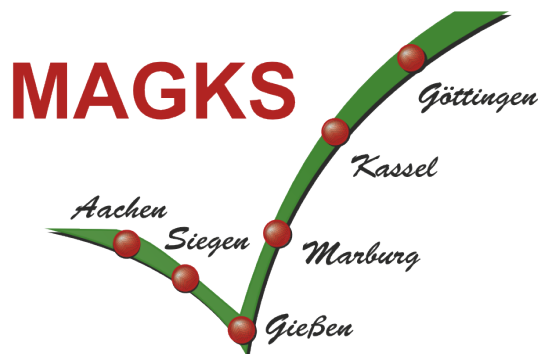




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## **Inflation Expectations and a Conservative Central Banker: Evidence from a Natural Experiment**

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# Inflation Expectations and a Conservative Central Banker: Evidence from a Natural Experiment<sup>\*</sup>

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November 8, 2025

## Abstract

This paper studies the response of inflation expectations to an exogenous shift in central bank preferences. We use the unexpected announcement of the resignation of Jens Weidmann, the president of the Deutsche Bundesbank, in 2021 as a natural experiment constituting a rare case of an exogenous shift in the composition of the ECB's Governing Council. As a member of the Governing Council, he was a known policy hawk and a vocal critic of the ECB's asset purchases. Our evidence from survey data suggests that the news about the resignation causes a strong increase in individual inflation uncertainty of German households and a significant fall in the level of trust in the ECB. The effect on the mean inflation expectations remains inconclusive. Thus, the shift in policy preferences has a strong effect on second moments, while the first moment effect remains weak.

**Keywords:** Monetary policy delegation, central bank governor, household survey, inflation uncertainty, trust

**JEL classification:** E52, E43, E32

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<sup>\*</sup>Check [here](#) for most recent version. We thank Mamadou Lamine Barry for help with the Nexis data. Winnie Coleman kindly shared her data. We are grateful to Lena Dräger, Sandra Eickmeier, David Finck, Giang Nghiem and Davide Romelli for helpful discussions. The views expressed in this paper are those of the authors and do not necessarily reflect the views of the Deutsche Bundesbank or the Eurosystem.

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# 1 Introduction

A large literature argues that a conservative central banker, a policymaker with a high relative weight on inflation stabilization in her loss function, reduces average inflation. Appointing a known inflation hawk to lead an independent central bank, the argument goes, contains inflation expectations. This addresses the inflation bias of discretionary monetary policy and raises social welfare (Kydland and Prescott, 1977; Barro and Gordon, 1983; Rogoff, 1985). Appointing a conservative central banker even remains socially beneficial in New-Keynesian models in which the economy does not suffer from an inflation bias (Clarida et al., 1999). In these models, a central banker with a high relative weight on stabilizing inflation in his loss function reduces the variance of inflation. In this case, a conservative central banker attenuates the stabilization bias of discretionary monetary policy and thus raises welfare. In either case, appointing a weight-conservative central banker has an impact on inflation expectations.

The benefits of a conservative central banker are generally shared by researchers and policymakers (Constâncio, 2011). However, the empirical evidence on the causal effect of a conservative policymaker on the expectations of the public remains slim. The reason for this is that exogenous variation in the preferences of central bankers is rare, while such variation is exactly what is needed to identify a causal effect on inflation expectations. The empirical literature reviewed below uses cross-country data to establish a link between central bank conservatism and/or central bank independence and the resulting inflation rate, though much of the evidence does not allow for a causal interpretation.

In this paper, we estimate the causal effect of an exogenous change in the degree of conservatism of the central banker on the inflation expectations of German households. We use a natural experiment: the announcement of the resignation of Jens Weidmann, president of the Deutsche Bundesbank and a member of the Governing Council of the European Central Bank (ECB), in October 2021. As a known policy hawk and a frequent critic of ECB policy, his resignation for personal reasons was perceived as a likely shift of the composition of the Governing Council towards less inflation aversion. Importantly, the resignation was completely unexpected as Jens Weidmann was re-appointed for his second term only two years earlier. Below, we show that there is indeed no sign the public expected the resignation. In addition, this event is informative because the new German government, chaired by the Social Democrats after 16 years of coalition governments chaired by the Christian Democrats, did not immediately announce a successor, thus fueling expectations of a dovish tilt. The newly formed government announced Joachim Nagel as the suc-

cessor of Jens Weidmann on December 20, 2021. The resignation does not coincide with a shift in the ECB’s policy framework, i.e. its mandate, its inflation target or its independence.

The news of the resignation falls into the October wave of the Bundesbank Online Panel - Households, a large and well-established online survey among German households. We use the answers to this survey, in particular to the questions on households’ inflation expectations and their level of trust in the ECB, to estimate the causal effect of the news. Comparing survey responses submitted before the news with the responses after the news allows us to identify the effect of the resignation. Thus, the ”treatment” in this case is the timing of the survey response.<sup>1</sup>

Our results show no clear effect of the news on expectations about the level of inflation. This applies to the mean of the individual forecast distributions, the individual point estimates and the qualitative expectations of future inflation. This result is surprising given the fact that the literature emphasizes the transmission channel through the moderation of inflation expectations. However, we find strong and highly significant effects on the second moments of inflation expectations, i.e. on inflation uncertainty measured by the width of the individual forecast distributions. Both the interquartile range and the standard deviation of individual forecasts are significantly higher for respondents who submit their answers after the announcement of the resignation. In addition, we show that the level of trust in the ECB to be able to deliver price stability is significantly lower for households who complete the survey after the resignation. All results remain robust with respect to different estimation methods and different (sub)sets of survey respondents. Our results emphasize the role of inflation uncertainty and trust as key variables sensitive to a perceived shift in policy preferences. This is in contrast to the literature which focuses on first moments. Our interpretation of the results is that inflation expectations remain well anchored, even in the short run, while the uncertainty about the path of inflation towards the anchor increases.

A large literature has established a firm link between central bank independence and low inflation ([Romelli, 2022](#)) in the cross section of countries. In addition, a number of papers study the cross-country impact of changes in central bank leadership on economic outcomes ([Göhlmann and Vaubel, 2007](#); [Dreher et al., 2008, 2010](#); [Moser and Dreher, 2010](#); [Kuttner and Posen, 2010](#); [Carvalho et al., 2017](#); [Ioannidou et al., 2022](#)). Both strands of the literature face two challenges. First, the identification of exogenous variation in either the institutional design of central banks or the governorship of central banks is difficult. This hampers the estimation of causal

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<sup>1</sup>This design is similar to [Dräger, Gründler and Potrafke \(2025\)](#) and [De Fiore et al. \(2025\)](#).

effects. Second, it is difficult to distinguish the impact of cross-country differences in the leadership of central banks on inflation from cross-country differences in central bank independence. This is why [Berger and Woitek \(2005\)](#) advocate single-country evidence on the impact of central bank preferences on economic outcomes.<sup>2</sup> Our paper addresses both points: we provide causal evidence and can isolate the change in governorship from other potential institutional changes.

The paper also draws on the literature on the delegation and the institutional design of monetary policy ([Backus and Driffill, 1985](#); [Vickers, 1986](#); [Walsh, 1995](#)), in particular on the role of uncertainty about the preferences of the central banker on the economic outcomes of the delegation of monetary policy ([Beetsma and Jensen, 1998](#); [Alesina and Gatti, 1995](#); [Sibert, 2002](#); [Hahn, 2016](#); [Schaumburg and Tambalotti, 2007](#)). While we can quantify the impact of an anticipated change in the composition of the Governing Council with a likely tilt towards less monetary conservatism, we cannot separate the effect from the remaining uncertainty about the preferences of the next Bundesbank president.

Our paper is also related to [Neuenkirch and Tillmann \(2016\)](#), who quantify the impact of "superstar" central bankers (e.g. "Super Mario" Draghi). They adopt a matching approach in order to construct a counterfactual and find that good central bankers do indeed face a more favorable output-inflation trade-off.<sup>3</sup> While their paper analyzes the impact of acclaimed central bank governors, our paper concentrates on a shift in the preferences of the central bank committee.

Finally, this paper is inspired by the recent interest in household expectations from survey data and their reactions to monetary policy decisions, central bank communication or other events ([Coibion et al., 2020, 2024, 2022](#); [Hoffmann et al., 2022](#); [Dräger, Lamla and Pfajfar, 2025](#); [Dräger, Gründler and Potrafke, 2025](#)). This literature also shows that an increase in uncertainty about future inflation, which is our main result, has detrimental effects on household spending ([Fischer et al., 2024](#); [Kostyshyna and Petersen, 2024](#)).

The remainder of this paper is structured as follows. Section 2 sheds light on the circumstances around the resignation. Section 3 uses a textbook model to derive empirical hypotheses. Section 4 introduces the household survey and the identification. The empirical framework and the main results are documented in section 5. Section 6 concludes.

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<sup>2</sup>[Berger and Woitek \(2005\)](#) measure changes in the preferences of the rate-setting board of the Bundesbank before the creation of the euro area on economic outcomes using voting records of policymakers.

<sup>3</sup>See also [Mehrling et al. \(2007\)](#) for a discussion of the personalities of central bankers.

## 2 A natural experiment: Jens Weidmann’s resignation

On October 20, 2021, Jens Weidmann, the President of the Deutsche Bundesbank, resigned unexpectedly. He resigned for personal reasons. The Bundesbank issued a press release at 10:45 am in both German and English and also posted the news on Twitter.<sup>4</sup>

The Bundesbank is the central bank of the largest economy of the euro area. Its governor is a member of the ECB’s Governing Council and arguably one of the very influential voices on the formulation of monetary policy in the euro area.<sup>5</sup> As a known hawk on monetary policy, or a “conservative central banker” in the sense of [Rogoff \(1985\)](#), Jens Weidmann embodied the stability orientation of the German public. His controversies with Mario Draghi, the ECB president, about unconventional monetary policy measures and policies directed towards containing sovereign yield spreads of individual euro area countries were widely appreciated in the German media, making Jens Weidmann a very popular and well-known Bundesbank president ([Tillmann and Walter, 2019](#)).<sup>6</sup> When Christine Lagarde succeeded Mario Draghi, the relationship between the president of the Bundesbank and the ECB leadership improved. The [Financial Times](#) comments on his resignation as follows:

”The president of the Bundesbank has been one of the most vocal critics of the ultra-loose monetary policy pursued by the European Central Bank, where he fought an often lonely battle against its bond buying and negative interest rate policies.”

In addition, the [Financial Times](#) interprets the resignation as a shift towards a less hawkish policy stance:

”As the longest-serving member of the ECB’s governing council, and one of its most “hawkish” voices who upheld the Bundesbank’s traditionally orthodox views on monetary policy that draw on Germany’s experience of hyperinflation in the 1920s, his departure opens the door to a potential further shift in favour of the ECB’s “dovish” majority.”

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<sup>4</sup>This is the [Press Release](#). The Twitter posts are shown in the appendix.

<sup>5</sup>The voting right rotates. The governors of the central banks of Germany, France, Italy, Spain and the Netherlands, the five largest economies of the euro area, share four voting rights on the Governing Council. The remaining governors share 11 voting rights.

<sup>6</sup>[Grebe and Tillmann \(2025\)](#) show the consequences of dissent in the Governing Council on the inflation expectations of German households.

The resignation was not just covered by specialized media such as the Financial Times, but was also widely exploited by the tabloid press. The appendix provides an example from bild.de, the largest German tabloid newspaper, claiming: "Disaster for our money!: Germany's guardian of the stable euro gives up".

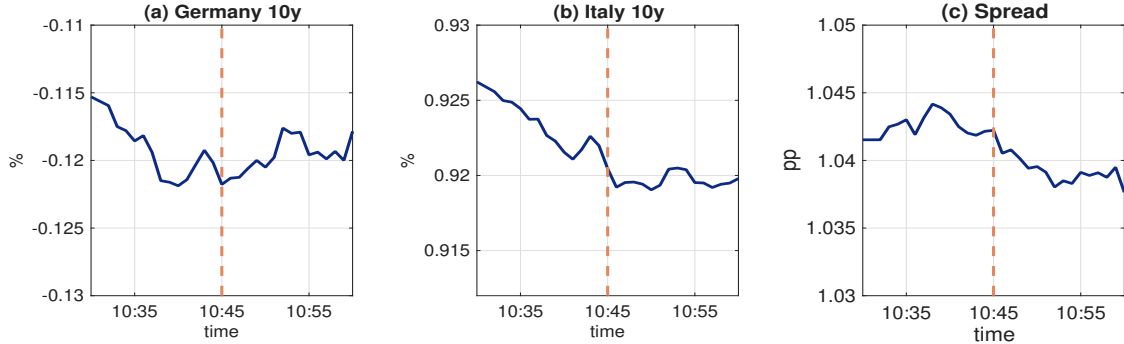
We investigate the impact of the resignation on the inflation expectations of German households. The resignation is a very informative natural experiment. This is because the news about Jens Weidmann's departure corresponds to an exogenous change in the monetary policy preferences of the Governing Council. It is a rare case of a shift in the composition of the council not due to a term in office coming to its end or an expected resignation after months of public debates.

