CES ifo Working Papers

12850
2026

July 2026

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CES ifo

Imprint:

CESifo Working Papers

ISSN 2364-1428 (digital)

Publisher and distributor: Munich Society for the Promotion
of Economic Research - CESifo GmbH

Poschingerstr. 5, 81679 Munich, Germany
Telephone +49 (0)89 2180-2740

Email office@cesifo.de
https://www.cesifo.org

Editor: Clemens Fuest

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Expert Inflation Preferences and the Evaluation of Monetary Policy*

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July 21, 2026

This paper has been accepted for publication in the Journal of International Economics.

Abstract

What inflation rate should central banks target? Using two global surveys, we provide evidence on inflation preferences among economic experts—the group whose models and judgments inform monetary policy. We document that, although experts' preferred inflation rates are centered on central-bank targets, roughly half of them deviate (symmetrically) from the target. Cross-expert heterogeneity in preferences is driven by (i) beliefs about the costs of disinflation, (ii) normative views on the relative importance of different central bank objectives, and (iii) inflation narratives. Finally, we show that experts' preferences influence their evaluations of monetary policy decisions, suggesting that experts' preferences are likely to matter for policymaking.

Keywords: Inflation Preferences, Optimal Inflation Rate, Economic Experts, Monetary Policy

JEL Codes: E31, E52, E58

*We would like to thank the editor, Martín Uribe, and two anonymous referees for their helpful and constructive comments. We also thank Joop Adema, Remo Gurtner, Alena Wabitsch, and Philipp Wangner for helpful comments and discussions.

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1 Introduction

Central banks worldwide target positive inflation rates, typically between 2 and 3 percent. Whether these targets reflect optimal levels of inflation has long been debated (e.g., Huang and Liu, 2005; Schmitt-Grohé and Uribe, 2010; Coibion et al., 2012; Oikawa and Ueda, 2018; Adam and Weber, 2019; Blanco, 2021). The 2021-23 global inflation surge has renewed interest in this question.

Following the 2009 financial crisis and a prolonged period of low inflation—during which concerns about the zero lower bound raised doubts about the effectiveness of conventional monetary policy—several proposals argued that central banks should increase their targets to 4 percent (e.g., Blanchard et al., 2010; Leigh, 2010; Ball, 2014). In response, many central banks adopted more flexible targeting frameworks that keep target rates unchanged but allow for temporary overshooting, make-up strategies, and state-contingent forward guidance. By contrast, the high-inflation episode of 2021–23 shifted attention toward re-anchoring expectations and restoring credibility as first-order policy objectives.

Central banks' positive inflation targets, however, stand in stark contrast to the preferences of households. Survey evidence consistently shows that households dislike inflation (Shiller, 1997; Stantcheva, 2024) and report substantially lower preferred inflation, often close to zero (Afrouzi et al., 2024; Pfajfar and Winkler, 2025). The preferences of households could be an argument for why central banks should aim to achieve lower inflation; aligning target rates with the public's (welfare) preferences.

This paper contributes to the debate on optimal inflation rates by studying inflation preferences among professional economic experts—the group whose models, judgments, and policy advice shape the design of monetary policy. Experts differ from households in terms of information, professional training, and the way they evaluate macroeconomic trade-offs. In particular, experts are accustomed to separating forecasts about economic outcomes from evaluations of policy objectives, making their responses a natural benchmark for policy-relevant economic reasoning.[1] Our results therefore offer complementary evidence on inflation preferences from agents who, unlike households, are trained to evaluate the macroeconomic benefits and costs of inflation. Previous work has also shown that experts' opinions influence the decisions and beliefs of policymakers and firms (Hjort et al., 2021; Lee, 2022; Link et al., 2023), and that experts play an important intermediary role in explaining policy to the public (Gründler et al., 2026), which makes studying experts' preferences important in its own right.

[1] By contrast, household preferences have been shown to be closely intertwined with inflation expectations, causing their preferences often to co-move with beliefs about future inflation and monetary policy credibility (Dräger et al., 2022; Michelacci and Paciello, 2024; Pfajfar and Winkler, 2025).

Using a tailored survey among 1,192 renowned economists, we provide global evidence on experts' inflation preferences.[2] We elicit experts' preferred inflation rates for their countries of expertise, along with beliefs about the inflation–unemployment trade-off, normative views on central-bank objectives, and inflation narratives. We use these data to characterize experts' preferences, and to examine how structural beliefs and normative considerations shape these preferences. A follow-up survey three months later allows us to study whether experts' preferences matter for their evaluations of realized monetary policy decisions.

We document four main findings. First, experts' preferred inflation rates are centered on central-bank targets. The median (mean) preferred rate is 2.00 (2.96) percent, and the median expert selects exactly the official target. However, roughly half of experts choose a rate different from the target, with three-quarters lying within ±0.5 percentage points. Deviations are symmetric around the target with median absolute deviations of 0.65-0.85 percentage points. Elevated inflation preferences relative to the central bank targets are more common in recent high-inflation environments.

Second, experts differ in their currently perceived cost of disinflation, as measured by sacrifice ratios. We document that experts' perceived sacrifice ratios are positively related to their preferred inflation rates. Quantitatively, a one-percentage-point increase in the perceived unemployment cost of disinflation is associated with roughly a 0.34 percentage point higher preferred inflation rate. We find evidence for state dependence, where recent high-inflation environments amplify the mapping from sacrifice ratios to preferred inflation rates. Those results can be explained by a globally convex Phillips curve as part of experts' mental models, in which experts perceive that raising the inflation target moves output closer to its potential and yields a more favorable policy trade-off for stabilizing business cycle fluctuations. The key mechanism behind this is that experts who perceive the current sacrifice ratio to be sub-optimally high prefer raising average inflation to steepen the Phillips curve, which lowers the sacrifice ratio and improves the policy trade-off due to cost-push shocks.

In contrast to findings from household surveys, we find no evidence that macroeconomic expectations—inflation or growth expectations—are significantly related to experts' preferred inflation rates. This is consistent with a clear separation between expectations and policy evaluation disciplined by structural beliefs. Given the tight clustering of preferences around targets, these structural beliefs account for a substantial share of cross-expert disagreement.

[2]Our analysis focuses on economic experts, not on professional forecasters. Economic experts primarily interpret and evaluate policy rather than produce routine forecasts. Importantly, survey responses from academic experts are less likely to be distorted by strategic reporting than those from professional forecasters (e.g., Félix et al., 2021; Baley and Turén, 2023; Gemmi and Valchev, 2025).

Third, normative views on central-bank objectives and inflation narratives are systematically associated with experts' preferred inflation rates. Experts who prioritize price or financial-market stability report lower preferred inflation than those who emphasize output or exchange-rate stability. In their open-ended explanations, experts favoring below-target inflation more frequently cite inflation aversion and distributional concerns, whereas those favoring above-target inflation emphasize trade-offs between real activity and prices, weak demand, and supply shocks. The latter reasons are particularly interesting because they reveal that experts perceive management of aggregate demand and business cycle stabilization as a first-order concern that affects their preferred inflation rate. This contrasts with many macroeconomic models, where the gains from business cycle stabilization can be of second-order importance (e.g., Lucas, 2003).

Finally, we show that experts' normative inflation preferences are consequential for their subsequent evaluations of realized monetary policy decisions, which we elicit three months later in our follow-up survey. Following interest-rate hikes, experts who prefer higher inflation rates evaluate the decision significantly more negatively than experts who prefer lower inflation rates. For interest-rate cuts, we observe the opposite pattern. The marginal effect is economically meaningful: A one percentage point higher preferred inflation rate reduces approval of a hike by about 0.16 points on a five-point evaluation scale. These results suggest that experts' policy evaluations are not solely based on observable fundamentals but rather conform to their preferences. Given previous findings that providing research expertise to policymakers has a high chance of initiating policy changes (Hjort et al., 2021; Vivalt et al., 2025), our results suggest that experts' preferences might be an important input for policymaking.

Contribution to the literature Our paper contributes to four strands of the literature. The first strand concerns "optimal" inflation rates. Using surveys, it has been extensively documented that U.S. households prefer inflation rates close to zero (Shiller, 1997; Stantcheva, 2024; Afrouzi et al., 2024; Pfajfar and Winkler, 2025). Relative to these papers, we survey economic experts, who report preferred inflation rates well above zero, demonstrating that experts understand that disinflation is costly—an aspect that is likely not fully understood by households. Further complementary is Ambrocio et al. (2022), who elicit experts' inflation target preferences, whereas we elicit inflation preferences that are not related to additional concerns such as central bank credibility. We further contribute to this literature by relating inflation preferences to sacrifice ratios and narratives from open-ended text questions.

Instead of surveys, much of this literature relies on structural models to characterize how specific channels affect (Ramsey-)optimal inflation rates, see Adam and Weber (2025)

for an overview. These channels include, e.g., the zero lower bound (Adam and Billi, 2007; Coibion et al., 2012; Blanco, 2021), downward nominal wage rigidities (Benigno and Ricci, 2011), and product life-cycle price trends (Adam and Weber, 2019; Adam et al., 2022). Depending on the model, the literature reports a wide range of optimal inflation rates, which can be negative, positive, or zero.[3] Given that determining the optimal inflation rate is of first-order importance, we believe that asking experts is complementary to the theoretical literature, as experts may aggregate different channels into a final number by weighting them according to their importance in their countries of expertise. This also suggests that it is important to understand which channels drive experts' assessments. Our evidence suggests that considerations related to the stabilization of business cycle fluctuations are perceived to be important.

Second, we also contribute to the literature that measures the cost of disinflation and households' willingness to accept such costs. Several papers quantify *acceptable* sacrifice ratios based on directly surveying households (Pfajfar and Winkler, 2025; Georgarakos et al., 2025) or indirectly via surveys capturing life satisfaction (Di Tella et al., 2001; Hofstetter and Rosas, 2021). The *actual* cost of disinflation is, e.g., implied by estimates of the slope of the Phillips curve (e.g., Stock and Watson, 2020; Hazell et al., 2022).[4] Our elicited perceived sacrifice ratios are remarkably close to the acceptable sacrifice ratios in the literature, but considerably smaller than those implied by typical estimates of the slope of the Phillips curve. This difference may be attenuated by a steepening of the Phillips curve during the post-Covid-19 inflation surge (e.g., Forbes et al., 2021; Benigno and Eggertsson, 2023).

The third strand of literature emphasizes the importance of experts in the design of economic policies. Existing research shows that experts' expectations adjust quickly to new policy signals (Boumans et al., 2024; Dräger et al., 2025), experts' views influence the expectations of households and firms (Link et al., 2023; Gründler et al., 2026), and can be highly informative for policy design (Drupp et al., 2024)—highlighting that research and expert inputs affect policy (Hjort et al., 2021). Yet, very little is known about experts' inflation preferences, the determinants of these preferences, and whether they influence experts' evaluations of policy decisions. We fill this gap.

Finally, we relate to the broad literature on macroeconomic expectations and preferences. Many papers study the determinants of households' and firms' inflation expectations (e.g., Dräger et al., 2016; Coibion et al., 2018; Lamla et al., 2019; Weber et al., 2022; Dräger et al., 2024; Dräger and Nghiem, 2025), highlighting how limited financial literacy, inattention, and

[3] In Section 3.1, we also provide a systematic comparison between experts' preferred inflation rates and the predictions of macroeconomic models.

[4] Relatedly, Gibbs and Kulish (2017) study disinflation episodes and find a wide range of sacrifice ratios that vary considerably across space and time.

low engagement constrain their understanding of monetary policy signals and inflation dynamics (see, e.g., Lamla and Vinogradov, 2019; Binder et al., 2024; Dräger, 2025).[5] Instead, we demonstrate that experts' expectations are not linked to their policy preferences.

2 Data

2.1 Sample

We collect the expert surveys via special modules of the Economic Expert Survey (EES), which is the largest regularly conducted survey of professional economists globally (see Gründler et al., 2023 and Heil and Potrafke, 2025 for details). The survey, which succeeded the World Economic Survey (WES) initiated in 1981, is collected by the ifo Institute in Munich (Germany) and the CESifo research network. It asks renowned international economic experts about their evaluation of economic policies in their country of expertise and publishes these results in a quarterly report.

The professional economists covered in the EES, which include Nobel Prize winners in economics and members of national councils of economic advisors, have a high academic impact, shape national debates, and are influential in designing economic policies. Participating academic experts in our sample have an average of 4,734 Google Scholar citations (median: 1,650).

The main survey was fielded from December 4 to December 19, 2024. Overall, we record responses from 1,192 experts around the globe (response rate: 15%). 56% of the participants work in Europe, 10% are recruited from North America, 14% from Asia, 9% from Africa, 3% from Oceania, and 8% from South America. The majority of experts work in universities (61%). Other participants are employed at research institutes (16%), central banks (6%), the private sector (10%), the public sector (5%), and 2% in 'other'. Furthermore, about 83% of the experts are male, with an average age of 55 years (standard deviation of 12 years). 39% of the sample are macroeconomists (defined as having a primary focus on topics with JEL code *"E: Macroeconomics and Monetary Economics"*).

The follow-up survey was fielded three months later, between March 11 and March 26, 2025. In total, 902 (76%) of the respondents who participated in the main survey also completed the follow-up survey.

[5] Households appear to be more attentive to monetary policy in high-inflation environments (Pfajfar and Žakelj, 2014; Weber et al., 2025), consistent with attention thresholds (Pfäuti, 2023; Korenok et al., 2023).

2.2 The Expert Surveys

Appendix E provides the full questionnaires, which we briefly discuss here.

2.2.1 Main Survey (December 2024)

Inflation preferences and expectations Our main question of interest elicits experts' inflation *preferences*. Previous research has shown that households report higher subjective "optimal" inflation when asked what is *"best for the economy"* (Pfajfar and Winkler, 2025) than when asked what is *"best for you and your family"* (Afrouzi et al., 2024). We follow the preference-elicitation design of Pfajfar and Winkler (2025), eliciting perceived optimal inflation rates for their countries' economies, not for their personal situations. Specifically, respondents were asked the following question:
"In your opinion, what is the inflation rate that would be optimal for the economy in [Country]? In a typical year, the inflation rate (in %) should optimally be: __".

We also elicit respondents' one-, two-, and four-year-ahead inflation and growth *expectations* via a standard point-forecast question.

Central bank's inflation targets We collect data on the inflation target of all central banks in the world. In total, 81% of the respondents in our sample provide expertise for a country with an inflation-targeting central bank. Whenever a respondent's preferred inflation rate differs from the official central bank's inflation target, we asked for their main reason for the lower or higher preference via free-text answers.[6]

Sacrifice ratios Next, we elicit beliefs on the inflation-unemployment trade-off, which we refer to as sacrifice ratios throughout:
"Given the current economic conditions in [Country], what increase in the unemployment rate in percentage points would you expect when the inflation rate is reduced by 1 percentage point over the next year?".
This question measures the perceived costs of disinflation (a marginal rate of transformation concept), *not* the personal relative preferences of the experts (the *acceptable* sacrifice ratio, which is a marginal rate of substitution concept; see Pfajfar and Winkler, 2025). As such, experts' answers closely relate to their perceived slope of the Phillips curve, where a flatter Phillips curve implies higher sacrifice ratios.

[6] A limited number of central banks target inflation ranges instead of a fixed target (in 8 countries, representing 6% of all participants). For these countries, we do not calculate deviations from the target, but we do elicit narratives when their preferred inflation rate deviates from the mid-point of the target range.

Central-bank objectives We ask respondents to rank five objectives of central banks—price stability, output stability, financial market stability, exchange-rate stability, climate protection—in terms of importance on a five-point scale. These options were presented in randomized order, and respondents were given the option to leave objectives unranked if they thought that an option should not be an objective of a central bank.

2.2.2 Follow-up Survey (March 2025)

Expectation-formation To substantiate our results on the (missing) relationship between expectations and preferences, we ask experts which factors (e.g., central bank communications, past inflation trends, or price trends in markets) influence their inflation expectations. This allows to assess whether different inputs in the process of forming inflation expectations matter for their preferences.

Evaluation of monetary policy decisions We elicit experts' evaluations of the most recent interest rate decision of the respective central bank on a range from -2 (very negative) to +2 (very positive). Experts are given the option to indicate that they are unaware of the last monetary policy decision. Finally, we also ask experts how they expect the respective central bank to adjust interest rates in the next three months.

