and robust across demographic groups. Figure A.4 in the Appendix shows that the positive effect of skin in the game holds within different income and education groups, confirming that purchase plans drive attention beyond socioeconomic factors.

A potential concern is that monetary policy attention causes purchase plans, as consumers learn about interest rates, rather than the reverse. We argue against the endogeneity of skin in the game on multiple grounds. First, plans driving attention is precisely our theoretical mechanism: rational inattention theory predicts that consumers with skin in the game endogenously allocate more attention to interest rates. Second, we document using rolling regressions that our coefficients are stable and positive across time periods and policy phases featuring low and high interest rates. We find no evidence that the relationship turned negative when interest rates were high, as would be expected if attentive consumers decided to reduce their purchase plans compared with inattentive consumers at that time. This also holds when the federal funds rate changed by more than was expected in 2022. Third, purchase timing for the durable goods we consider is typically driven by

life-cycle events (marriage, childbirth, job relocation) or urgent replacement needs (vehicle breakdown, lease expiration) largely orthogonal to weekly news exposure. Our baseline regressions control for demographics (proxying for life-cycle stage) and include time fixed effects that absorb aggregate factors including monetary policy itself. Thus, identification in our regressions exploits cross-sectional variation (comparing buyers vs. non-buyers within the same policy environment), not time-series variation in policy. Fourth, our results are strongest for one-month plans and weaker for year-ahead plans, the opposite pattern of what we would expect if skin in the game were endogenous. Appendix D provides additional empirical evidence supporting our arguments.

We also find that the probability that individuals with no plans to purchase a home or vehicle pay attention to monetary policy is 29 percent. This positive value indicates that even consumers without measured skin in the game exhibit some attention, and it is consistent with our model for two reasons. First, individuals may have unmeasured stakes (credit card debt, investment decisions, savings goals) that create unreported skin in the game. Second, even among consumers with $|a_i| = 0$, our model predicts heterogeneous attention. Non-hand-to-mouth consumers—those who maintain positive assets or debt during some periods for intertemporal smoothing—can choose to be attentive if their information costs are sufficiently low (specifically, $\lambda_i < \beta \ln(2)\sigma_r^2$).[18] When they do pay attention, their optimal attention level is $\kappa_i = 1 - \frac{\lambda_i}{(\ln 2)\sigma_r^2 \beta} \in (0,1]$. By contrast, hand-to-mouth consumers, whose consumption equals their income each period, that is, those for whom $B_{it} = 0$ each period t, gain no benefit from tracking interest rates and optimally remain inattentive.[19] Hence, even without immediate purchase plans, consumers bearing low information costs (e.g., high education) or facing high interest rate volatility σ_r may optimally choose $\kappa_i > 0$. Our aim is not to provide an exhaustive measure of all sources of skin in the game, but to demonstrate that measured, forward-looking purchase decisions—which clearly create interest rate

[18] Non-hand-to-mouth consumers with $|a_i| = 0$ have $B_{it} \neq 0$ for some periods t, but in the steady state, $\bar{B}_i = 0$.

[19] Hand-to-mouth households consume their income each period. As a result, their consumption is the same under FIRE and rational inattention, implying no welfare losses due to imperfect information. Therefore, the solution to the problem in (7) in this case is given by $\sigma^2_{r|s_i} = \sigma_r^2$, corresponding to $\kappa_i = 0$.

sensitivity—significantly increase attention.

4.1.2 Individual Information Costs (Implication 2)

Implication 2 states that attention decreases with individual information costs λ_i. Since we do not observe λ_i directly, we proxy for it using education and numerical literacy. We assume that higher educational attainment and numerical literacy correspond to lower information costs. Specifically, letting Z_i denote these proxies, we have $Z_i = \psi_\lambda \lambda_i + \nu_i$ with $\psi_\lambda < 0$. We estimate:

$$\kappa_{it} = \gamma_t + \psi_2 Z_i + \varepsilon_{it}, \tag{10}$$

where a positive ψ_2 implies a negative effect of λ_i on attention.

Table 2 confirms this prediction. Column (1) shows that consumers with high numerical literacy are 5 percentage points more likely to be attentive than those with low literacy (baseline attention: 36 percent). Column (2) reveals stronger education effects: consumers with master's degrees or higher are 38 percentage points more attentive than those without post-secondary education (baseline: 26 percent). Logit specifications (columns 3–4) show similar patterns.

Table 2: Attention and Individual-Specific Costs of Acquiring Information

	OLS		Logit (Odds Ratio)	
	(1)	(2)	(3)	(4)
Numerical literacy				
High	0.05***		1.23***	
	(0.00)		(0.02)	
Education				
Some college		0.04***		1.22***
		(0.00)		(0.05)
Bachelor's		0.20***		2.48***
		(0.00)		(0.05)
Master's or higher		0.38***		5.23***
		(0.00)		(0.11)
Time fixed effects	Yes	Yes	Yes	Yes
Observations	158316	171102	158316	171102
Adjusted R^2	0.02	0.09	0.01	0.07

Note: The table reports the estimates of ψ_2 in equation (10), proxying individual-level information costs by numerical literacy and education. Columns (1) and (2): OLS specification; columns (3) and (4): logit specification. Coefficients for time fixed effects not reported in the table. Robust standard errors in parentheses. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

While statistically significant, these effects are notably smaller than skin-in-the-game effects (28–32 pp) for all but the highest educated cohort, suggesting that *incentives* matter more than *ability* as a driver of attention. Moreover, as Figure A.4 shows, more highly educated consumers remain more attentive even after controlling for skin in the game, indicating independent effects of information costs.

4.2 Aggregate Determinants of Attention

4.2.1 Aggregate Information Costs (Implication 3)

Implication 3 states that attention increases when aggregate information costs λ_t decline. We proxy for λ_t using news counts N_t, where a higher number of news

articles corresponds to lower costs: $N_t = \psi\lambda_t + \nu_t$ with $\psi < 0$. We estimate:

$$\kappa_{it} = \alpha + \psi_3 N_t + X_i'\theta + \varepsilon_{it}, \tag{11}$$

where a positive ψ_3 confirms that lower aggregate information costs λ_t (equivalent to higher news supply) increases attention. Table 3 presents OLS estimates (columns 1–2) showing that one additional article about monetary policy or the Federal Reserve as captured by our searches increases attention probability by 4–5 percentage points.

Table 3: Attention and the Aggregate Costs of Acquiring Information.

	OLS		IV	
	(1)	(2)	(3)	(4)
"Monetary Policy" news	0.05***		0.14***	
	(0.00)		(0.01)	
"Federal Reserve" news		0.04***		0.11***
		(0.00)		(0.01)
Constant	0.05***	0.03***	0.00	-0.03***
	(0.01)	(0.01)	(0.01)	(0.01)
Demographic controls	Yes	Yes	Yes	Yes
Observations	163065	163065	163065	163065
Adjusted R^2	0.13	0.13	0.11	0.12
1st stage F-stat			3765.2	3939.9

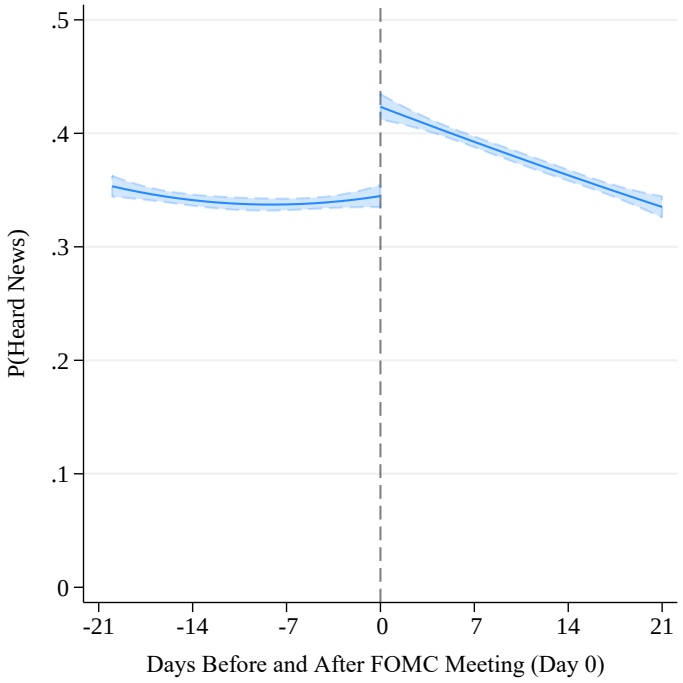
Note: The table reports the estimates of ψ_3 in equation (11). Columns (1) and (2): OLS specification; columns (3) and (4): IV specification. IV uses days before/after FOMC meetings as an instrument for news counts. Robust standard errors in parentheses. Coefficients for demographic controls and constant not reported in the table. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

News counts could reflect demand for (rather than supply of) news, confounding our interpretation. To isolate supply-driven variation, we also employ an instrumental variables (IV) approach, using days before/after FOMC meetings as an instrument. FOMC meeting dates are predetermined and announced well in advance, generating predictable exogenous variation in news coverage.[20] The IV es-

[20] Figures A.5 and A.6 in the Appendix document considerable variation in news-article counts around FOMC meetings. Figure A.5 pools all meetings, showing sharp increases in coverage immediately before and after FOMC announcements compared with other nearby weeks. Figure A.6 confirms that this pattern holds across different monetary policy regimes: pre-liftoff (2020-2022), liftoff (2022-2023), the first plateau (2023-2024), rate cuts (2024-2025), and the second plateau

timates reported in Table 3 (columns 3–4) are larger (11–14 percentage points), suggesting OLS may understate the causal effect of news supply.[21] Figure 5 provides complementary visual evidence using a regression discontinuity design around FOMC meetings. Attention jumps discontinuously on meeting days when news coverage surges, consistent with the idea that news supply reduces information costs.

Figure 5: Attention Before and After FOMC Meetings Pooled Across All Consumers



Note: This figure plots fitted probabilities of hearing monetary policy news in the 21 days before and after FOMC meetings. Day 0 is the FOMC announcement date. Specifically, the fitted values are computed from the estimates of this regression: $\kappa_{it} = \alpha + \beta_0(Days_t) + \beta(Days_t)^2 + \gamma_0 \mathbf{1}_{post} + \theta_0(Days_t \times \mathbf{1}_{post}) + \theta((Days_t)^2 \times \mathbf{1}_{post}) + \varepsilon_{it}$, where $\mathbf{1}_{post}$ is a dummy variable taking a value of 1 for days after the FOMC meeting and 0 otherwise. Sample: March 2020—July 2025.

(2025). The consistency of news spikes across regimes strengthens the validity of our instrument.

[21] The first-stage F-statistics in Table 3 exceed 5,000, again indicating strong instruments.

4.2.2 Interest Rate Volatility (Implication 4)

Implication 4 states that attention increases with interest rate volatility σ_{rt}. We estimate:

$$\kappa_{it} = \alpha + \beta_4 \sigma_{rt} + X_i'\theta + \varepsilon_{it}, \tag{12}$$

using the 30-day standard deviation of 1-year Treasury yields as our measure of σ_{rt}.

Table 4 confirms this prediction. Column (1) shows that a one-unit increase in volatility raises the probability of being attentive by 49 percentage points. As a robustness check, columns (2) and (4) use a "forward guidance" dummy (equal to 1 during August 2020–March 2022), a period of explicitly low interest rate volatility. Focusing on column (2), consumers are 7 percentage points less attentive during forward guidance periods, confirming that low volatility reduces attention.

Table 4: Attention and Volatility

	OLS		Logit (Odds Ratio)	
	(1)	(2)	(3)	(4)
σ_{rt}	0.49***		11.17***	
	(0.02)		(1.11)	
Forward Guidance		-0.07***		0.71***
		(0.00)		(0.02)
Constant	0.03***	0.09***	0.10***	0.14***
	(0.01)	(0.01)	(0.00)	(0.01)
Demographic controls	Yes	Yes	Yes	Yes
Time fixed effects	No	No	No	No
Observations	163161	163161	163161	163161
Adj./Pseudo R^2	0.13	0.13	0.11	0.10

Note: The table reports the estimates of β_4 in equation (12). Columns (1) and (2): OLS specification; columns (3) and (4): logit specification. Columns (1) and (3) report the estimates of β_4 when we measure volatility as σ_{rt}, while in columns (2) and (4) we measure volatility via a "forward guidance" dummy (equal to 1 during August 2020–March 2022). Coefficients for demographic controls and constant not reported in the table. Robust standard errors in parentheses. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

4.3 Interaction Effects

The most distinctive predictions of our model concern interactions: the marginal effects of aggregate factors should be attenuated with skin in the game (Implications 5–6).

4.3.1 News Supply Interaction (Implication 5)

Implication 5 states that high-skin-in-the-game consumers respond less to changes in news supply than low-skin-in-the-game consumers. Following equation (11), we proxy λ_t with news counts N_t (where $N_t = \psi\lambda_t + \nu_t$, $\psi < 0$), and estimate the expanded regression:

$$\kappa_{it} = \alpha + \psi_{51}|a_i| + \psi_{52}N_t + \psi_{53}\left(N_t \times |a_i|\right) + X_i'\theta + \varepsilon_{it}. \tag{13}$$

The rational inattention model predicts $\psi_{53} < 0$: high-skin-in-the-game consumers' attention increases less with news supply. This prediction explains the striking pattern documented in Figure 1. Recall that consumers *without* skin in the game exhibit sharp attention spikes around FOMC announcements when news surges, while those *with* skin in the game maintain stable, high attention around policy meetings.[22] This is precisely what Implication 5 implies: external factors (news supply) can readily drive attention among low-skin-in-the-game consumers, while high-skin-in-the-game consumers maintain attention regardless of the information environment.

Table 5 confirms this pattern econometrically. The interaction coefficient, ψ_{53}, is negative and significant across all specifications for one-month purchase plans. OLS estimates (columns 1–2) indicate the positive effect of news decreases by 4 percentage points for high-skin-in-the-game consumers.

For the IV specification, we again use the number of days before or after an FOMC meeting as an instrument. Table 5 shows that the estimated coefficient, ψ_{53}, is negative and statistically significant for those consumers who plan a purchase within the next month. The interaction effects are substantially larger in the IV

[22] Figure 1 estimates a regression discontinuity specification separately for consumers with versus without immediate purchase plans: $\kappa_{it} = \alpha + \beta_0(Days_t) + \beta(Days_t)^2 + \gamma_0\mathbf{1}_{post} + \theta_0(Days_t \times \mathbf{1}_{post}) + \theta((Days_t)^2 \times \mathbf{1}_{post}) + \varepsilon_{it}$, where $\mathbf{1}_{post}$ equals 1 for days after the FOMC meeting.

specification: the positive effect of news supply on attention is 19–22 percentage points smaller for high-skin-in-the-game consumers after we isolate supply-driven news variation. Our results imply that in periods of lower information costs, consumers with more skin in the game pay marginally less attention compared with consumers with less skin in the game.