Jens Weidmann was appointed President of the Deutsche Bundesbank in 2011 by Chancellor Angela Merkel and re-appointed for another eight-year tenure in 2019. Three points make his resignation particularly useful to study the effects of exogenous shifts in monetary policy preferences. First, the resignation was completely unexpected. As we will show below, the German public was taken by surprise on October 20. Second, the resignation, to become effective on December 31, was announced three weeks after the general election. It fell into the time of the negotiations about forming a new coalition government in Germany. Arguably, Jens Weidmann timed his resignation in order to allow the coalition parties to include his succession in their negotiations. Hence, there was no immediate successor announced because not even the new government was sworn in. The newly formed government announced the successor of Jens Weidmann on December 20, 2021. The fact that the new coalition government was expected to be led by the Social Democrats suggests that the likely successor of Jens Weidmann will be less hawkish. Third, the resignation does not coincide with a shift in the ECB's policy framework, i.e. its mandate, its inflation target or its independence, which could undermine the identification.

At the time of the announced resignation, the latest available inflation rate for Germany was 4.1% (year-on-year change in the Consumer Price Index in September 2021). The latest available inflation rate in the euro area was 3.4% (year-on-year change in the Harmonized Index of Consumer Prices in September 2021).

We now turn to the response of financial markets to the news of the resignation. Figure (1) shows the intraday yields on 10-year German bunds, 10-year Italian government bonds and the spread between them in a narrow window from 10:30 am to 11:00 am on October 20. Both yields should reflect the future path of short-term interest rates. In addition, Italian yields incorporate a risk premium, which should be sensitive to changes in market perceptions of future ECB measures in support

Figure 1: Bond yields and spreads around the announcement of the resignation



*Notes:* The dashed vertical line highlights the time of the press release at 10:45 am CET.

of highly indebted member states. The announced resignation of Jens Weidmann, a vocal critic of these measures, should shift the balance in the Governing Council towards more support. German bond yields exhibit no discernible reaction. Yields on Italian bonds fall, though the magnitude of the reaction is tiny. As a consequence, the yield spread of Italy against Germany falls by less than one basis point. Overall, these responses suggest that the impact of the news on first moments, i.e. mean inflation and interest rate expectations, is minuscule. However, we will show below that the news triggered a large change in second moments, i.e. the uncertainty about future inflation.

### 3 An illustrative model

This section uses a textbook model (Clarida et al., 1999) to illustrate the effect of a shift in the preferences of the central bank. We keep the model deliberately simple. For example, we assume that monetary policy is set by a single decision maker, thus ignoring the fact that the resignation of Jens Weidmann changes the balance of the Governing Council and that decisions are taken by a committee.

Consider a standard loss function, which includes the squared deviation of inflation,  $\pi_t$ , from the inflation target,  $\pi^*$ , and the squared output gap,  $y_t$

$$L = (\pi_t - \pi^*)^2 + \lambda y_t^2. \quad (1)$$

The relative weight on stabilizing the output gap,  $\lambda$ , stands for the central banker's preferences. A more hawkish or more conservative central banker (we use both terms interchangeably) puts more relative weight on inflation stabilization and, hence, has a lower  $\lambda$ . A New Keynesian Phillips Curve (NKPC) is a sufficient description of

the economy

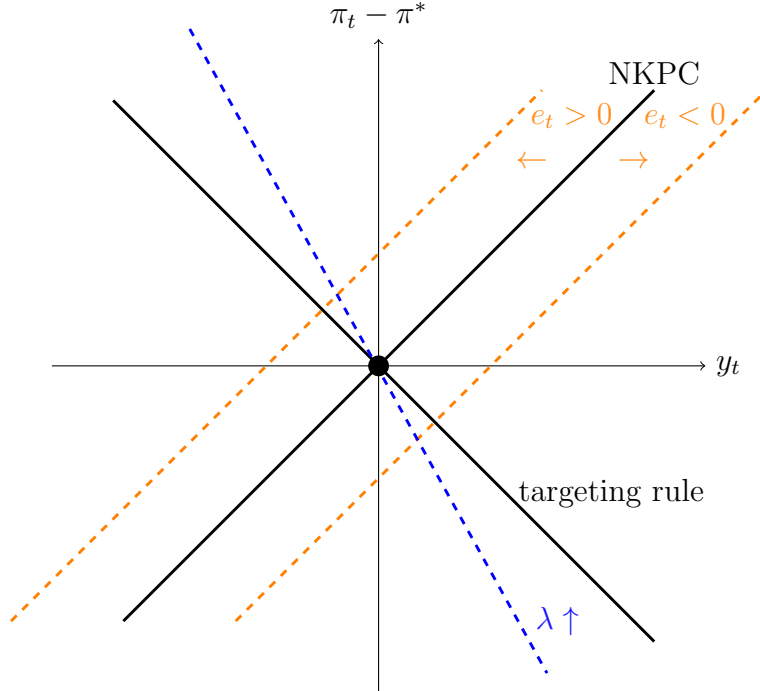
$$\pi_t = \beta \mathbb{E}_t \pi_{t+1} + \kappa y_t + e_t, \quad (2)$$

where  $\beta > 0$  is the discount factor and  $\kappa > 0$  is the slope of the Phillips Curve which depends inversely on the degree of nominal rigidities. Price setters expect a future inflation rate  $\mathbb{E}_t \pi_{t+1}$ . We add an exogenous cost-push shock,  $e_t$ . Minimizing the loss function subject to the Phillips Curve results in the standard targeting rule for optimal monetary policy under discretion

$$\pi_t - \pi^* = -\frac{\lambda}{\kappa} y_t, \quad (3)$$

according to which the central bank implements a negative output gap as a response to positive inflation deviations from target. Figure (2) provides a graphical description of the solution. The steady state inflation rate is determined by the intersection between the Phillips Curve and the targeting rule. In our case the steady state inflation rate is  $\pi_t = \pi^*$ . The cost-push shock temporarily shifts the Phillips curve, which causes fluctuations of inflation and the output gap.

Figure 2: The effect of increase in  $\lambda$



Appointing a less conservative central banker is equivalent to an increase in  $\lambda$ , which causes a rotation of the targeting rule. We obtain two findings. First, the steady state inflation rate remains unchanged. Thus, the expected long-run inflation rate does not change. This is the consequence of the model not suffering from an

inflation bias in contrast to traditional models in the spirit of [Barro and Gordon \(1983\)](#) or [Rogoff \(1985\)](#). Second, the volatility of inflation increases. This is because appointing a more liberal central bank governor aggravates the stabilization bias of discretionary monetary policy.

This model suggests that households should not change their long-run inflation forecasts after receiving their news about the resignation of Jens Weidmann, a weight-conservative central banker with a low  $\lambda$ . Short-run or medium-run inflation expectations of households receiving the news should increase relative to the control group of households not receiving the news. Finally, the increase in the variance of inflation in the textbook model should correspond to an increase in individual inflation uncertainty of survey participants. Thus, we should expect a higher inflation uncertainty relative to the control group of households which do not receive the news.

## 4 Data and identification

### 4.1 The BOP-HH survey

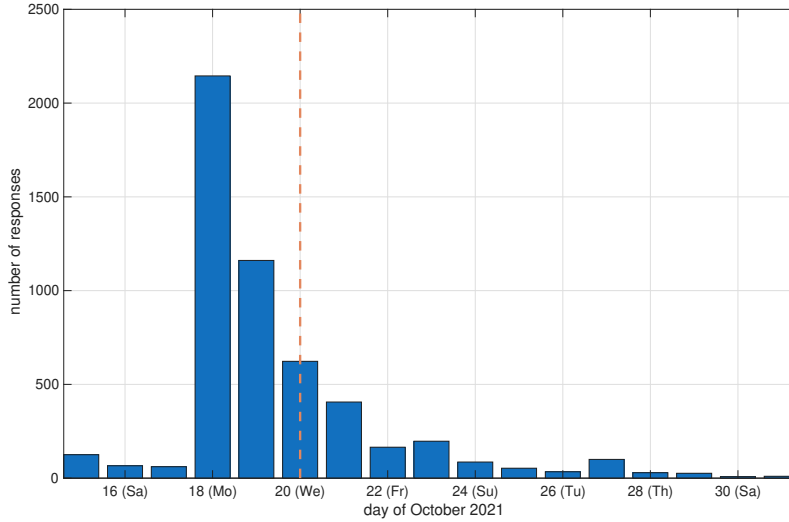
We use data from wave 22 of the BOP-HH, which was conducted in October 2021. The BOP-HH is a well-established online panel of German households.<sup>7</sup> A key property of wave 22 is that October 20, the day of the announced resignation, falls into the survey period. As explained below, this allows us to compare responses before and after the news of the resignation. The time stamps on each response provide us with the day the response was submitted, but not the exact time. Hence, some of the responses submitted on October 20 might have been completed before the news about the resignation broke on 10:45 am. Figure (3) shows the number of responses over the days of the survey.

More than 3,000 respondents completed the survey on October 18 and 19, i.e. before the resignation, and around 1,000 respondents completed the survey on October 20 or after. In the empirical analysis below we only include uninterrupted responses. The sample period includes the release of the flash CPI inflation figure (4.5%) for October and the regular meeting of the ECB’s Governing Council, both on October 28, 2021. Importantly, the week between October 21 and October 28 covers the quiet period before the Governing Council meeting during which members are not allowed to make public comments which could influence the expectations about monetary

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<sup>7</sup>Details about the survey are available at <https://www.bundesbank.de/en/bundesbank/research/survey-on-consumer-expectations>. The survey is conducted in German. Here, we use the translation available on the Bundesbank website.

Figure 3: Number of survey responses per day



*Notes:* The figure shows the number of survey responses per day in October 2021 of wave 22 of the BOP-HH. The dashed vertical line highlights October 20, the day Jens Weidmann announced his resignation.

policy. On October 28, the ECB decided to leave interest rates unchanged, which was in line with market expectations. As a result, market interest rates barely reacted.<sup>8</sup> Hence, the post-resignation subsample is not contaminated by other important news about monetary policy.

In the following, we explain the specific questions from wave 22, which are particularly relevant for our analysis. We also explain how we transform the responses in order to make them operational for our empirical estimation.<sup>9</sup> Table (1) reports the descriptive statistics of the six dependent variables.

**Probabilistic expectations** We use the responses to the following question: "In your opinion, how likely is it that the rate of inflation will change as follows over the next twelve months?" The respondents are given bins over which they have to allocate 100 points in total. The bins range from deflation of 12% or more to inflation of 12% or more. The width of the outer bins is four percentage points, while the width of the inner bins is two percentage points. The number of bins and the varying width of bins is identical to the Survey of Consumer Expectations run by the Federal Reserve Bank of New York. We show the exact formulation of the questions in the appendix. In order to analyze the responses, we need to fit a probability distribution to each individual answer. We follow the procedure of

<sup>8</sup>According to the EA-MPD of [Altavilla et al. \(2019\)](#), interest rates on German two- and ten-year bonds increase by 0.45 and 1.25 basis points, respectively, during the event window.

<sup>9</sup>The English version of the original survey questions is available at [Deutsche Bundesbank](#).

Engelberg et al. (2009) and Manski (2018), which we explain in the appendix. This provides us with the individual mean inflation expectation as well as two measures of individual inflation uncertainty: the interquartile range and the standard deviation of the distribution. The interquartile range is more robust with respect to outliers compared to the standard deviation of individual forecasts.

**Inflation point expectation** Respondents receive factual information on the definition of inflation and deflation. They are asked: "Do you think inflation or deflation is more likely over the next twelve months?". If they choose inflation (deflation), they are then asked: "What do you think the rate of inflation (deflation) will roughly be over the next twelve months?" Respondents can enter a value with one decimal place. We calculate the point expectation as

$$E_i(\pi) = \begin{cases} E_i(\pi^{infl}) & \text{if } \mathbb{I}_i^{infl} = 1 \\ -E_i(\pi^{defl}) & \text{if } \mathbb{I}_i^{defl} = 1, \end{cases} \quad (4)$$

where  $\mathbb{I}_i^{infl}$  ( $\mathbb{I}_i^{defl}$ ) is equal to one if respondent  $i$  chooses inflation (deflation) and zero otherwise and  $E_i(\pi^{infl})$  and  $E_i(\pi^{defl})$  are the expected rates of inflation or deflation.

**Qualitative inflation expectations** Respondents are asked: "What developments do you expect in the [the inflation rate] over the next twelve months?". They can choose between "will decrease significantly", "will decrease slightly", "will stay roughly the same", "will increase slightly" and "will increase significantly". We code the "increase (decrease) strongly" answers as a value of 2 (-2), the "increase (decrease) slightly" answers as a value of 1 (-1) and the "stay the same" answer as a value of 0.

