
HKMetrics-Seminar@Heidelberg

Research seminar in Econometrics and Statistics

Households' Response to the Wealth Effects of Inflation

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Alfred-Weber-Institute, Bergheimer Str. 58, Room 00.010

Abstract: We study redistributive effects of inflation across households with varying nominal wealth positions using a randomized information experiment on clients of a large bank. On average, individuals are well informed about current levels of inflation and are concerned about its impact on their wealth; yet, most individuals are not aware of how inflation erodes nominal asset and debt positions. Once they receive information on this erosion channel, they update perceptions and expectations about their own net nominal positions. Learning about the inflation-induced erosion of nominal positions causally affects choices in hypothetical real-estate transactions and consumption plans. The findings suggest that household wealth mediates the sensitivity of consumption to inflation once households are aware of the balance-sheet effects of inflation.

(joint with Michael Weber, Chicago Booth, and Andreas Hackethal, Goethe University Frankfurt)