3 Results

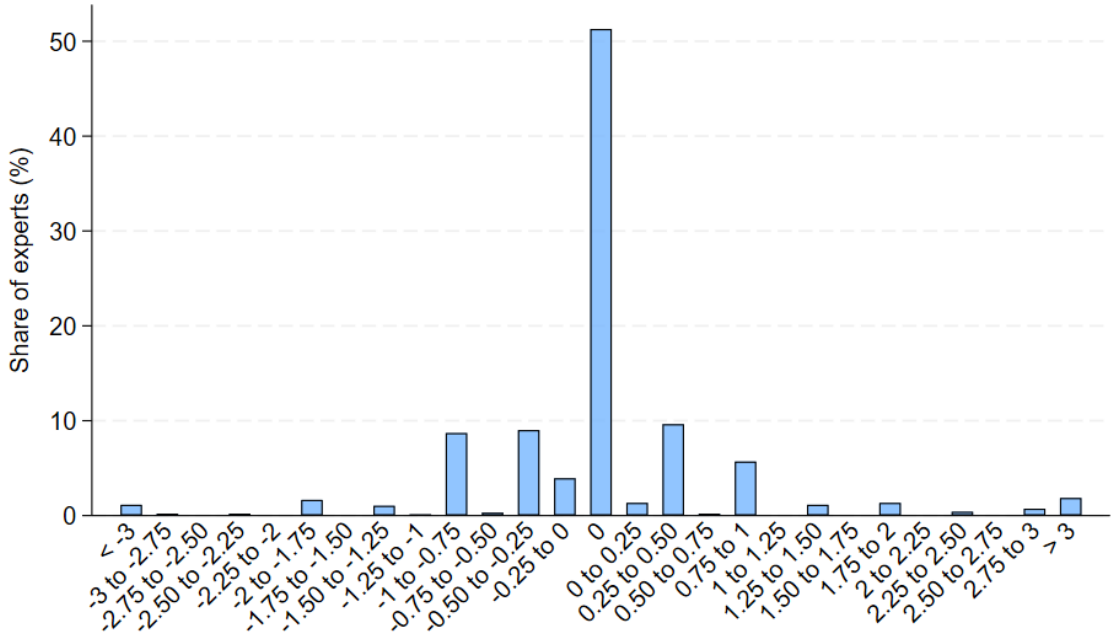
This section presents the empirical results in three steps. We first document the distribution of expert inflation preferences and how closely they align with central-bank targets. We then show that expert disagreement about inflation targets is systematically related to beliefs about the inflation–unemployment trade-off, normative views about central-bank objectives and experts' own inflation narratives—but not to their macroeconomic expectations. Finally, we study whether experts' preferences matter for their evaluations of monetary policy decisions.

3.1 Are Expert Inflation Preferences Aligned with Central-Bank Targets?

Plotting preferred inflation rates against official targets shows that expert answers cluster around the policy benchmarks set by central banks (Appendix Figure A1). In stark contrast to the results obtained from household surveys, the global median (mean) preferred inflation

among experts is 2.00% (2.96%) with a standard deviation of 3.19.[7] The median expert prefers exactly the inflation target of her country's central bank, although nearly half of the experts prefer an inflation rate different from the policy benchmark, as shown in Figure 1. Three-quarters of experts are within ±0.5 percentage points of the target, and more than 90 percent are within ±1 percentage point. Roughly equal shares of experts prefer inflation above (22.4%, median deviation: 0.85 p.p.) or below (26.3%, median deviation: 0.65 p.p.) the target, indicating that disagreement is centered around official targets.

Figure 1 DEVIATION FROM CENTRAL BANK TARGETS



Notes: The figure shows the distribution of experts' preferred inflation rates relative to the official target (in percentage points). Values are binned in 0.25 p.p. intervals with tail bins for deviations below −3 and above +3.

This pattern holds—with the exception of Africa—across all continents; though there is also more disagreement in experts' answers from Asia (Appendix Figure A2). Many countries with established inflation targets, for example the United States (0.06), Germany (-0.15), France (0.14), the United Kingdom (-0.07), or Canada (-0.17), exhibit mean deviations from the target well below 0.2 percentage points. Larger deviations emerge primarily in countries with atypical inflation targets or recent inflation instability, such as Russia (0.94), Turkey (2.58) or Ukraine (1.56). This prompts the question of whether higher recent inflation exposure is systematically related to deviations from central bank targets. Regressing deviations

[7]Respondent characteristics explain only a modest share of heterogeneity in inflation preferences. Academic experts report somewhat higher preferred inflation rates than non-academic experts (0.18 p.p. higher, $t = 1.88$), whereas differences by gender, age, and macroeconomic background are small and statistically insignificant (Appendix Figure A3).

from the target on the realized inflation rates in 2023, the year before the survey and when inflation rates peaked in many countries, we find evidence for this hypothesis: In countries where inflation was more pronounced in 2023, experts have higher inflation preferences (also relative to the central bank target, see Appendix Table B1). Similarly, inflation preferences are negatively correlated with GDP per capita and recent growth experience (Appendix Table B2).

Comparison with macroeconomic models Experts' inflation preferences also differ from optimal inflation rates predicted by macroeconomic models (Adam and Weber, 2025). In Appendix D, we provide a comprehensive account of the academic literature that shows how estimates of optimal inflation rates have evolved, based on 256 academic papers between 1965 and 2026. Research before the 2010s typically finds zero or negative optimal inflation rates, whereas more recent work often documents positive optimal trend inflation. Experts report positive optimal inflation rates that are even higher than most estimates in the post-2010 academic literature and are more aligned with central bank targets.

3.2 Do Sacrifice Ratios Influence Inflation Preferences?

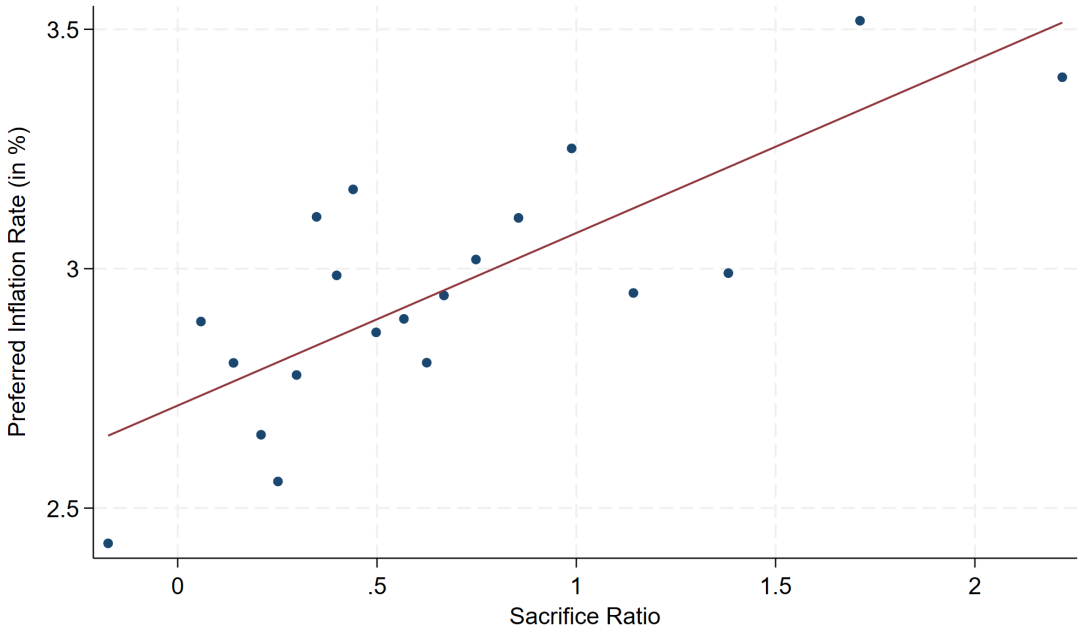
Our survey measures beliefs about the real costs of disinflation by eliciting experts' expected unemployment response to a one-percentage-point reduction in inflation. This provides a subjective sacrifice ratio (SR), related to the perceived steepness of the Phillips curve. The median (mean) value of the SR is 0.40 (0.67) with a standard deviation of 0.64; Appendix Figure A4 shows the distribution of respondents' beliefs.

The elicited sacrifice ratios show a remarkably strong correlation with preferred inflation rates. Figure 2 presents a binned scatter plot of the relationship between the SR and experts' inflation preferences, after absorbing country fixed effects. The figure points to a systematic positive relation between the two variables. To more thoroughly examine how beliefs about the sacrifice ratio map into experts' inflation preferences, we estimate the following specification:

$$\pi^*_{ei} = \gamma SR_{ei} + \tau_i + \mathbf{X}_e\boldsymbol{\mu} + \varepsilon_{ei}, \tag{1}$$

regressing the preferred inflation rate (π^*_{ei}) of expert e for country i on her sacrifice ratio (SR_{ei}), controlling for country fixed effects (τ_i), and socioeconomic and biographic expert characteristics ($\mathbf{X}_e$). This specification isolates how experts within the same institutional and macroeconomic environment translate beliefs about structural trade-offs into policy preferences. As an alternative outcome, we use the deviation from the central-bank target

Figure 2 SACRIFICE RATIOS AND INFLATION PREFERENCES—BINNED SCATTER PLOT



Notes: The figure shows a binned scatter plot of the relationship between the sacrifice ratio and experts' inflation preferences, after absorbing country fixed effects.

$(\pi^*_{ei} - CB_i^{Target})$. Results are obtained by using heteroskedasticity-robust standard errors clustered at the country level.

Table 1 shows results from four specifications. In Column (I), we report results from a parsimonious specification conditional on country fixed effects, and then subsequently add the effort of respondents, measured as the time (in seconds) participants took to complete the survey (Column II), socioeconomic and biographic characteristics of respondents (Column III), and fixed effects for the affiliations of experts (Column IV).

Throughout all specifications, we find a strong and statistically significant relationship: Experts who believe that disinflation is more costly systematically prefer higher inflation rates (Panel A of Table 1). We find that this pattern is substantially stronger for macroeconomists than for non-macroeconomists (Appendix Table B3), in line with macro experts relying more on structural reasoning. We find no corresponding differences between academic and non-academic experts (Appendix Table B4).

Quantitatively, a one-percentage-point increase in the perceived unemployment cost of disinflation is associated with roughly a 0.34 percentage point higher inflation preference, and a 0.23 percentage point higher preferred inflation relative to the central-bank target (Panel B of Table 1). This is a strong relation given the tight clustering of preferences around targets and implies that deviations of experts' preferences from central bank targets

Table 1 SACRIFICE RATIOS AND INFLATION PREFERENCES—REGRESSION RESULTS

	(I) Parsimonious	(II) + Effort	(III) + Biography	(IV) + Affiliation
Panel A—Dependent variable: Inflation preferences				
Sacrifice Ratio	0.360**	0.362**	0.354**	0.335*
	(0.178)	(0.177)	(0.171)	(0.175)
Observations	986	986	964	959
R-Squared	0.601	0.602	0.629	0.631
Panel B—Dependent variable: Deviation from target				
Sacrifice Ratio	0.234**	0.235**	0.250**	0.229**
	(0.094)	(0.094)	(0.099)	(0.090)
Observations (# experts)	809	809	790	786
R-Squared	0.537	0.537	0.544	0.549
Country Fixed Effects	Yes	Yes	Yes	Yes
Survey Time	No	Yes	Yes	Yes
Biographic Characteristics	No	No	Yes	Yes
Affiliation Fixed Effects	No	No	No	Yes

Notes: The table shows regression results relating experts' preferred inflation rates (Panel A) and deviations from central-bank targets (Panel B) to the individual sacrifice ratio. Results are presented from four specifications. We start with a parsimonious model, conditional on country fixed effects (Column I). We gradually augment this model by introducing the effort of respondents, measured via the time (in seconds) participants used to answer the survey (Column II), biographic characteristics of respondents (Column III), and fixed effects for the affiliations of experts (Column IV). Biographic information includes participants' gender, age, and whether they are a macroeconomist; affiliations include academia, central banks, private sector, public sector, research institute, and other. Heteroskedasticity-robust standard errors, reported in parentheses, are clustered at the country-level. * p<0.10, ** p<0.05, *** p<0.01.

are economically meaningful, as they partly reflect different views about how costly it is to fight inflation.

Sacrifice ratios and state dependence Fully interacting the sacrifice ratio with countries' inflation rates in 2023 yields a positive and strongly statistically significant interaction term ($t = 3.12$ in the full model, including country fixed effects), indicating that recent high-inflation environments amplify the mapping from sacrifice ratios to preferred inflation rates (Appendix Table B5). By contrast, we find no analogous state dependence when interacting the sacrifice ratio with unemployment rates in 2023 (Appendix Table B6).[8]

[8]This conclusion also holds when simultaneously interacting the sacrifice ratio with both recent inflation and recent unemployment. In the full specification, the interaction with recent inflation is positive and statistically significant (0.050; $t = 2.30$), whereas the interaction with recent unemployment is substantially smaller and lacks statistical significance (0.025; $t = 0.79$).

The role of expectations Household survey evidence documents a tight correlation between inflation expectations and inflation preferences: Households that prefer lower inflation have higher expected inflation (Dräger et al., 2022; Michelacci and Paciello, 2024; Pfajfar and Winkler, 2025). In contrast, we find no such relationship among economic experts. Neither short- and long-run inflation expectations (Panel A of Appendix Table B7), nor short- and long-run growth expectations (Panel B of Appendix Table B7), correlate with experts' inflation preferences. We also find that expectation formation styles display little systematic association with inflation preferences (Appendix Figure A5). This contrast suggests that, unlike households, experts sharply separate forecasts from normative policy evaluation.

Conceptual framework We offer two intuitive interpretations of the strong relation between sacrifice ratios and preferred inflation rates in Appendix C.1. Both rest on a globally convex Phillips curve being part of experts' mental models, e.g., due to downward nominal wage rigidities (Benigno and Ricci, 2011; Schmitt-Grohé and Uribe, 2016, 2022). The first interpretation is based on different assessments of the long-run welfare-optimal levels of employment and output. Experts who perceive that the efficient output level is higher than what the central bank currently targets would like to raise the average inflation rate to lower the resulting negative bias in their perceived output gaps. Moreover, these experts perceive the Phillips curve to be relatively flat (locally around the central bank's inflation target) and, hence, the sacrifice ratio to be high. Thus, the higher the perceived current sacrifice ratio is, the larger the desired increase of the inflation target.

The second complementary interpretation focuses on the welfare losses from business cycle shocks. Experts who perceive the sacrifice ratio as sub-optimally high would like to raise the inflation target to lower the sacrifice ratio and induce a more favorable policy trade-off for stabilizing the business cycle. Again, the key idea is that the expert prefers to move the economy up along the globally convex Phillips curve. We further provide a stylized formalization of this interpretation in Appendix C.2, including comparative statics. Lastly, the formalization also allows us to rationalize why the relationship between the sacrifice ratio and preferred inflation rates is amplified by recent inflation experiences: Experts more exposed to recent inflation may perceive that business cycle shocks are more important, increasing the marginal benefit of lowering sacrifice ratios via raising the target.

3.3 Do Normative Objectives and Narratives Explain Differences in Inflation Preferences?

Reasons for deviation We next analyze experts' open-ended explanations for preferring inflation rates different from the central-bank target. Relying on open-ended texts is advantageous because it allows us to elicit narratives without priming participants (see e.g., Stantcheva, 2021; Ferrario and Stantcheva, 2022). To this end, we classify the free-text answers into ten narrative categories. Appendix Table B8 provides comprehensive information on the definitions of the categories, together with two representative respondent statements for each category. In total, we observe 335 answers that can be attributed to at least one narrative category.

Relating these narratives to inflation preferences offers a direct window into experts' economic reasoning. Experts, for example, explicitly mention households' inflation aversion: *"In recent years, consumers have made it clear that they do not like inflation."* Others mention distributional concerns: *"Low inflation is preferable as stagnant wages erode purchasing power, worsening inequality."*, credibility considerations: *"The fact that the ECB has no credibility in keeping inflation below its current target of 2%. Better overshoot a lower target."*, or refer to aggregate demand: *"To create new drivers for economic growth, as well as to increase available income and savings of families."*.

Table 2 summarizes the narratives provided by experts whose preferred inflation rate differs from the central bank target and who provided a codeable open-ended answer. Among these respondents, considerations related to aggregate demand management and growth (demand/growth) are most salient, mentioned by 24.2%, followed by 20.3% mentioning credibility concerns (Column II). Additional frequently mentioned topics include exchange-rate (17.0%), debt (11.6%), and Phillips-curve considerations (11.6%).

Columns (III) and (IV) report the shares conditional on experts preferring an inflation rate above or below the central bank target, respectively.[9] Column (V) reports the difference between these two conditional shares, with the corresponding two-sample t-statistics in parentheses. Experts who prefer above-target inflation are substantially more likely to cite unemployment or Phillips-curve considerations, weak demand and growth concerns, and (energy) supply shocks. All of these considerations align well with our conceptual framework

[9]For example, the shares in column (III) report the number of experts who report a given reason and a preferred inflation rate above the central bank target, divided by the number of experts preferring an above-target inflation rate.

(see Appendix C). By contrast, experts favoring below-target inflation more frequently refer to inflation aversion and the adverse distributional consequences of inflation.[10]

Table 2 REASONS FOR DEVIATIONS FROM CENTRAL BANK TARGETS

(I) **Reason**	(II) **Overall Share**	(III) **Share: Above target**	(IV) **Share: Below target**	(V) **Difference (t)**
Demand/Growth	24.18	28.66	19.39	-9.27* (1.95)
Credibility	20.30	22.29	18.79	-3.51 (0.78)
Exchange rate	17.01	14.65	18.18	3.53 (0.85)
Inflation aversion	11.94	0	24.24	24.24*** (7.07)
Debt	11.64	13.38	9.09	-4.28 (1.22)
Phillips-curve	11.64	15.92	7.88	-8.04** (2.25)
Distribution	11.34	2.55	19.39	16.85*** (4.96)
Political/Fiscal	9.55	8.92	9.09	0.17 (0.05)
Supply shocks	5.97	10.83	1.21	-9.62*** (3.73)
ELB	3.88	5.73	2.42	-3.31 (1.51)

Notes: The table reports the share of narrative categories mentioned in experts' open-ended answers about why their preferred inflation rate differs from the central bank target. Column (II) uses as denominator all respondents who preferred an inflation rate different from the target and provided a codeable answer. Columns (III) and (IV) report the corresponding shares separately for respondents who prefer an inflation rate above and below the central bank's point target. Countries with target ranges are included in Column (II) but excluded from Columns (III) and (IV), since we do not classify deviations from target ranges as above- or below-target preferences. Column (V) reports the difference between the conditional shares in Columns (III) and (IV), defined as Column (IV) minus Column (III), with two-sample t-statistics reported in parentheses.