**Trust** The survey participants are asked to provide their level of trust in the ECB to be able to deliver price stability from a value of 0 (do not trust at all) to a value of 10 (trust entirely). They could also choose the answer "I am unfamiliar with the ECB". In our regressions, we use the values from 0 to 10. Survey rounds before or after wave 22 in October 2021 do not include a question about trust. We interpret trust following Aikman et al. (2025). These authors argue that trust reflects the expectation that the "central bank will act in the public interest and possess the technical competence to achieve its objectives." It is a broader notion than credibility

and includes also informal norms and social capital.<sup>10</sup>

Table 1: Descriptive statistics

|                                   | # obs. | mean | median | std. | min.   | max.   |
|-----------------------------------|--------|------|--------|------|--------|--------|
| inflation point expectation       | 3295   | 5.01 | 4.00   | 7.21 | -70.00 | 100.00 |
| qualitative inflation expectation | 3931   | 1.21 | 1.00   | 0.90 | -2.00  | 2.00   |
| mean inflation expectation        | 3536   | 3.80 | 3.27   | 3.38 | -25.00 | 25.00  |
| interquartile range               | 3536   | 2.42 | 1.67   | 2.66 | 0.04   | 29.82  |
| standard deviation                | 3536   | 1.66 | 1.20   | 1.72 | 0.03   | 18.37  |
| trust                             | 3887   | 4.41 | 5.00   | 2.58 | 0.00   | 10.00  |

*Notes:* The table shows descriptive statistics for the dependent variables. We include only the uninterrupted survey responses.

**Socio-demographic information** Survey participants also provide detailed information about their socio-demographic status, which we use as control variables in our estimations below. We include a dummy that is one if the respondent identifies as male and zero otherwise. Another dummy variable is one if the respondent is employed and zero otherwise. The household size and the age of the respondent are taken as such without further transformations. We transform the information on school education and professional education into one variable that reflects the overall number of years of schooling. Separate dummy variables indicate whether the household income is below 2,000 EUR, between 2,000 and 5,000 Euro and between 5,000 and 8,000 Euro, thus leaving households with an income of more than 8,000 Euro as the omitted category. We include information about the residency of households. The separate dummy variables indicate whether the household lives in the East, the South and the North of Germany leaving the West as the omitted category. Two additional dummy variable indicate whether the household lives in a medium city or a big city leaving small cities as the omitted category. Finally, a dummy variable is one if the respondent identifies as single and zero otherwise.

<sup>10</sup>See [Eickmeier and Petersen \(2024\)](#) for an in-depth analysis of the determinants and the consequences of trust in the ECB. [Ehrmann \(2024\)](#) provides a survey of the importance of trust for monetary policy. [Christelis et al. \(2020\)](#) show that trust in the central bank helps anchor inflation expectations.

## 4.2 Identification

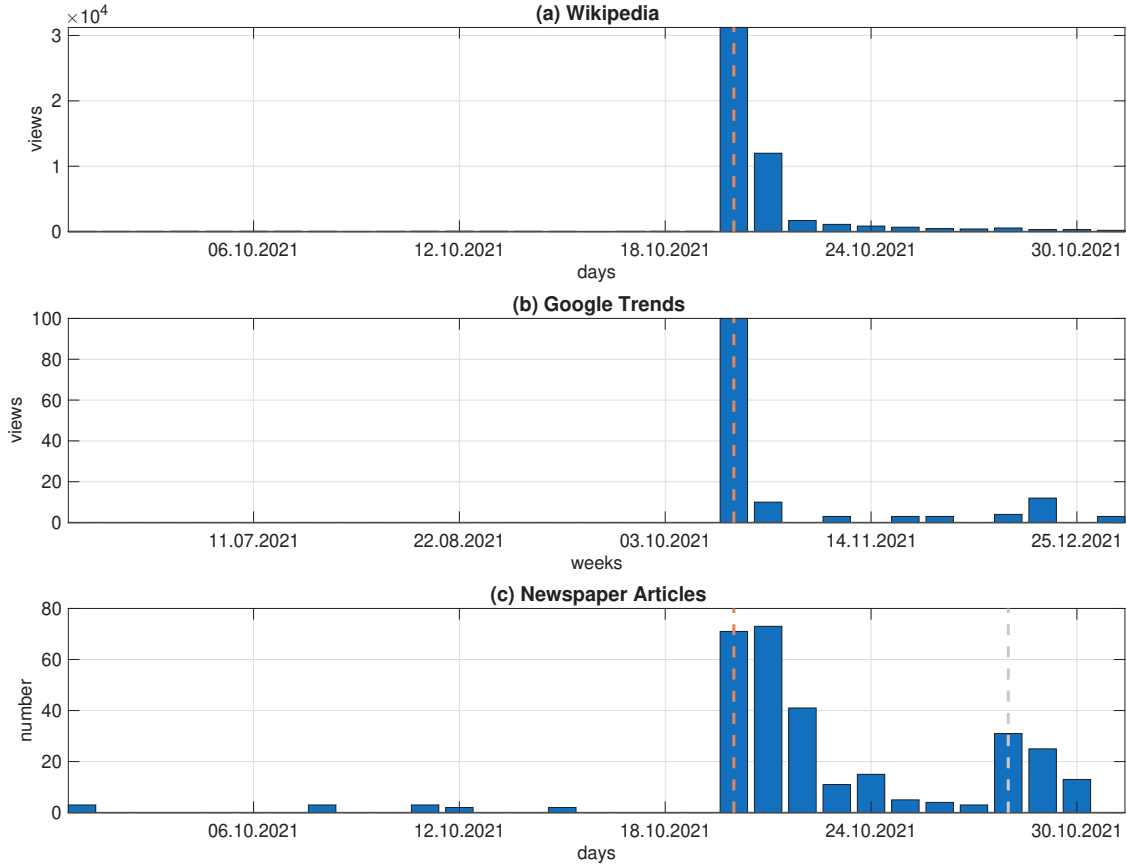
We estimate the causal effect of the news about the resignation on inflation expectations and trust in the ECB. Specifically, we compare survey responses completed before October 20 and responses completed on October 20 or after. Our identifying assumption is that (i) the resignation is unexpected and (ii) the treatment status, i.e. the date of the completion of the survey, is not systematically related to the control variables.

Let us discuss each assumption in turn. Figure (4) shows the daily number of visits of the Wikipedia page on Jens Weidmann (in German) as well as the weekly Google search volume on "Jens Weidmann" in Germany. If the resignation was expected, we should see fluctuations in both series before the news. Both number are indistinguishable from zero before October 20 and explode as the news breaks on President Weidmann's announced resignation. In panel (c), the figure shows the number of newspaper and magazine articles in German containing the word "Jens Weidmann" for each day of the year 2021. We include all articles we can find on the Nexis database. We can clearly see a massive increase in reporting about Jens Weidmann on October 20 and the subsequent days. There are zero articles on October 18 and 19, but 71 and 73 on October 20 and 21, respectively. Over the full year 2021, we find 1161 relevant articles, 630 of which appeared after October 20. None of the articles published before October 20 speculates about a resignation of the Bundesbank president. All three panels of the figure support the notion that the announced resignation was indeed unexpected. There were no rumours about a possible resignation in the days and weeks before October 20.

As regards the second part of the identifying assumption, we need to show that the treatment status is unrelated to socio-demographic factors. Suppose for example that well educated households complete the survey late in the survey period, i.e. after the resignation, while less educated households complete the survey early. If both types of households differ in their response of inflation expectations to the news, this would bias our findings. We estimate a Probit regression in which we "explain" the treatment status, i.e. the survey being completed within  $h$  days after 10/20, on the control variables for different values of  $h$ . To save space, we report the results in Table (2) for  $h = 2, 7, 10$  only.

With the exception of the employment status for  $h = 10$  days, all estimated coefficients remain statistically insignificant. These results suggest that the treatment status cannot be predicted from the socio-demographic control variables. This supports our identifying assumption. In the appendix, we show that oil prices and Covid-restrictions do not confound the comparison between the treatment and the

Figure 4: Web traffic, search volume and newspaper reporting around Jens Weidmann's resignation



*Notes:* The figure shows the daily number of visits of Jens Weidmann's Wikipedia page (panel a), the weekly Google search volume for "Jens Weidmann" in Germany (panel b) and the daily number of German newspaper and magazine articles containing "Jens Weidmann" (panel c) recorded in the Nexis database. The search volume is indexed to 100 in the week with the highest number. The orange dashed line highlights October 20. The gray dashed line indicates the October meeting of the ECB's Governing Council.

control group. Oil prices and the intensity of lockdowns exhibit very little fluctuations in October 2021.

## 5 Empirical evidence

In this section, we provide causal evidence on the impact of monetary conservatism on inflation expectations. The announced resignation of Jens Weidmann provides us with a natural experiment.

## 5.1 Model

The estimated empirical model is straightforward. We regress the dependent variable, i.e. the mean expected inflation rate, the point forecast, the qualitative forecast, the uncertainty of households about inflation and the degree of trust in the ECB, on a dummy variable that is one for each respondent submitting her answers in a window of  $h$  days beginning October 20, 2021 and zero otherwise. Thus, the treatment is the timing of the survey responses.

We also include a constant and the socio-economic control variables explained in the previous section. Since we are interested only in the effect of President Weidmann's resignation on the dependent variable, we report the coefficient on the dummy variable only. Each regression includes only the responses which were submitted without interruptions. This is because an interruption could potentially violate our identifying assumption. Thus, the regression equation reads

$$y_i = \alpha + \beta \mathbb{D}_{i,h}^{Weidmann} + \Gamma' X_i + \varepsilon_i, \quad (5)$$

where  $y_i$  is the dependent variable for respondent  $i$  and  $\mathbb{D}_{i,h}^{Weidmann}$  is the treatment dummy. The vector  $X_i$  contains all control variables. For a survey completed within  $h$  days after October 20, the treatment dummy equals one, i.e.

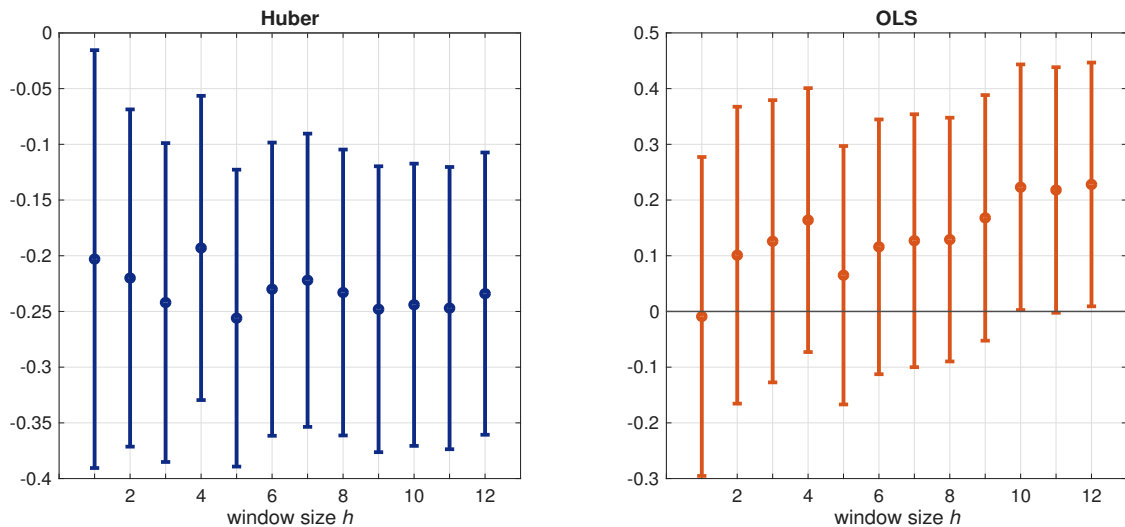
$$\mathbb{D}_{i,h}^{Weidmann} = \begin{cases} 1 & \text{if survey is completed within } h \text{ days after Oct. 20} \\ 0 & \text{otherwise} \end{cases} \quad (6)$$

for  $h = 1, \dots, 12$ . The first window only includes responses submitted on October 20, the last and widest window includes all submissions between October 20 to October 31. The advantage of this approach is that the number of observations remains unchanged as we increase the window size  $h$ . We estimate this equation using robust Huber regressions, which are standard in the literature on survey-based inflation expectations, and OLS regressions with robust standard errors. The estimates of the Huber regressions are less affected by outliers. Some of the dependent variables are measured in discrete steps, e.g. the qualitative expectation of inflation or the level of trust in the ECB. For these variables we also provide results from an Ordered Probit regression. Naturally, the magnitude of the coefficient estimates for the least squares estimation and the Probit estimation are not directly comparable. All regressions include the full set of control variables introduced earlier. As our interest lies on the impact of the news about the announced resignation, we show the estimated  $\beta$  coefficients only.

## 5.2 Baseline results

Figure (5) shows the reaction of individual mean inflation expectations to the news about the resignation of the Bundesbank president. The estimates of the Huber regressions show a significantly lower mean expectations of households who submit their responses after the resignation. This holds for each possible window length. For the  $h = 5$  day window, the mean expected inflation rate is about 0.25 percentage points lower than for pre-resignation respondents. The sign of this response is counter-intuitive. In contrast, the OLS results remain insignificant. Put differently, the reaction of mean inflation is either counter-intuitive or indistinguishable from zero. Below, we show that the reactions of the point estimates of future inflation and the qualitative assessment of future inflation exhibit notably different responses.