The finding that ψ_{53} gets closer to 0 as the plan horizon increases is consistent with our rational inattention model, as described in Corollary 3 in the Appendix. This effect is present for news coverage that mentions either monetary policy or the Federal Reserve in particular. Nevertheless, the main effect of skin in the game remains positive and significant at the longer horizon.[23]

[23] We also see this in Figure A.7 in the Online Appendix, which shows attention patterns around FOMC meetings for one-year purchase plans.

Table 5: Attention, News Supply, and Skin in the Game

	OLS		IV	
	(1)	(2)	(3)	(4)
Plan to purchase durables in next month	0.31***	0.33***	0.43***	0.53***
	(0.01)	(0.01)	(0.06)	(0.10)
Plan to purchase durables in next year	0.11***	0.11***	0.17***	0.23***
	(0.01)	(0.01)	(0.05)	(0.08)
"Monetary Policy" news	0.05***		0.24***	
	(0.00)		(0.04)	
... x Durables purchase in next month	-0.04***		-0.22**	
	(0.01)		(0.09)	
... x Durables purchase in next year	0.01		-0.10	
	(0.01)		(0.07)	
"Federal Reserve" news		0.04***		0.21***
		(0.00)		(0.03)
... x Durables purchase in next month		-0.04***		-0.19**
		(0.01)		(0.08)
... x Durables purchase in next year		0.00		-0.09
		(0.01)		(0.06)
Demographic Controls	Yes	Yes	Yes	Yes
Observations	75166	75166	75166	75166
Adjusted R^2	0.20	0.20	0.14	0.12
1st stage F-stat			198.5	145.8

Note: The table reports the estimates of ψ_{51}, ψ_{52}, and ψ_{53} in equation (13). Columns (1) and (2): OLS specification; columns (3) and (4): IV specification. IV uses days before/after FOMC meetings as an instrument for news counts. Coefficients for demographic controls and constant not reported in the table. Robust standard errors in parentheses. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 6: Attention, Interest Rate Volatility, and Skin in the Game

	OLS		Logit (Odds Ratio)	
	(1)	(2)	(3)	(4)
Plan to purchase durables in next...				
... month	0.35***	0.32***	4.42***	4.52***
	(0.01)	(0.01)	(0.22)	(0.27)
... month x $\sigma_{r,t}$	-0.34***	-0.32***	0.25***	0.21***
	(0.09)	(0.09)	(0.10)	(0.10)
... year	0.13***	0.10***	1.86***	1.72***
	(0.01)	(0.01)	(0.07)	(0.08)
... year x $\sigma_{r,t}$	0.00	-0.05	0.81	0.60
	(0.08)	(0.07)	(0.26)	(0.21)
$\sigma_{r,t}$	0.43***	0.44***	7.31***	10.44***
	(0.04)	(0.04)	(1.26)	(1.94)
Constant	0.24***	-0.03***	0.32***	0.07***
	(0.00)	(0.01)	(0.01)	(0.00)
Demographic controls	No	Yes	No	Yes
Observations	75262	75262	75262	75262
Adj./Pseudo R^2	0.11	0.20	0.09	0.16

Note: The table reports the estimates of β_{61}, β_{62}, and β_{63} in equation (14). Columns (1) and (2): OLS specification; columns (3)-(4): logit specification. Columns (1) and (3) report estimates when we do not control for demographic characteristics X_i, while in columns (2) and (4) we control for X_i. Coefficients for demographic controls not reported in the table. Robust standard errors in parentheses. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

4.3.2 Volatility Interaction (Implication 6)

Implication 6 states that high-skin-in-the-game consumers respond less to changes in interest rate volatility. We estimate:

$$\kappa_{it} = \beta_{61}|a_i| + \beta_{62}\left(\sigma_{rt} \times |a_i|\right) + \beta_{63}\sigma_{rt} + X_i'\theta + \varepsilon_{it}, \tag{14}$$

Table 6 confirms Implication 6. The interaction term β_{62} is negative and significant for one-month purchase plans (columns 1–2; and below 1 in columns 3–4):

the positive effect of volatility on attention is 32–34 percentage points smaller for high-skin-in-the-game consumers. Again, the interaction weakens for one-year plans, but the direct effect of skin in the game remains positive and statistically significant.

5 Implications for Monetary Policy Communication

Having validated our rational inattention model empirically, we now derive implications for central bank communication when communication is costly and attention is endogenous.

Central banks increasingly rely on communication to manage expectations, including those of consumers (e.g., see Gaballo (2016); Blinder et al. (2024); Coibion et al. (2020a); Haldane and McMahon (2018); Fadda et al. (2025)). However, our analysis reveals an important trade-off: communication can amplify monetary policy transmission by increasing attention, but when communication is costly, our model implies that optimal communication by the central bank is targeted rather than universal, focusing on consumers with high "skin in the game."

This targeting strategy follows directly from our empirical findings. High-skin-in-the-game consumers benefit substantially from communication: a lower information acquisition cost further increases their attention, reducing forecast errors and improving interest-sensitive decisions. By contrast, two groups benefit little from communication. First, as explained earlier, hand-to-mouth consumers optimally choose zero attention regardless of information costs, because interest rates do not affect their period-by-period consumption. When communication is costly, communicating to them incurs costs without producing any welfare gains. Second, non-hand-to-mouth consumers with low skin in the game may remain optimally inattentive even after communication reduces their information acquisition costs. Once again, the marginal costs of communication can exceed the marginal benefits. When communication is costly, minimizing the combination of social welfare losses and central bank communication costs implies targeting consumers whose decisions are most interest-rate sensitive.

5.1 Optimal Monetary Policy Communication

We formalize the trade-off central banks face in allocating limited communication resources. The key question is not whether to communicate, but whom to target. Suppose all consumers initially face information acquisition cost λ. By providing communications to the public, such as speeches or website content for certain groups, suppose that policymakers can reduce this cost to $\lambda_p < \lambda$ for some consumers. However, producing and distributing those communications requires real resources, captured by the cost function $g(\lambda_p)$, which satisfies:

> **Assumption 1.** $g(\lambda_p)$ is strictly decreasing and strictly convex in λ_p, with $g(\lambda) = 0$ and $\lim_{\lambda_p \to 0} \frac{\partial g}{\partial \lambda_p} < -\frac{1}{2\ln 2(1-\beta)}$.

This assumption reflects two realistic features: (i) diminishing returns—intensive communication (which results in low λ_p) is disproportionately expensive, and (ii) finite budgets—the limit condition ensures that very intensive communication eventually becomes prohibitively costly, guaranteeing an interior solution.

For each consumer i, the central bank chooses whether to target them with communication (reducing their cost to λ_p) or not (leaving their cost at λ). From Proposition 1, the implied welfare loss of consumer i, after plugging the optimally chosen $\sigma^2_{r|s_i}$ into the welfare loss function $\mathbb{W}(\sigma^2_{r|s_i})$, is given by:[24]

$$\mathbb{V}(\lambda; a_i, \sigma_r^2) = \begin{cases} \frac{\lambda}{2(1-\beta)ln2} & \text{if } |a_i| \geq a^* \\ \\ \sigma_r^2 \frac{\beta + (1-\beta)a_i^2}{2(1-\beta)} & \text{otherwise.} \end{cases} \tag{15}$$

Attentive consumers' welfare losses increase with λ; inattentive consumers' losses are independent of λ. The optimal targeting rule minimizes total welfare loss plus communication costs:

$$\lambda_p^*(i) = \arg \min_{\lambda_p(i) \leq \lambda} \left[V(\lambda_p(i); a_i, \sigma_r^2) + g(\lambda_p(i)) \right] \tag{16}$$

[24] Note that all consumers initially share the same threshold $a_i^* = a^*$ since they all face the same unit cost of information λ.

For simplicity, we assume the central bank chooses a uniform communication strategy: a single intensity $\lambda_p^* < \lambda$ applied to all targeted consumers. The optimal policy then determines which consumers (those with $|a_i| \geq a_p^*$) should be targeted.

Proposition 2. *Let $g(\lambda_p)$ satisfy Assumption 1. It is optimal to communicate only with consumers with $|a_i| \geq a_p^*$. The optimal communication intensity λ_p^* solves the first-order condition $-\frac{\partial g}{\partial \lambda_p} = \frac{1}{2\ln 2(1-\beta)}$, equating the marginal cost of communication with the marginal welfare benefit for attentive consumers. Using this optimal λ_p^*, the threshold for targeted communication is:*

$$a_p^* \equiv \sqrt{\frac{\lambda_p^*}{\sigma_r^2(\ln 2)(1-\beta)} - \frac{\beta}{1-\beta} + \frac{2g(\lambda_p^*)}{\sigma_r^2}}, \quad a_p^* \leq a^*.$$

Proof. See Appendix C.1. □

Proposition 2 establishes that broadcasting to everyone is suboptimal. Only consumers with sufficient skin in the game ($|a_i| \geq a_p^*$) generate welfare gains exceeding communication costs.[25] Two groups emerge:

1. High stakes ($|a_i| \geq a_p^*$): Target them—their interest-sensitive decisions improve substantially, justifying the communication costs.
2. Low stakes ($|a_i| < a_p^*$): Do not target them—additional communication yields insufficient welfare gains.

Finally, Figure 6 illustrates the change in attention and welfare gains when consumers receive targeted communication ($\lambda \to \lambda_p^*$).[26] The two panels show that changes in attention are a poor guide to welfare gains. The increase in attention is largest for consumers at the original attention margin ($|a_i| \approx a^*$), who switch

[25] It might be optimal for policymakers to communicate more in the presence of behavioral frictions that induce additional welfare losses if communications can directly address or overcome those behavioral frictions (see Andersen et al. (2020) for examples of such behavioral frictions in the context of the mortgage market).

[26] In particular, letting $\Delta\kappa_i$ be the change in consumer i's attention due to policy communication, we have:

$$\Delta\kappa_i = \begin{cases} \frac{\lambda - \lambda_p^*}{(ln2)\sigma_r^2(\beta+(1-\beta)a_i^2)} & \text{if } |a_i| > a^* \\ 1 - \frac{\lambda_p^*}{(ln2)\sigma_r^2(\beta+(1-\beta)a_i^2)} & \text{if } a_p^* \leq |a_i| \leq a^* \\ 0 & \text{if } |a_i| \leq a_p^*. \end{cases}$$

from little or no attention to substantial attention. By contrast, consumers with the highest skin in the game are already attentive, so communication raises their attention only modestly, and the effect vanishes as $|a_i|$ grows. Yet these consumers enjoy the largest welfare gains: for all $|a_i| \geq a^*$, the gain equals the full proportional reduction in the information cost, $(\lambda - \lambda_p^*)/\lambda$. A central bank that judges its communication by its effect on measured attention would therefore focus on consumers near the attention margin and give little weight to those with the most at stake, forgoing large welfare gains. Our approach, on the other hand, has the central bank minimize welfare losses, so it prioritizes the high-skin-in-the-game consumers whose decisions improve most from better information, even though their attention rises only modestly.[27]

5.2 Aggregate Implications

Targeted communication described by Proposition 2 has two important implications for aggregate policy transmission.

First, communication amplifies monetary transmission. Let $\kappa_p(a_i)$ denote consumer i's attention following optimal monetary policy communication and $\phi(a)$ be the distribution of borrowing relative to consumption, assumed to be symmetric for simplicity. Aggregate attention $\mathcal{K}_p$ under optimal communication is:

$$\mathcal{K}_p = 2\int_{a_p^*}^{\infty} \kappa_p(a)\phi(a)da. \tag{17}$$

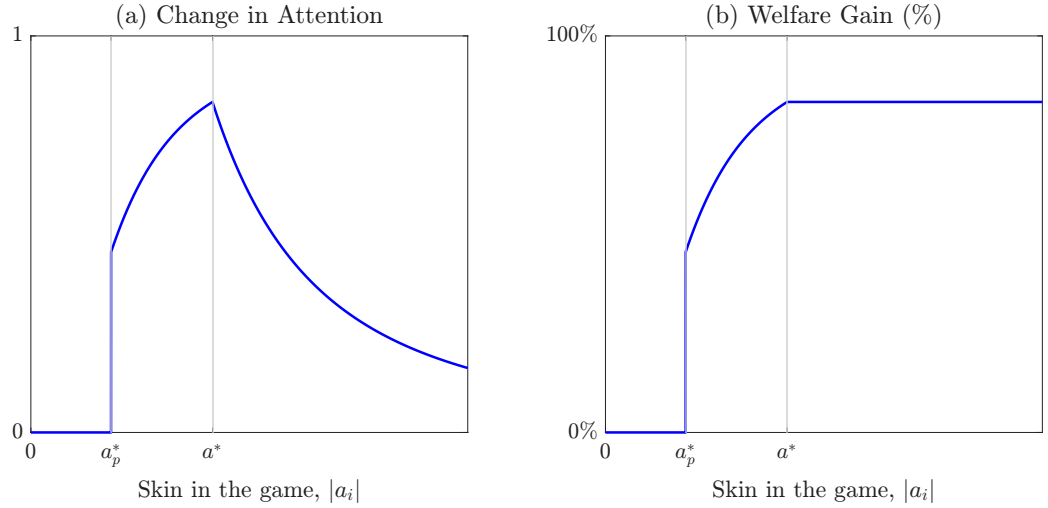
Because consumption decisions depend on expected rather than actual interest rates, aggregate policy transmission is directly proportional to aggregate attention.

Similarly, % welfare gains are described by

$$-\frac{\mathbb{V}(\lambda_p^*;a_i,\sigma_r^2) - \mathbb{V}(\lambda;a_i,\sigma_r^2)}{\mathbb{V}(\lambda;a_i,\sigma_r^2)} = \begin{cases} \frac{\lambda-\lambda_p^*}{\lambda} & \text{if } |a_i| > a^* \\ 1 - \frac{\lambda_p^*}{\sigma_r^2(ln2)(\beta+(1-\beta)a_i^2)} & \text{if } a_p^* \leq |a_i| \leq a^* \\ 0 & \text{if } |a_i| \leq a_p^*. \end{cases}$$

[27] We note that welfare-loss minimizing is not completely decoupled from attention maximizing. Appendix B.7 shows that minimizing the sum of aggregate welfare and communication costs is equivalent to maximizing a *skin-in-the-game-weighted* aggregate attention net of communication costs. The *skin-in-the-game-weighted* aggregate attention differs from average attention $\mathcal{K}_p$, derived in (17) below, which weighs each consumer's attention equally, regardless of their skin in the game.