Normative objectives Experts also differ in what they believe central banks should care about. While the majority of experts agree that the primary goal of the respective central

[10]Appendix Figure A6 shows that academic experts tend to emphasize credibility considerations more often and place a somewhat larger focus on political and fiscal considerations compared to non-academic experts. In contrast, non-academic experts substantially more often refer to exchange-rate related narratives. For all other categories, we find no meaningful differences.

bank should be to focus on price stability, there is disagreement about the precise ranking of goals (Appendix Figure A7) and whether considerations such as "targeting climate change" should be a focus of the central bank at all (Appendix Figure A8).

Classifying each expert by their top-ranked central-bank objective, we find strong evidence that normative orientations matter for inflation preferences (Appendix Figure A9).[11] Using price stability as the benchmark, we find that—within countries—experts who rank financial market stability first prefer lower inflation rates ($t = 1.38$). By contrast, experts who prioritize output stability ($t = 1.46$), exchange rate stability ($t = 1.47$), or climate protection ($t = 1.59$) show substantially higher inflation preferences.

These differences persist even after controlling for perceived sacrifice ratios. Thus, two experts who agree on the cost of disinflation may still disagree about the optimal inflation target because they weigh macroeconomic objectives differently. Moreover, we find that output-, climate-, or exchange rate stability-first experts are much more sensitive to the SR than price- and financial market stability-first experts (Appendix Table B10).

3.4 Inflation Preferences and Monetary Policy Evaluation

Through their academic role and official communication, experts may shape both how monetary policy is conducted and how policy decisions are perceived by the broader public. Leveraging the responses in the follow-up survey three months after the main survey, we study whether experts' preferences are consequential for their policy evaluations.[12]

In our follow-up survey, we ask experts to evaluate the most recent interest rate decision by the respective central bank as of their survey completion date. For each central bank in our sample, we code the direction (rate cut, hold, or rate hike) and the magnitude of the change implied by its most recent decision regarding the main policy rate. Whenever a central bank does not conduct independent monetary policy—e.g., because its exchange-rate regime fully pegs the domestic currency—we code the respective country as missing. In total, we observe 87 central-bank decisions: 33 rate cuts, 45 holds, and 9 rate hikes.

To examine whether experts' inflation preferences are consequential for their subsequent policy evaluations, we estimate the following specification:

$$Eval_{ei} = \alpha + \beta_1 \pi^*_{ei} + \beta_2 \text{Dir}_{it} + \beta_3 (\pi^*_{ei} \times \text{Dir}_{it}) + \tau_i + \mathbf{X}_e \boldsymbol{\mu} + \varepsilon_{ei}, \tag{2}$$

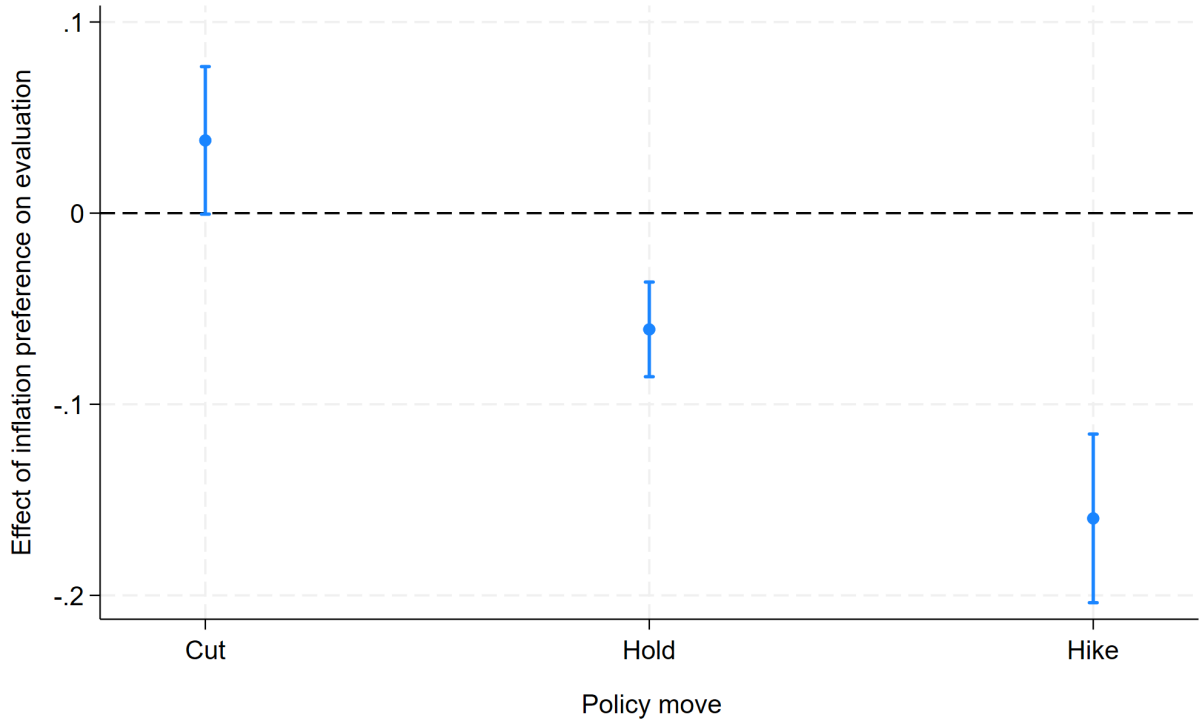
[11] The number of ranked objectives, in contrast, does not matter (Appendix Table B9).

[12] Eliciting inflation preferences and evaluations of central-bank decisions in separate survey waves, with a substantial time interval between them, largely mitigates concerns about priming and researcher-demand effects.

where $Eval_{ei}$ denotes expert e's evaluation (ranging from -2 to +2) of the most recent monetary policy decision in country i. The key regressors are the expert's preferred inflation rate (π^*_{ei}), the direction of the decision (Dir_{it}; cut = -1, hold = 0, hike = +1), and their interaction.[13] Analogously to our previous specification, we include country fixed effects (τ_i), socioeconomic and biographic characteristics of respondents, and affiliation fixed effects (in $\mathbf{X}_e$), and cluster heteroskedasticity-robust standard errors at the country level.

The parameter β_3 captures whether policy evaluations are consistent with experts' inflation preferences. For a rate hike, experts with lower inflation preferences should evaluate the central bank decision more positively. In other words, the marginal effect of π^*_{ei} during a hike should be negative. For a rate cut, experts with higher inflation preferences should evaluate the central bank decision more positively. That means the marginal effect of π^*_{ei} during a cut should be positive. These two conditions are both satisfied when $\beta_3 < 0$.

Figure 3 INFLATION PREFERENCES AND EVALUATIONS OF MONETARY POLICY DECISIONS—MARGINAL EFFECTS



Notes: The figure shows marginal effects of experts' preferred inflation rates π^*_{ei} on their evaluations of monetary policy decisions resulting from estimating Equation (2). The whiskers denote 90% confidence intervals, based on heteroskedasticity-robust standard errors clustered at the country level.

[13] A limited set of central banks made policy decisions during the follow-up field period. Dir_{it} therefore varies within those countries across respondents depending on their response date t. Country fixed effects therefore do not absorb Dir_{it}; β_2 is identified from within-country time variation in the 'last decision' evaluated.

Figure 3 shows the marginal effects of π^*_{ei} on experts' evaluations of monetary policy decisions. We find that, even within the same macroeconomic environment, experts' inflation preferences systematically shape their policy evaluations. Following a rate hike, a one-percentage-point higher preferred inflation rate is associated with a 0.16-point lower evaluation of the decision ($t = 5.95$). By contrast, experts with higher inflation preferences evaluate cuts more positively ($t = 1.62$).

Appendix Table B11 reports the regression results: β_3 is negative and statistically significant across specifications. We obtain the same pattern when using the deviations from central-bank targets instead of inflation preferences (Appendix Table B12). Echoing our previous results, replacing inflation preferences with inflation expectations yields small and statistically insignificant coefficients on the interaction term (short-term expectations: -0.018, $t = 1.37$; long-term expectations: -0.028, $t = 1.51$).

More flexible specification Instead of imposing a linear and symmetric structure on the direction of the policy decision, i.e. by treating Dir_{it} as a discrete variable taking the values -1 (cut), 0 (hold), and $+1$ (hike), we estimate a more flexible specification that allows for fully asymmetric responses across decision types. Concretely, we replace Dir_{it} with a set of decision dummies (cut, hold, hike) and interact each category with experts' preferred inflation rate. Using hold decisions as the reference category, this specification permits both the intercept and the slope with respect to π^*_{ei} to differ freely between rate hikes and rate cuts.

The results, reported in Appendix Table B13, indicate that the relationship between inflation preferences and policy evaluations is stronger for rate hikes. At the same time, the qualitative pattern remains unchanged relative to our baseline specification: Marginal effects for rate cuts are *positive* and statistically significant, while marginal effects for rate hikes are *negative* and statistically significant.[14]

Robustness A jack-knife exercise shows that the results are not driven by individual countries (Appendix Figure A10). They further remain robust to including day fixed effects (Appendix Table B14). Results from permutations, where we randomly reassign the policy-direction labels (cut, hold, hike) across country-decision cells 1,000 times while preserving the

[14]These results also demonstrate that our baseline results are not driven by the relatively low number of rate-hike countries as the marginal effect for rate cuts is identified from the comparison between cut and hold decisions and does not rely on hikes. Even in a sample with no rate hikes, this hold-vs-cut comparison would remain identified and, more importantly, remain informative about our hypothesis that experts' preferences relate to their policy evaluations. Excluding all hike observations and re-estimating our model strongly supports that the results are not driven by rate hikes: The marginal effect for rate cuts remains positive and statistically significant [0.048, $t = 1.93$].

overall number of cuts, holds, and hikes in the sample, show that our estimated coefficients are in the tails of the placebo-coefficients distribution (Appendix Figure A11). These results support a systematic relation between experts' inflation preferences and their evaluations of policy decisions. Replacing the direction indicator with the magnitude of the policy change yields qualitatively similar, though less precisely estimated effects (Appendix Table B15). By contrast, we find no evidence that experts' preferences are related to their expectations about the future path of policy decisions (Appendix Table B16).

4 Conclusion

This paper provides novel evidence on inflation preferences among economic experts. Contrary to the strong aversion to inflation observed in household surveys, experts on average support the inflation targets adopted by central banks. Where experts disagree, their differences reflect structured beliefs about the inflation–unemployment trade-off and normative views about what central banks should prioritize.

Experts' evaluations of monetary policy decisions depend on their inflation preferences. This finding implies that disagreement about the appropriate long-run inflation benchmark can shape how identical policy decisions are interpreted, even among highly informed experts. Given experts' influence on policy advice and their role as intermediaries between central banks and the public, such heterogeneity may contribute to persistent differences in narratives about monetary policy, affect the communication of policy decisions, and ultimately shape broader perceptions of central-bank credibility and legitimacy. Understanding inflation preferences is therefore important not only for the debate on optimal inflation targets, but also for explaining disagreement in monetary-policy evaluation and communication.

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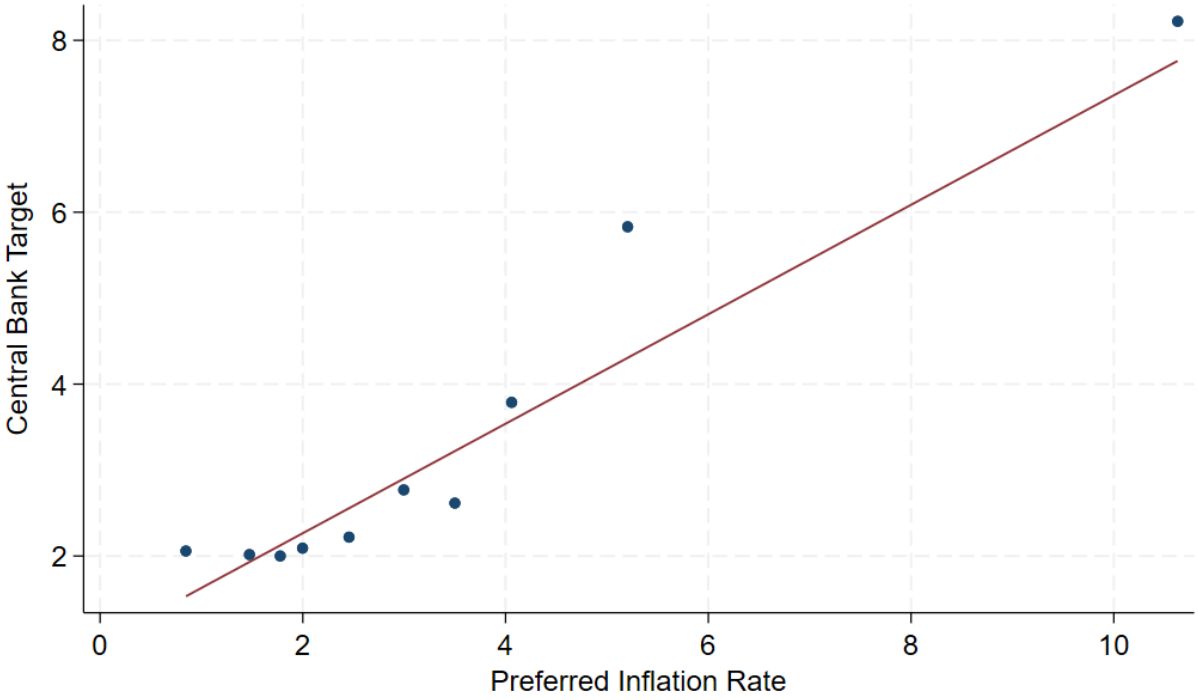
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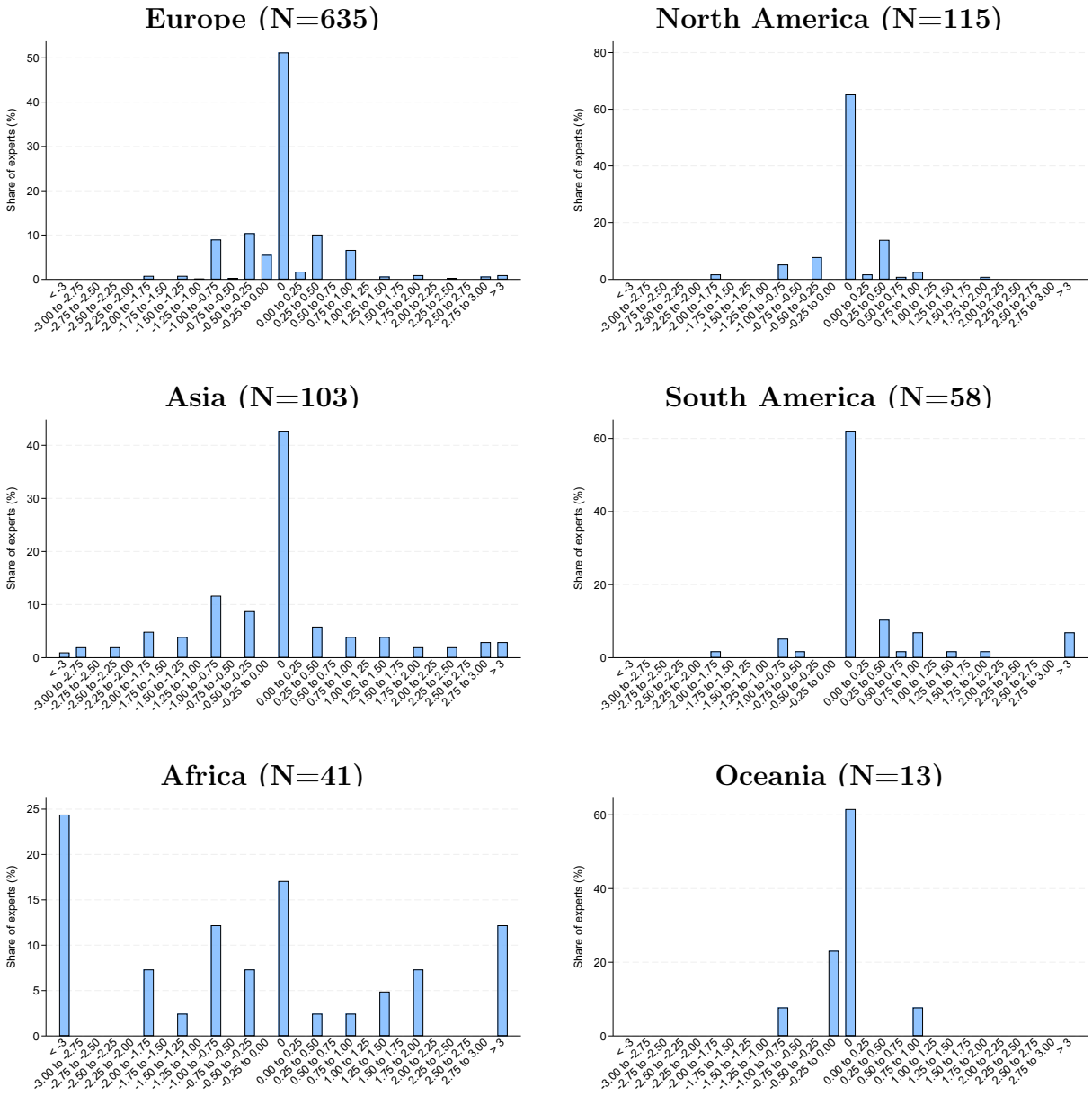
A Supplementary Figures

Figure A1 CENTRAL BANK TARGETS AND INFLATION PREFERENCES



Notes: The figure shows a binned scatter plot on the relationship between central bank targets and preferred inflation rates across countries. The correlation between both variables is $\rho = 0.63$.