Figure 5: Response of mean inflation expectations to the news about the resignation

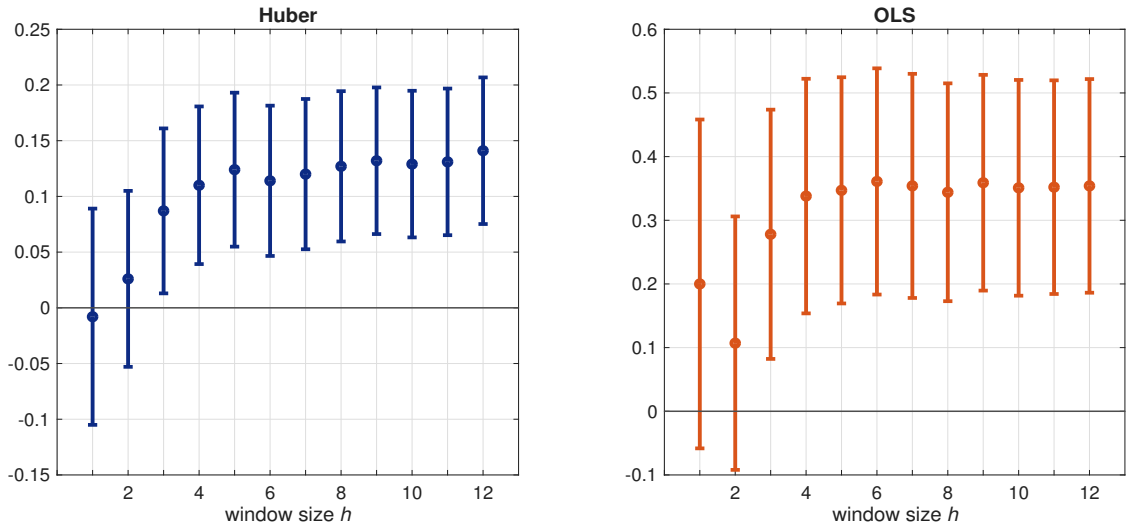


Notes: The dots are the point estimates from regression (5). The bars reflect 90% confidence bands.

We now move from the mean of the individual distributions to the uncertainty about future inflation perceived by households. Figure (6) shows the estimates for the interquartile range of the individual distributions. Respondents who complete the survey three days after the resignation or later perceive a significantly higher uncertainty about future inflation than the respondents who submitted their answers before the resignation. Both the Huber regressions and the OLS regressions provide highly significant and strong effects. Households submitting their responses in the  $h = 6$  day window after the resignation perceive inflation uncertainty to be about 0.12 points (Huber) or 0.36 points (OLS) higher. This is an economically sizable effect. The sample mean (standard deviation) of the interquartile range is 2.42

(2.66). The results remain qualitatively unchanged if we use the standard deviation of the individual inflation distribution as a measure of forecast uncertainty, see Figure (7). The plot of the response coefficients for each horizon  $h$  reveals a hump-shaped pattern. Apparently, households need a few days to receive and process the news about the resignation until they update their expectations. For both the interquartile range and the standard deviation, the OLS estimates are higher than the Huber estimates, which implies that outliers have a strong effect on the OLS estimates.

Figure 6: Response of inflation uncertainty (interquartile range) to the news about the resignation



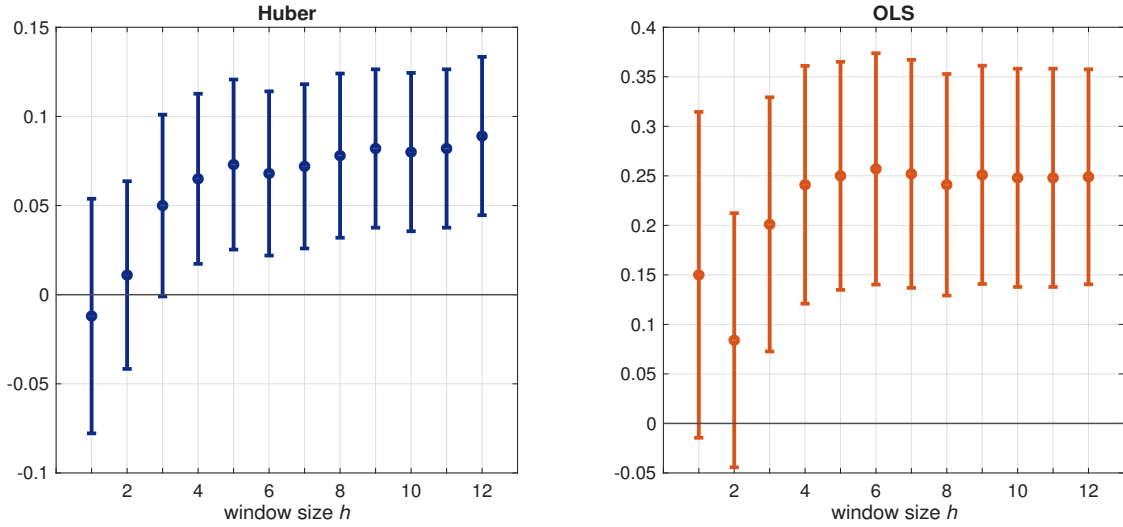
Notes: The dots are the point estimates from regression (5). The bars reflect 90% confidence bands.

Figure (8) depicts the impact on the point forecasts of inflation. For each window size  $h$ , the estimated coefficients remain indistinguishable from zero. The insignificant impact of the news on the point forecast is also consistent with the absence of a market response to the news as shown in Figure (1). Thus, the point forecasts and the mean of the individual forecast distributions exhibit different responses to the news about the resignation.

The reactions of the qualitative expectations of future inflation are notably different from both the mean inflation expectation and the point estimates. Figure (9) shows that households expect a significant increase in inflation as a result of the resignation. The response is significantly positive for responses submitted in the first week after the resignation. The increase in expected inflation is in line with the theoretical predictions for an intermediate horizon discussed before.

Finally, we assess whether the news about the resignation of the Bundesbank pres-

Figure 7: Response of inflation uncertainty (standard deviation) to the news about the resignation



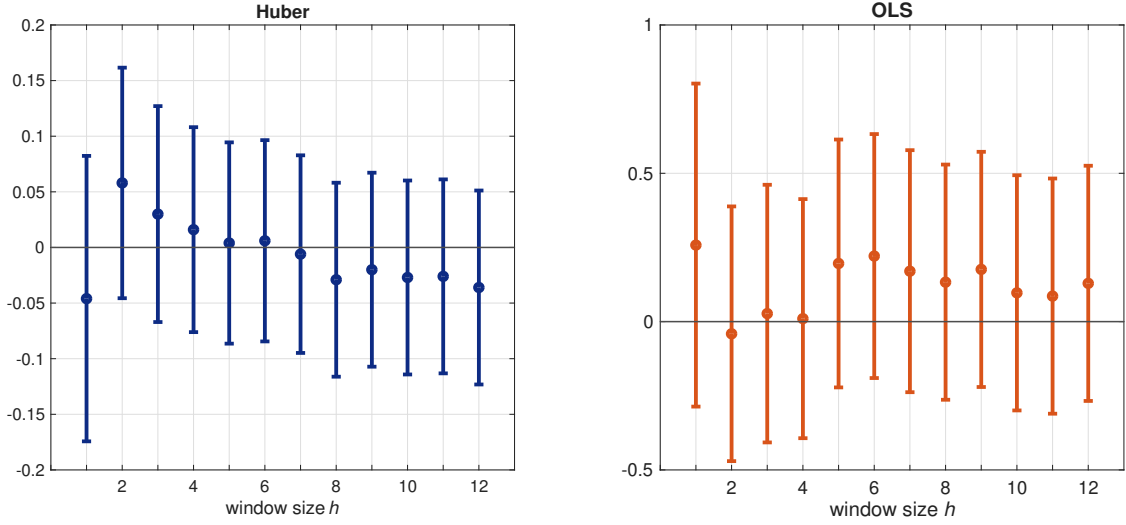
Notes: The dots are the point estimates from regression (5). The bars reflect 90% confidence bands.

ident affects the trust of German households in the ECB. The estimates are shown in Figure (10). All three estimation methods, i.e. Ordered Probit, Huber and OLS, yield a consistent result: trust significantly deteriorates for households which submit their responses within four or more days after the resignation. The effect remains highly statistically significant and economically large for all window sizes. Again, plot is hump-shaped suggesting that the maximum impact of the news on trust occurs only a few days. Hence, the unexpected resignation does not only raise uncertainty about the future inflation outlook, but also undermines the trust in the ECB.

In the appendix, we re-estimate the baseline model but (1) include only respondents which have a reasonable perception of current inflation, i.e. an inflation perception between 0% and 10%, (2) exclude households with zero trust in the ECB and (3) include additional control variables at a daily frequency. These control variables capture the tightness of lockdowns in October 2021 and the level of economic activity. All results remain qualitatively unchanged. Wave 22 of the BOP-HH also asks respondents whether they are aware of the recent strategy review of the ECB. In another alternative specification, we let the treatment dummy interact with a dummy that reflects whether households are aware of the strategy review or not. This interaction term remains insignificant.<sup>11</sup> Another alternative specification leaves out survey responses submitted on October 20. The drop in trust and the increase in un-

<sup>11</sup>We do not report these results.

Figure 8: Response of point inflation expectations to the news about the resignation



Notes: The dots are the point estimates from regression (5). The bars reflect 90% confidence bands.

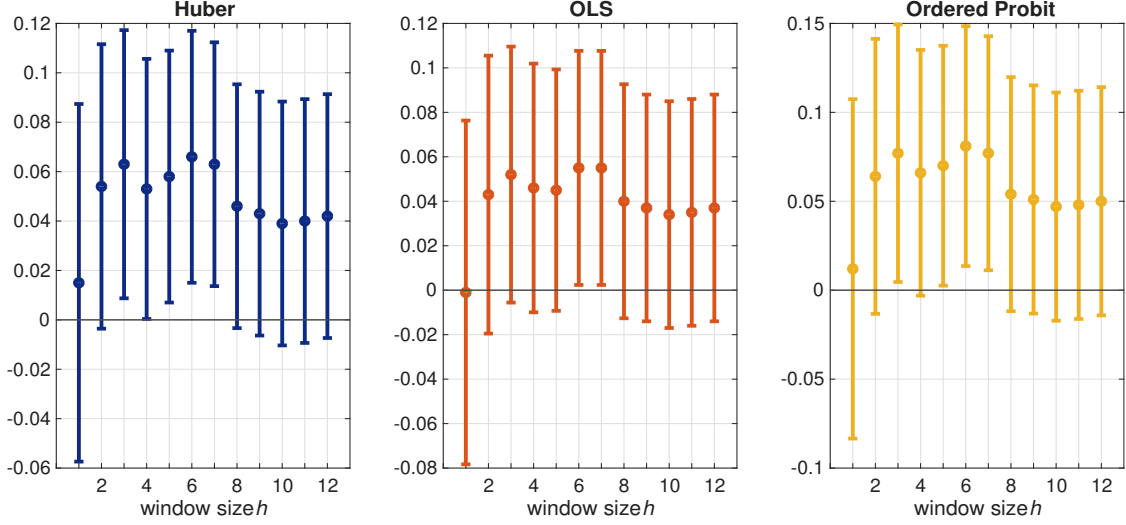
certainty become even stronger than in the baseline model. Finally, we also use data from a survey conducted by Coleman and Nautz (2023a,b). This survey asks only one question, i.e. about medium-term inflation, and the formulation of the question is different from the BOP-HH. We find an increase in the expected inflation rate as a consequences of the announced resignation.

### 5.3 Updating inflation expectations

In the previous subsection, we found that households' point forecasts for inflation do not respond to the news about the announced resignation. One reason for this could be that the true effect is nonlinear, which results in insignificant estimates when estimated in a linear model. If a household expects a relatively high inflation even before receiving the news, the response could be small or even negative. If a participant foresees a relatively low level of inflation, he might want to revise his expectations upwards in light of the news.