Figure 6: Changes in Attention and Welfare Gains Due to Targeted Communication



Note: Consumers below the targeting threshold a_p^* are not targeted and experience zero change. Panel (a) shows the change in attention for consumers who receive targeted communication, whereas panel (b) shows the welfare gains in % from targeted communication (information cost reduced from λ to λ_p^*). The communication cost function is given by $g(\lambda_p) = \lambda/\lambda_p - 1$. Parameters: $\beta = 0.99$, $\sigma_r^2 = 0.1$, $\lambda = 0.5$.

Specifically, from the individual consumption response derived in equation (B.24) in the Appendix, the impact of a change in r_t on aggregate consumption c_t is

$$\frac{\partial c_t}{\partial r_t} = -\int_{-\infty}^{\infty} [\beta - a(1-\beta)]\kappa_p(a)\phi(a)da = -\beta\mathcal{K}_p, \tag{18}$$

where the second equality follows from the symmetry of $\phi(a)$ and $\kappa_p(a)$, that is, $\int_{-\infty}^{\infty} a\kappa_p(a)\phi(a)da = 0$ since $\kappa_p(-a_i) = \kappa_p(a_i)$ and $\phi(-a_i) = \phi(a_i)$ for any i. Equation (18) implies that higher aggregate attention due to communication amplifies the contemporaneous impact of the real rate on aggregate consumption.[28] Note that $\mathcal{K}_p$ is the maximum attainable aggregate attention to monetary policy, given that $\lambda_p \in [\lambda_p^*, \lambda]$.[29]

Second, if policymakers need to prioritize when to communicate based on the

[28] We note that, if income responded to the real interest rate, the aggregate effect of monetary policy communication could be larger than what equation (18) implies, through the effect of income on consumption that is estimated to be non-trivial (see, for instance, Kaplan et al. (2018)).

[29] See Appendix B.7 for a formal discussion.

magnitude of $\mathcal{K}_p$, focusing on high-volatility periods is beneficial from the perspective of our model. Aggregate attention $\mathcal{K}_p$ with optimal communication increases with interest rate volatility σ_r.[30] Therefore, during high-volatility periods, communication reaches more consumers who can act on more precise information about the real rate, and all the (newly or existing) attentive consumers pay even more attention.

6 Concluding Remarks

This paper provides a novel direct measure of consumers' attention to monetary policy, spanning five years and over 170,000 US consumers. We use these data to test and validate a rational inattention model of monetary policy attention, deriving implications for central bank communication.

Our empirical findings strongly support the model's predictions. First, attention is incentive-driven: consumers planning major purchases (homes or vehicles) within one month are 28–32 percentage points more attentive than those without such plans. Second, attention varies systematically with aggregate factors: it increases with interest rate volatility and news supply, exhibiting sharp cyclical patterns around FOMC meetings. Third, and most distinctively, individual and aggregate factors interact: the marginal effects of volatility and news supply are sharply attenuated with "skin in the game." This interaction explains why cyclical attention patterns around FOMC meetings are driven almost entirely by low-skin-in-the-game consumers, while high-skin-in-the-game consumers maintain stable, elevated attention throughout the policy cycle.

These findings have important implications for monetary policy communication. When communication is costly and attention is endogenous, our model suggests that a central bank should target its communication efforts toward high-skin-in-the-game consumers, that is, those whose decisions depend critically on interest rates and who bear the largest welfare losses from information frictions. This targeted strategy maximizes welfare gains per dollar of communication cost. Moreover, if policymakers need to prioritize when to communicate most intensively, our model suggests that focusing on periods of high interest rate volatility may

[30] See Appendix B.7 for a formal derivation showing $\partial \mathcal{K}_p^* / \partial \sigma_r > 0$.

be particularly beneficial, when more consumers are endogenously attentive and communication reaches more people who can act on the information. Such a strategy in turn amplifies the response of aggregate consumption to changes in the real interest rate.

Our framework opens several avenues for future research. First, how do firms' attention patterns compare to consumers', and should central banks communicate differently with these audiences? Second, how does attention to monetary policy interact with attention to inflation, and what does this imply for communication strategies during different phases of the business cycle? Third, can central banks design communication interventions that move consumers with low skin in the game above the attention threshold, or are some consumers optimally inattentive regardless of communication efforts? Finally, how do learning dynamics affect attention over time—do consumers who become attentive during high-volatility episodes remain attentive afterward?

By providing the first comprehensive empirical analysis of attention to monetary policy and validating a rational inattention framework, this paper establishes a foundation for addressing these questions and designing more effective central bank communication strategies.

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Online Appendix

for

"Consumers' Attention to Monetary Policy: The Importance of Having 'Skin in the Game"'

Ina Hajdini Edward S. Knotek II James Mitchell
Mathieu Pedemonte Taylor Shiroff

This Online Appendix is organized as follows:

Appendix A reports additional tables and figures discussed in the main paper.

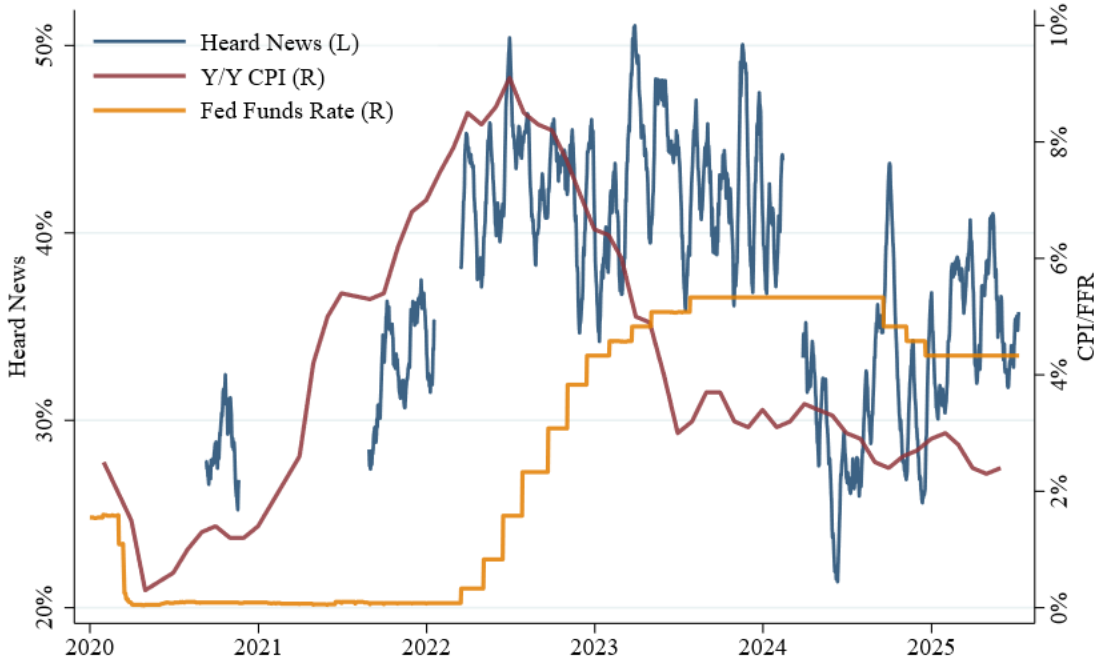
Appendix B provides technical details underlying the rational inattention model developed in the main paper.

Appendix C contains proofs of the propositions presented in the main paper.

Appendix D presents empirical evidence addressing the potential endogeneity of "skin in the game."

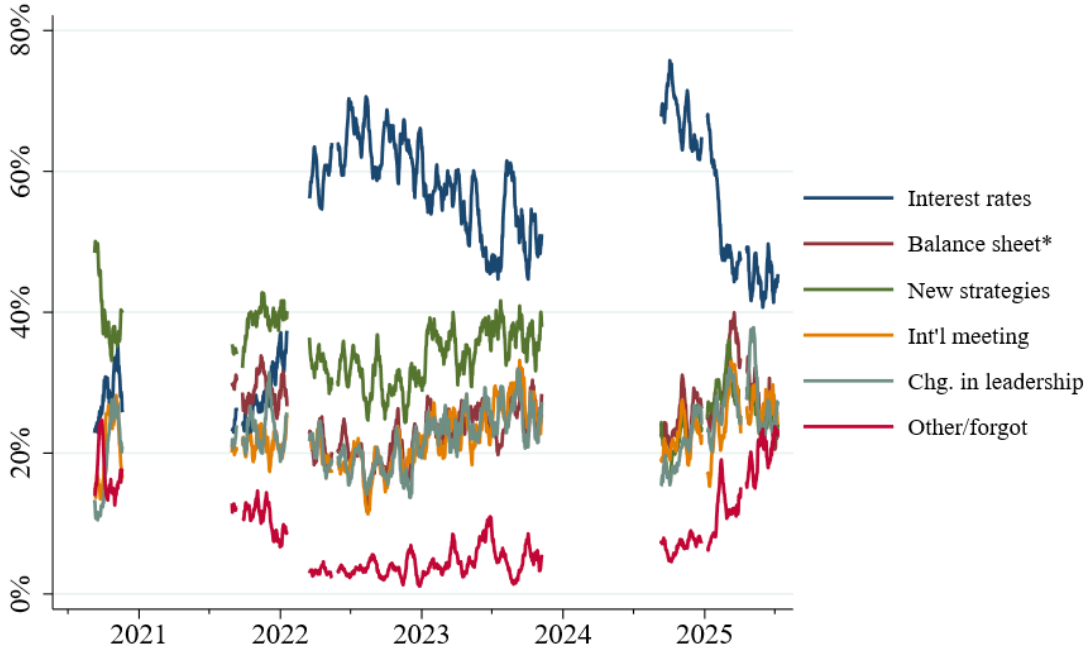
A Additional Tables and Figures

Figure A.1: Attention to Monetary Policy, Inflation, and the Federal Funds Rate



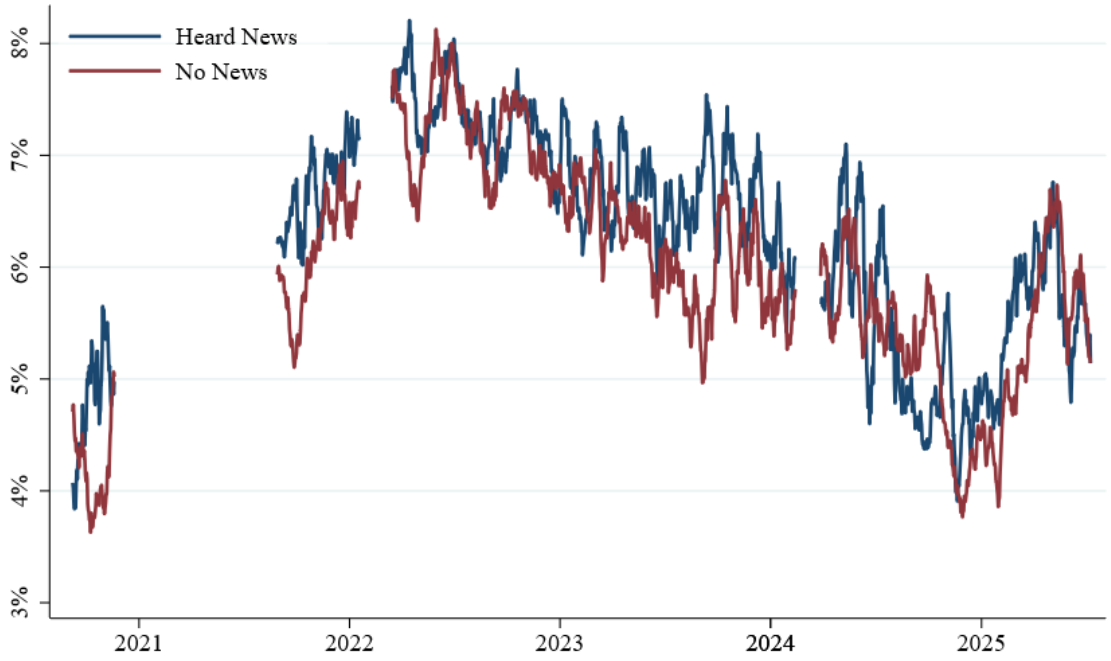
Note: The figure plots the two-week moving average of the share of consumers who are attentive to monetary policy (left axis) in blue, year-over-year CPI inflation (right axis) in red, and the federal funds rate (right axis) in orange.

Figure A.2: Types of Monetary Policy News



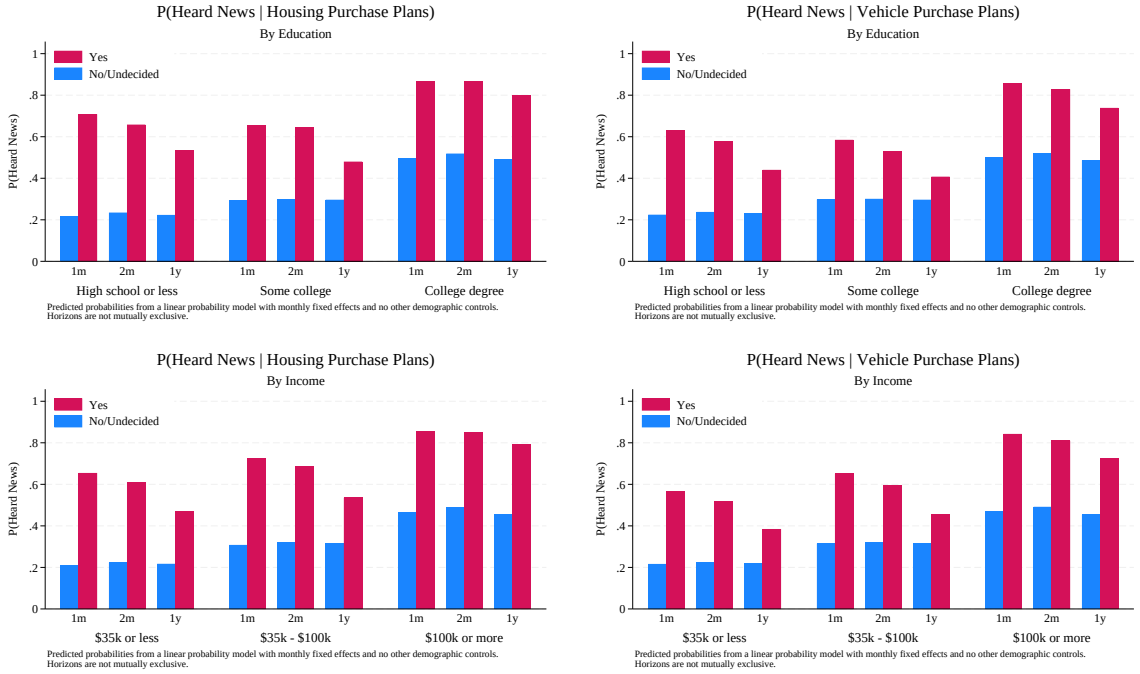
Note: The figure plots the two-week moving average of the share of attentive consumers that heard news about a change in interest rates (blue), changes announced about the Federal Reserve's balance sheet (burgundy), an announcement about new strategies at the Federal Reserve (green), an international meeting of central bankers (orange), a change in the leadership at the Federal Reserve (gray), other/I don't remember (red). Consumers can select more than one option. "Balance sheet*" refers to asset purchases until 2024, and to the balance sheet in general thereafter.