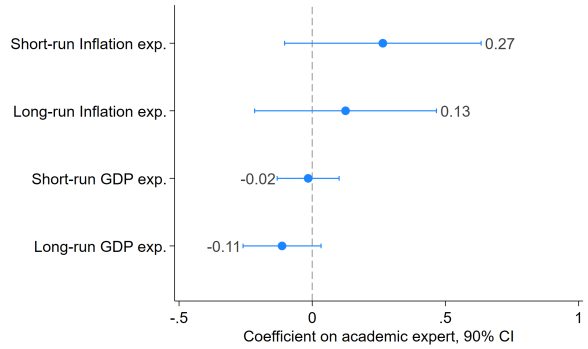
Figure A2 DEVIATION FROM CENTRAL BANK TARGETS BY CONTINENT



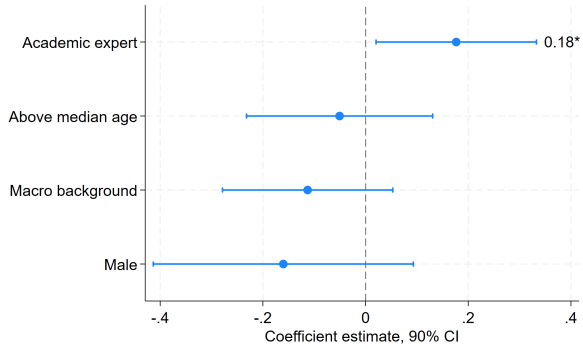
Notes: The figure shows the distribution of experts' preferred inflation rates relative to the official target (in percentage points), by continent. Values are binned in 0.25 p.p. intervals with tail bins for deviations below −3 and above +3.

Figure A3 EXPECTATIONS AND PREFERENCES BY EXPERT STATUS AND INDIVIDUAL CHARACTERISTICS

(a) Academic Experts and Expectations

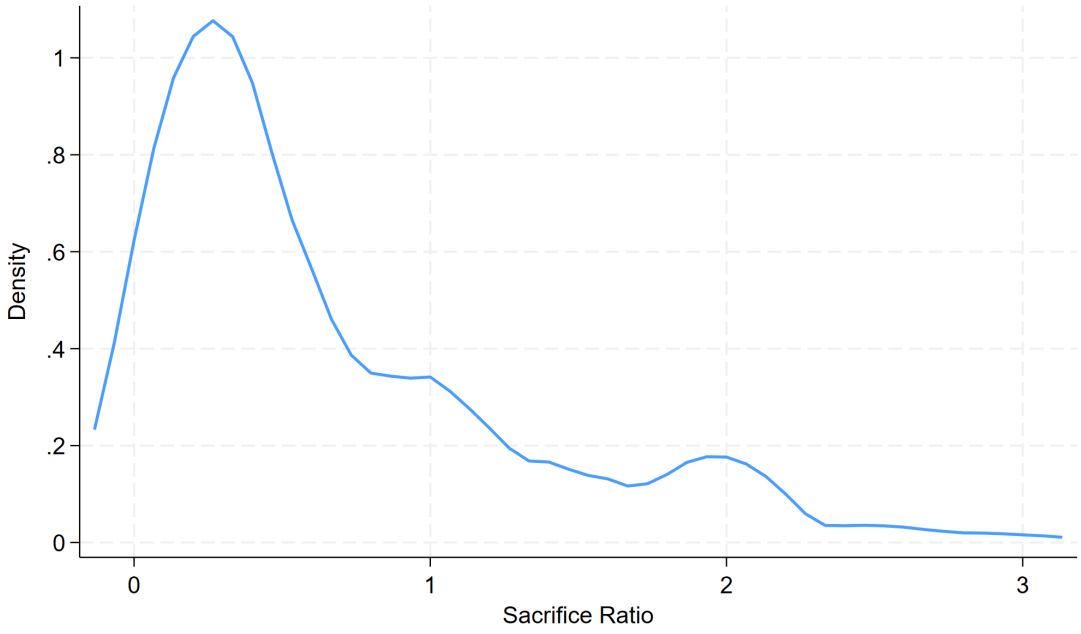


(b) Characteristics and Inflation Preferences



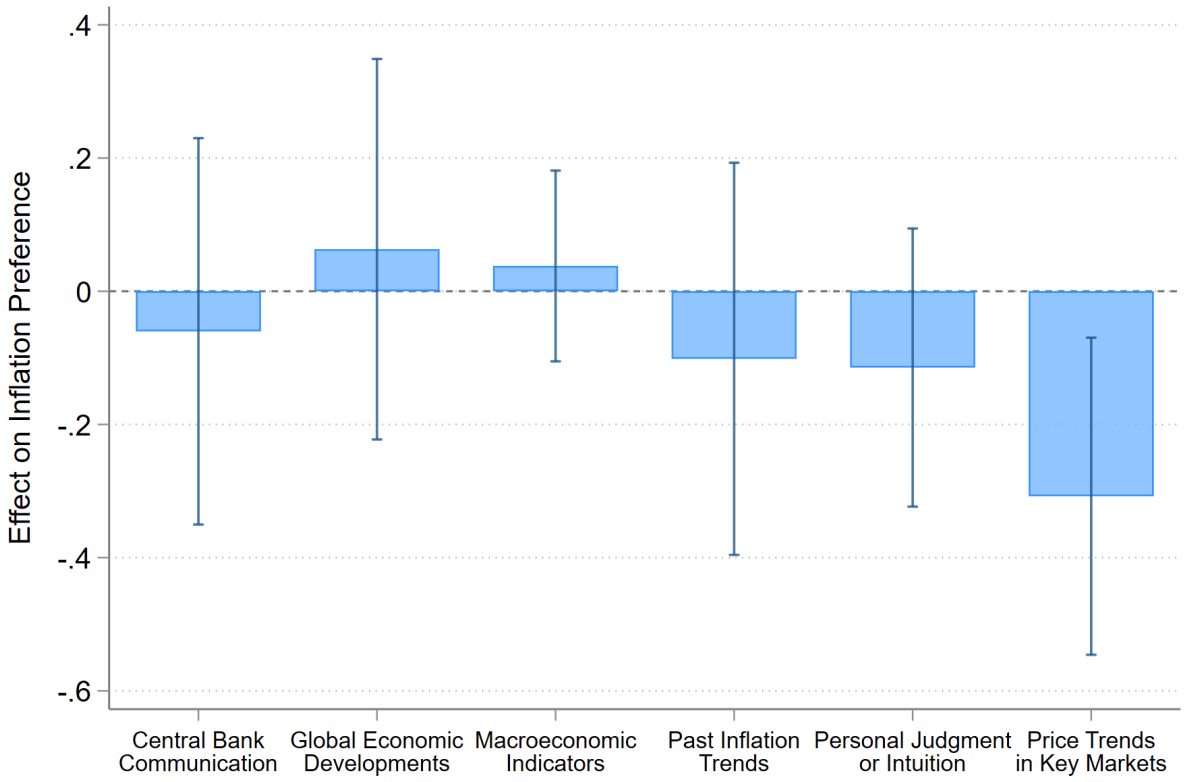
Notes: This figure shows differences in expectations and preferences between academic and non-academic experts. Panel (a) shows coefficient estimates on a dummy variable indicating whether an expert is an academic on short-run (1 year ahead) and long-run (4 year ahead) inflation and growth expectations, after absorbing country fixed effects and controlling for other expert characteristics. Panel (b) shows the relationship between inflation preferences and expert characteristics, after absorbing country fixed effects. Confidence intervals denote 90% significance levels.

Figure A4 DISTRIBUTION OF EXPERTS' PERCEIVED SACRIFICE RATIOS



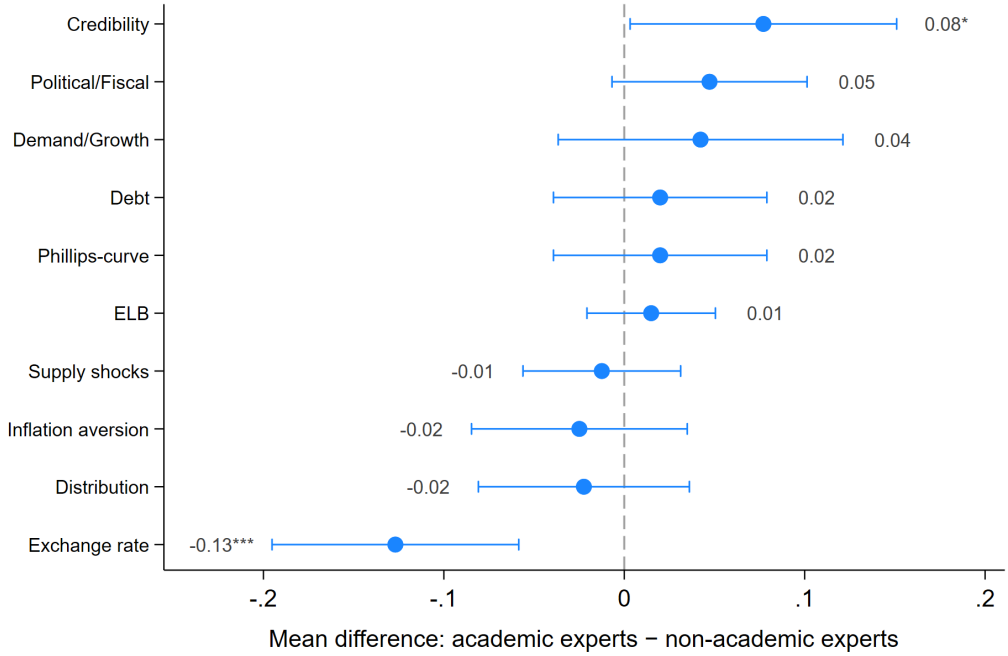
Notes: The figure plots the kernel density of respondents' perceived necessary sacrifice ratios.

Figure A5 EXPECTATION FORMATION STYLES AND INFLATION PREFERENCES



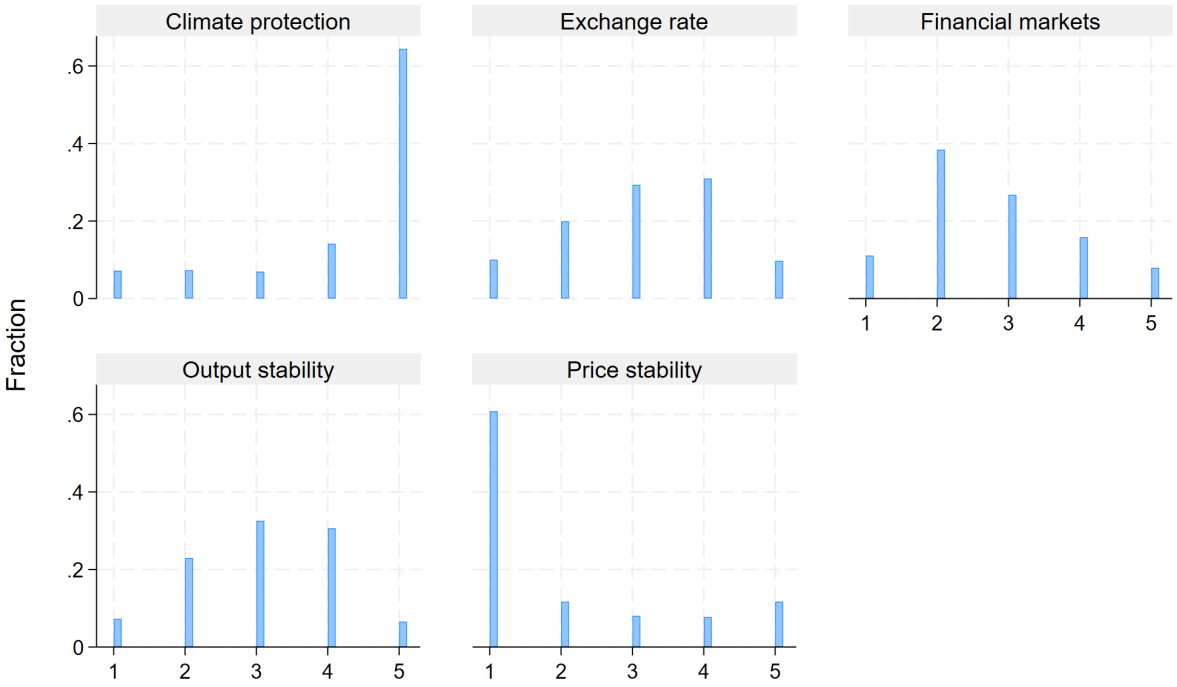
Notes: The figure shows coefficient estimates (with 90% confidence intervals) on how experts' expectation formation styles relate to their inflation preferences. The coefficients are obtained from regressing the inflation preferences on the set of dummies for the respective inputs for experts' expectation formation style (coming from the survey in March 2025), and otherwise follows our full specification (including country fixed effects, biographic characteristics, affiliation fixed effects, and controlling for the SR).

Figure A6 DIFFERENCES IN REASONING BETWEEN ACADEMIC AND NON-ACADEMIC EXPERTS



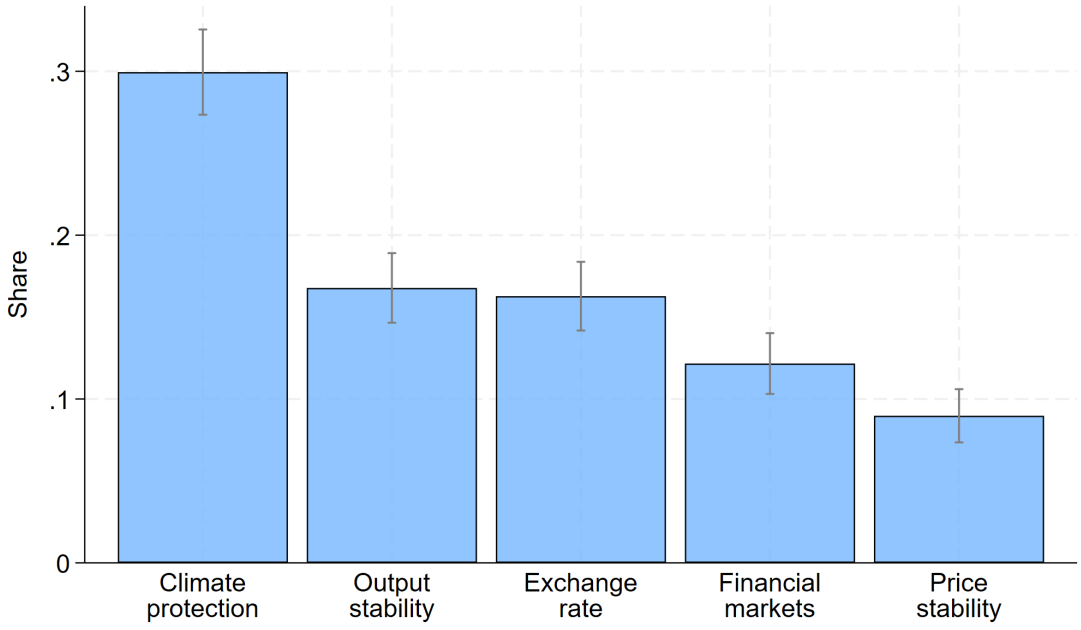
Notes: This figure shows differences between academic and non-academic experts in the likelihood of using each narrative category. Each point estimate is the difference in means of a binary indicator for whether the respondent used the narrative. Estimates represent percentage-point differences in the probability of using the narrative. Positive values indicate higher likelihood among academic experts. Confidence intervals denote 90% confidence intervals from two-sample t-tests.