In order to investigate this potential nonlinearity, we concentrate on the point forecasts submitted in the October wave of the survey,  $\pi_{i,Oct}^{point}$ , but limit the sample to those households which submitted a point forecast also in the September wave,  $\pi_{i,Sep}^{point}$ . We include  $\pi_{i,Sep}^{point}$  as an additional explanatory variable. In addition, we let  $\pi_{i,Sep}^{point}$  interact with the treatment dummy. The coefficient  $\beta_0$  reflects the unconditional effect of the treatment, while the coefficient  $\beta_2$  reflects the moderating effect

Figure 9: Response of qualitative inflation expectations to the news about the resignation



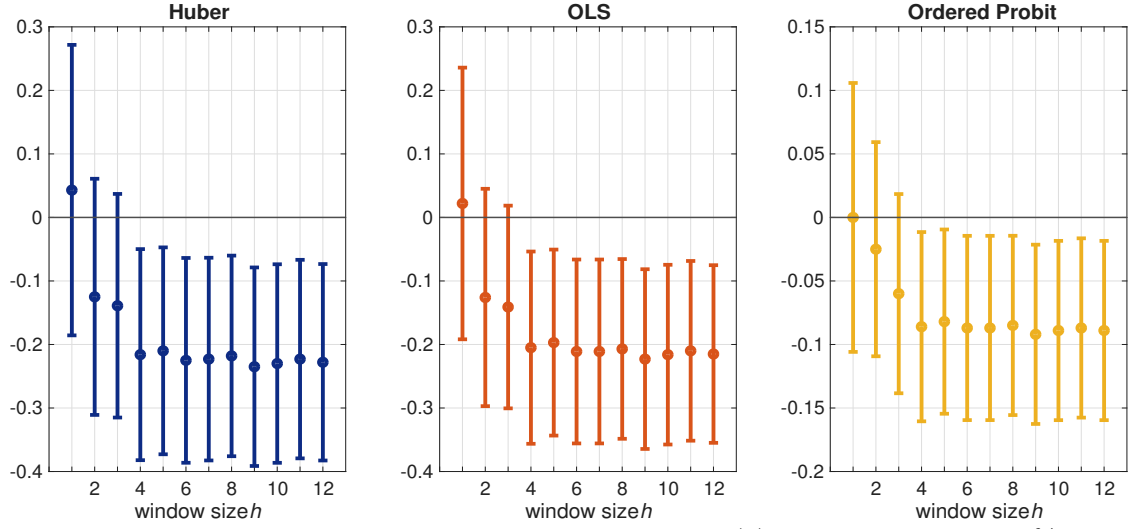
Notes: The dots are the point estimates from regression (5). The bars reflect 90% confidence bands.

of inflation expectations in the previous survey round. The estimated model is

$$\pi_{i,Oct}^{point} = \alpha + \beta_0 \mathbb{D}_{i,h}^{Weidmann} + \beta_1 \pi_{i,Sep}^{point} + \beta_2 (\mathbb{D}_{i,h}^{Weidmann} \times \pi_{i,Sep}^{point}) + \Gamma' X_i + \varepsilon_i. \quad (7)$$

Table (3) reports the estimated coefficients for selected window sizes. Due to the nonlinear nature of the effect, we cannot show the results graphically. The sample size, i.e. the number of households answering both the September and the October survey, is 1241. We find a consistent pattern: the unconditional effect of the news about the resignation is positive and highly statistically significant. Ranging between 1.03 ( $h = 2$ ) and 0.62 ( $h = 11$ ), the effect is also economically large. Past inflation expectations enter with a positive coefficient. Importantly, the coefficient on the interaction term is negative. Hence, the impact of the news about the resignation becomes smaller for higher levels of inflation expectations in September. The opposite signs of the estimated  $\beta_0$  and  $\beta_2$  allow us to calculate a critical inflation forecast from the September survey, at which the effect of the news on the October forecast changes sign. Consider the  $h = 2$  window. Households expecting future inflation to be below 4.15% in September raise their point forecast in October when receiving the news of Jens Weidmann's resignation. Households expecting inflation to be above the critical rate in the September survey reduce their expectation when receiving the news. Households with low forecasts raising their inflation expectations in light of the news is in line with our economic intuition. However, it is

Figure 10: Response of trust in the ECB to the news about the resignation



*Notes:* The dots are the point estimates from regression (5). The bars reflect 90% confidence bands.

not clear why households with relatively high expectations in the September round should reduce their expectations. We find this pattern only for the point forecasts, but not for the mean of the individual forecast distributions.

Table 2: Determinants of treatment status

|                          | window size          |                     |                     |
|--------------------------|----------------------|---------------------|---------------------|
|                          | $h = 2$              | $h = 7$             | $h = 10$            |
| constant                 | −1.050<br>(0.276***) | −0.641<br>(0.251**) | −0.575<br>(0.247**) |
| male                     | 0.005<br>(0.049)     | −0.010<br>(0.045)   | −0.019<br>(0.044)   |
| HHsize                   | 0.015<br>(0.030)     | 0.013<br>(0.027)    | 0.036<br>(0.026)    |
| big city                 | −0.007<br>(0.071)    | 0.047<br>(0.065)    | −0.006<br>(0.064)   |
| medium city              | −0.021<br>(0.054)    | −0.015<br>(0.049)   | −0.035<br>(0.048)   |
| age                      | 0.001<br>(0.002)     | 0.001<br>(0.002)    | 0.001<br>(0.002)    |
| income <sub>&lt;2K</sub> | 0.040<br>(0.146)     | 0.049<br>(0.133)    | 0.058<br>(0.131)    |
| income <sub>2K–5K</sub>  | 0.031<br>(0.126)     | 0.008<br>(0.116)    | 0.014<br>(0.114)    |
| income <sub>5K–8K</sub>  | −0.097<br>(0.133)    | −0.102<br>(0.122)   | −0.087<br>(0.120)   |
| east                     | −0.007<br>(0.073)    | 0.039<br>(0.067)    | 0.104<br>(0.066)    |
| north                    | 0.008<br>(0.073)     | 0.007<br>(0.067)    | 0.011<br>(0.066)    |
| south                    | −0.098<br>(0.061)    | −0.035<br>(0.056)   | −0.028<br>(0.055)   |
| years of edu             | 0.006<br>(0.008)     | −0.003<br>(0.007)   | −0.004<br>(0.007)   |
| single                   | −0.143<br>(0.082*)   | −0.074<br>(0.073)   | −0.034<br>(0.072)   |
| employed                 | 0.057<br>(0.061)     | 0.116<br>(0.056*)   | 0.118<br>(0.055**)  |
| method                   | Probit               | Probit              | Probit              |
| # obs.                   | 3747                 | 3747                | 3747                |

*Notes:* The dependent variable is one if the survey was completed within  $h$  days after October 20 and 0 otherwise. The regression includes uninterrupted responses only. A significance level of 10%, 5% and 1% is indicated by \*, \*\*, \*\*\*, respectively.

Table 3: Updating inflation expectations

|                                                          | window size          |                      |                      |                      |
|----------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                                          | $h = 2$              | $h = 5$              | $h = 8$              | $h = 11$             |
| $\mathbb{D}_{i,h}^{Weidmann}$                            | 1.029<br>(0.139***)  | 1.144<br>(0.124***)  | 0.591<br>(0.115***)  | 0.622<br>(0.112***)  |
| $\pi_{i,Sep}^{point}$                                    | 0.395<br>(0.005***)  | 0.400<br>(0.006***)  | 0.396<br>(0.006***)  | 0.401<br>(0.006***)  |
| $\mathbb{D}_{i,h}^{Weidmann} \times \pi_{i,Sep}^{point}$ | -0.248<br>(0.018***) | -0.299<br>(0.017***) | -0.162<br>(0.016***) | -0.163<br>(0.016***) |
| critical $\pi_{i,Sep}^{point}$                           | 4.15%                | 3.83%                | 3.65%                | 3.81%                |
| method                                                   | Huber                | Huber                | Huber                | Huber                |
| controls                                                 | yes                  | yes                  | yes                  | yes                  |
| # obs.                                                   | 1241                 | 1241                 | 1241                 | 1241                 |

*Notes:* The table shows the estimated coefficient from regression (7). The model also includes a constant.

## 6 Conclusions

A shift in the monetary policy preferences of central bank governors and, as a consequence, of central bank committees should change the expectations of households. To establish a causal effect, this shift needs to be unexpected. The announced resignation of Jens Weidmann from the presidency of the Deutsche Bundesbank is a rare case of a surprise change in the average preferences of the ECB's Governing Council. Since Weidmann was an outspoken policy hawk and the newly elected German government was led by the Social Democrats, the likely successor picked by the new government was more dovish.

In this paper, we showed that households adjust their inflation expectations as a response to the news about the resignation. We find a strong increase in individual uncertainty about future inflation and a deterioration of trust in the ECB. The response of households' mean inflation expectations remains weak or insignificant. Inflation expectations remain well anchored even in the short-run, while the uncertainty around inflation increases.

One conclusion from our findings is that personalities matter for households' expectations, even in an institutional environment with a highly independent central bank, a clear mandate for price stability and a credible inflation target. Appointing a known inflation hawk contains inflation uncertainty and raises trust. Furthermore, the preferences of an outspoken and prominent policymaker matter although monetary policy decisions are made by a committee, not a single decision maker. Moreover, the preferences of the central banker matter, at least in his or her home country, even if the policymaker is in a minority position in the Governing Council.

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# Appendices

These online appendices are not part of the published paper.

## Appendix A Official Bundesbank communication

Figure (A.1) shows the official tweets, i.e. the official messages posted on X (formerly Twitter) announcing the resignation of Jens Weidmann, in German and English.

Figure A.1: Tweets from @bundesbank announcing the resignation



*Notes:* Both tweets were posted at 10:45 on October 20, 2021, i.e. at the same time of the press release.

Jens Weidmann also released a letter to the Bundesbank staff.<sup>12</sup> In her official response, President Lagarde stresses her close personal relations with Jens Weidmann, but does not comment his policy preferences.<sup>13</sup>

<sup>12</sup>See <https://www.bundesbank.de/en/press/press-releases/letter-from-the-president-to-bundesbank-staff-877834>.

<sup>13</sup>See <https://www.ecb.europa.eu/press/pr/date/2021/html/ecb.pr211020~d413bec716.en.html>.

## Appendix B Coverage by tabloid media

Jens Weidmann’s resignation was covered widely by all sections of the German media. Figure (B.2) gives an example from bild.de, Germany’s largest tabloid paper. The headlines says (translation by DeepL): ”Disaster for our money!: Germany’s guardian of the stable euro gives up”. The subtitle says: ”In the midst of monster inflation, of all times: Jens Weidmann wanted to protect our money from devaluation – but the SPD and Green parties have other plans.”

Figure B.2: Article on bild.de



*Notes:* Appeared on October 20, 2021, on bild.de, Germany’s largest tabloid newspaper.

## Appendix C Individual probability distributions

To fit individual distributions based on respondents’ answers to probability questions, we follow the well-established approach introduced by Engelberg et al. (2009). Respondents allocate probability mass across ten bins. Depending on how many of these bins are used (i.e., receive non-zero weight), we apply different distributional assumptions.

**One bin:** If the respondent assigns all probability to a single bin, we assume a symmetric triangular distribution bounded by the left and right limit of that bin. The mode is set at the midpoint.

**Two adjacent bins:** If two adjacent bins are used, we determine the bounds of a symmetric triangular distribution such that the cumulative distribution function (CDF) matches the relative weight placed in the first bin. Let  $x$  denote the boundary between the two bins and  $p_{\text{left}}$  the cumulative probability to the left of  $x$  (i.e., in the first bin). Depending on which bin has more weight, either the lower or upper bound is fixed at the bin limit, and the other bound

is computed to satisfy the implied cumulative probability. Specifically, for a symmetric triangular distribution with bounds  $a$  and  $b$  (mode  $c = (a + b)/2$ ), the bounds are determined as follows:

$$\text{if the first bin dominates (fix } a): \quad b = a + \frac{x - a}{\sqrt{p_{\text{left}}/2}},$$

$$\text{if the second bin dominates (fix } b): \quad a = \frac{x - \sqrt{p_{\text{left}}/2} b}{1 + \sqrt{p_{\text{left}}/2}}.$$

If both bins have equal weights,  $a$  is set to the left edge of the first bin and  $b$  to the right edge of the second bin.

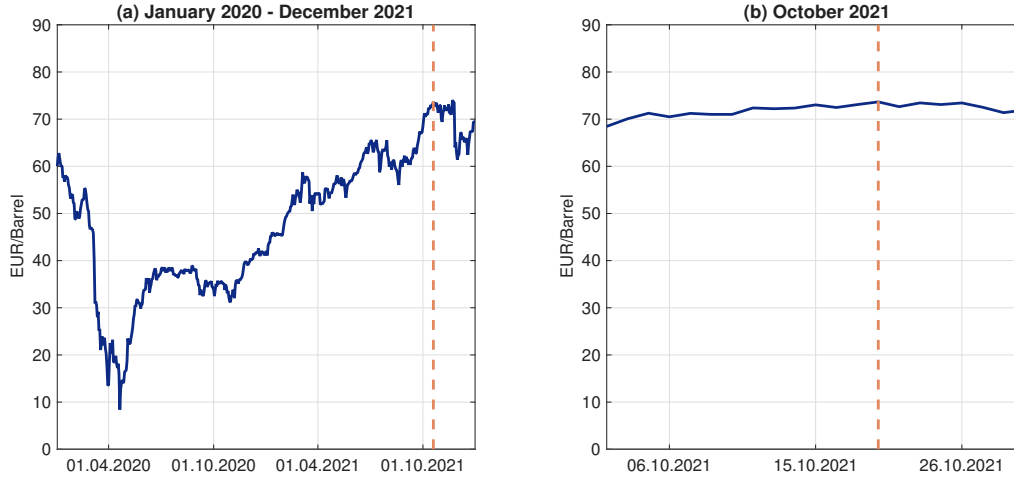
**Three or more bins:** If more than two bins are used, we fit a four-parameter generalized beta distribution  $\beta(a, b, l, r)$ . The parameters are chosen to minimize the sum of squared deviations between the empirical cumulative distribution and the theoretical CDF.

