

Discussion of “How Inflation Expectations De-Anchor: The Role of Selective Memory Cues” by Nicola Gennaioli, Marta Leva, Raphael Schoenle, and Andrei Shleifer

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Summary of the Paper

Model with selective memory cues driving the formation of inflation expectations:

- **Database** Π_t : depends for instance on age
- **Cue** $\pi_{t,E}$: depends on the current period t , current inflation π_t and on the type of forecasting task
- Interaction between database and cue:
 - ▶ **Primacy** (cue triggers early memories in database),
 - ▶ **Recency** (cue triggers recent experience in database)
 - ▶ **Numerical similarity** (easier to recall past inflation experiences close to π_t , forecasts more likely close to average inflation experience)

Summary of the Paper

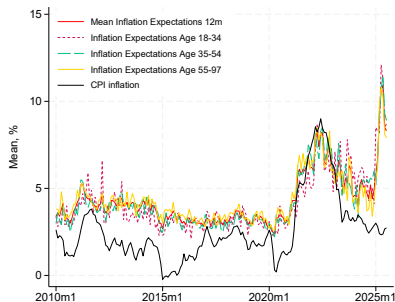
Model can explain different features in survey data of households' inflation expectations:

- Older cohorts increased inflation expectations earlier and faster at the start of the recent inflation surge
- Younger cohorts caught up quickly, raising their forecasts to similar levels
- Inflation expectations from point forecasts are systematically higher than those from density forecasts

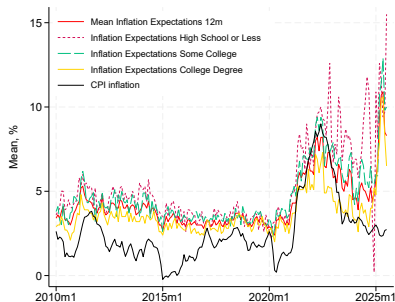
Comment I: Database

- ① Database Π_t : The paper focuses on differences between age cohorts. But databases may also differ systematically according to
- ▶ **Education/literacy** $\Rightarrow$ how well does the individual understand the concept of inflation and is able to correctly remember it?
 - ▶ **Personal inflation rate**, which varies with income, education, age... $\Rightarrow$ which inflation rate did an individual actually experience?
 - ▶ **Perceptions of current aggregate inflation** $\Rightarrow$ may differ from both personal and actual HICP inflation

Variation in Inflation Expectations Across Education and Income



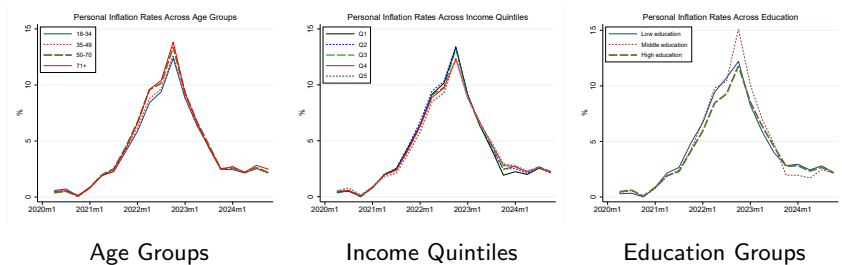
Age Groups



Education Groups

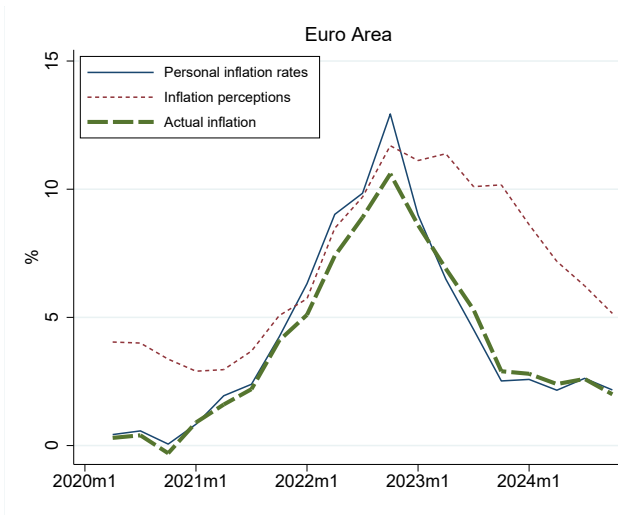
Note: University of Michigan Survey of Consumers, FRED database

Personal inflation rates across groups - measured according to individual spending shares in CPI goods categories



Note: ECB Consumer Expectations Survey (CES) and COICOP price indices, calculation based on Marenčák and Nghiem (2025)

Personal, perceived and actual inflation



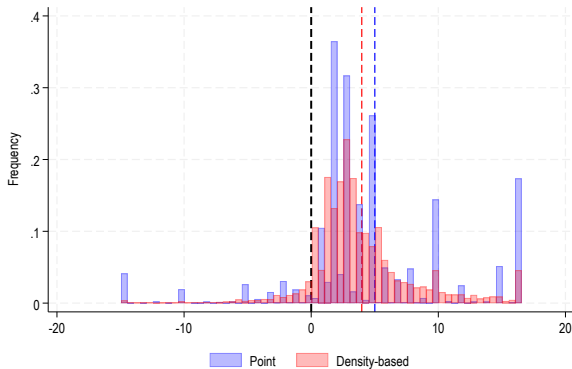
Note: ECB Consumer Expectations Survey (CES) and COICOP price indices, calculation based on Marenčák and Nghiem (2025)

Comment II: Inconsistency between point and density forecasts

② Inconsistency between point and density forecasts

- ▶ Results are consistent with Becker et al. (2025) showing that centering bins around individual's point forecasts improves the consistency and quality of forecasts
- ▶ Density forecasts include unbounded bins that show the upper/lower bound of the previous bin as numerical cue $\Rightarrow$ Relevance for implied cues when inflation surges sharply? Role of very high inflation point forecasts (literacy)?
- ▶ Role of **forecast uncertainty**: Point forecasts as multiple of 5 and density forecasts with 100% probability mass in one bin or same probability in all bins $\Rightarrow$ account for high forecast uncertainty in both point and density forecasts

Forecast uncertainty



Note: Figure 4 in the paper

Comment III: Linking Selective Memory to Rational Inattention Models

- ③ Individuals become better informed about inflation when inflation is high/volatile $\Rightarrow$ dynamic database and strong “imprint” of high inflation in database
- ④ Individuals endogenously choose when to pay attention to inflation $\Rightarrow$ consciously or unconsciously? How could this interact with selective recall?

In sum: great paper! Thank you!

References



Becker, C. K., P. Duersch, T. Eife, and A. Glas (2025).
Personalizing probabilistic survey scales.
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Marenčák, M. and G. Nghiem (2025).
Personal Inflation Rates in the Euro Area.
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