Figure A.3: Inflation Expectations for Attentive and Non-Attentive Consumers



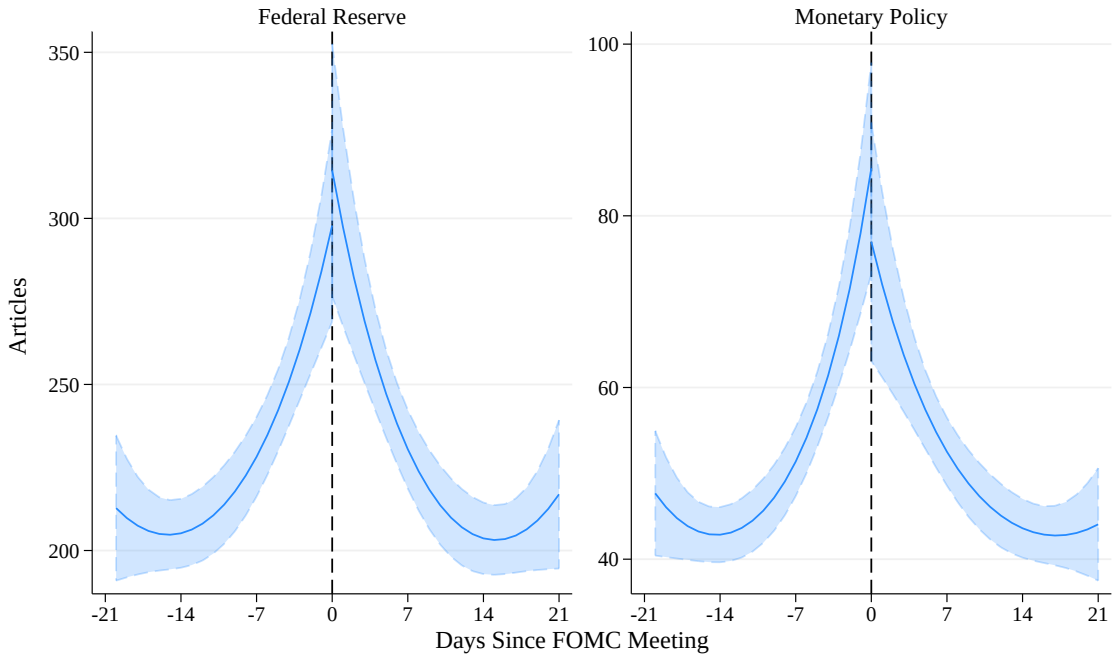
Note: Two-week Huber-weighted moving average. Inflation expectations are winsorized at the top and bottom 2.5% within each month.

Figure A.4: Attention as Conditional on Demographics and "Skin in the Game"



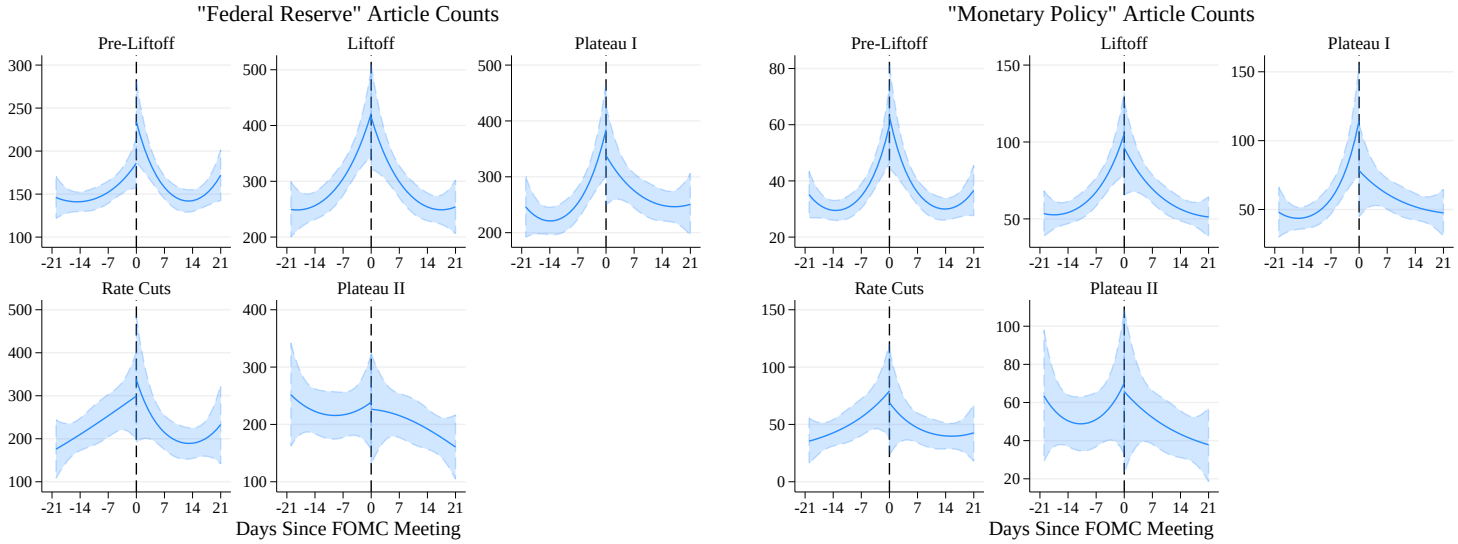
Note: The figure plots a histogram of the predicted probability of attention by education in the top two panels and income groups in the bottom two panels, implied from a linear probability model with monthly fixed effects and no other demographic controls. Each panel indicates the share of attentive consumers who have "skin in the game" (red) vs those who do not (blue). "Skin in the game" is measured by plans to purchase housing in the left panels and plans to purchase a vehicle in the right panels.

Figure A.5: News Coverage Around FOMC Meetings



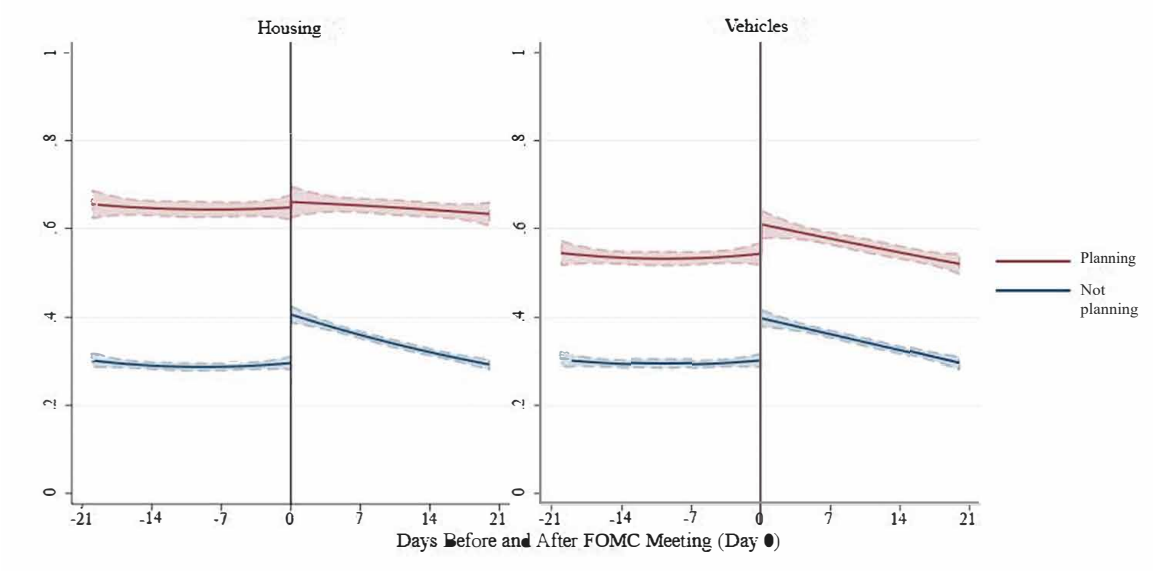
Note: The figure plots the evolution of fitted number of news articles about the Federal Reserve in the left panel and monetary policy in the right panel panel three weeks before and after FOMC meetings, with 0 being the day of the meetings. Specifically, the fitted values are computed from the estimates of the negative binomial regression: $Articles_t = \alpha + \beta_0(Days_t) + \beta(Days_t)^2 + \gamma_0 \mathbf{1}_{post} + \theta_0(Days_t \times \mathbf{1}_{post}) + \theta((Days_t)^2 \times \mathbf{1}_{post}) + \varepsilon_{it}$, where $\mathbf{1}_{post}$ equals 1 for days after the FOMC meeting and 0 otherwise. Shaded areas show 95% confidence intervals. Data: Factiva.

Figure A.6: News Coverage around Various FOMC Meetings



Note: The figure plots the evolution of the fitted number of news articles about the Federal Reserve in the left five panels and monetary policy in the right five panels for various FOMC meetings, using the same specification and data as in Figure A.5. Shaded areas show 95% confidence intervals. Pre-liftoff: 6/1/2020 to 3/2/2022; liftoff: from 3/3/2022 to 8/16/2023; plateau I: from 8/31/2023 to 8/21/2024; rate cuts: from 8/29/2024 to 1/8/2025; and plateau II: from 1/9/2025 to 7/9/2025.

Figure A.7: Attention to Monetary Policy Around FOMC Meetings by Skin in the Game: One Year Ahead



Note: This figure shows the probability that consumers report hearing news about monetary policy in the 3 weeks surrounding Federal Open Market Committee (FOMC) meetings (day 0). Red lines show consumers planning to purchase a home (left panel) or vehicle (right panel) within one year; blue lines show those with no such plans. Lines show fitted values from estimates of a regression discontinuity specification separately estimated for consumers with versus without purchase plans over the next year: $\kappa_{it} = \alpha + \beta_0(Days_t) + \beta(Days_t)^2 + \gamma_0 \mathbf{1}_{post} + \theta_0(Days_t \times \mathbf{1}_{post}) + \theta((Days_t)^2 \times \mathbf{1}_{post}) + \varepsilon_{it}$, where $\mathbf{1}_{post}$ equals 1 for days after the FOMC meeting and 0 otherwise. Shaded areas represent 95% confidence intervals. Sample: March 2020—July 2025.

B Rational Inattention Model: Details

This appendix derives properties of the rational inattention model in Section 2. We proceed in five steps:

B.1 – Optimal Consumption: We show that, due to imperfect information, optimal consumption depends on subjective expectations $E(r_t)$, not r_t itself. Forecast errors $\delta_{it} = r_t - E_{it}[r_t]$ cause consumers to make suboptimal consumption choices. Consumer i's consumption response to a real rate change is proportional to their attention level: $\frac{\partial c_{it}}{\partial r_t} \propto \kappa_i$.

B.2 – Optimal Rational Attention: We derive consumers' optimal rational attention to monetary policy. A key step in the derivation is computation of the welfare cost of imperfect information by comparing consumption under rational inattention to consumption under full information rational expectations (FIRE). We show that welfare losses are proportional to $[\beta + (1-\beta)a_i^2]\sigma^2_{r|s_i}$, which increases in both forecast error variance and skin in the game.

B.3 – Optimal Attention with Time-Varying Interest Rate Volatility and Information Cost: We compute optimal attention to monetary policy when volatility of the real rate and the information cost are dynamic.

B.4 – Testable Implications: We derive the six predictions tested in Section 4, including the key interaction effects.

B.5 – Planning Horizon Extension: We show how results extend when consumers plan purchases h periods ahead (explaining why one-month plans matter more than one-year plans).

B.6 – Time-Varying Skin in the Game and Empirical Identification: We show that extending the model to allow for time-varying skin in the game yields identical empirical predictions under the assumption that consumers choose attention to monetary policy based only on their current circumstances.

B.7 – Aggregate Attention to Monetary Policy: We derive how communication affects aggregate attention and thus monetary policy transmission.