From the fitted distributions, we compute the mean, the standard deviation and the interquartile range for each respondent.

## Appendix D Other developments in October 2021

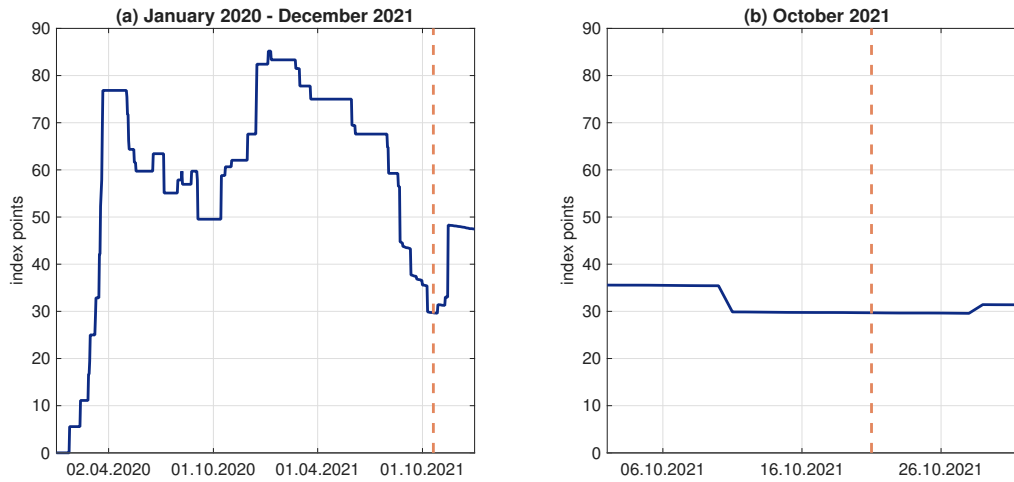
Our identification rests on the assumption that the expectations of the treatment group and the control group are equally affected by other macroeconomic factors. We do not want that other factors confound the comparison between both groups. To major forces driving inflation expectations in 2021 are changes in oil prices and changes in the intensity of Covid-restrictions. Figure (D.3) plots the price of Brent in euro. We clearly spot the strong price increase in 2020 and 2021. However, during October 2021 prices remain relatively stable. Thus, we can rule out that the treatment group faces systematically higher oil prices than the control group. Figure (D.4) shows the evolution of the stringency index for Germany, which measures the intensity of restrictions during the pandemic. Again, we spot drastic changes since the spring of 2020. Importantly, the index exhibits only minuscule change in October 2021. There are no systematic difference in the lockdown intensity between the treatment and the control group. Below, we also use the stringency index as a control variable in the regressions.

Figure D.3: The evolution of oil prices



*Notes:* Price of one barrel of Brent in euro. The dashed vertical line highlights October 20, the day Jens Weidmann announced his resignation.

Figure D.4: The evolution of Covid-restrictions



*Notes:* The stringency index measures the severity of restrictions in Germany during the Covid-19 pandemic. The dashed vertical line highlights October 20, the day Jens Weidmann announced his resignation.

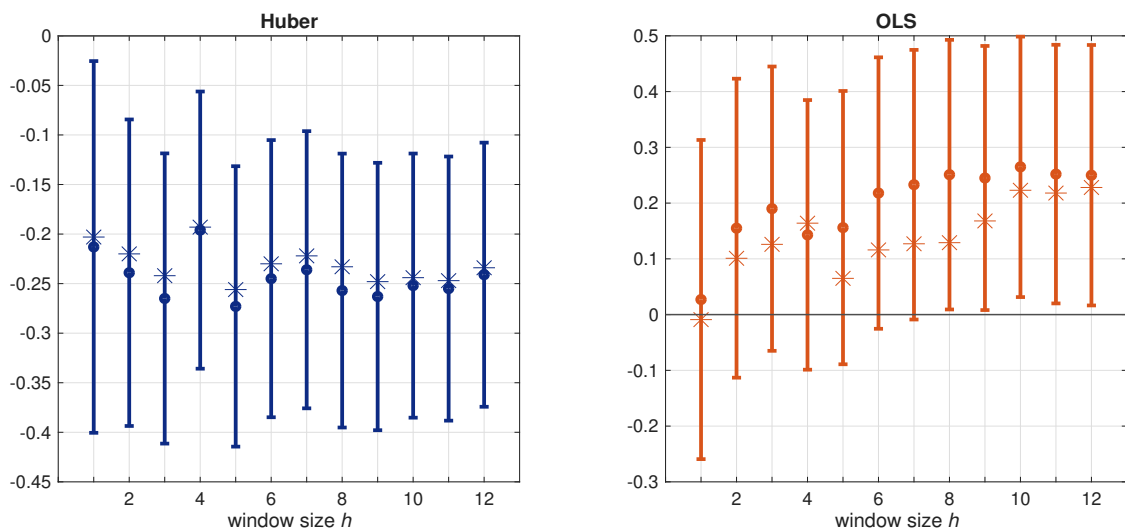
## Appendix E Additional control variables

The resignation of Jens Weidmann falls into the later stage of the Covid-19 pandemic. In order to include information about the state of economic activity and the intensity of lockdowns, which could both impact households' inflation expectations as well as their uncertainty about future inflation, we add two variables to the set

of controls. Both are available at the daily frequency. The first variable is the Stringency Index for Germany, which measures the intensity of lockdown measures. The second variable is the Google Mobility Index for Germany, which uses data on cell phone locations to measure workplace-related mobility.

Figures (E.5), (E.6) and (E.7) show the estimated results for this extended model. We show the results for the mean expected inflation rates, the uncertainty about inflation and the level of trust in the ECB only. Compared to the results from the main part of the paper, all results remain qualitatively unaffected.

Figure E.5: Response of mean inflation expectations to the news about the resignation (with additional controls)

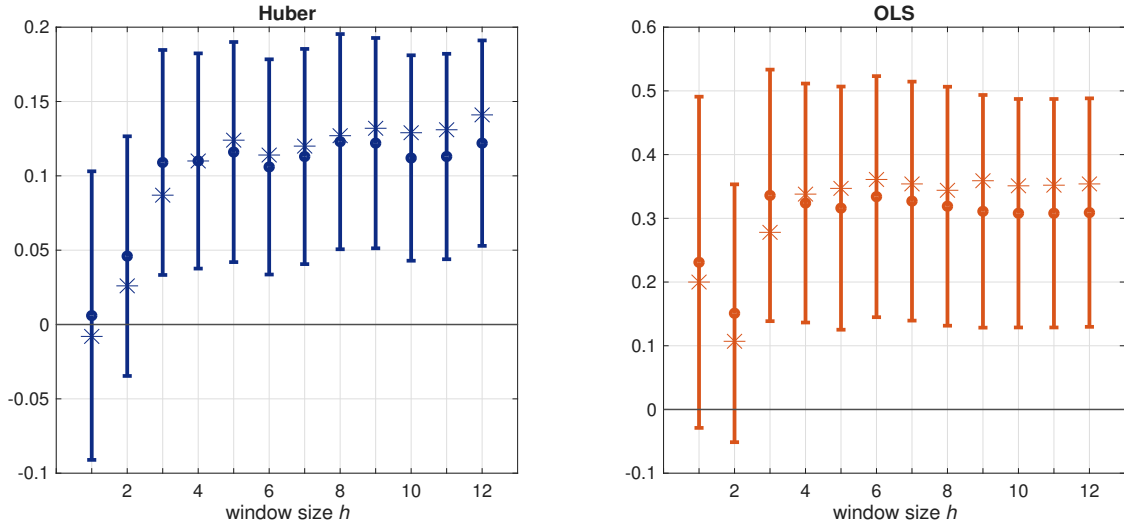


Notes: The dots are the point estimates from regression (5). The point estimates from the baseline model are highlighted by the star. The bars reflect 90% confidence bands.

## Appendix F “Reasonable” households only

A common feature of household surveys of inflation expectations is that households have very heterogeneous knowledge about actual inflation. Grossly misjudging the prevailing level of inflation could lead to extreme values of expected inflation and other variables. The BOP-HH survey explicitly asks participants about the current inflation rate. In this subsection, we re-estimate the empirical model but include only those households with reasonable perceptions of inflation, i.e. households which think actual inflation at the time of the survey is between 0% and 10%. As mentioned earlier, the latest available CPI inflation rate for Germany in October 2021 was 4.1%. We show the results for mean inflation, Figure (F.8), the interquartile range, (F.9) and the level of trust, Figure (F.10), only. All results remain qualitatively unchanged

Figure E.6: Response of inflation uncertainty (interquartile range) to the news about the resignation (with additional controls)



Notes: The dots are the point estimates from regression (5). The point estimates from the baseline model are highlighted by the star. The bars reflect 90% confidence bands.

compared to the baseline findings.

## Appendix G Excluding households with zero trust

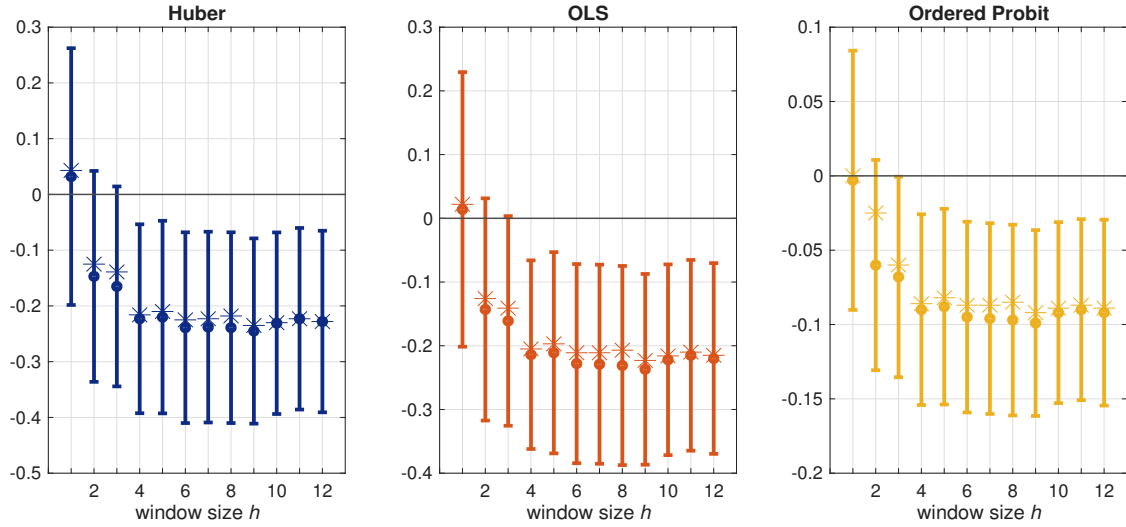
Figure (G.11) shows a histogram for the level of trust in the ECB for responses submitted before and after the resignation. Around 12% (before) and 14% (after) of the respondents say they do not trust the ECB at all.

We want to rule out that the results on trust are driven by the respondents with zero trust in the ECB. Therefore, we re-estimate the model but exclude all respondents with zero trust either before or after the news about the resignation. The results are shown in Figure (G.12). While the impact of the news on the level of trust is a bit weaker than in the baseline results, the significantly negative effect is still visible.

## Appendix H Excluding October 20

Each of the estimation windows in the baseline estimation includes the responses submitted on October 20. Since we do not have the exact time stamp of each submission, this could include responses submitted before 10:45, the time of the news. In addition, many households might have received the news in the evening or even the next morning. Therefore, we estimate the model but exclude all responses submitted on October 20 from the treatment group and the control group. Thus,

Figure E.7: Response of trust in the ECB to the news about the resignation (with additional controls)



Notes: The dots are the point estimates from regression (5). The point estimates from the baseline model are highlighted by the star. The bars reflect 90% confidence bands.

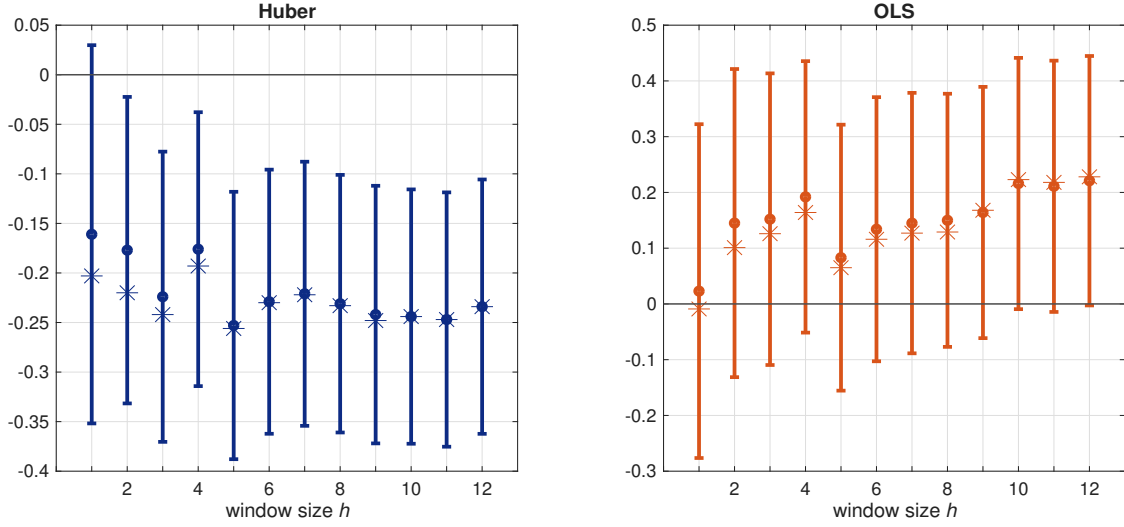
the horizon  $h^*$  now includes  $h - 1$  days. Figures (H.13) to (H.15) shows the resulting estimates. The impact of the news about the resignation is somewhat stronger than in the baseline case, in particular for trust in the ECB.