Figure A7 RANKING OF CENTRAL BANK OBJECTIVES



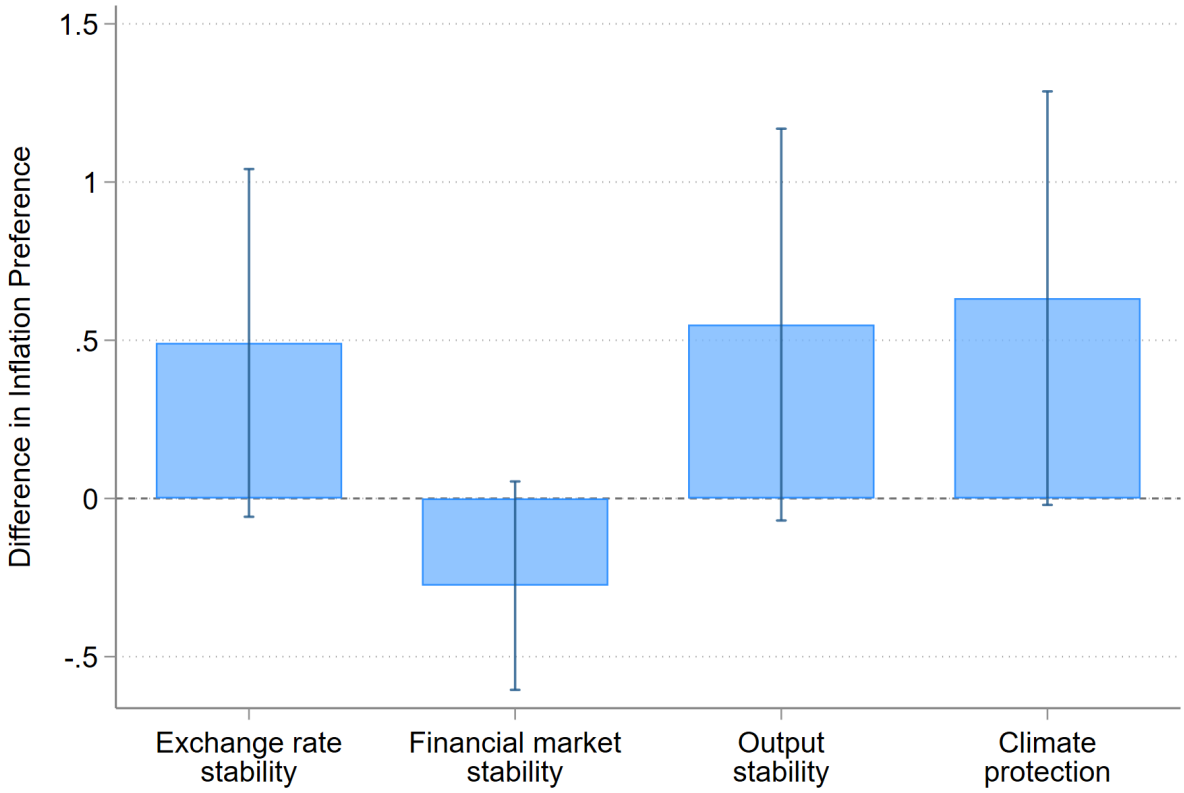
Notes: The figure shows the distribution of rankings for each objective from 1 (most important) to 5 (least important).

Figure A8 SHARE OF NON-RANKED OBJECTIVES



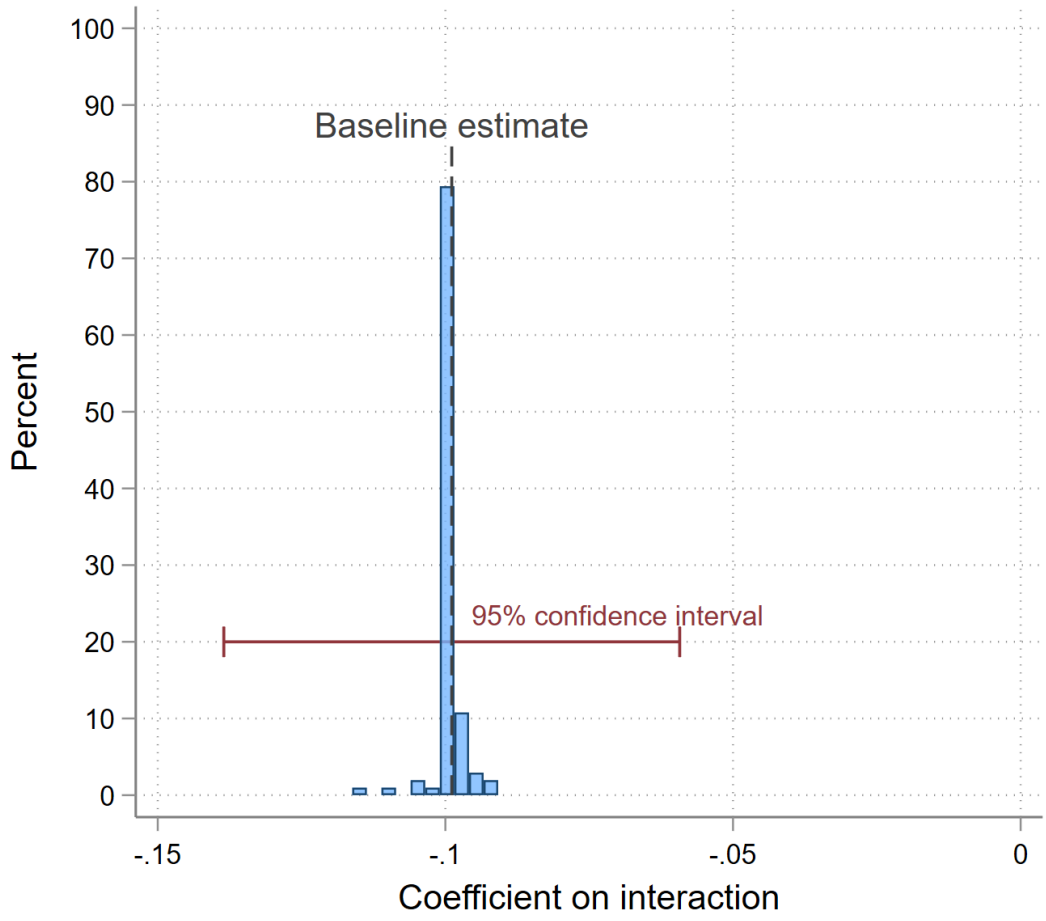
Notes: The figure shows the share of respondents who left the respective objective unranked, reflecting that the issue should not be a goal of a central bank.

Figure A9 CENTRAL BANK OBJECTIVES AND INFLATION PREFERENCES—REGRESSION RESULTS



Notes: The figure shows coefficient estimates (with 90% confidence intervals) on how experts' stated primary central bank objectives relate to their inflation preferences. The coefficients are obtained from regressing the inflation preferences on the set of dummies for the stated primary central bank objectives ("price stability" serves as baseline category), and otherwise follows our full specification (including country fixed effects, biographic characteristics, affiliation fixed effects, and controlling for the SR).

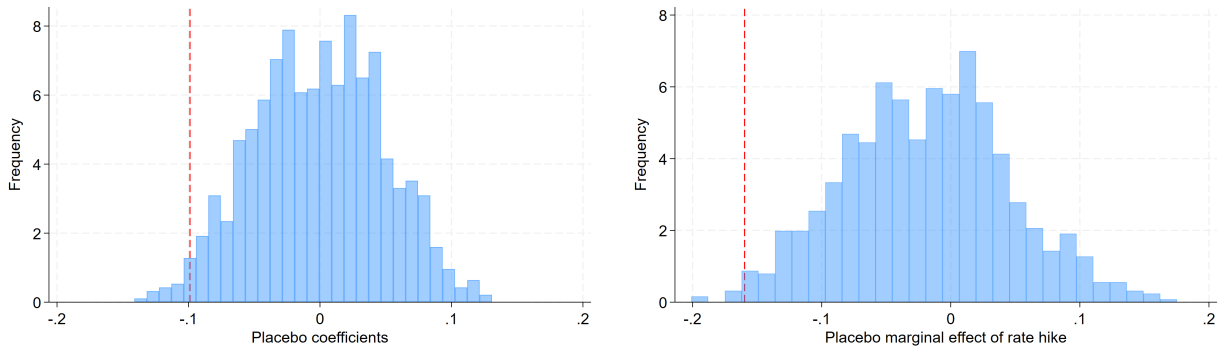
Figure A10 INFLATION PREFERENCES AND EVALUATIONS OF MONETARY POLICY DECISIONS— JACK-KNIFE RESULTS



Notes: The figure shows a histogram of β_3 coefficients when estimating Equation (2), excluding one central bank at a time ("leave-one-out regressions").

Figure A11 DISTRIBUTION OF PERMUTATION COEFFICIENTS

(a) Placebo interaction coefficients (β_3) **(b)** Placebo marginal effects for rate hikes



Notes: The figure plots histograms of the coefficients obtained in our permutation exercise. We keep the estimation sample, controls, and fixed effects unchanged, and randomly reassign the policy-direction labels (cut, hold, hike) across country-decision cells 1,000 times while preserving the overall number of cuts, holds, and hikes in the sample. Panel (a) plots the distribution of the coefficients on the interaction term (β_3) in our baseline specification. Panel (b) plots the marginal effects for rate hikes. The dashed red line indicates our baseline point estimate. In the permutation distribution, the corresponding two-sided randomization p-values are 0.036 and 0.039.

B Supplementary Tables

Table B1 RECENT INFLATION EXPERIENCE AND INFLATION PREFERENCES—REGRESSION RESULTS

	(I) Parsimonious	(II) + Effort	(III) + Biography	(IV) + Affiliation	(V) + Continent
Panel A—Dependent variable: Inflation preferences					
Inflation in 2023	0.067***	0.067***	0.067***	0.066***	0.057***
	(0.018)	(0.018)	(0.019)	(0.019)	(0.015)
Observations	1,184	1,184	1,145	1,140	1,140
R-Squared	0.142	0.143	0.150	0.152	0.260
Panel B—Dependent variable: Deviation from target					
Inflation in 2023	0.021*	0.021*	0.021	0.021*	0.025***
	(0.012)	(0.012)	(0.013)	(0.012)	(0.007)
Observations	965	965	934	929	929
R-Squared	0.022	0.023	0.027	0.029	0.094
Survey Time	No	Yes	Yes	Yes	Yes
Biographic Characteristics	No	No	Yes	Yes	Yes
Affiliation Fixed Effects	No	No	No	Yes	Yes
Continent Fixed Effects	No	No	No	No	Yes

Notes: The table shows regression results relating experts' preferred inflation rates (Panel A) and deviations from central-bank targets (Panel B) to the realized inflation rate in 2023 in experts' countries of expertise. Results are presented from five specifications. We start with a parsimonious model (Column I). We gradually augment this model by introducing the effort of respondents, measured via the time (in seconds) participants used to answer the survey (Column II), biographic characteristics of respondents (Column III), fixed effects for the affiliations of experts (Column IV), and continent fixed effects (Column V). Biographic information includes participants' gender, age, and whether they are a macroeconomist; affiliations include academia, central banks, private sector, public sector, research institute, and other. Robust standard errors, reported in parentheses, are clustered at the country-level. * p<0.10, ** p<0.05, *** p<0.01.

Table B2 MACROECONOMIC FUNDAMENTALS AND INFLATION PREFERENCES—REGRESSION RESULTS

Dependent variable: Inflation preferences					
	(I) Parsimonious	(II) + Effort	(III) + Biography	(IV) + Affiliation	(V) + Continent
Geom. Avg. Growth Rate	-0.233**	-0.233**	-0.242**	-0.244**	-0.244**
	(0.106)	(0.106)	(0.117)	(0.117)	(0.096)
GDP per capita	-0.049***	-0.049***	-0.049***	-0.048***	-0.028***
	(0.009)	(0.009)	(0.009)	(0.009)	(0.006)
Observations	1,183	1,183	1,144	1,139	1,139
R-Squared	0.142	0.142	0.144	0.146	0.218
Survey Time	No	Yes	Yes	Yes	Yes
Biographic Characteristics	No	No	Yes	Yes	Yes
Affiliation Fixed Effects	No	No	No	Yes	Yes
Continent Fixed Effects	No	No	No	No	Yes

Notes: The table shows regression results relating experts' preferred inflation rates to the geometric average growth rate between 2021 and 2023, and to GDP per capita in 2023 (measured in constant 2015 US Dollars, divided by 1,000) in experts' countries of expertise. Results are presented from five specifications. We start with a parsimonious model (Column I). We gradually augment this model by introducing the effort of respondents, measured via the time (in seconds) participants used to answer the survey (Column II), biographic characteristics of respondents (Column III), fixed effects for the affiliations of experts (Column IV), and continent fixed effects (Column V). Biographic information includes participants' gender, age, and whether they are a macroeconomist; affiliations include academia, central banks, private sector, public sector, research institute, and other. Robust standard errors, reported in parentheses, are clustered at the country-level. * p<0.10, ** p<0.05, *** p<0.01.

Table B3 SACRIFICE RATIOS AND INFLATION PREFERENCES—HETEROGENEITY BY FIELD-EXPERTISE

Dependent variable: Inflation preferences				
	(I) Parsimonious	(II) + Effort	(III) + Biography	(IV) + Affiliation
$SR_{Non-Macroeconomists}$	0.197	0.198	0.201	0.191
	(0.130)	(0.130)	(0.135)	(0.134)
$SR_{Macroeconomists}$	0.619*	0.623*	0.595*	0.576
	(0.365)	(0.366)	(0.345)	(0.347)
Observations	984	984	962	959
R-Squared	0.605	0.605	0.632	0.633
Country Fixed Effects	Yes	Yes	Yes	Yes
Survey Time	No	Yes	Yes	Yes
Biographic Characteristics	No	No	Yes	Yes
Affiliation Fixed Effects	No	No	No	Yes

Notes: The table reports the cumulative coefficients for macroeconomists and non-macroeconomists on the relationship between the sacrifice ratio and inflation preferences, obtained from fully interacting the sacrifice ratio with a macroeconomist dummy in Equation 1. Results are presented from four specifications. We start with a parsimonious model, conditional on country fixed effects (Column I). We gradually augment this model by introducing the effort of respondents, measured via the time (in seconds) participants used to answer the survey (Column II), biographic characteristics of respondents (Column III), and fixed effects for the affiliations of experts (Column IV). Biographic information includes participants' gender and age, affiliations include academia, central banks, private sector, public sector, research institute, and other. Robust standard errors, reported in parentheses, are clustered at the country-level. * p<0.10, ** p<0.05, *** p<0.01.

Table B4 SACRIFICE RATIOS AND INFLATION PREFERENCES—HETEROGENEITY BY EXPERT TYPE

Dependent variable: Inflation preferences				
	(I) Parsimonious	(II) + Effort	(III) + Biography	(IV) + Affiliation
Sacrifice Ratio	0.305*	0.306*	0.321*	0.288*
	(0.162)	(0.163)	(0.169)	(0.161)
SR x Academic expert	0.086	0.088	0.048	0.076
	(0.280)	(0.281)	(0.281)	(0.276)
Observations	986	986	964	959
R-Squared	0.603	0.604	0.631	0.631
Country Fixed Effects	Yes	Yes	Yes	Yes
Survey Time	No	Yes	Yes	Yes
Biographic Characteristics	No	No	Yes	Yes
Affiliation Fixed Effects	No	No	No	Yes

Notes: The table shows regression results relating experts' preferred inflation rates to the individual sacrifice ratio. In all specifications, we fully interact experts' perceived sacrifice ratio with a dummy variable indicating academic experts. Results are presented from four specifications. We start with a parsimonious model, conditional on country fixed effects (Column I). We gradually augment this model by introducing the effort of respondents, measured via the time (in seconds) participants used to answer the survey (Column II), biographic characteristics of respondents (Column III), and fixed effects for the affiliations of experts (Column IV). Biographic information includes participants' gender, age, and whether they are a macroeconomist; affiliations include academia, central banks, private sector, public sector, research institute, and other. Robust standard errors, reported in parentheses, are clustered at the country-level. * p<0.10, ** p<0.05, *** p<0.01.

Table B5 SACRIFICE RATIOS, HIGH-INFLATION ENVIRONMENTS, AND INFLATION PREFERENCES—REGRESSION RESULTS

	(I) Parsimonious	(II) + Effort	(III) + Biography	(IV) + Affiliation
Panel A—Dependent variable: Inflation preferences				
Sacrifice Ratio	0.320***	0.322***	0.300**	0.292**
	(0.119)	(0.119)	(0.119)	(0.123)
SR x Inflation in 2023 (centered)	0.072***	0.073***	0.068***	0.068***
	(0.023)	(0.023)	(0.022)	(0.022)
Observations	979	979	955	952
R-Squared	0.675	0.675	0.694	0.694
Panel B—Dependent variable: Deviation from target				
Sacrifice Ratio	0.263***	0.264***	0.262**	0.259**
	(0.095)	(0.096)	(0.099)	(0.100)
SR x Inflation in 2023 (centered)	0.051**	0.051**	0.050**	0.050**
	(0.021)	(0.021)	(0.022)	(0.021)
Observations	809	809	789	786
R-Squared	0.583	0.584	0.590	0.591
Country Fixed Effects	Yes	Yes	Yes	Yes
Survey Time	No	Yes	Yes	Yes
Biographic Characteristics	No	No	Yes	Yes
Affiliation Fixed Effects	No	No	No	Yes

Notes: The table shows regression results, adding a full interaction between experts' perceived sacrifice ratio and countries' (centered) realized inflation rate in 2023 to Equation 1. The country fixed effects absorb the base effect of the inflation rate in 2023. Results are presented from four specifications. We start with a parsimonious model, conditional on country fixed effects (Column I). We gradually augment this model by introducing the effort of respondents, measured via the time (in seconds) participants used to answer the survey (Column II), biographic characteristics of respondents (Column III), and fixed effects for the affiliations of experts (Column IV). Biographic information includes participants' gender, age, and whether they are a macroeconomist; affiliations include academia, central banks, private sector, public sector, research institute, and other. Robust standard errors, reported in parentheses, are clustered at the country-level. * p<0.10, ** p<0.05, *** p<0.01.