B.1 Optimal Consumption and Implied Borrowing

The consumer problem in Section 2.1 gives rise to the following Euler equation:

$$\frac{1}{C_{it}} = \beta \mathbb{E}_t \left(\frac{R_t}{C_{i,t+1}} \right). \tag{B.19}$$

The steady-state equilibrium condition for each consumer is given by:

$$\bar{C}_i = \bar{Y}_i + \frac{1-\beta}{\beta} \bar{B}_i, \tag{B.20}$$

where we have applied $\bar{R} = 1/\beta$. Henceforth, we denote log deviations of any variable from its steady-state value with small letters. Moreover, we define $b_{it} = ln(B_{it}/\bar{B}_i)$ if $\bar{B}_i > 0$; $b_{it} = ln(\mid B_{it} \mid / \mid \bar{B}_i \mid)$ if $\bar{B}_i < 0$; and $b_{it} = 0$ if $\bar{B}_i = 0$. Log-linearizing the intertemporal budget constraint in (2):

$$\bar{C}_i c_{it} + \bar{B}_i b_{it} = \bar{Y}_i y_{it} + \frac{\bar{B}_i}{\beta}(r_{t-1} + b_{i,t-1}). \tag{B.21}$$

Applying expectations on both sides of the budget constraint, we back out $\mathbb{E}_{it} b_{i,t-1}$, iterating it forward, and imposing a no-Ponzi scheme assumption, that is, $\lim_{h\to\infty} \beta^h \mathbb{E}_{it} b_{i,t+h} = 0$, we have:

$$\begin{aligned}
\mathbb{E}_{it} b_{i,t-1} &= \mathbb{E}_{it} \left[\frac{\beta}{\bar{B}_i}(\bar{C}_i c_{it} - \bar{Y}_i y_{it}) + \beta b_{it} - r_{t-1} \right] \\
&= \mathbb{E}_{it} \sum_{h=0}^{\infty} \beta^h \left[\frac{\beta}{\bar{B}_i}(\bar{C}_i c_{i,t+h} - \bar{Y}_i y_{i,t+h}) - r_{t+h-1} \right] \\
&= \mathbb{E}_{it} \left[\frac{\beta \bar{C}_i}{\bar{B}_i} \sum_{h=0}^{\infty} \beta^h c_{i,t+h} - \frac{\beta \bar{Y}_i}{\bar{B}_i} y_{it} - r_{t-1} - \beta r_t \right].
\end{aligned} \tag{B.22}$$

Next, we linearize the Euler equation:

$$c_{it} = \mathbb{E}_t(c_{i,t+1} - r_t),$$

which we iterate forward h-periods to:

$$c_{it} = \mathbb{E}_{it}\left[c_{i,t+h} - \sum_{j=0}^{h-1} r_{t+j}\right] = \mathbb{E}_{it}(c_{i,t+h} - r_t). \tag{B.23}$$

Isolating $\mathbb{E}_t c_{i,t+h}$ for each $h \geq 1$ from the iterated Euler equation and plugging it into (B.22), we have:

$$\begin{aligned}\mathbb{E}_{it}(b_{i,t-1} + r_{t-1}) &= \frac{\beta\bar{C}_i}{\bar{B}_i(1-\beta)}c_{it} - \frac{\beta\bar{Y}_i}{\bar{B}_i}y_{it} + \mathbb{E}_{it}\left[\frac{\beta^2\bar{C}_i}{\bar{B}_i(1-\beta)}r_t - \beta r_t\right] \\ &= \frac{\beta\bar{C}_i}{\bar{B}_i(1-\beta)}c_{it} - \frac{\beta\bar{Y}_i}{\bar{B}_i}y_{it} + \frac{\beta}{\bar{B}_i(1-\beta)}\left(\beta\bar{C}_i - \bar{B}_i(1-\beta)\right)\mathbb{E}_{it}r_t,\end{aligned}$$

from where we can derive optimal consumption:

$$c_{it} = \frac{\bar{B}_i(1-\beta)}{\beta\bar{C}_i}\mathbb{E}_{it}(b_{i,t-1} + r_{t-1}) + \frac{\bar{Y}_i(1-\beta)}{\bar{C}_i}y_{it} - \left(\beta - \frac{\bar{B}_i(1-\beta)}{\bar{C}_i}\right)\mathbb{E}_{it}r_t. \tag{B.24}$$

The actual level of borrowing in t is pinned down by the inter-temporal budget constraint in (B.21):

$$\begin{aligned}\bar{B}_i b_{it} &= \bar{Y}_i y_{it} + \frac{\bar{B}_i}{\beta}(r_{t-1} + b_{i,t-1}) - \bar{C}_i c_{it} \\ &= \bar{Y}_i y_{it} + \frac{\bar{B}_i}{\beta}(r_{t-1} + b_{i,t-1}) \\ &- \frac{\bar{B}_i(1-\beta)}{\beta}\mathbb{E}_{it}(b_{i,t-1} + r_{t-1}) - \bar{Y}_i(1-\beta)y_{it} - (\bar{B}_i(1-\beta) - \bar{C}_i\beta)\mathbb{E}_{it}r_t.\end{aligned}$$

Therefore:

$$\begin{aligned}\bar{B}_i b_{it} = \beta\bar{Y}_i y_{it} + \bar{B}_i\mathbb{E}_{it}(b_{i,t-1} + r_{t-1}) - (\bar{B}_i(1-\beta) - \bar{C}_i\beta)\mathbb{E}_{it}r_t \\ + \frac{\bar{B}_i}{\beta}\left[(r_{t-1} - \mathbb{E}_{it}r_{t-1}) + (b_{i,t-1} - \mathbb{E}_{it}b_{i,t-1})\right].\end{aligned} \tag{B.25}$$

The actual level of borrowing in period t, $\bar{B}_i b_{it}$, differs from the consumer's expectation $\bar{B}_i\mathbb{E}_{it}(b_{it})$. This occurs because consumers choose consumption c_{it} based on their beliefs $E_{it}r_t$ and $E_{it}b_{i,t-1}$, but the budget constraint (2) determines actual

borrowing using the true values r_{t-1} and $b_{i,t-1}$. The difference between actual and expected borrowing reflects the forecast errors:

$$\bar{B}_i(b_{it} - \mathbb{E}_{it}b_{it}) = \frac{\bar{B}_i}{\beta}[(r_{t-1} - \mathbb{E}_{it}r_{t-1}) + (b_{i,t-1} - \mathbb{E}_{it}b_{i,t-1})].$$

Taking the derivative of optimal consumption (B.24) with respect to the real interest rate:

$$\frac{\partial c_{it}}{\partial r_t} = -\left(\beta - \frac{\bar{B}_i(1-\beta)}{\bar{C}_i}\right)\frac{\partial E_{it}r_t}{\partial r_t}. \tag{B.26}$$

Under rational inattention with signal $s_{it} = r_t + \nu_{it}$ (seen in (5)), the consumer forms expectations using the Kalman filter:

$$E_{it}r_t = \kappa_i s_{it} = \kappa_i r_t + \kappa_i \nu_{it}, \tag{B.27}$$

where $\kappa_i = 1 - \sigma^2_{r|s_i}/\sigma^2_r \in [0,1]$ is the Kalman gain, the consumer's optimal attention level. Because the consumer updates their belief about r_t only partially based on the noisy signal s_{it}, we have:

$$\frac{\partial E_{it}r_t}{\partial r_t} = \kappa_i. \tag{B.28}$$

Substituting (B.28) into (B.26) and using the definition $a_i = \bar{B}_i/\bar{C}_i$ (the consumer's "skin in the game"), we obtain:

$$\frac{\partial c_{it}}{\partial r_t} = -[\beta - a_i(1-\beta)]\kappa_i. \tag{B.29}$$

Consumers' consumption response to interest rate changes is proportional to their attention. Inattentive consumers (low κ_i) barely adjust consumption when rates change, dampening monetary transmission. This result directly implies equation (18) in the main text linking aggregate consumption responses to aggregate attention.

B.2 Optimal Rational Attention

Define FIRE consumption, c^*_{it}, as the optimal consumption if the consumer observed r_t perfectly (i.e., (B.24) with $E_{it}r_t = r_t$).

Under FIRE:

$$c^*_{it} = \frac{\bar{B}_i(1-\beta)}{\beta \bar{C}_i}(b^*_{i,t-1} + r_{t-1}) + \frac{\bar{Y}_i(1-\beta)}{\bar{C}_i} y_{it} - \left(\beta - \frac{\bar{B}_i(1-\beta)}{\bar{C}_i}\right) r_t, \tag{B.30}$$

and optimal implied borrowing is:

$$\bar{B}_i b^*_{it} = \beta \bar{Y}_i y_{it} + \bar{B}_i(b^*_{i,t-1} + r_{t-1}) - (\bar{B}_i(1-\beta) - \bar{C}_i\beta) r_t. \tag{B.31}$$

We quantify the cost of imperfect information by comparing consumption under rational inattention to this FIRE benchmark. Under FIRE, consumers observe the real interest rate perfectly and make optimal consumption choices; under rational inattention, forecast errors cause welfare-reducing consumption mistakes.

To solve the attention problem in (7), we first derive the welfare loss function $\mathbb{W}\left(\sigma^2_{r|s_i}\right)$. This captures the utility cost from imperfect information as the difference between the second-order approximation of the utility function in (1) under rational inattention and FIRE. We rely on the derivations and results in the Online Appendix of Maćkowiak and Wiederholt (2015): setting $\gamma = 1$ (log utility) and $\omega_W = 0$ (no labor income) in their equation (79), we get the following expression for welfare losses due to inattention:

$$\mathbb{W}\left(\sigma^2_{r|s_i}\right) = \mathbb{E}_{-1,i} \sum_{h=0}^{\infty} \beta^t \left[-\frac{1}{2}(c_{it} - c^*_{it})^2\right]. \tag{B.32}$$

Next, we derive an expression for $c_{it} - c^*_{it}$:

$$\begin{aligned} c_{it} - c^*_{it} = &\left(\beta - \frac{\bar{B}_i(1-\beta)}{\bar{C}_i}\right)(r_t - \mathbb{E}_{it} r_t) \\ &- \frac{\bar{B}_i(1-\beta)}{\beta \bar{C}_i}(r_{t-1} - \mathbb{E}_{it} r_{t-1}) - \frac{\bar{B}_i(1-\beta)}{\beta \bar{C}_i}(b^*_{i,t-1} - \mathbb{E}_{it} b_{i,t-1}). \end{aligned} \tag{B.33}$$

Then:

$$\begin{aligned}\bar{B}_i(b^*_{i,t-1} - \mathbb{E}_{it}b_{i,t-1}) &= \bar{B}_i(b^*_{i,t-2} + r_{t-2}) - (\bar{B}_i(1-\beta) - \beta\bar{C}_i)r_{t-1} \\ &\quad - \mathbb{E}_{it}\left[\mathbb{E}_{i,t-1}\left(\bar{B}_i(b^*_{i,t-2} + r_{t-2}) - (\bar{B}_i(1-\beta) - \beta\bar{C}_i)r_{t-1}\right)\right] \\ &= \bar{B}_i(b^*_{i,t-2} - \mathbb{E}_{i,t-1}b_{i,t-2}) + \bar{B}_i(r_{t-2} - \mathbb{E}_{i,t-1}r_{t-2}) \\ &\quad - (\bar{B}_i(1-\beta) - \beta\bar{C}_i)(r_{t-1} - \mathbb{E}_{i,t-1}r_{t-1}),\end{aligned} \tag{B.34}$$

where we have used the fact that $\mathbb{E}_{it}(\mathbb{E}_{i,t-1}(\mathbb{E}_{i,t-2}(....(\mathbb{E}_{i,t-j}b_{i,t-j})...))) = \mathbb{E}_{i,t-j}b_{i,t-j}$ and that $\mathbb{E}_{it}r_{t-1} = \mathbb{E}_{i,t-1}r_{t-1}$ (since signals are uncorrelated over time). Let $\delta_{it} = r_t - \mathbb{E}_{it}r_t$ be the real rate forecast error and $\mu_{i,t-1} = \bar{B}_i(b^*_{i,t-1} - \mathbb{E}_{it}b_{i,t-1})$ be the difference between actual bond holdings under full information and the previous period's expected bond holdings under imperfect information. Then, consumption relative to perfect information is given by:

$$c_{it} - c^*_{it} = -\frac{(1-\beta)}{\beta\bar{C}_i}\mu_{i,t-1} + \left(\beta - \frac{\bar{B}_i(1-\beta)}{\bar{C}_i}\right)\delta_{it} - \frac{\bar{B}_i(1-\beta)}{\beta\bar{C}_i}\delta_{i,t-1}. \tag{B.35}$$

For simplicity, we assume that $\mu_{i,-1} = 0$ and $\delta_{i,-1} = 0$ for all consumers. Iterating forward (B.34), we get the following expression for $\mu_{i,t-1}$:

$$\begin{aligned}\mu_{i,t-1} &= \mu_{i,t-2} + (\bar{B}_i(1-\beta) - \beta\bar{C}_i)\delta_{i,t-1} - \bar{B}_i\delta_{t-2} \\ &= (\bar{B}_i(1-\beta) - \beta\bar{C}_i)\sum_{0}^{t-1}\delta_{i,t-h-1} - \bar{B}_i\sum_{0}^{t-2}\delta_{t-h-2} \\ &= (\bar{B}_i(1-\beta) - \beta\bar{C}_i)\delta_{i,t-1} - \beta(\bar{B}_i + \bar{C}_i)\sum_{h=0}^{t-2}\delta_{i,t-h-2}.\end{aligned}$$

Therefore:

$$\begin{aligned}c_{it} - c^*_{it} &= \left(\beta - \frac{\bar{B}_i(1-\beta)}{\bar{C}_i}\right)\delta_{it} - \frac{\bar{B}_i(1-\beta)}{\beta\bar{C}_i}\delta_{i,t-1} \\ &\quad + \frac{(1-\beta)(\bar{B}_i(1-\beta) - \beta\bar{C}_i)}{\beta\bar{C}_i}\delta_{i,t-1} - \frac{(1-\beta)(\bar{B}_i + \bar{C}_i)}{\bar{C}_i}\sum_{h=0}^{t-2}\delta_{i,t-h-2} \\ &= \left(\beta - \frac{\bar{B}_i(1-\beta)}{\bar{C}_i}\right)\delta_{it} - \frac{(1-\beta)(\bar{B}_i + \bar{C}_i)}{\bar{C}_i}\sum_{h=0}^{t-1}\delta_{i,t-h-1}.\end{aligned} \tag{B.36}$$

Note that forecast errors are uncorrelated over time and that $\mathbb{E}_{i,-1}(\delta_{it}^2) = \sigma^2_{r|s_i}$. Therefore, we have that:

$$\begin{aligned}\mathbb{E}_{i,-1}\sum_{t=0}^{\infty}\beta^t(c_{it}-c_{it}^*)^2 &= \frac{1}{1-\beta}\left[\left(\beta-\frac{\bar{B}_i(1-\beta)}{\bar{C}_i}\right)^2+\beta(1-\beta)\left(\frac{(\bar{B}_i+\bar{C}_i)}{\bar{C}_i}\right)^2\right]\sigma^2_{r|s_i}\\ &= \frac{1}{1-\beta}\left[(\beta-a_i(1-\beta))^2+\beta(1-\beta)\,(a_i+1)^2\right]\sigma^2_{r|s_i}\\ &= \frac{\beta+(1-\beta)a_i^2}{1-\beta}\sigma^2_{r|s_i}.\end{aligned} \tag{B.37}$$

Welfare losses increase with both forecast error variance $\sigma^2_{r|s_i}$ and skin in the game. High-skin-in-the-game consumers lose more from errors, justifying higher attention.

Hence, the rational inattention problem of the consumer stated in (7) is explicitly given by:

$$\min_{\sigma^2_{r|s_i}\leq\sigma^2_r}\left[-\frac{1}{2(1-\beta)}\left((\beta+(1-\beta)a_i^2)\sigma^2_{r|s_i}+\lambda_i(log_2\sigma_r^2-\log_2\sigma^2_{r|s_i})\right)\right], \tag{B.38}$$

from where it is straightforward to see that the optimal signal noise is given by:

$$\sigma^2_{r|s_i} = \min\left(\sigma_r^2, \frac{\lambda_i}{(\beta+(1-\beta)a_i^2)(ln2)}\right). \tag{B.39}$$

Attention is given by $\kappa_i = 1-\frac{\sigma^2_{r|s_i}}{\sigma^2}$, that is,

$$\kappa_i = \max\left(0, 1-\frac{\lambda_i}{(\beta+(1-\beta)a_i^2)\sigma^2(ln2)}\right). \tag{B.40}$$

B.3 Optimal Attention with Time-Varying Interest Rate Volatility and Information Cost

In this section, we assume that the volatility of the real rate σ_{rt} and the information cost λ_{it} are dynamic. For simplicity, we assume that the values of σ_{rt} and λ_{it} are

uncorrelated over time.