## Appendix I The announcement of the successor

The government announced Joachim Nagel as the new president of the Bundesbank on December 2021. The announcement day falls into wave 24 of the BOP-HH survey. However, only 102 out of 3365 respondents submitted their answers before December 20. Figure (I.16) shows the distribution of the survey responses of wave 24. The number of responses submitted before the announcement is too small to conduct an empirical analysis in order to estimate whether households responded to the announcement of Jens Weidmann's successor.

His succession did not come as a surprise to informed households as Joachim Nagel's name had been mentioned in the press before as a likely successor. Furthermore, Joachim Nagel was not a household name (unlike Jens Weidmann). Thus, we do not expect households to respond to the news.

Figure F.8: Response of mean inflation expectations to the news about the resignation (reasonable responses only)



Notes: The dots are the point estimates from regression (5). The point estimates from the baseline model are highlighted by the star. The bars reflect 90% confidence bands.

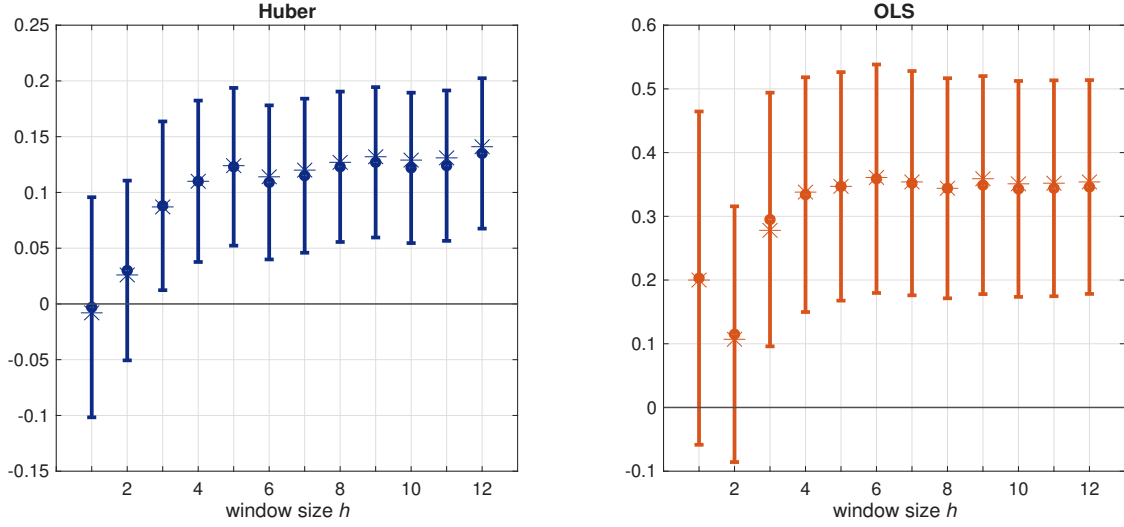
## Appendix J Evidence from an alternative survey

We corroborate our main results obtained from the BOP-HH survey using survey data from [Coleman and Nautz \(2023b\)](#) and [Coleman and Nautz \(2023a\)](#). These authors run a daily survey among German households conducted by Civey and ask: "In what range do you think the annual inflation rate will be over the medium term?". Households can choose between inflation being "(A) clearly above 2%", "(B) slightly above 2%", "(C) below, but close to 2%", "(D) clearly below 2%" or "(N) do not know". This formulation matches the definition of the ECB's inflation target ("below, but close to 2%") before its revision in 2021.

We use the survey responses submitted between October 15 and October 31, 2021 to remain consistent with the BOP-HH data used in the main part of the paper. In this period, 2,100 respondents completed the survey. Figure (J.17) shows the distribution of the responses over the days. Many responses are dated October 15 and October 29 and few responses are available for the remaining days. In particular, we have few observations immediately before and after October 20.

We transform answer (A) into a value of +2, answer (B) into a value of +1, answer (C) into a value of 0 and answer (D) into a value of -1. This provides us with an indicator of individual inflation expectations. We do not use answers (N) at this point. However, we construct a separate dummy variable that is one if a respondent chooses answer (D) and zero otherwise. As we lack a better measure in this

Figure F.9: Response of inflation uncertainty (interquartile range) to the news about the resignation (reasonable responses only)

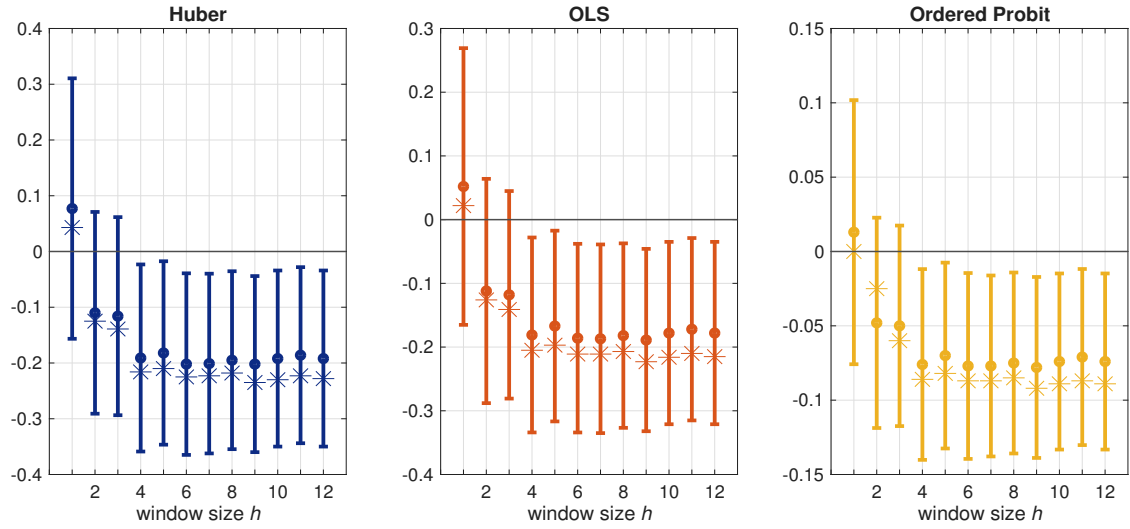


Notes: The dots are the point estimates from regression (5). The point estimates from the baseline model are highlighted by the star. The bars reflect 90% confidence bands.

survey, we interpret this variable as a measure of inflation uncertainty. Of course, the "don't know" answer also reflects a respondent's attention to inflation or his economic literacy. In addition, the survey contains a rich set of sociodemographic information about age, education, regional purchasing power etc., which we transform into control variables following the construction of the variables in the main part of the paper.

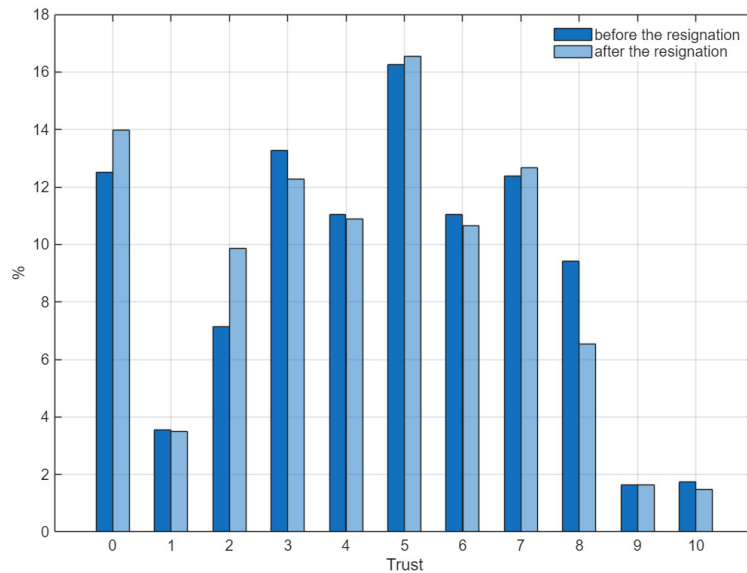
We estimate the model from the main part of the paper using the Civey survey. For both variables, the expected inflation rate and the "don't know" dummy variable, the robust least squares regressions deliver error messages, probably due to multicollinearity. This leaves us with the OLS estimates and the (Ordered) Probit regressions for the two variables. Figure (J.18) shows the estimated coefficients for the expected inflation rate. For both estimation methods, we find a significant increase of expected inflation for windows larger than  $h = 3$  days. Figure (J.19) shows the reaction of the "don't know" dummy variable to the news about the resignation. This variable is a noisy proxy for the degree of inflation uncertainty. We find that uncertainty responds positively to the news on October 20. The response is particularly significant for larger windows, which is in line with the distribution of the survey responses shown in Figure (J.17). The smaller windows simply do not include enough observations to find a significant effect.

Figure F.10: Response of trust in the ECB to the news about the resignation (reasonable responses only)



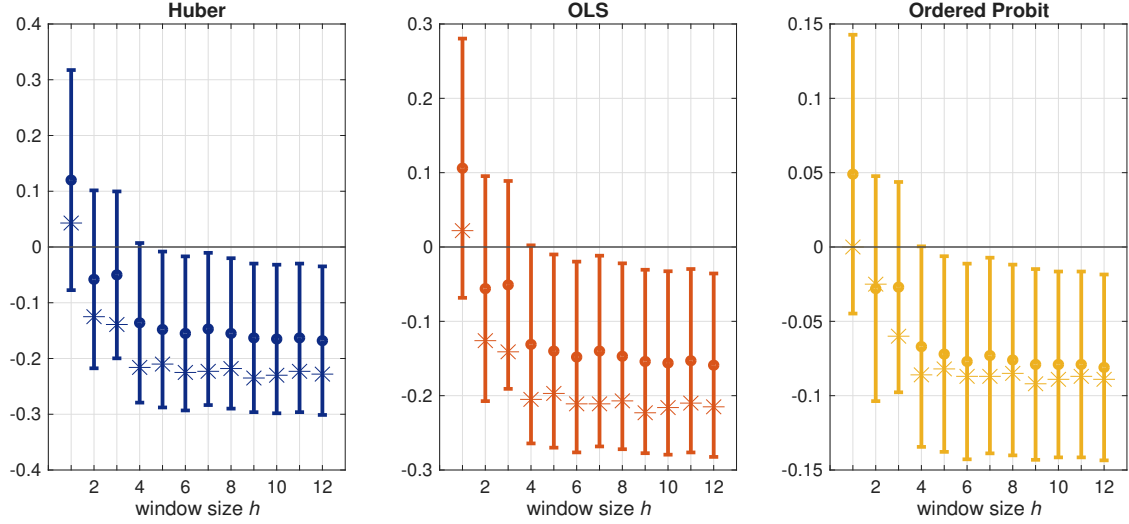
Notes: The dots are the point estimates from regression (5). The point estimates from the baseline model are highlighted by the star. The bars reflect 90% confidence bands.

Figure G.11: Distribution of trust in the ECB



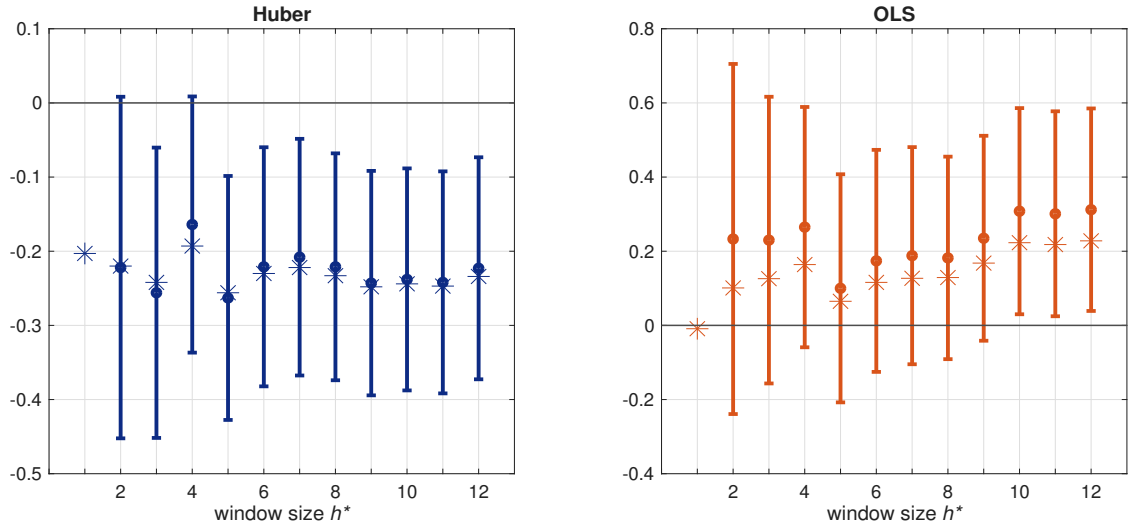
Notes: The figure shows a histogram of the level of trust across all uninterrupted survey responses. Trust can range from 0 (no trust) to 10 (full trust).