Table B6 SACRIFICE RATIOS, HIGH-UNEMPLOYMENT ENVIRONMENTS, AND INFLATION PREFERENCES—REGRESSION RESULTS

	(I) Parsimonious	(II) + Effort	(III) + Biography	(IV) + Affiliation
Panel A—Dependent variable: Inflation preferences				
Sacrifice Ratio	0.193**	0.195**	0.188*	0.172*
	(0.090)	(0.090)	(0.096)	(0.094)
SR x Unemployment in 2023 (centered)	0.011	0.012	0.013	0.012
	(0.009)	(0.009)	(0.009)	(0.010)
Observations	962	962	939	936
R-Squared	0.584	0.585	0.589	0.590
Panel B—Dependent variable: Deviation from target				
Sacrifice Ratio	0.223**	0.225**	0.227**	0.217**
	(0.095)	(0.095)	(0.096)	(0.089)
SR x Unemployment in 2023 (centered)	0.026	0.026	0.025	0.023
	(0.026)	(0.027)	(0.027)	(0.027)
Observations	797	797	777	774
R-Squared	0.541	0.542	0.551	0.553
Country Fixed Effects	Yes	Yes	Yes	Yes
Survey Time	No	Yes	Yes	Yes
Biographic Characteristics	No	No	Yes	Yes
Affiliation Fixed Effects	No	No	No	Yes

Notes: The table shows regression results, adding a full interaction between experts' perceived sacrifice ratio and countries' (centered) unemployment rate in 2023 to Equation 1. The country fixed effects absorb the base effect of the unemployment rate in 2023. Results are presented from four specifications. We start with a parsimonious model, conditional on country fixed effects (Column I). We gradually augment this model by introducing the effort of respondents, measured via the time (in seconds) participants used to answer the survey (Column II), biographic characteristics of respondents (Column III), and fixed effects for the affiliations of experts (Column IV). Biographic information includes participants' gender, age, and whether they are a macroeconomist; affiliations include academia, central banks, private sector, public sector, research institute, and other. Robust standard errors, reported in parentheses, are clustered at the country-level. * p<0.10, ** p<0.05, *** p<0.01.

Table B7 MACROECONOMIC EXPECTATIONS AND INFLATION PREFERENCES—REGRESSION RESULTS

Dependent variable: Inflation preferences					
	(I) Parsimonious	(II) + Effort	(III) + Biography	(IV) + Affiliation	(V) + SR
Panel A—Inflation expectations					
Short-run infl. exp.	-0.003	-0.003	0.020	0.018	0.013
	(0.015)	(0.015)	(0.025)	(0.024)	(0.029)
Long-run infl. exp.	0.027***	0.027***	0.019	0.023	0.020
	(0.010)	(0.010)	(0.012)	(0.014)	(0.016)
Sacrifice Ratio					0.318*
					(0.186)
Observations	1,121	1,121	1,091	1,081	928
R-Squared	0.605	0.605	0.632	0.633	0.640
Panel B—Growth expectations					
Short-run growth exp.	-0.033	-0.033	0.026	0.026	-0.012
	(0.065)	(0.065)	(0.102)	(0.103)	(0.110)
Long-run growth exp.	0.010	0.009	-0.030	-0.032	-0.010
	(0.067)	(0.067)	(0.103)	(0.112)	(0.127)
Sacrifice Ratio					0.360*
					(0.184)
Observations	1,104	1,104	1,075	1,065	922
R-Squared	0.585	0.585	0.612	0.611	0.634
Country Fixed Effects	Yes	Yes	Yes	Yes	Yes
Survey Time	No	Yes	Yes	Yes	Yes
Biographic Characteristics	No	No	Yes	Yes	Yes
Affiliation Fixed Effects	No	No	No	Yes	Yes

Notes: The table shows regression results, relating experts' inflation preferences to their inflation (Panel A) and growth (Panel B) expectations. Short (long)-run refers to one- (four-) year ahead expectations. Results are presented from five specifications. We start with a parsimonious model, conditional on country fixed effects (Column I). We gradually augment this model by introducing the effort of respondents, measured via the time (in seconds) participants used to answer the survey (Column II), biographic characteristics of respondents (Column III), and fixed effects for the affiliations of experts (Column IV). In Column V, we add the sacrifice ratio. Biographic information includes participants' gender and age, affiliations include academia, central banks, private sector, public sector, research institute, and other. Robust standard errors, reported in parentheses, are clustered at the country-level. * $p<0.10$, ** $p<0.05$, *** $p<0.01$.

Table B8 DEFINITIONS AND EXAMPLES OF CATEGORIES IN FREE-TEXT ANSWERS

Category	Explanation	Examples
Demand/Growth	This category captures references to aggregate demand, primarily expressed in terms of investment, consumption, and economic growth.	*(i)* "To create new drivers for economic growth, as well as to increase available income and savings of families." *(ii)* "There needs to be a bit of a higher push in the long-term inflation expectations for the public to consume and businesses to invest."
Credibility	This category captures arguments about the credibility of inflation targets.	*(i)* "The ECB has no credibility in keeping inflation below its current target of 2%. Better overshoot a lower target." *(ii)* "I think the 4% rate by RBI is way too ambitious and unrealistic."
Exchange rate	This category captures explanations related to exchange rates, price convergence, and restoring competitiveness.	*(i)* "The Portuguese economy must create competitive advantages through innovation and not by devaluing the real exchange rate." *(ii)* "2% is the inflation target that our main trading partners have, so if we want a stable exchange rate then our inflation rate should match those of our trading partners."
Inflation aversion	This category captures a general dislike of inflation, in particular references to households' aversion to inflation.	*(i)* "In recent years, consumers have made it clear that they do not like inflation." *(ii)* "Households and firms are confused by it [inflation]. I see no good coming from a steady inflation."
Debt	This category captures references to debt sustainability, debt-service costs, and real interest rates.	*(i)* "The main reason is Germany's high public debt. A lower inflation would allow the ECB to cut real interest rates, thereby reducing the cost of servicing public debt." *(ii)* "It will take a higher inflation rate to accommodate expanding budget deficits."
Phillips curve	This category captures explanations with a link between inflation and labor-market conditions.	*(i)* "More room for adjusting relative wages without nominal wage cuts." *(ii)* "The trade-off is higher unemployment that would be very harmful and hard to accept."

Continued on next page

Table B8 continued

Category	Explanation	Examples
Distribution	This category captures concerns about inequality and the purchasing power of different income groups.	*(i)* "Inflation is a regressive taxation. Italy needs to recover purchasing power for the middle class." *(ii)* "Low inflation is preferable as stagnant wages erode purchasing power, worsening inequality."
Political/Fiscal	This category captures considerations relating to political economy, government spending and taxation.	*(i)* "Political changes in the U.S. government and further presidential elections in Costa Rica. Fiscal deficit, fiscal income decrease, and internal debt." *(ii)* "There is no indication that government borrowing and spending will ease anytime soon."
Supply shocks	This category captures supply-side shocks, often related to energy markets.	*(i)* "Given downward wage rigidity, I believe that the overall economy could deal better with external imbalances and sector shocks if it targeted a slightly higher inflation rate." *(ii)* "If the price of energy sources increases, it will stimulate inflation."
ELB	This category captures arguments about the effective or zero lower bound.	*(i)* "Avoiding the zero lower bound, reducing risk of deflation." *(ii)* "To get enough policy room in the case of the zero lower bound in the future."

Notes: The table reports the categories used to classify respondents' explanations for their preferred inflation rate. The third column lists two representative examples for each category. Examples are lightly edited for capitalization.

Table B9 NUMBER OF RANKED CENTRAL BANK OBJECTIVES AND INFLATION PREFERENCES—REGRESSION RESULTS

Dependent variable: Inflation preferences					
	(I) Parsimonious	(II) + Effort	(III) + Biography	(IV) + Affiliation	(V) + SR
Number of ranked objectives	-0.034	-0.033	-0.073	-0.075	-0.068
	(0.055)	(0.056)	(0.080)	(0.081)	(0.082)
Sacrifice Ratio					0.330*
					(0.174)
Observations	1,129	1,129	1,094	1,089	939
R-Squared	0.589	0.589	0.613	0.612	0.630
Country Fixed Effects	Yes	Yes	Yes	Yes	Yes
Survey Time	No	Yes	Yes	Yes	Yes
Biographic Characteristics	No	No	Yes	Yes	Yes
Affiliation Fixed Effects	No	No	No	Yes	Yes

Notes: The table shows regression results, relating experts' inflation preferences to the number of ranked objectives (ranging from 1 to 5). Results are presented from five specifications. We start with a parsimonious model, conditional on country fixed effects (Column I). We gradually augment this model by introducing the effort of respondents, measured via the time (in seconds) participants used to answer the survey (Column II), biographic characteristics of respondents (Column III), and fixed effects for the affiliations of experts (Column IV). In Column V, we add the sacrifice ratio. Biographic information includes participants' gender and age, affiliations include academia, central banks, private sector, public sector, research institute, and other. Robust standard errors, reported in parentheses, are clustered at the country-level. * $p<0.10$, ** $p<0.05$, *** $p<0.01$.

Table B10 SACRIFICE RATIOS AND CENTRAL BANK OBJECTIVES—REGRESSION RESULTS

Dependent variable: Inflation preferences				
	(I) Parsimonious	(II) + Effort	(III) + Biography	(IV) + Affiliation
Sacrifice Ratio$_{PriceStability}$	0.176**	0.175**	0.220**	0.209**
	(0.074)	(0.072)	(0.089)	(0.092)
SR x Others	0.640	0.640	0.481	0.483
	(0.603)	(0.604)	(0.516)	(0.517)
Observations	843	843	822	819
R-Squared	0.607	0.607	0.633	0.634
Country Fixed Effects	Yes	Yes	Yes	Yes
Survey Time	No	Yes	Yes	Yes
Biographic Characteristics	No	No	Yes	Yes
Affiliation Fixed Effects	No	No	No	Yes

Notes: The table shows regression results, adding a full interaction between experts' perceived sacrifice ratio and stated primary central bank objective to Equation 1. Based on the results in Figure A9, we group experts in two groups: "price- and financial market stability-first" (Price stability in the table), and others. We start with a parsimonious model, conditional on country fixed effects (Column I). We gradually augment this model by introducing the effort of respondents, measured via the time (in seconds) participants used to answer the survey (Column II), biographic characteristics of respondents (Column III), and fixed effects for the affiliations of experts (Column IV). Biographic information includes participants' gender, age, and whether they are a macroeconomist; affiliations include academia, central banks, private sector, public sector, research institute, and other. Robust standard errors, reported in parentheses, are clustered at the country-level. * p<0.10, ** p<0.05, *** p<0.01.

Table B11 INFLATION PREFERENCES AND EVALUATIONS OF MONETARY POLICY DECISIONS—REGRESSION RESULTS

Dependent variable: Evaluation of central bank decision					
	(I) Parsimonious	(II) + Effort	(III) + Biography	(IV) + Affiliation	(V) + SR
Infl. Pref.	-0.060***	-0.060***	-0.060***	-0.061***	-0.033
	(0.015)	(0.015)	(0.015)	(0.015)	(0.033)
Infl. Pref. x Direction	-0.096***	-0.097***	-0.098***	-0.099***	-0.083**
	(0.020)	(0.020)	(0.020)	(0.020)	(0.033)
Sacrifice Ratio					-0.017
					(0.061)
Observations	729	729	709	706	625
R-Squared	0.155	0.155	0.163	0.167	0.176
Country Fixed Effects	Yes	Yes	Yes	Yes	Yes
Survey Time	No	Yes	Yes	Yes	Yes
Biographic Characteristics	No	No	Yes	Yes	Yes
Affiliation Fixed Effects	No	No	No	Yes	Yes

Notes: The table shows regression results of estimating Equation (2). We start with a parsimonious model, conditional on country fixed effects (Column I). We gradually augment this model by introducing the effort of respondents, measured via the time (in seconds) participants used to answer the survey (Column II), biographic characteristics of respondents (Column III), fixed effects for the affiliations of experts (Column IV), and the sacrifice ratio (Column V). Biographic information includes participants' gender, age, and whether they are a macroeconomist; affiliations include academia, central banks, private sector, public sector, research institute, and other. Robust standard errors, reported in parentheses, are clustered at the country-level. * p<0.10, ** p<0.05, *** p<0.01.

Table B12 DEVIATION FROM CENTRAL BANK TARGETS AND EVALUATIONS OF MONETARY POLICY DECISIONS—REGRESSION RESULTS

Dependent variable: Evaluation of central bank decision					
	(I) Parsimonious	(II) + Effort	(III) + Biography	(IV) + Affiliation	(V) + SR
Deviation from CB target	-0.056***	-0.057***	-0.057***	-0.057***	-0.040
	(0.015)	(0.014)	(0.015)	(0.015)	(0.033)
Deviation x Direction	-0.100***	-0.101***	-0.105***	-0.107***	-0.096***
	(0.020)	(0.020)	(0.021)	(0.022)	(0.036)
Sacrifice Ratio					-0.041
					(0.066)
Observations	672	672	653	650	572
R-Squared	0.151	0.152	0.162	0.166	0.172
Country Fixed Effects	Yes	Yes	Yes	Yes	Yes
Survey Time	No	Yes	Yes	Yes	Yes
Biographic Characteristics	No	No	Yes	Yes	Yes
Affiliation Fixed Effects	No	No	No	Yes	Yes

Notes: The table shows regression results when replacing the inflation preference variable with the deviation from the central bank target in Equation (2). We start with a parsimonious model, conditional on country fixed effects (Column I). We gradually augment this model by introducing the effort of respondents, measured via the time (in seconds) participants used to answer the survey (Column II), biographic characteristics of respondents (Column III), fixed effects for the affiliations of experts (Column IV), and the sacrifice ratio (Column V). Biographic information includes participants' gender, age, and whether they are a macroeconomist; affiliations include academia, central banks, private sector, public sector, research institute, and other. Robust standard errors, reported in parentheses, are clustered at the country-level. * p<0.10, ** p<0.05, *** p<0.01.

Table B13 INFLATION PREFERENCES AND EVALUATIONS OF MONETARY POLICY DECISIONS—ASYMMETRIC REGRESSION RESULTS

Dependent variable: Evaluation of central bank decision	
Panel A: Marginal effect of preferred inflation rate	
Rate cut	0.048*
	(0.025)
Hold decision	0.067
	(0.069)
Rate hike	-0.186**
	(0.080)
Panel B: Marginal effect of deviation from CB target	
Rate cut	0.049*
	(0.027)
Hold decision	0.042
	(0.071)
Rate hike	-0.190**
	(0.085)
Country Fixed Effects	Yes
Survey Time	Yes
Biographic Characteristics	Yes
Affiliation Fixed Effects	Yes

Notes: The table reports marginal effects of experts' preferred inflation rate (Panel A) and the deviation of experts' preferred inflation from the central bank's target (Panel B) on policy evaluations, separately for rate cuts, holds, and rate hikes. All estimates are derived from the full specification of Equation (2), replacing the directional decision variable with a set of mutually exclusive indicators for rate cuts, holds, and rate hikes. These indicators are fully interacted with the respective preference measure. Hold decisions serve as the reference category. Reported coefficients correspond to the marginal effect of the preference measure conditional on each decision type. Robust standard errors, reported in parentheses, are clustered at the country-level. * $p<0.10$, ** $p<0.05$, *** $p<0.01$.

Table B14 INFLATION PREFERENCES AND EVALUATIONS OF MONETARY POLICY DECISIONS—ROBUSTNESS DAY FIXED EFFECTS

Dependent variable: Evaluation of central bank decision					
	(I) Parsimonious	(II) + Effort	(III) + Biography	(IV) + Affiliation	(V) + SR
Panel A—Adding Day Fixed Effects					
Infl. Pref.	-0.059***	-0.059***	-0.060***	-0.060***	-0.043
	(0.016)	(0.016)	(0.016)	(0.016)	(0.035)
Infl. Pref. x Direction	-0.094***	-0.094***	-0.096***	-0.098***	-0.092***
	(0.018)	(0.018)	(0.018)	(0.018)	(0.033)
Sacrifice Ratio					-0.020
					(0.061)
Observations	729	729	709	706	625
R-Squared	0.169	0.170	0.176	0.181	0.190
Country Fixed Effects	Yes	Yes	Yes	Yes	Yes
Survey Time	No	Yes	Yes	Yes	Yes
Biographic Characteristics	No	No	Yes	Yes	Yes
Affiliation Fixed Effects	No	No	No	Yes	Yes

Notes: The table shows robustness of the regression results from estimating Equation (2) to including day fixed effects. We start with a parsimonious model, conditional on country fixed effects (Column I). We gradually augment this model by introducing the effort of respondents, measured via the time (in seconds) participants used to answer the survey (Column II), biographic characteristics of respondents (Column III), fixed effects for the affiliations of experts (Column IV), and the sacrifice ratio (Column V). Biographic information includes participants' gender, age, and whether they are a macroeconomist; affiliations include academia, central banks, private sector, public sector, research institute, and other. Robust standard errors, reported in parentheses, are clustered at the country-level. * p<0.10, ** p<0.05, *** p<0.01.