At the beginning of period t, consumers know the volatility of the real rate, σ_{rt}, and the cost of information λ_{it}, but they cannot observe the realized real rate. They first choose the optimal level of attention and then decide on consumption. To choose the optimal level of attention in period t, each consumer i solves for $\sigma^2_{r_t|s_{it}}$ in the following problem:

$$\begin{aligned}\max_{\sigma^2_{r_t|s_{it}}} V_{it} &= \frac{1}{2}\mathbb{E}_{i,t-1}\left[(c_{it}-c^*_{it})^2 + \lambda_{it} log_2\left(\frac{\sigma^2_{rt}}{\sigma^2_{r_t|s_{it}}}\right) + \beta V_{t+1}\right] \\ &= \frac{1}{2}\left[\left(\phi_1^2\sigma^2_{r_t|s_{it}} + \phi_2^2\sum_{h=1}^{\infty}\sigma^2_{r_{t-h}|s_{i,t-h}}\right) + \lambda_{it} log_2\left(\frac{\sigma^2_{rt}}{\sigma^2_{r_t|s_{it}}}\right)\right] + \beta\mathbb{E}_{i,t-1}V_{i,t+1},\end{aligned} \tag{B.41}$$

where $\phi_1 = \left(\beta - \frac{\bar{B}_i(1-\beta)}{\bar{C}_i}\right)$ and $\phi_2 = \frac{(1-\beta)(\bar{B}_i+\bar{C}_i)}{\bar{C}_i}$. The second equality follows from replacing $(c_{it} - c^*_{it})$ with the expression in equation (B.36). Two remarks are important to note here: First, the assumption that σ_{rt} and λ_{it} are uncorrelated over time ensures that the interest rate forecast errors are uncorrelated over time, and second, the fact that consumers are infinitely lived allows us to write $c_{it} - c^*_{it} = \phi_1\delta_{it} - \phi_2\sum_{h=1}^{\infty}\delta_{i,t-h}$. The first-order condition is:

$$\phi_1^2 + \frac{\beta}{1-\beta}\phi_2^2 = \frac{\lambda_{it}}{(ln2)\sigma^2_{r_t|s_{it}}},$$

from which we get:

$$\sigma^2_{r_t|s_{it}} = \min\left(\sigma^2_{rt}, \frac{\lambda_{it}}{(\beta+(1-\beta)a_i^2)(ln2)}\right) \Rightarrow \kappa_{it} = \max\left(0, 1 - \frac{\lambda_{it}}{(ln2)\sigma^2_{rt}(\beta+(1-\beta)a_i^2)}\right). \tag{B.42}$$

Note that if the interest rate volatility and information cost are constant over time, we recover the optimal attention level defined in Proposition 1.

B.4 Testable Implications

Let κ_{it} denote consumer i's attention in period t. Each consumer has skin in the game, $|a_i|$, and faces information cost, $\lambda_{it} = \lambda_i + \lambda_t$, where λ_i is individual-specific and λ_t is aggregate. Given interest rate volatility σ^2_{rt} in period t, optimal attention

is:

$$\kappa_{it} = 1 - \frac{\lambda_{it}}{(ln2)\sigma_{rt}^2(\beta + (1-\beta)a_i^2)}. \tag{B.43}$$

Equation (B.43) assumes consumers treat current-period volatility σ_{rt} and information costs λ_{it} as given when solving their rational inattention problem:

$$\min_{\sigma^2_{r|s_{it}} \leq \sigma^2_{rt}} \left[-\frac{1}{2(1-\beta)} \left((\beta + (1-\beta)a_i^2)\sigma^2_{r|s_{it}} + \lambda_i (log_2 \sigma^2_{rt} - \log_2 \sigma^2_{r|s_{it}}) \right) \right]. \tag{B.44}$$

Equation (B.43) reveals three properties that drive our empirical strategy. First, attention increases in individual stakes ($|a_i|$ enters the denominator as a_i^2) and volatility (σ_{rt}^2), but decreases in costs (λ_{it}). Second, the denominator shows these factors interact: higher $|a_i|$ dampens the marginal effects of λ_t and σ_{rt}^2. Third, both individual differences (cross-section) and aggregate shocks (time series) drive attention dynamics.

Corollary 1 formalizes all six testable implications from Section 2.3.

Corollary 1. *Let attention to monetary policy of consumer i be given by equation (B.43). Then, the following statements are true:*

1. *Attention is increasing in a consumer's "skin in the game," $|a_i|$.*
2. *Attention is decreasing in a consumer's individual cost of information, λ_i.*
3. *Attention is decreasing in the aggregate cost of information, λ_t.*
4. *Attention is increasing in interest rate volatility σ_{rt}.*
5. *The marginal effect of a change in the aggregate unit cost of information on attention is decreasing in the "skin in the game."*
6. *The marginal effect of a change in interest rate volatility on attention is decreasing in the "skin in the game."*

Proof. 1. Taking the first-order derivative of κ_i with respect to $|a_i|$ we have:

$$\frac{\partial \kappa_{it}}{\partial |a_i|} = \frac{2\lambda_{it}|a_i|(1-\beta)}{(\beta + (1-\beta)a_i^2)^2 \sigma_{rt}^2 (ln2)} > 0.$$

2. Taking the first-order derivative of κ_{it} with respect to λ_i we have:

$$\frac{\partial \kappa_{it}}{\partial \lambda_i} = -\frac{1}{(\beta + (1-\beta)a_i^2)\sigma_{rt}^2(ln2)} < 0. \tag{B.45}$$

3. Taking the first-order derivative of κ_{it} with respect to λ_t we have:

$$\frac{\partial \kappa_{it}}{\partial \lambda_t} = -\frac{1}{(\beta + (1-\beta)a_i^2)\sigma_{rt}^2(ln2)} < 0. \tag{B.46}$$

4. Taking the first-order derivative of κ_i with respect to σ_{rt} we have:

$$\frac{\partial \kappa_{it}}{\partial \sigma_{rt}} = \frac{2\lambda_{it}}{(\beta + (1-\beta)a_i^2)\sigma_{rt}^3(ln2)} > 0. \tag{B.47}$$

5. We take the partial derivative of $\frac{\partial \kappa_{it}}{\partial \lambda_t}$ in (B.46) with respect to $|a_i|$:

$$\frac{\partial^2 \kappa_{it}}{\partial \lambda_t \partial |a_i|} = \frac{2(1-\beta)|a_i|}{(\beta + (1-\beta)a_i^2)^2\sigma_{rt}^2(ln2)} > 0. \tag{B.48}$$

   The higher is "skin in the game," the closer the marginal effect of λ_t on attention gets to 0.

6. We take the partial derivative of $\frac{\partial \kappa_{it}}{\partial \sigma_{rt}^2}$ in (B.47) with respect to $|a_i|$:

$$\frac{\partial^2 \kappa_{it}}{\partial (\sigma_{rt}) \partial |a_i|} = -\frac{4\lambda_i(1-\beta)|a_i|}{(\beta + (1-\beta)a_i^2)^2\sigma_{rt}^3(ln2)} < 0. \tag{B.49}$$

   The higher is "skin in the game," the closer the marginal effect of σ_{rt} on attention gets to 0.

□

We now focus on the extensive margin of attention to monetary policy. The probability that consumer i is attentive is given by:

$$Pr(|a_i| \geq a_{it}^*) = 1 - \Phi(a_{it}^*), \tag{B.50}$$

where $\Phi(a_i^*)$ is the cumulative probability distribution of $|a|$.

Corollary 2. *The probability of consumer i being attentive to monetary policy is given by equation (B.50). Then, the following statements are true:*

1. *Consumers with high "skin in the game" are more likely to be attentive.*
2. *A lower individual cost of information λ_i increases the probability of being attentive.*
3. *A lower aggregate cost of information λ_t increases the probability of being attentive.*
4. *Higher interest rate volatility σ_{rt} increases the probability of being attentive.*
5. *The marginal effect of a change in the aggregate unit cost of information on the probability of being attentive decreases in the "skin in the game."*
6. *The marginal effect of a change in interest rate volatility on the probability of being attentive decreases in the "skin in the game."*

Proof. Statement 1 follows from the fact that $1 - \Phi(a_{it}^*) = 1$ for any consumer with $|a_i| \geq a_{it}^*$, but $1 - \Phi(a_{it}^*) = 0$ otherwise. Statements 2 through 4 follow from the following three partial derivatives:

$$\begin{aligned}
\frac{\partial(1-\Phi(a_{it}^*))}{\partial\lambda_i} &= -\frac{\partial\Phi(a_{it}^*)}{\partial a_{it}^*}\frac{a_{it}^*}{\partial\lambda_i} < 0; \\
\frac{\partial(1-\Phi(a_{it}^*))}{\partial\lambda_t} &= -\frac{\partial\Phi(a_{it}^*)}{\partial a_{it}^*}\frac{\partial a_{it}^*}{\partial\lambda_t} < 0; \\
\frac{\partial(1-\Phi(a_{it}^*))}{\partial\sigma_{rt}} &= -\frac{\partial\Phi(a_{it}^*)}{\partial a_{it}^*}\frac{a_{it}^*}{\partial\sigma_{rt}} > 0.
\end{aligned} \tag{B.51}$$

To prove statement 5, consider an increase in λ_t that increases a_{it}^* from $\underline{a}_{it}^*$ to $\bar{a}_{it}^*$. Then, the change in the probability of being attentive is given by:

$$\Phi(\bar{a}_{it}^*) - \Phi(\underline{a}_{it}^*) = \begin{cases} 0 & \text{if } |a_i| \geq \bar{a}_{it}^* \\ -1 & \text{if } \underline{a}_{it}^* \leq |a_i| < \bar{a}_{it}^* \\ 0 & \text{if } |a_i| < \bar{a}_{it}^*. \end{cases} \tag{B.52}$$

Note that in the data we measure the extensive margin of skin in the game. Considering the high-skin-in-the-game consumers to always be the ones with $|a_i| \geq \bar{a}_{it}^*$

and low-skin-in-the-game consumers to be everyone else, we have that the change in the probability of being attentive, following a change in λ_t, affects consumers with sufficiently low skin in the game. A similar proof holds for statement 6. □

B.5 Planning Horizon Extension

In this subsection, we consider a situation where consumers' attention can start having an effect on their uncertainty only h periods ahead, that is, the problem becomes:

$$\min_{\sigma^2_{r|s_{it}} \leq \sigma^2_{rt}} \left[-\frac{1}{2(1-\beta)} \left(\beta^h (\beta + (1-\beta) a_i^2) \sigma^2_{r|s_i} + \lambda_{it} (log_2 \sigma^2_{rt} - \log_2 \sigma^2_{r|s_{it}}) \right) \right], \quad \text{(B.53)}$$

from where it is straightforward to see that the optimal attention is given by:

$$\kappa_{it} = 1 - \frac{\lambda_{it}}{\beta^h (ln2) \sigma^2_{rt} (\beta + (1-\beta) a_i^2)}, \quad \text{(B.54)}$$

for any $|a_i| \geq a^*_{i,h} = \sqrt{\frac{\lambda_{it}}{\beta^h (1-\beta)(ln2)\sigma^2_{rt}} - \frac{\beta}{1-\beta}}$. Corollary 3 proves testable implications related to the planning horizon, consistent with the evidence reported in Tables 5 and 6 in the main text.

Corollary 3. *Let attention to monetary policy of consumer i be given by equation (B.54). Then, the following statements are true:*

1. *Attention is decreasing in the planning horizon h.*
2. *The (negative) marginal effect of a change in the aggregate unit cost of information on attention is increasing in the planning horizon h.*
3. *The (positive) marginal effect of a change in interest rate volatility on attention is increasing in the planning horizon h.*

Proof. 1. Taking the first-order derivative of κ_{it} with respect to h we have:

$$\frac{\partial \kappa_{it}}{\partial h} = \frac{\lambda_{it} ln(\beta)}{\beta^h (\beta + (1-\beta) a_i^2) \sigma^2_{rt} (ln2)} < 0.$$

2. Taking the first-order derivative of κ_{it} with respect to λ_t we have:

$$\frac{\partial \kappa_{it}}{\partial \lambda_t} = -\frac{1}{\beta^h(\beta + (1-\beta)a_i^2)\sigma_{rt}^2(ln2)} < 0. \tag{B.55}$$

We then take the partial derivative of $\frac{\partial \kappa_{it}}{\partial \lambda_t}$ with respect to h:

$$\frac{\partial^2 \kappa_{it}}{\partial \lambda_t \partial h} = \frac{ln(\beta)|a_i|}{\beta^h(\beta + (1-\beta)a_i^2)\sigma_{rt}^2(ln2)} < 0. \tag{B.56}$$

A change in λ_t has a smaller effect on the attention of consumers with plans in the near future.

3. Taking the first-order derivative of κ_{it} with respect to σ_{rt} we have:

$$\frac{\partial \kappa_{it}}{\partial \sigma_{rt}} = \frac{2\lambda_{it}}{\beta^h(\beta + (1-\beta)a_i^2)\sigma_{rt}^3(ln2)} > 0. \tag{B.57}$$

We then take the partial derivative of $\frac{\partial \kappa_{it}}{\partial \sigma_{rt}}$ with respect to h:

$$\frac{\partial^2 \kappa_{it}}{\partial \sigma_{rt} \partial h} = -\frac{2\sigma_{rt}\lambda_{it} ln(\beta)|a_i|}{\beta^h(\beta + (1-\beta)a_i^2)\sigma_{rt}^2(ln2)} > 0. \tag{B.58}$$

A change in σ_t has a smaller effect on the attention of consumers with plans in the nearer future.

□

B.6 Time-Varying Skin in the Game and Empirical Identification

Our baseline model treats skin in the game $|a_i|$ as consumer-specific but time-invariant, while empirically our proxy—planned major purchases—varies as consumers enter and exit purchase planning phases. This appendix shows that extending the model to allow time-varying a_{it} yields identical empirical predictions under the assumption that consumers choose attention myopically, based only on current circumstances. While this assumption is strong—it rules out forward-looking attention decisions that anticipate future changes in a_{it}—it is sufficient to validate our empirical approach, which exploits cross-sectional variation in atten-

tion within periods rather than within-consumer variation over time.

Suppose consumer i's skin in the game varies over time:

$$a_{it} = \bar{a}_i + \tilde{a}_{it}, \tag{B.59}$$

where $\bar{a}_i$ represents the baseline position, and $\tilde{a}_{it} = \Delta_i > 0$ when consumer i is planning a major purchase ($\tilde{a}_{it} = 0$ otherwise).