Figure G.12: Response of trust in the ECB to the news about the resignation (excluding no trust)



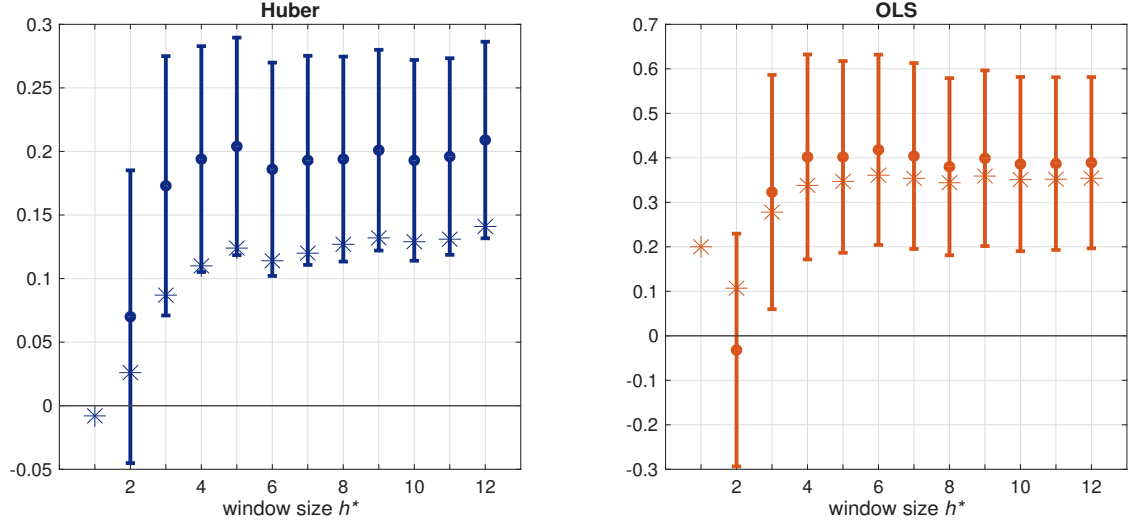
Notes: The dots are the point estimates from regression (5). The point estimates from the baseline model are highlighted by the star. The bars reflect 90% confidence bands.

Figure H.13: Response of mean inflation expectations to the news about the resignation (excluding October 20)



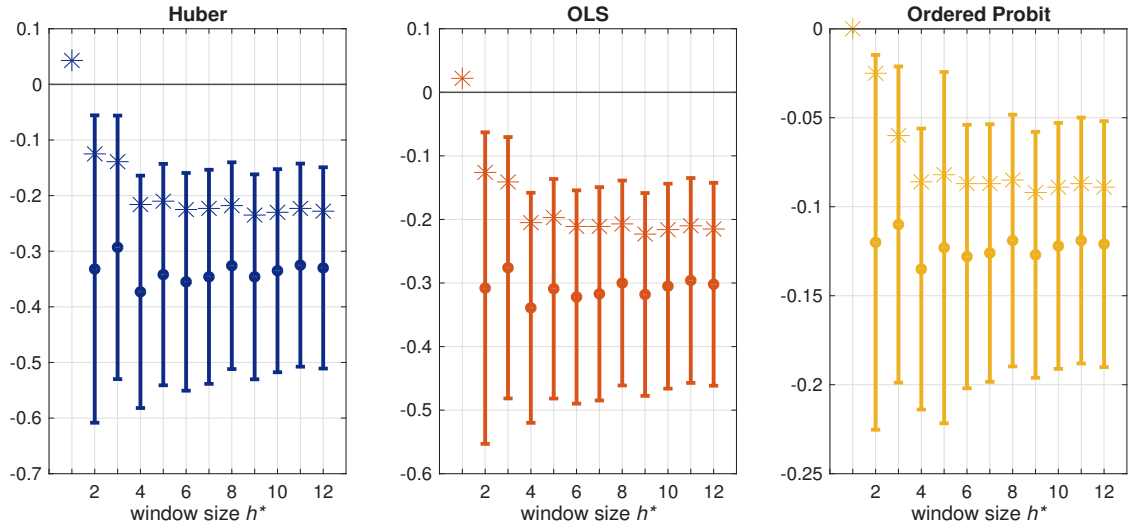
Notes: The dots are the point estimates from regression (5). The point estimates from the baseline model are highlighted by the star. The bars reflect 90% confidence bands.

Figure H.14: Response of inflation uncertainty (interquartile range) to the news about the resignation (excluding October 20)



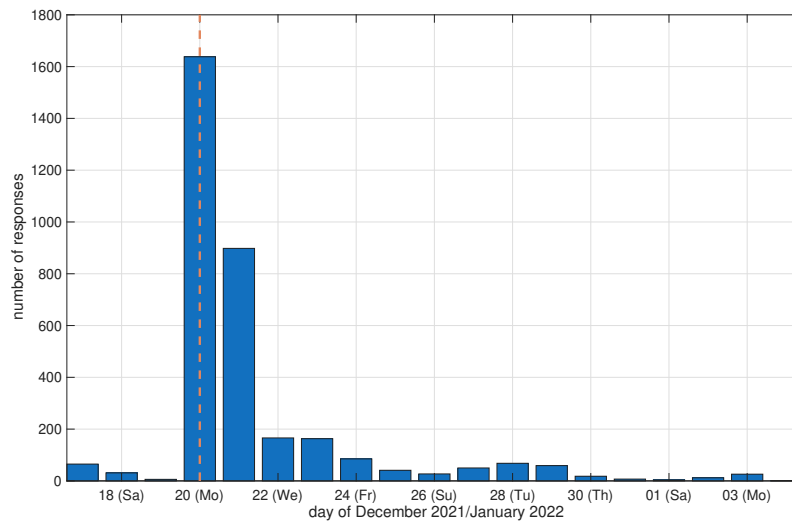
Notes: The dots are the point estimates from regression (5). The point estimates from the baseline model are highlighted by the star. The bars reflect 90% confidence bands.

Figure H.15: Response of trust in the ECB to the news about the resignation (excluding October 20)



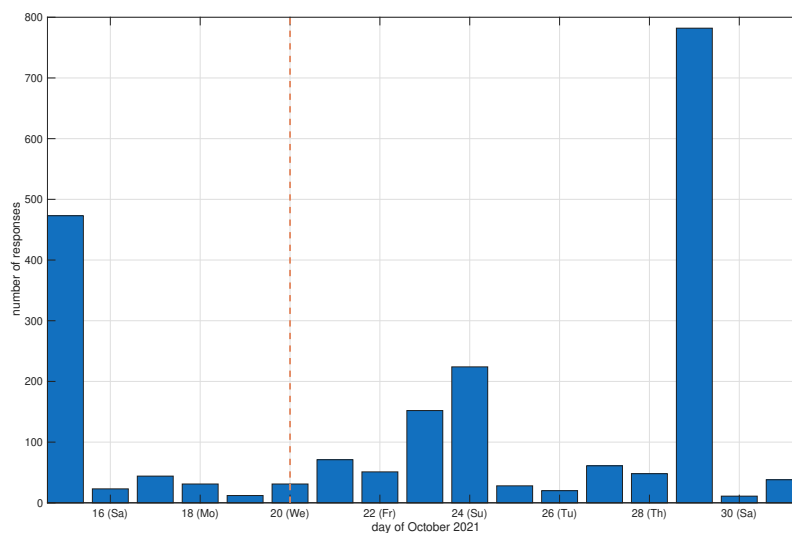
Notes: The dots are the point estimates from regression (5). The point estimates from the baseline model are highlighted by the star. The bars reflect 90% confidence bands.

Figure I.16: Number of survey responses per day (wave 24 - December)



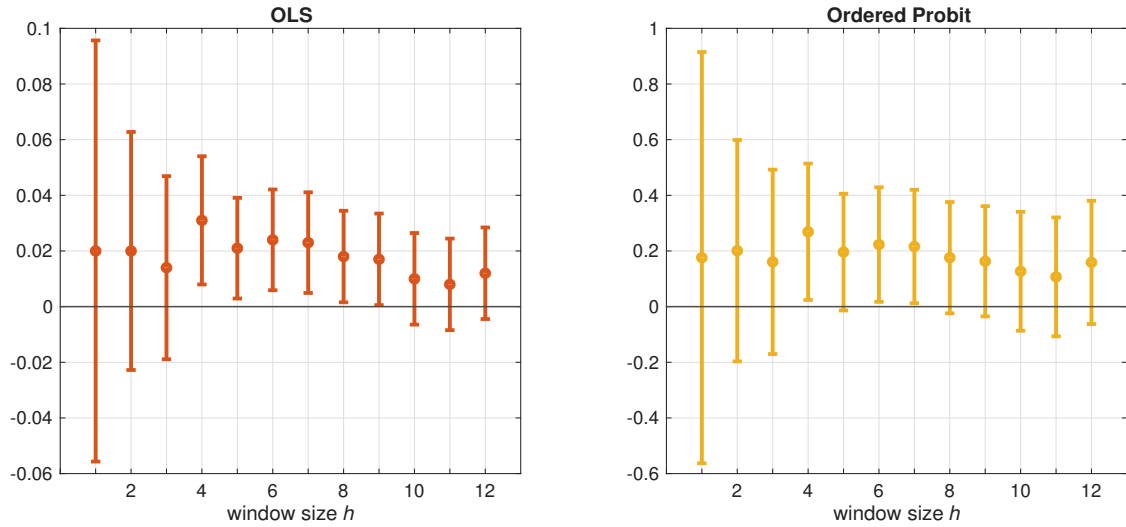
*Notes:* The figure shows the number of survey responses per day in December 2021 and January 2022, respectively, of wave 24 of the BOP-HH. The dashed vertical line highlights December 20, the day the government announced Joachim Nagel as the new president.

Figure J.17: Number of survey responses per day (Civey survey)



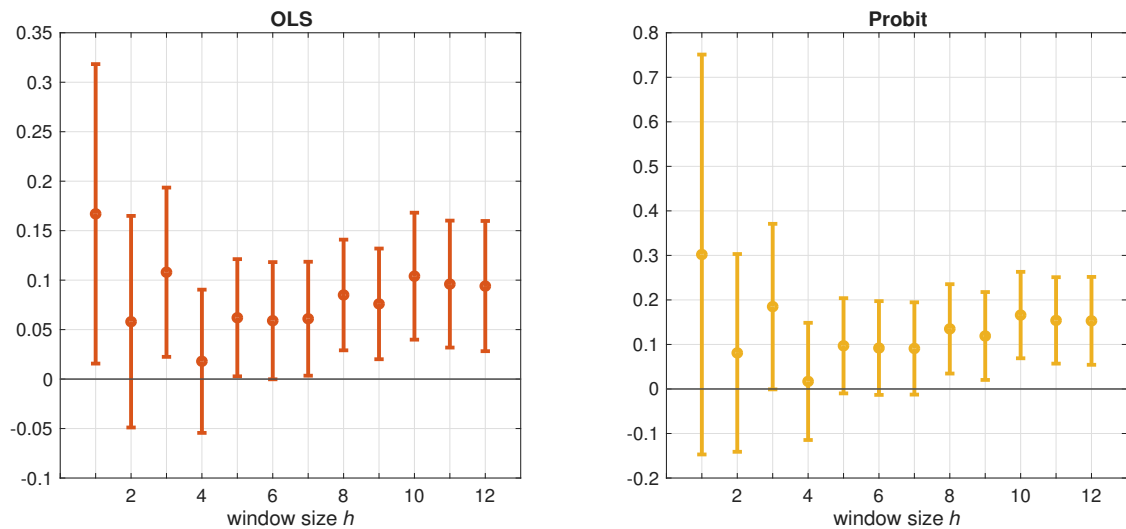
*Notes:* The figure shows the number of survey responses per day in October 2021 in the Civey-survey conducted by [Coleman and Nautz \(2023a,b\)](#). The dashed vertical line highlights October 20, the day Jens Weidmann announced his resignation.

Figure J.18: Response of inflation expectations to the news about the resignation (Civey survey)



Notes: The dots are the point estimates from regression (5). The bars reflect 90% confidence bands.

Figure J.19: Response of inflation uncertainty to the news about the resignation (Civey survey)



Notes: The dots are the point estimates from regression (5). The bars reflect 90% confidence bands.