Table B15 INFLATION PREFERENCES, SIZE OF THE POLICY CHANGE, AND EVALUATIONS OF MONETARY POLICY DECISIONS—REGRESSION RESULTS

Dependent variable: Evaluation of central bank decision					
	(I) Parsimonious	(II) + Effort	(III) + Biography	(IV) + Affiliation	(V) + SR
Infl. Pref.	-0.031	-0.030	-0.031	-0.032	0.029
	(0.023)	(0.023)	(0.024)	(0.024)	(0.042)
Infl. Pref. x Size	-0.043	-0.043	-0.047	-0.048	-0.014
	(0.041)	(0.041)	(0.042)	(0.041)	(0.049)
Sacrifice Ratio					-0.016
					(0.061)
Observations	729	729	709	706	625
R-Squared	0.146	0.146	0.154	0.158	0.173
Country Fixed Effects	Yes	Yes	Yes	Yes	Yes
Survey Time	No	Yes	Yes	Yes	Yes
Biographic Characteristics	No	No	Yes	Yes	Yes
Affiliation Fixed Effects	No	No	No	Yes	Yes

Notes: The table shows regression results when replacing the variable denoting the direction of the policy change with the magnitude of the change in Equation (2). We start with a parsimonious model, conditional on country fixed effects (Column I). We gradually augment this model by introducing the effort of respondents, measured via the time (in seconds) participants used to answer the survey (Column II), biographic characteristics of respondents (Column III), fixed effects for the affiliations of experts (Column IV), and the sacrifice ratio (Column V). Biographic information includes participants' gender, age, and whether they are a macroeconomist; affiliations include academia, central banks, private sector, public sector, research institute, and other. Robust standard errors, reported in parentheses, are clustered at the country-level. * $p<0.10$, ** $p<0.05$, *** $p<0.01$.

Table B16 INFLATION PREFERENCES AND EXPECTATIONS OF FUTURE MONETARY POLICY DECISIONS—REGRESSION RESULTS

Dependent variable: Direction of future central bank decision					
	(I) Parsimonious	(II) + Effort	(III) + Biography	(IV) + Affiliation	(V) + SR
Infl. Pref.	-0.002	-0.002	-0.001	-0.004	-0.003
	(0.018)	(0.018)	(0.018)	(0.017)	(0.020)
Sacrifice Ratio					0.072*
					(0.042)
Observations	697	697	679	676	596
R-Squared	0.310	0.310	0.329	0.340	0.345
Country Fixed Effects	Yes	Yes	Yes	Yes	Yes
Survey Time	No	Yes	Yes	Yes	Yes
Biographic Characteristics	No	No	Yes	Yes	Yes
Affiliation Fixed Effects	No	No	No	Yes	Yes

Notes: The table shows regression results when using the expected direction of the next monetary policy decision as the dependent variable. We start with a parsimonious model, conditional on country fixed effects (Column I). We gradually augment this model by introducing the effort of respondents, measured via the time (in seconds) participants used to answer the survey (Column II), biographic characteristics of respondents (Column III), fixed effects for the affiliations of experts (Column IV), and the sacrifice ratio (Column V). Biographic information includes participants' gender, age, and whether they are a macroeconomist; affiliations include academia, central banks, private sector, public sector, research institute, and other. Robust standard errors, reported in parentheses, are clustered at the country-level. * $p<0.10$, ** $p<0.05$, *** $p<0.01$.

C Conceptual Framework

This appendix presents conceptual considerations that provide us with a more structural interpretation of our empirical results. Focusing on the positive relationship between sacrifice ratios and preferred inflation rates, we offer two complementary explanations. The first explanation concerns disagreement over the efficient level of output, and the second concerns policy trade-offs being partly shaped by trend inflation. We also discuss how the remaining empirical results on experts' narratives and policy evaluations fit these explanations.

C.1 Key Mechanisms

All of our considerations build on experts' mental models featuring a globally convex Phillips curve, in line with the theoretical model in Benigno and Ricci (2011), which generates a convex Phillips curve via a downward nominal wage rigidity (e.g., Schmitt-Grohé and Uribe, 2016, 2022). A convex supply relation is broadly consistent with empirical evidence at the aggregate (e.g., Benigno and Eggertsson, 2023), but also at the industry (e.g., Boehm and Pandalai-Nayar, 2022), and at the firm level (e.g., Bunn et al., 2024).

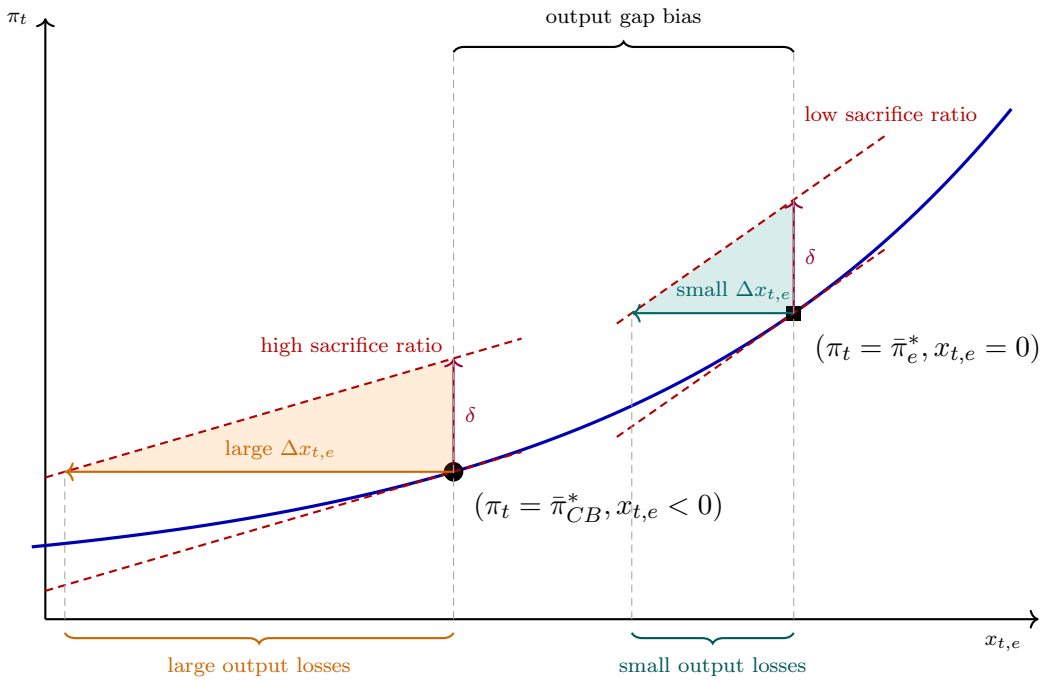
The convex Phillips curve is illustrated as a blue solid line in Figure C1, where the vertical axis indicates inflation π_t in levels and the horizontal axis indicates the output gap $x_{t,e} = y_t - y_e^*$ from the perspective of an expert e, who perceives the welfare-optimal long-run level of output to be y_e^*.[15] [16]

Output gap bias Our first explanation for the positive relation between sacrifice ratios and preferred inflation rates rests on experts' disagreement about the welfare-optimal level of output absent shocks. We illustrate this in Figure C1 by considering an expert e who perceives the optimal long-run level of output to be higher than what the central bank aims to implement: The point in the top-right (square marker) corresponds to the perceived optimal long-run combination of inflation and output by expert e. Specifically, at this point, expert e perceives output to be at the welfare-optimal level absent shocks. Thus, we can interpret the corresponding level of inflation as the expert's preferred trend inflation rate $\bar{\pi}_e^*$. However, the central bank implements an inflation target $\bar{\pi}_{CB}^* < \bar{\pi}_e^*$ smaller than what the expert prefers (circular marker). As a result, the expert perceives output below its optimal level, $x_{t,e} < 0$, even in the absence of business cycle shocks. Put differently, expert e believes there is a downward bias in the output gap. At the same time, given current central bank

[15] We assume the efficient level to be constant because time variation is not essential to our arguments.

[16] Alternatively, one can also consider the same convex Phillips curve with the employment gap as alternative measure of economic slack.

Figure C1 CONVEX PHILLIPS CURVE, OUTPUT GAP BIAS, AND POLICY TRADE-OFFS



Notes: The figure illustrates a globally convex Phillips curve mapping the expert-perceived output gap, $x_{t,e}$, to inflation, π_t. The circular marker denotes the central bank's target ($\bar{\pi}^*_{CB}$), characterized by a flat local slope and a high sacrifice ratio. The square marker denotes the expert's preferred target ($\bar{\pi}^*_e$), characterized by a steeper local slope and a lower sacrifice ratio. The framework rationalizes the positive relation between perceived sacrifice ratios and preferred inflation via two channels. First, the output gap bias: the expert prefers a higher inflation target to eliminate the steady-state output shortfall ($x_{t,e} < 0$) perceived under the central bank's policy. Second, policy trade-offs: fully stabilizing an equivalent cost-push shock (δ) requires large output losses at $\bar{\pi}^*_{CB}$, but strictly smaller output losses at $\bar{\pi}^*_e$ due to the steeper supply relation.

policies, the expert perceives the Phillips curve to be relatively flat and, hence, the sacrifice ratio to be high.[17]

We deliberately cast this example as disagreement with the central bank because our survey elicits the *current* sacrifice ratio, which should be shaped by current central bank policies. Additionally, within-country variation in sacrifice ratios may reflect cross-expert disagreement about the efficient level of output, which—given a common convex Phillips

[17]Note that disagreement about the optimal level of output is not uncommon, mainly because it is challenging to estimate. For example, there is a long-standing controversy on whether the Federal Reserve responded insufficiently to inflation in the 1970s due to overestimating the efficient level of output (e.g., De Long, 1997; Orphanides, 2004).

curve anchored at current central bank policies—simultaneously determines the perceived current slope (and sacrifice ratio) and the preferred target, delivering the positive relation.[18]

Policy trade-offs The second explanation of our result arises from the effects of sacrifice ratios on the policy trade-offs posed by business cycle shocks, notably cost-push shocks. These shocks provide a second force why our expert e prefers a higher inflation target. We illustrate the mechanism in Figure C1 as follows: In both situations (indicated by the circular and square markers), an adverse cost-push shock of size δ hits the economy. If the policymaker attempts to fully stabilize inflation, the implied output costs would be considerably higher when the economy fluctuates around the central bank's inflation target (circular marker). Thus, the expert may also like to increase the level of trend inflation to obtain a more favorable policy trade-off at her preferred level of trend inflation $\bar{\pi}_e^*$ (square marker). In the latter situation, the sacrifice ratio is lower (the Phillips curve steeper), so that fully stabilizing inflation in response to the adverse shock induces lower output costs. This is a complementary mechanism that can rationalize the positive relationship between (current) sacrifice ratios and preferred rates of trend inflation.

Additionally, this channel can potentially explain one important dimension of heterogeneity: Empirically, we document that the relationship between sacrifice ratios and preferred inflation rates strengthens for countries that have experienced higher levels of inflation in 2023. If higher past inflation increases experts' perceived variance (importance) of cost-push disturbances, then experts should find the above-discussed improvement in policy trade-offs more important. As a result, experts with high inflation experience may find it even more desirable to raise the inflation target, a channel also present in the structural model in Benigno and Ricci (2011). A related complementary mechanism is presented by Jacome et al. (2025), who show that past inflation experiences make disinflation more costly in terms of output, providing a reason for higher inflation targets to the extent that experts perceive hitting the current target as being too costly.

Relation to experts' narratives Before we formalize the policy trade-off channel in a stylized optimal policy framework, we briefly discuss how both of our discussed mechanisms relate to our remaining empirical results. In Table 2, we document the stated reasons of experts for preferring a different rate of inflation than the inflation target. The most

[18] To see this, note that an increase in the perceived efficient level of output shifts the Phillips curve to the right. To be consistent with the fixed central bank inflation target and the associated level of real activity, an additional upward shift of the Phillips curve is required, i.e., the intercept must be an increasing function of the perceived efficient level of output. As a result, a higher perceived efficient output level implies a flatter Phillips curve locally around current policies and simultaneously raises the expert's preferred level of inflation that is consistent with perceiving a zero output gap.

frequently cited reason is that experts perceive aggregate demand and growth to be too low. This reason is most often mentioned, both on average and conditional on preferring a higher rate of inflation (see Columns II and III of Table 2). It aligns well with a permanent downward bias in output gaps due to experts' assessment of the efficient output level, as explained above. It also broadly fits the second discussed channel, suggesting that raising trend inflation improves the policy trade-off, so that downturns are less severe. A second prominently cited reason of experts is considerations related to the Phillips curve. Naturally, this relates directly to both of our mechanisms, which rely on a non-linear Phillips curve.

Relation to experts' policy evaluations The last main result pertains to experts' evaluation of actual policy decisions. We find that experts who prefer higher inflation rates evaluate rate-hike decisions more negatively (see Figure 3). Again, this result is broadly in line with our mechanisms: If experts prefer a higher rate of trend inflation, they should dislike a central bank that raises rates to lower inflation back to the central bank's target, which the expert perceives to be inefficiently low.

C.2 A Simple Formalization of the Policy Trade-Off Mechanism

We now provide a formalization of the policy trade-off mechanism discussed above.

Phillips curve constraint We consider a static setup with a Phillips curve, as perceived by expert e, that gives the trade-off faced by a policymaker who aims to minimize the welfare losses from business cycle fluctuations

$$\hat{\pi}_{t,e} = \kappa(\bar{\pi}_e)x_{t,e} + v_{t,e}, \tag{3}$$

where inflation in deviation from trend inflation is $\hat{\pi}_{t,e} = \pi_t - \bar{\pi}_e$, with trend inflation being $\bar{\pi}_e$, the (welfare-relevant) output gap is $x_{t,e}$, and $v_{t,e} \overset{iid}{\sim} (0, \sigma_v^2)$ is a cost-push shock.[19] Note that we model the slope of the Phillips curve as being only dependent on trend inflation. We do so to focus only on the policy trade-off mechanism and to be more aligned with the standard optimal policy approach, which typically considers a linear Phillips curve, which holds here, conditional on the level of trend inflation. In line with our arguments above, we assume $\kappa'(\bar{\pi}_e) > 0$ and $\kappa(\bar{\pi}_e) > 0$, $\forall \bar{\pi}_e \geq 0$, and $\kappa(\bar{\pi}_e)$ being twice continuously

[19] Despite the model being static, we index all variables by a discrete time subscript t because our static setup is similar to a dynamic model with iid shocks absent belief-driven fluctuations, i.e., when considering the minimum state variable solution.

differentiable.[20] In our static framework, the inverse of the slope of the Phillips curve is the sacrifice ratio, i.e., $SR(\bar{\pi}_e) = \kappa(\bar{\pi}_e)^{-1}$.

Optimal stabilization policy We consider a two-stage policy problem. In the second stage, a policymaker aims to minimize the welfare losses from cost-push shocks $v_{t,e}$, taking the level of trend inflation and, hence, the sacrifice ratio as given. The welfare losses are given by the following quadratic loss function

$$\mathcal{L}_{t,e} = \frac{1}{2}\hat{\pi}_{t,e}^2 + \frac{\lambda}{2}x_{t,e}^2, \tag{4}$$

where $\lambda > 0$ denotes the relative weight on output stabilization. The resulting static optimal stabilization policy is characterized by

$$(\hat{\pi}_{t,e}^*, x_{t,e}^*) = \underset{\hat{\pi}_{t,e}, x_{t,e}}{\arg\min}\, \mathcal{L}_{t,e} \text{ s.t. } (3), \tag{5}$$

and we denote the expected welfare loss associated with optimal stabilization policy by $\mathbb{E}\,\mathcal{L}_{t,e}^*(\bar{\pi}_e)$, which depends on the inflation target via the sacrifice ratio.

Optimal trend inflation In the first stage of the policy problem, we consider a planner who sets the level of trend inflation, taking into account the effects of the inflation target on the welfare losses from cost-push shocks. The planner solves

$$\bar{\pi}_e^* = \underset{\bar{\pi}_e \in [0,\infty)}{\arg\max}\, W(\bar{\pi}_e) = -\mathbb{E}\mathcal{L}_{t,e}^*(\bar{\pi}_e) + A(\bar{\pi}_e), \tag{6}$$

where the function $A(\bar{\pi}_e)$ is twice continuously differentiable and captures all costs (and potential further benefits) of trend inflation with $A'(\bar{\pi}_e) < 0$. Moreover, for an interior maximum to exist, we assume $W(\bar{\pi}_e)$ to be globally concave, $W'(0) > 0$, and $W'(\pi) < 0$ for some $\pi > 0$.