Consumers choose attention each period based on current circumstances, taking a_{it} as given. For tractability purposes, we assume that consumers i) "forget" that in the past, their "skin in the game" could have been different, that is, $|a_{i,t-1}| \neq |a_{it}|$, and ii) believe that their future "skin in the game" will always be $|a_{it}|$. Under this assumption, Proposition 1 applies period-by-period:

$$\kappa_{it} = \max\left(0, 1 - \frac{\lambda_{it}}{(\ln 2)\sigma_{rt}^2[\beta + (1-\beta)a_{it}^2]}\right). \tag{B.60}$$

Our empirical proxy for elevated skin in the game is:

$$|a_i| \equiv \mathbb{1}(\tilde{a}_{it} = \Delta_i) = \mathbb{1}(\text{planning major purchase in next month/year}). \tag{B.61}$$

Our baseline regression, (9), estimates:

$$\kappa_{it} = \gamma_t + \beta_1 |a_i| + X_i'\theta + \varepsilon_{it}, \tag{B.62}$$

where γ_t are time fixed effects (absorb σ_{rt}^2 and λ_t), X_i are demographics (proxy for λ_i), and ε_{it} captures unobserved attention determinants. The coefficient β_1 measures the difference in average attention between consumers planning purchases versus those not planning, within the same time period:

$$\beta_1 = \mathbb{E}[\kappa_{it} \mid |a_i| = 1] - \mathbb{E}[\kappa_{it} \mid |a_i| = 0]. \tag{B.63}$$

The OLS estimator $\hat{\beta}_1$ consistently estimates this difference under:

$$\mathbb{E}[\varepsilon_{it} \mid |a_i|, \gamma_t, X_i] = 0, \tag{B.64}$$

which holds when purchase timing is driven by idiosyncratic life-cycle events (marriage, job relocation, vehicle breakdown) orthogonal to unobserved attention determinants, conditional on γ_t and X_i. Appendix D provides supporting evidence for this exogeneity assumption.

Under this identification assumption, the model predicts $\beta_1 > 0$. To see this, we substitute the optimal attention rule (B.60) into (B.63):

$$\begin{aligned}\beta_1 = \mathbb{E}\left[1 - \frac{\lambda_{it}}{(\ln 2)\sigma_{r,t}^2[\beta + (1-\beta)(\bar{a}_i + \Delta_i)^2]} \mid |a_i| = 1\right] \\ - \mathbb{E}\left[1 - \frac{\lambda_{it}}{(\ln 2)\sigma_{rt}^2[\beta + (1-\beta)\bar{a}_i^2]} \mid |a_i| = 0\right].\end{aligned} \tag{B.65}$$

Since γ_t absorbs σ_{rt}^2 and X_i controls for λ_i, these variables have identical conditional expectations across both groups, yielding:

$$\beta_1 = \mathbb{E}\left[\frac{\lambda_{it}}{(\ln 2)\sigma_{rt}^2} \cdot \left(\frac{1}{\beta + (1-\beta)\bar{a}_i^2} - \frac{1}{\beta + (1-\beta)(\bar{a}_i + \Delta_i)^2}\right) \middle| \gamma_t, X_i\right]. \tag{B.66}$$

Since $\Delta_i > 0$ implies $(\bar{a}_i + \Delta_i)^2 > \bar{a}_i^2$, the term in parentheses is strictly positive, confirming $\beta_1 > 0$. This cross-sectional difference arises from temporarily elevated interest-rate sensitivity among consumers planning major purchases. Our identification strategy exploits variation across consumers within the same time period, not variation within consumers over time. Therefore, the model's prediction (Implication 1: $\partial \kappa_{it}/\partial |a_i| > 0$) translates directly to the empirical prediction $\beta_1 > 0$, regardless of whether individual a_i varies over time.

The same logic extends to all six implications in Section 2.3. Since our identification strategy conditions on γ_t (absorbing all aggregate variation) and X_i (proxying for persistent individual differences), each implication translates to a testable regression coefficient prediction. For example, Implication 5 predicts the marginal effect of λ_t on attention is smaller for consumers with $\tilde{a}_{it} = \Delta_i$ than those with $\tilde{a}_{it} = 0$. Equation (13) tests this prediction via a news supply $\times$ purchase planning interaction; Table 5 confirms the predicted negative coefficient.

B.7 Aggregate Attention to Monetary Policy

In this section, we show that i) solving for $^{*}_{p}$ is equivalent to maximizing a skin-in-the-game-weighted aggregate attention net of communication costs; and that ii) aggregate attention under communication with λ_p^* is increasing in σ_r^2 and it is the maximum attainable aggregate attention, given that λ_p cannot decrease below λ_p^*.

First, we show that the optimal communication problem is equivalent to policy makers maximizing a skin-in-the-game-weighted aggregate attention net of communication costs. Specifically,

$$\begin{aligned}
\lambda_p^* &= \arg\min_{\lambda_p} \left[\frac{\sigma_r^2}{2(1-\beta)} \int_{-\infty}^{\infty} (\beta + (1-\beta)a^2)(1 - \kappa_p(a,\lambda_p))\phi(a)da + \int_{-\infty}^{\infty} g(\lambda_p)\phi(a)da \right] \\
&= \arg\min_{\lambda_p} \left[-\frac{\sigma_r^2}{2(1-\beta)} \int_{-\infty}^{\infty} (\beta + (1-\beta)a^2)\kappa_p(a,\lambda_p)\phi(a)da + \int_{-\infty}^{\infty} g(\lambda_p)\phi(a)da \right] \\
&= \arg\max_{\lambda_p} \left[\underbrace{\frac{\sigma_r^2(\beta + (1-\beta)\mathbb{E}_\phi[a^2])}{2(1-\beta)}}_{\bar{\omega}} \int_{-\infty}^{\infty} \underbrace{\frac{\beta + (1-\beta)a^2}{\beta + (1-\beta)\mathbb{E}_\phi[a^2]}}_{=\omega(a)} \kappa_p(a,\lambda_p)\phi(a)da - \int_{-\infty}^{\infty} g(\lambda_p)\phi(a)da \right] \\
&= \arg\max_{\lambda_p} \int_{-\infty}^{\infty} \left[\bar{\omega}\omega(a)\kappa_p(a,\lambda_p) - g(\lambda_p) \right] \phi(a)da.
\end{aligned} \tag{B.67}$$

The solution to the problem is the same one laid out in Proposition 2.

Next, we try to understand how $\mathcal{K}_p$ varies with σ_r^2. Aggregate attention to monetary policy, following communication, is given by:

$$\mathcal{K}_p = 2 \int_{a_p^*}^{\infty} \left(1 - \frac{\lambda_p^*}{(ln2)\sigma_r^2(\beta + (1-\beta)a^2)} \right) \phi(a)da. \tag{B.68}$$

Using the Leibniz rule, it is trivial to show that $\mathcal{K}_p$ increases in σ_r^2:

$$\frac{\partial \mathcal{K}_p}{\partial \sigma_r} = 4 \int_{a_p^*}^{\infty} \frac{\lambda_p^*}{ln2\sigma_r^3(\beta + (1-\beta)a^2)} \phi(a)da \geq 0. \tag{B.69}$$

Finally, we show that $\mathcal{K}_p$ is the maximum attainable aggregate attention for any

$\lambda_p \in [\lambda_p^*, \lambda]$. Consider aggregate attention under communication for a generic λ_p:

$$\mathcal{K}_p = 2\int_{a_p}^{\infty} \left(1 - \frac{\lambda_p}{(ln2)\sigma_r^2(\beta + (1-\beta)a^2)}\right)\phi(a)da \tag{B.70}$$

Then,

$$\frac{\partial \mathcal{K}_p}{\partial \lambda_p} = \underbrace{-2\int_{a_p}^{\infty} \frac{\lambda_p}{(ln2)\sigma_r^2(\beta + (1-\beta)a^2)}\phi(a)da}_{\text{intensive margin } (-)} \underbrace{- \left(1 - \frac{\lambda_p}{(ln2)\sigma_r^2(\beta + (1-\beta)a^2)}\right)\phi(a_p)\frac{\partial a_p}{\partial \lambda_p}}_{\text{extensive margin}} \tag{B.71}$$

The sign of the extensive margin depends on the sign of $\frac{\partial a_p}{\partial \lambda_p} = \frac{a_p}{\sigma_r^2}\left(\frac{1}{2ln2(1-\beta)} + g'(\lambda_p)\right)$. Assumption 1 and Proposition 2 imply that $\left(\frac{1}{2ln2(1-\beta)} + g'(\lambda_p)\right) \geq 0$ for any $\lambda_p \geq \lambda_p^*$. Therefore, $\frac{\partial \mathcal{K}_p}{\partial \lambda_p} < 0$ for any $\lambda_p \in [\lambda_p^*, \lambda]$.

C Proofs

C.1 Proof of Proposition 2

We solve this by showing $L(\lambda_p(i))$ has a unique minimum, which depends on $|a_i|$. For any consumer with a_i, the policymaker chooses $\lambda_p(i)$ to:

$$\min_{\lambda_p(i)\geq\lambda}\left(\mathbb{V}(\lambda_p(i);a_i,\sigma_r^2)+g(\lambda_p(i))\right).$$

To ease notation, we define $\mathcal{L}_i=\mathbb{V}(\lambda_p(i);a_i,\sigma_r^2)+g(\lambda_p(i))$, that is:

$$\mathcal{L}(\lambda_p(i))=\begin{cases}\sigma_r^2\frac{\beta+(1-\beta)a_i^2}{2(1-\beta)}+g(\lambda_p(i)) & \text{if } \lambda_p(i)>(ln2)\sigma_r^2[\beta+(1-\beta)a_i^2]\equiv\bar{\lambda}_i\\ \frac{\lambda_p(i)}{2ln2(1-\beta)}+g(\lambda_p(i)) & \text{otherwise.}\end{cases}$$

$\mathcal{L}(.)$ is decreasing and convex for any $\lambda_p(i)>\bar{\lambda}_i$. If $\mathcal{L}(.)$ is also decreasing for $\lambda_p(i)\leq\bar{\lambda}_i$, then $\mathcal{L}(.)$ is minimized for $\lambda_p(i)=\lambda$. Since $g(\lambda)=0$, we have that $\mathcal{L}(\lambda)>0$ and that $\mathcal{L}(\lambda_p(i))=0$ for some $\lambda_p(i)>\lambda$.

Otherwise, suppose $\mathcal{L}(.)$ has a local minimum at $\underline{\lambda}_p\in[0,\bar{\lambda}_i]$, where $\underline{\lambda}_p$ satisfies $g'(\underline{\lambda}_p)=-1/(2ln2(1-\beta))$. If $\lambda<\underline{\lambda}_p$, then the solution of the problem is λ. If $\bar{\lambda}_i\leq\lambda$, then the solution is $\underline{\lambda}_p$ iff $\mathcal{L}(\underline{\lambda}_p)=\frac{\underline{\lambda}_p}{2ln2(1-\beta)}+g(\underline{\lambda}_p)<\mathcal{L}(\lambda)=\sigma_r^2\frac{\beta+(1-\beta)a_i^2}{2(1-\beta)}\iff|a_i|>\sqrt{\frac{\underline{\lambda}_p}{(ln2)\sigma_r^2(1-\beta)}-\frac{\beta}{1-\beta}+2\frac{g(\underline{\lambda}_p)}{\sigma_r^2}}$. Therefore, there exists a unique optimal unit cost of information $\lambda_p^*=\underline{\lambda}_p<\lambda$ applied to any consumer whose "skin in the game" satisfies $|a_i|>\sqrt{\frac{\lambda_p^*}{(ln2)\sigma_r^2(1-\beta)}-\frac{\beta}{1-\beta}+2\frac{g(\lambda_p^*)}{\sigma_r^2}}\equiv a_p^*$.

Next, we show that $a_p^*\geq a^*$:

$$\begin{aligned}(a_p^*)^2-(a^*)^2&=\frac{\lambda_p^*-\lambda}{(ln2)\sigma_r^2(1-\beta)}+2\frac{g(\lambda_p^*)}{\sigma_r^2}=\frac{2}{\sigma_r^2}\left[\frac{\lambda_p^*-\lambda}{2(ln2)(1-\beta)}+g(\lambda_p^*)\right]\\&=\frac{2}{\sigma_r^2}\left[(\lambda-\lambda_p^*)g'(\lambda_p^*)+g(\lambda_p^*)\right]\leq g(\lambda)=0,\end{aligned}\tag{C.72}$$

where the inequality follows from the assumption that $g(\lambda_p)$ is convex.

D "Skin in the Game" Endogeneity: Empirical Evidence

A potential concern is reverse causality: hearing monetary policy news might cause purchase plans rather than purchase plans driving attention. We address this through two empirical tests and two falsification exercises that collectively cast doubt on endogeneity of skin in the game in our data.

D.1 Demographic Homogeneity

If attention/news causes purchase plans (reverse causality), the measured effect of purchase plans on attention should concentrate among younger households (more likely first-time buyers, more financing-sensitive) and disappear for older households (lower purchase propensity, often cash buyers).

Figure D.8 shows that the coefficients in Table 1 are relatively stable across age groups. The positive effect of skin in the game on attention remains statistically significant across all ages. Even for 65+ households—that are least likely to finance purchases and thus least responsive to interest rate news—the coefficient remains positive and significant. This uniform pattern contradicts reverse causality but aligns with our model: purchase plans drive attention endogenously, regardless of demographic profile.

D.2 Stability Across Interest Rate Regimes

If attention causes purchase plans, the positive correlation between purchase plans and attention should vary systematically with rate conditions: strengthening when news signals favorable borrowing conditions (low/falling rates) and weakening or turning negative when news signals unfavorable conditions (high/rising rates).

Figure D.9 shows estimates of β_1 when equation (9) is estimated over 30-day rolling windows. These cover periods when the federal funds rate was low; rising; high and stable; and falling. The positive effect of one-month purchase plans on attention remains stable over time (coefficients around 0.3-0.4), never changing sign despite the shifts in borrowing conditions. If attention/news caused plans, the coefficient should have turned negative during the 2022-23 tightening period when

attentive consumers should have postponed purchases. Instead, the consistently positive coefficient indicates purchase plans drive attention regardless of whether news suggests favorable or unfavorable times to borrow. Additionally, Figure D.9 shows that one-month-ahead plans generate larger effects than one-year-ahead plans, with this gap remaining stable across time. Under reverse causality, this gap should vary with interest rate conditions (narrowing when rates are favorable as informed consumers accelerate distant plans). The stable gap instead indicates that planning horizon—not rate news—drives the relationship, consistent with Corollary 3.

