

Tell Me Something I Don't Already Know: Learning in Low and High-Inflation Settings

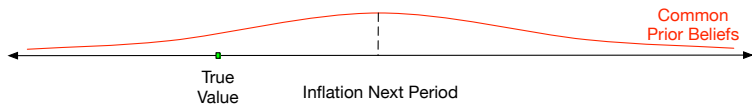
Weber et al

Discussion by Savitar Sundaresan

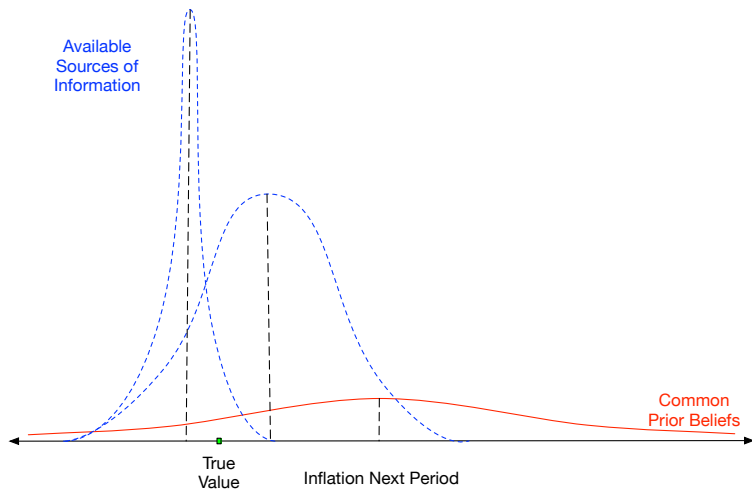
Imperial College

October 29, 2024

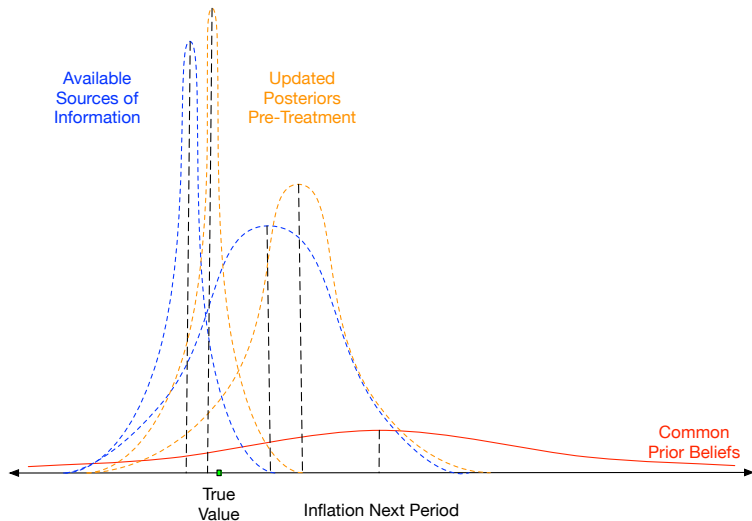
Quick Summary



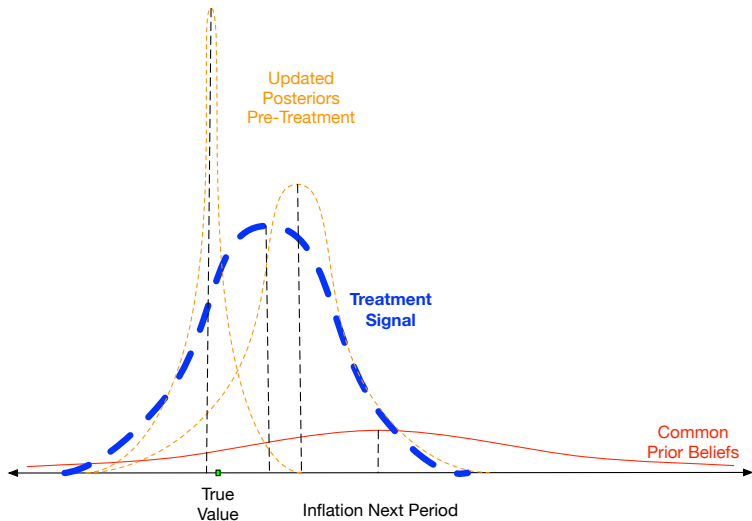
Quick Summary



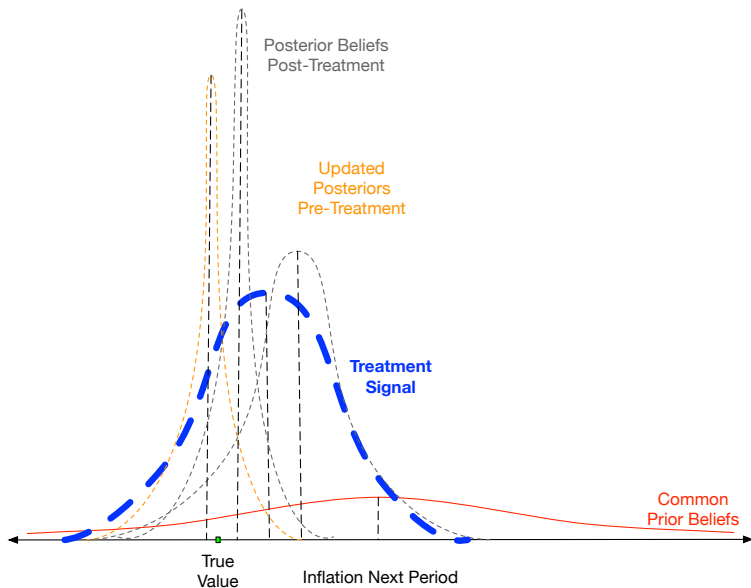
Quick Summary



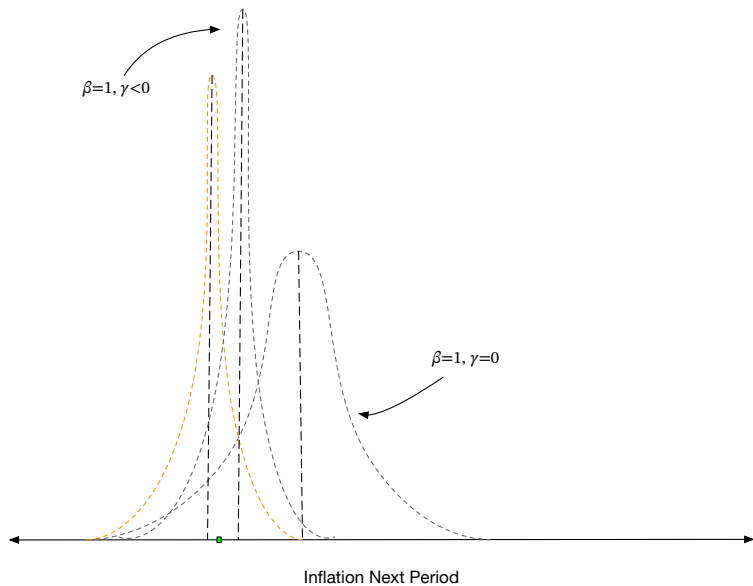
Quick Summary



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Quick Summary



What is attention theoretically?

- There is a random variable X_{t+1} whose realization I care about.
- X_{t+1} has some 'fundamental' or 'unconditional' entropy $H(X)$.
- The fundamental distribution of X_{t+1} is the same as my prior.
- I 'do attention' to something useful.
- The entropy of my posterior is lower.
- In a Gaussian setting - works through the second moment only.
- Mean of my distribution should converge to a new signal.

Can a new signal mean more uncertainty?¹

- There is a random variable X_{t+1} whose realization I care about.
- The determinants of X_{t+1} depend on the value of Y_t .
- I collect information on X_{t+1} making an assumption on Y_t is.
- Suppose I get a signal s about Y_t that is surprising.
- My ex-post beliefs about X_{t+1} will have *higher* entropy.
- *Means do not have to converge.*

¹Mackowiak and Wiederholt (2016), Sundareshan (2023).

More Detail

- Paper assumes that households believe Y_t and X_{t+1} are correlated.
- Explicitly, Y_t is an unbiased signal about X_{t+1}
- But unclear how some treatments could be viewed that way.

What is attention in practice?

- Did you look at something?
- How many times you looked at something?
- How long you spent looking at something?
- Many of these measures are non-monotonic with choice quality.

Other Stuff

- Normality assumptions - do any of the unconditional distributions come close to normality?
- Unbiased signal assumptions - are the treatments unbiased signals about the fundamental?
- Precision in language around beliefs, uncertainty, expected value - should probably use 'mean beliefs' or 'expected value' instead of 'beliefs'.
- If I'm shown data from an 'expert', will I treat it differently than if I found them on my own: could be that even though I already saw fed's estimate, I trust it more when it's shown to me by someone 'official'.
- Confusing narrative around what information requires processing and what not - I think a clear example here would help: prior to the treatment, I have to construct my own signal on future inflation from newspaper articles, and my own shopping experiences, which is costly. Being shown a signal for free is not costly.
- Trust in leadership is not same as perceived variance of signal - also trust in the fed seems highly correlated with the inflation level, so I don't feel like this channel has been rejected.

Conclusion

- Very nice paper, highly recommend.
- Direct evidence for the claim of learning is lacking.
- Mean convergence is consistent with different theories of learning.
- But evidence is *highly* suggestive.