Solution Solving the second stage of the policy problem yields the targeting rule

$$\hat{\pi}_{t,e}^* = -\lambda SR(\bar{\pi}_e)x_{t,e}^*, \tag{7}$$

[20] We think of this as a reduced-form modeling device to capture a globally convex Phillips curve while preserving a standard linear-quadratic policy problem locally, as we explain below.

and the associated expected welfare losses from cost-push shocks are

$$\mathbb{E}\mathcal{L}^*_{t,e} = \frac{\sigma_v^2}{2}\frac{\lambda SR(\bar{\pi}_e)^2}{1+\lambda SR(\bar{\pi}_e)^2}. \tag{8}$$

Lastly, the implied optimal level of trend inflation is (implicitly) characterized by

$$\frac{\sigma_v^2\ \lambda\ SR(\bar{\pi}^*_e)SR'(\bar{\pi}^*_e)}{(1+\lambda SR(\bar{\pi}^*_e)^2)^2} = A'(\bar{\pi}^*_e). \tag{9}$$

We denote the prevailing sacrifice ratio under optimal trend inflation by $SR^*_e = SR(\bar{\pi}^*_e)$.

Model predictions As a first step, notice that the expected welfare loss from cost-push shocks in (8) is unambiguously increasing in the sacrifice ratio. Thus, an increase in trend inflation lowers these welfare losses, i.e., $\partial\mathbb{E}\mathcal{L}^*_{t,e}/\partial\bar{\pi}^*_e < 0$. This formalizes a key building block of our policy trade-off mechanism: Experts who perceive the current sacrifice ratio to be high understand that this entails a less favorable policy trade-off.

We next discuss how experts' perceived sacrifice ratios relate to their preferred level of trend inflation. To this end, we augment the perceived sacrifice ratio by an exogenous shock $\eta_e \sim (0, \sigma^2_\eta)$ capturing variation in the expert's idiosyncratic assessment of the sacrifice ratio. Thus, with slight abuse of notation, $SR_e(\bar{\pi}_e) \equiv SR(\bar{\pi}_e) + \eta_e > 0$. Next, applying the implicit function theorem to equation (9) and some algebraic manipulations yields the comparative statics

$$\frac{d\bar{\pi}^*_e}{d\eta_e} > 0 \quad \text{if} \quad 1 > 3\lambda(SR^*_e)^2. \tag{10}$$

This formalizes the policy trade-off mechanism, as heuristically explained in Figure C1. The required restriction on parameters in (10) arises because the benefits of a lower sacrifice ratio diminish in the level of the sacrifice ratio where the derivative is evaluated. Note that this parameter restriction is not extremely restrictive. The median expert reports a sacrifice ratio of 0.4, which implies that the relative weight on the output gap must satisfy $\lambda < 2.1$, i.e., the weight on the output gap may not exceed twice the weight on inflation. We view this as reasonable given the wide consensus that inflation stabilization is the core objective of central banks.[21]

Lastly, under additional conditions, we further obtain that the relation between preferred trend inflation and sacrifice ratios strengthens in the (perceived) variance of cost-push dis-

[21] Additionally, we empirically observe that the positive relation between sacrifice ratios and trend inflation holds even at somewhat larger levels of the sacrifice ratio, see Figure 2. This is consistent with the above parameter restriction being satisfied for most experts in our sample.

turbances, i.e., $\frac{d^2\bar{\pi}_e^*}{d\eta_e d\sigma_v^2} > 0$. The required sufficient conditions are that, in a neighborhood around $\bar{\pi}_e^*$, we have quadratic costs of trend inflation $A(\bar{\pi}_e) = -a(\bar{\pi}_e)^2$ (with $a > 0$) and linearity of the sacrifice ratio so that $SR_e''(\bar{\pi}_e) = 0$.[22] As a result, all else equal, an expert who perceives a high sacrifice ratio and economic disturbances as more important would prefer an even higher level of trend inflation. This formalizes our explanation of why the recent inflation experience matters for the relation between sacrifice ratios and preferred inflation rates.

Further considerations To focus on our key points, we deliberately kept our analysis stylized and imposed as a high-level assumption that optimal trend inflation is strictly positive. In basic sticky price models (e.g. Galí, 2015), this may not generally be the case when there are no first-order benefits of positive trend inflation.[23] However, there are several ways to introduce benefits from positive trend inflation, as recently reviewed by Adam and Weber (2025). For example, one may consider a downward nominal wage rigidity (e.g., Schmitt-Grohé and Uribe, 2016, 2022) or a zero lower bound (e.g., Adam and Billi, 2007). In such a setup, one can introduce a central bank inflation target that is strictly positive but still sub-optimally low. Thus, in such a setting, an expert may prefer a raise in the inflation target due to both discussed mechanisms, a reduction in the output gap bias, and an improvement in the policy trade-off.

[22] Note that linearity in the sacrifice ratio requires $\kappa''(\bar{\pi}_e) = 2\frac{\kappa'(\bar{\pi}_e)^2}{\kappa(\bar{\pi}_e)}$.

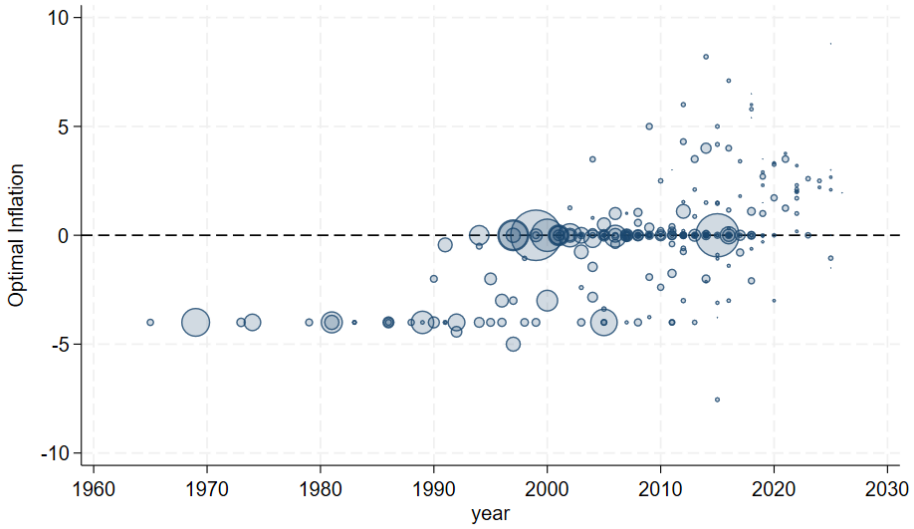
[23] In these models, the welfare costs from price dispersion strictly dominate the channel emphasized above.

D The Academic Literature on Optimal Inflation

This appendix provides a comprehensive account of the academic literature that employs structural models to identify the optimal inflation rate.

To provide a systematic account of the literature, we compile a comprehensive database of academic papers between 1965 and 2026 that quantify the optimal inflation rate. For the pre-2020 literature, we build on the database underlying Diercks (2019), which we extend to cover more recent contributions. In total, our data consists of 256 papers, their respective headline estimates of optimal inflation, and the number of Google Scholar citations as of May 2026. We present these data in Figure D1, showing how optimal inflation rates have evolved over time, where the marker size indicates the number of Google Scholar citations as an indicator of influence. Until the mid-1990s, most estimates were negative. Around the early 2000s, an increasing number of papers found zero inflation optimal. These papers are highly cited. However, since then, more papers have emerged that find strictly positive inflation rates, broadly in line with our expert survey.

Figure D1 OPTIMAL INFLATION RATES IN THE ACADEMIC LITERATURE



Notes: The figure plots optimal inflation rates in the academic literature over time. Each marker corresponds to the headline estimate of a paper, and the marker size indicates the number of Google Scholar citations as of May 2026.

To compare these existing estimates with our elicited preferred inflation rates, we present three histograms in Figure D2.[24] We split the estimates in the literature between pre- and post-2010 in Panels (a) and (b), as Adam and Weber (2025) argue that *"only after the*

[24] A single paper finds an optimal inflation rate of -7%, which we include in the bin centered around -5% to enhance readability.

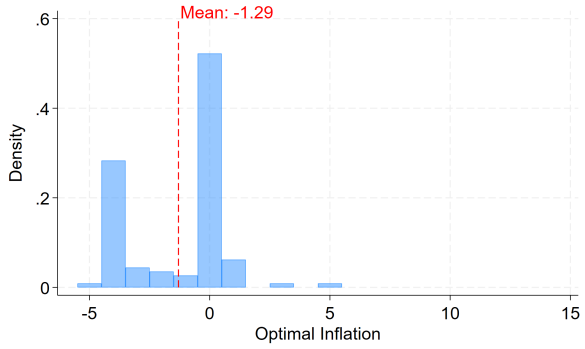
year 2010 [...] a substantial portion of academic contributions have found positive optimal inflation" (p.2). Before 2010, positive optimal inflation rates were an exception, with the arithmetic average across studies being -1.29% and the mode at zero inflation. Post-2010, we find a non-negligible number of papers with positive optimal inflation rates. The mode remains at zero, but the average estimate is strictly positive at 0.78%. In Panel (c), we show the corresponding preferred inflation rates from our survey.[25] The surveyed experts generally prefer higher levels of inflation than what the theoretical literature finds, with a mean of 2.96%.

The gap relative to the theoretical literature may partly reflect that the theoretical estimates correspond more often to developed economies, whereas we have relatively more emerging economies in our sample. Yet, an optimal inflation rate above 2% can be found even in developed economies based on recent research. For example, Adam and Weber (2023) report an optimal level of inflation for the U.K. economy of 2.6%. Lastly, another difference between the theoretical literature and our survey evidence pertains to the narratives and reasons that experts state to justify why their preferred rate of inflation deviates from central bank targets. In the theoretical literature, motives such as the zero lower bound (e.g., Adam and Billi, 2007; Coibion et al., 2012; Blanco, 2021) or relative price trends over product life-cycles are important (e.g., Adam and Weber, 2019; Adam et al., 2022), which experts place relatively little weight on, see Table 2 in the main text. In contrast, experts prominently cite boosting economic activity (category "Demand/Growth" in Table 2) and the trade-offs imposed by the Phillips curve (category "Phillips curve" in Table 2). These considerations emphasize the importance of business cycle stabilization for optimal inflation rates, consistent with, e.g., downward nominal wage rigidities (Benigno and Ricci, 2011; Schmitt-Grohé and Uribe, 2016, 2022).

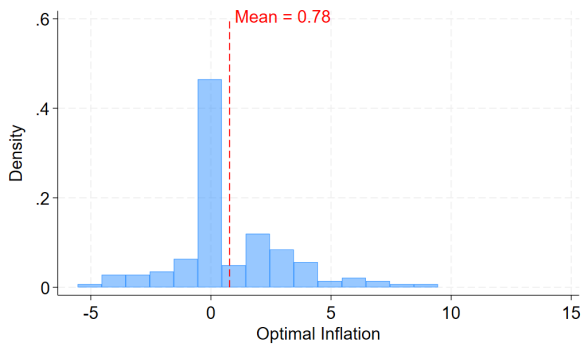
[25] For readability, we attribute reported inflation rates above 15% to the bar centered around 15%. In total, this affects only 9 observations, with the affected countries of expertise being Argentina, Burundi, Malawi, Nigeria, Pakistan, Sudan, and Turkey.

Figure D2 OPTIMAL INFLATION IN THE LITERATURE AND IN OUR DATA

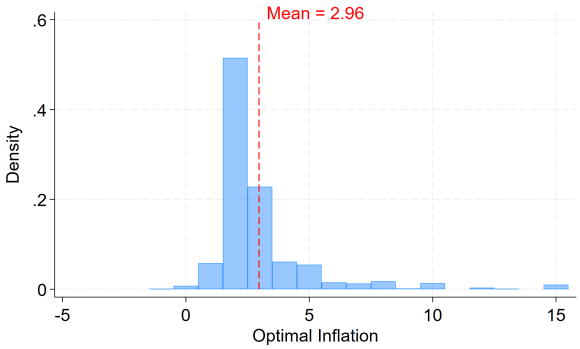
(a) Optimal inflation pre 2010



(b) Optimal inflation post 2010



(c) Experts' preferred inflation rate



Notes: The figure presents histograms of optimal inflation. Panel (a) plots optimal inflation rates found in the academic literature prior to 2010. Panel (b) plots optimal inflation rates found in the academic literature post 2010. Panel (c) plots experts' preferred inflation rates in our expert survey.

E Survey Questionnaire

E.1 Main Survey

1. Core Questions of the EES

- How do you rate [Country]'s current economic policy? – Please compare to the last quarter.

  [Scale from -100 to 100]

- How well does [Country]'s current economic policy address the challenges of the future? – Please compare to the last quarter.

  [Scale from -100 to 100]

  - What are your main considerations regarding the economic policy in [Country]?

    [Free-Text Answer Box]

- How do you rate the performance of [Country]'s current government? – Please compare to the last quarter.

  [Scale from -100 to 100]

- How do you rate the stability of [Country]'s political situation – Please compare to the last quarter.

  [Scale from -100 to 100]

  - What are your main considerations regarding the political situation in [Country]?

    [Free-Text Answer Box]

—Page break—

2. Inflation Expectations

- Which average inflation rate (in %) do you expect for [Country] in the year 2025?
- Which average inflation rate (in %) do you expect for [Country] in the year 2026?
- Which average inflation rate (in %) do you expect for [Country] in the year 2028?
- In your opinion, what are the current drivers of inflation in [Country]?

  [Free-Text Answer Box]

—Page break—

3. Inflation Preferences

- In your opinion, what is the inflation rate that would be optimal for the economy in [Country]?

  In a typical year, the inflation rate (in %) should optimally be: ____

—**Page break**—

If inflation preference != CB target:

- Your preferred inflation rate is different from the inflation target of the [CentralBank].

  What is your main reason for preferring an inflation rate different from the central bank's inflation target?

  [Free-Text Answer Box]

—**Page break**—

4. Central Bank Objectives

- Central banks have different objectives. According to your own opinion, please rank the following objectives of central banks in terms of importance (from 1 most important to 5 least important).
  If you think that an option should not be an objective at all, please leave it unranked.

  – Exchange rate stability
  – Output stability
  – Price stability
  – Financial market stability
  – Climate protection

  [Presented in random order]

  —**Page break**—

5. Beliefs about the Inflation–Unemployment Trade-off

- We are interested in your opinion about the inflation–unemployment trade-off.

  Given the current economic conditions in [Country], what increase in the unemployment rate in percentage points would you expect when the inflation rate is reduced by 1 percentage point over the next year?

[Slider ranging from 0 to 3 in increments of 0.1 units]

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6. Growth Expectations

- Which average real GDP growth rate (in %) do you expect for [Country] in the year 2025?
- Which average real GDP growth rate (in %) do you expect for [Country] in the year 2026?
- Which average real GDP growth rate (in %) do you expect for [Country] in the year 2028?

—**Page break**—

7. Special module on Donald Trump

- In your opinion, how will the election of Donald Trump as President of the United States of America influence economic growth in [Country]?
- In your opinion, how will the election of Donald Trump as President of the United States of America influence the following areas in [Country]?
  - Cooperation in International Organizations
  - International Security
  - Solving current Conflicts
  - Trade Policy
  - Climate Change Mitigation Policies
- Among Trump's announcements for his presidency is also a more protectionist US trade policy, including for example import tariffs. Say the US imposes import tariffs of 20% on all goods imported from [Country]. In your opinion, how would [Country] react to these imposed import tariffs by the US?

E.2 Follow-up Survey

1. Core Questions of the EES [Identical to Dec 2024]

2. Inflation Expectations [Identical to Dec 2024]

3. Geopolitical Risk

- How do you assess the current level of geopolitical risk in [Country]? - Please answer on a scale from 0 to 10.
- In your opinion, what is the probability that there will be an armed conflict on [Country]'s territory in the next five years? - Please answer in %.
- How do you expect the risk of military conflict involving [Country] to influence average annual GDP growth in [Country] over the next five years? - Please state the expected effect on economic growth in percentage points.
- In your opinion, how much should [Country] spend on military expenditure (as a share of GDP) by 2030? - Please answer in % of GDP.
- In your opinion, how much will [Country] spend on military expenditure (as a share of GDP) by 2030? - Please answer in % of GDP.
- Assuming [Country] would increase its military spending, how should the increase in military spending be financed?

4. Inflation Formation

- In your opinion, how important are the following potential drivers of current inflation in [Country]?
  - Expansionary Fiscal Policy
  - Expansionary Monetary Policy
  - Pent-Up Demand
  - Supply Chain Disruptions
  - Trade Conflicts/Tariffs
  - Labor Shortage
  - Government Mismanagement
  - Energy Crisis

- Increased Profit Margins of Firms

[Presented in random order]

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- Which of the following factors generally influence your inflation expectations? Please select up to three.
  - Central Bank Communications
  - Global Economic Developments
  - Macroeconomic Indicators
  - Past Inflation Trends
  - Personal Judgments or Intuition
  - Price Trends in Key Markets

[Presented in random order]

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5. Evaluation of Monetary Policy Decisions

- How do you evaluate the last interest rate decision by the [CentralBank]?

  [Answers ranging from -2 (very negative), -1 (negative), 0 (neutral), +1 (positive), +2 (very positive). Additional option: Don't know.]

  —**Page break**—

- How do you expect the [CentralBank] to adjust interest rates in the next three months?

  [Answers choices: (1) Decrease interest rates, (2) Hold interest rates, (3) Increase interest rates. Additional option: Don't know.]