D.3 Falsification Test 1: Do Attention Shifters Explain Purchase Plans?

We formalize the regime stability analysis by directly estimating whether (plausibly exogenous) attention shifters predict purchase plans:

$$a_{it} = \gamma_t + \beta_1 \text{DaysToFOMC}_t + \beta_2 \text{NewsCount}_t + \beta_3 \sigma_{rt} + X_i'\theta + \varepsilon_{it}, \tag{D.73}$$

separately for different policy regimes (zero lower bound, rate hikes, pause I, rate cuts, pause II). Under reverse causality, consumers exposed to monetary policy news should form purchase plans when they learn that interest rates are favorable. Under our rational inattention hypothesis, $\beta_1 = \beta_2 = \beta_3 = 0$ in all regimes, since purchase plans are primarily driven by life-cycle factors orthogonal to high-frequency news exposure.

Tables D.1-D.4 show that none of the attention shifters significantly and systematically predict purchase plans in any regime. Across all specifications—housing and vehicles, one-month and one-year horizons, Federal Reserve news and monetary policy news—coefficients tend to be small in magnitude and statistically insignificant.

Table D.1: One-Month-Ahead Housing Purchase Plans on Attention Shifters.

	(1) ZLB	(2) Rate Hikes	(3) Pause I	(4) Rate Cuts	(5) Pause II
Days to FOMC meeting	0.00	-0.00	0.00	0.00	0.00*
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
MP News (std. 1w MA)	0.00	-0.00	0.00	0.02	-0.01
	(0.02)	(0.00)	(0.01)	(0.01)	(0.01)
1y Treasury SD	-0.04	0.02	-0.63***	0.44	0.02
	(0.79)	(0.04)	(0.23)	(0.40)	(0.30)
Constant	0.09**	0.11***	0.18***	0.04	0.11***
	(0.04)	(0.01)	(0.03)	(0.04)	(0.02)
Demographic controls	Yes	Yes	Yes	Yes	Yes
Time fixed effects	Yes	Yes	Yes	Yes	Yes
Observations	7040	40399	9113	6117	12497
Adj. R^2	0.13	0.18	0.20	0.08	0.12

Note: The table reports the estimates of β_1, β_2, and β_3 in equation (D.73), where $a_{it} = 1$ if the respondent plans to purchase a home in the next month and 0 otherwise. "MP News" is the one-week moving average of daily "monetary policy" article counts, standardized by the mean and standard deviation in 2021. Robust standard errors in parentheses. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table D.2: One-Month-Ahead Vehicle Purchase Plans on Attention Shifters.

	(1) ZLB	(2) Rate Hikes	(3) Pause I	(4) Rate Cuts	(5) Pause II
Days to FOMC meeting	-0.00	-0.00	0.00	-0.00	0.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
MP News (std. 1w MA)	0.00	0.00	0.01	0.04***	0.01
	(0.02)	(0.00)	(0.01)	(0.01)	(0.01)
1y Treasury SD	0.63	0.03	-0.20	0.58	0.10
	(0.87)	(0.04)	(0.22)	(0.40)	(0.31)
Constant	0.03	0.09***	0.14***	0.09**	0.11***
	(0.04)	(0.01)	(0.03)	(0.04)	(0.02)
Demographic controls	Yes	Yes	Yes	Yes	Yes
Time fixed effects	Yes	Yes	Yes	Yes	Yes
Observations	7040	40399	9113	6117	12497
Adj. R^2	0.12	0.15	0.16	0.06	0.10

Note: The table reports the estimates of β_1, β_2, and β_3 in equation (D.73), where $a_{it} = 1$ if the respondent plans to purchase a vehicle in the next month and 0 otherwise. "MP News" is the one-week moving average of daily "monetary policy" article counts, standardized by the mean and standard deviation in 2021. Robust standard errors in parentheses. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table D.3: One-Year-Ahead Housing Purchase Plans on Attention Shifters.

	(1) ZLB	(2) Rate Hikes	(3) Pause I	(4) Rate Cuts	(5) Pause II
Days to FOMC meeting	-0.00	-0.00	0.00	0.00	0.00***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
MP News (std. 1w MA)	0.02	0.00	-0.00	0.04*	0.01
	(0.02)	(0.00)	(0.01)	(0.02)	(0.01)
1y Treasury SD	-0.19	0.02	0.22	-0.38	-0.82**
	(0.92)	(0.04)	(0.25)	(0.58)	(0.34)
Constant	0.15***	0.14***	0.15***	0.20***	0.21***
	(0.04)	(0.01)	(0.03)	(0.05)	(0.03)
Demographic controls	Yes	Yes	Yes	Yes	Yes
Time fixed effects	Yes	Yes	Yes	Yes	Yes
Observations	7040	40399	9113	6117	12497
Adj. R^2	0.11	0.18	0.21	0.12	0.16

Note: The table reports the estimates of β_1, β_2, and β_3 in equation (D.73), where $a_{it} = 1$ if the respondent plans to purchase a home in the next year and 0 otherwise. "MP News" is the one-week moving average of daily "monetary policy" article counts, standardized by the mean and standard deviation in 2021. Robust standard errors in parentheses. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table D.4: One-Year-Ahead Vehicle Purchase Plans on Attention Shifters.

	(1) ZLB	(2) Rate Hikes	(3) Pause I	(4) Rate Cuts	(5) Pause II
Days to FOMC meeting	0.00*	-0.00	0.00	-0.00	0.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
MP News (std. 1w MA)	-0.02	-0.00	0.03**	-0.02	0.01*
	(0.02)	(0.00)	(0.01)	(0.02)	(0.01)
1y Treasury SD	0.28	-0.02	0.71**	-0.45	-0.49
	(1.03)	(0.05)	(0.28)	(0.60)	(0.39)
Constant	0.16***	0.15***	0.10***	0.21***	0.16***
	(0.05)	(0.01)	(0.03)	(0.05)	(0.03)
Demographic controls	Yes	Yes	Yes	Yes	Yes
Time fixed effects	Yes	Yes	Yes	Yes	Yes
Observations	7040	40399	9113	6117	12497
Adj. R^2	0.08	0.13	0.16	0.08	0.10

Note: The table reports the estimates of β_1, β_2, and β_3 in equation (D.73), where $a_{it} = 1$ if the respondent plans to purchase a vehicle in the next year and 0 otherwise. "MP News" is the one-week moving average of daily "monetary policy" article counts, standardized by the mean and standard deviation in 2021. Robust standard errors in parentheses. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

D.4 Falsification Test 2: Treatment Effect Stability Across Attention Periods

Under reverse causality, the measured effect of purchase plans on attention should be spuriously inflated during (exogenously) high-attention periods through compositional shifts: consumers forming or abandoning purchase plans in response to news. We test this by augmenting equation (9) with an interaction term:

$$\kappa_{it} = \gamma_t + \beta_1 |a_{it}| + \beta_2 (|a_{it}| \times \text{HighAttention}_t) + X_i'\theta + \varepsilon_{it}, \tag{D.74}$$

where HighAttention_t is a dummy variable taking four forms below: (i) $\text{PostFOMC}_t = 1$ if closer to the previous FOMC meeting than the next one (minimum 1 day after), (ii) $\text{HighFedNews}_t = 1$ if Federal Reserve news count at 75th percentile or above, (iii) $\text{HighMPNews}_t = 1$ if monetary policy news count at 75th percentile or above, and (iv) $\text{HighVolatility}_t = 1$ if σ_{rt} at 75th percentile or above. Under reverse causality, $\beta_2 > 0$: the skin-in-the-game effect should strengthen when news abundance makes it easier for attention to cause plan formation. Under our hypothesis of exogenous skin in the game, $\beta_2 = 0$: the effect should be stable across information environments.

Tables D.5 and D.6 show that the estimated interaction coefficients are uniformly small and statistically insignificant across specifications. The only significant interaction is with high volatility, but this effect is *negative*—opposite the prediction under reverse causality. The effect of purchase plans on attention remains constant whether measured during high- or low-attention periods, contradicting the compositional shifts predicted by reverse causality.

These tests rely on the plausible assumption that the timing of FOMC meetings, news coverage around meetings, and interest rate volatility are exogenous to individual purchase decisions, given that: (i) FOMC dates are pre-scheduled and announced well in advance; (ii) news coverage spikes mechanically around FOMC announcements; and (iii) interest rate volatility reflects aggregate Fed policy and macroeconomic shocks rather than individual behavior.

Taken together, these four pieces of evidence—demographic homogeneity, stability across interest rate regimes, null effects of attention shifters on purchase

plans, and treatment effect stability—provide strong support for the exogeneity of skin in the game. The data consistently indicate that purchase plans drive attention to monetary policy, not the reverse.

Figure D.8: Effect of "Skin in the Game" on Attention by Age

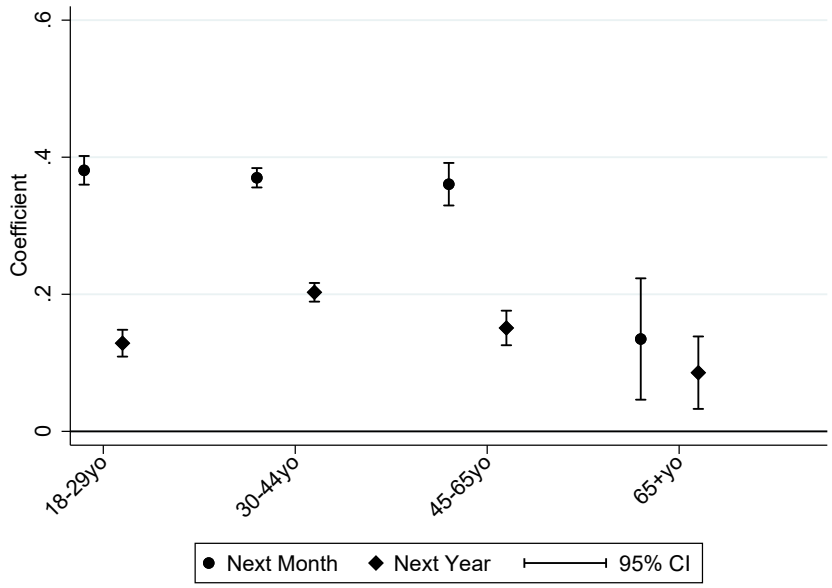


Figure D.9: Effect of "Skin in the Game" on Attention across Time

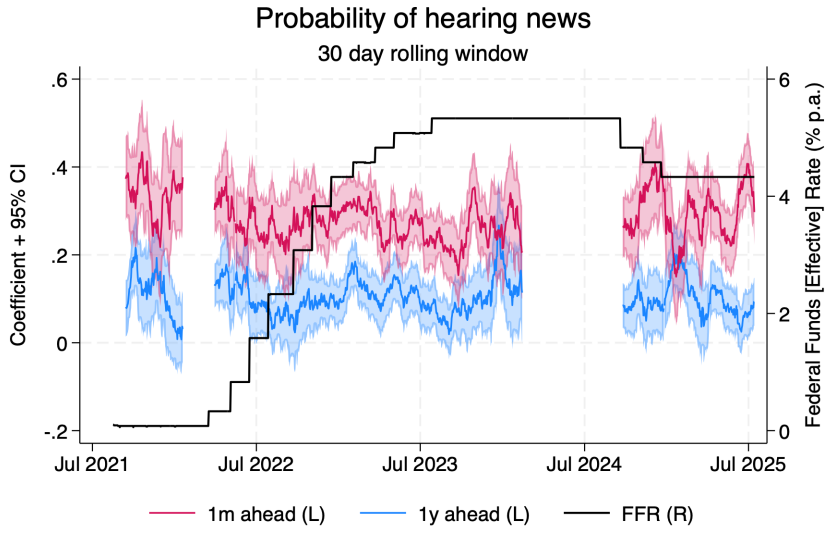


Table D.5: One-Month-Ahead Purchase Plans on Attention Shifters.

	Housing				Vehicles			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Durable plans (1m)	0.37***	0.37***	0.37***	0.39***	0.31***	0.31***	0.31***	0.33***
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Plans x post FOMC	-0.01				-0.01			
	(0.01)				(0.02)			
Plans x high Fed news		-0.01				-0.00		
		(0.01)				(0.01)		
Plans x high MP news			0.00				0.01	
			(0.01)				(0.01)	
Plans x high Tsy SD				-0.03***				-0.03***
				(0.01)				(0.01)
Constant	0.05***	0.05***	0.05***	0.05***	0.06***	0.06***	0.06***	0.06***
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Demographic controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Time fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	75262	75166	75166	75262	75262	75166	75166	75262
Adj. R^2	0.20	0.20	0.20	0.20	0.19	0.19	0.19	0.19

Note: The table reports the estimates of β_1 and β_2 in equation (D.74) for a variety of "high attention" proxy variables. "Post FOMC" = 1 between 1 and 7 days after an FOMC meeting and 0 otherwise. (We do not count the day of the meeting, as the vast majority of our responses are collected in the morning, before the press statement is released in the afternoon.) Both "high Fed news" and "high MP news" are 1 on days when the respective article count is at or above the 75th percentile in our sample, and 0 otherwise. "High Tsy SD" equals 1 when the standard deviation of the one-year Treasury yield over the past 30 days is above its in-sample median. Robust standard errors in parentheses. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table D.6: One-Year-Ahead Purchase Plans on Attention Shifters.

	Housing				Vehicles			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Durable plans (1y)	0.24***	0.23***	0.23***	0.25***	0.15***	0.15***	0.15***	0.15***
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Plans x post FOMC	0.01				0.04***			
	(0.01)				(0.01)			
Plans x high Fed news		0.01				0.02*		
		(0.01)				(0.01)		
Plans x high MP news			0.02				0.01	
			(0.01)				(0.01)	
Plans x high Tsy SD				-0.02**				-0.00
				(0.01)				(0.01)
Constant	0.05***	0.05***	0.05***	0.05***	0.07***	0.07***	0.07***	0.07***
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Demographic controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Time fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	75262	75166	75166	75262	75262	75166	75166	75262
Adj. R^2	0.17	0.17	0.17	0.17	0.16	0.16	0.16	0.16

Note: The table reports the estimates of β_1 and β_2 in equation (D.74) for a variety of "high attention" proxy variables. "Post FOMC" = 1 between 1 and 7 days after an FOMC meeting and 0 otherwise. (We do not count the day of the meeting, as the vast majority of our responses are collected in the morning, before the press statement is released in the afternoon.) Both "high Fed news" and "high MP news" are 1 on days when the respective article count is at or above the 75th percentile in our sample, and 0 otherwise. "High Tsy SD" equals 1 when the standard deviation of the one-year Treasury yield over the past 30 days is above its in-sample median. Robust standard errors in parentheses. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$