Echoes of Inflation: CEO Early-life Inflation Experience, Inflation Attention, and Corporate Decisions[*]

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November 14, 2025

Abstract

We study how firm-level inflation attention influences corporate decisions. We construct a measure of inflation attention using earnings calls from 2003 to 2024. Our identification strategy exploits exogenous variation in attention from CEOs' childhood exposure to inflation. CEOs who experienced higher inflation in their formative years exhibit greater inflation attention following inflation shocks. Firms led by these CEOs increase leverage, reduce cash holdings, and expand employment, consistent with inflation attention reflecting expectations of demand-driven inflation. Our analysis highlights how early-life experiences shape inflation attention and corporate decisions in response to macroeconomic shocks.

JEL Classification: *G30, G32, E31, E44, D83, D84*

Keywords*: Inflation Attention, Early-life Experiences, Corporate Decisions, Natural Language Processing*

[*]We would like to thank Changhyun Ahn, Pat Akey, Ling Cen, Atsushi Chino (discussant), Hyunsoo Choi, Jaewon Choi, Sudipto Dasgupta, Martin Dierker, Zhenyu Gao, Foti Grigoris, Jinoug Jeung, Ron Kaniel, Chang Joo Lee, Inmoo Lee, Jangwoo Lee, Gang Li, Luca Lin, Yiran (Irene) Liu, Yoshio Nozawa, Buhui Qiu, Anthony Rice, Tao Shu, Denis Sosyura, Pat Testa, Xu Tian, Sheridan Titman, Michael Weber, Xinyan Yan, and Terry Zhang (discussant), and Dexin Zhou as well as seminar and conference participants at Chinese University of Hong Kong, Chinese University of Hong Kong-Shenzhen, KAIST, Korea-Japan Finance Workshop, Monash Winter Finance Conference, Sydney Macroeconomics Reading Group Workshop, the 2025 World Congress of the Econometric Society, University of Colorado Boulder, University of Sydney, and University of Technology Sydney for helpful comments. Any errors are our own. First draft: May 30, 2024

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1 Introduction

Inflation is a fundamental macroeconomic force that profoundly shapes firm valuations, financial performance, and corporate decisions.[1] Existing work shows that firms' attention to inflation is measurable, cyclical, and economically significant (e.g., Coibion et al., 2018, 2020b; Song and Stern, 2024; Flynn and Sastry, 2024). However, little is known about how firms' inflation attention translates into actual corporate decisions at the micro level. Does inflation attention merely represent non-substantive narratives, or does it reflect CEOs' genuine expectations about inflation with meaningful implications for corporate decisions?

To address this question, we measure inflation attention from the CEO's statements during quarterly earnings calls. Using the CEOs' inflation experience during their formative years as an instrument (Malmendier and Nagel, 2011), we explore the impact of the CEO's (instrumented) attention on corporate decisions. We find that firms led by CEOs who experienced higher inflation during their formative years increase leverage and lower their cash holdings, using this financing mainly to increase employment (but not investment, measured by capital expenditures). Given the strength of our instrument and its plausible exogeneity, we interpret our results as establishing a causal link between inflation attention and corporate policies.

We construct a firm-level measure of inflation attention by applying natural language processing (NLP) to earnings call transcripts from 2003Q1 to 2024Q4. We employ a word-

[1] On the asset pricing side, see Fama and Schwert (1977); Fama (1981); Kang and Pflueger (2015); Boons et al. (2020); Gil de Rubio Cruz et al. (2022); Hong et al. (2022); An et al. (2023); Knox and Timmer (2023); Feng et al. (2024); Lu et al. (2024); Fang et al. (2025); Gao et al. (2025), among others. Regarding corporate decisions, see the recent work by Gilchrist et al. (2017); Coibion et al. (2018); Grasso and Ropele (2018); Frache and Lluberas (2019); Coibion et al. (2020b); Kumar (2020); Bottone et al. (2021), among others.

embedding NLP technique that combines Word2vec (Mikolov et al., 2013) and term frequency-inverse document frequency (TF-IDF) adjustments. We find that average inflation attention positively co-moves with core inflation, with a sharp peak during the post-COVID inflation surge. This pattern aligns with prior research showing elevated inflation attention during periods of high inflation.[2] Moreover, industries that are more negatively exposed to inflation exhibit higher inflation attention, in line with previous research (e.g., Coibion et al., 2018, 2020b; Flynn and Sastry, 2024; Song and Stern, 2024).

While we aim to study how inflation attention influences corporate decisions, both can be jointly driven by firms' exposure to inflation. To address this endogeneity, we isolate plausibly exogenous variation in attention using an instrumental variables approach. Our instrumental variable is the interaction between CEOs' childhood inflation experience and recent inflation shocks. Our approach builds on the literature demonstrating the long-lasting impact of early-life experiences on later beliefs and decisions.[3] In line with this literature, CEOs who lived through high inflation during their formative years may be more attentive to inflation than others. For the instrumental variable, we interact childhood inflation experience with recent inflation shocks for two reasons. First, previous research suggests that firms' inflation attention increases when inflation becomes salient. Second, research on memory suggests that cues—such as related experiences—can trigger the recall of past experiences.[4] Thus, unexpectedly high inflation may serve as a cue for CEOs who

[2] See Coibion et al. (2018, 2020b); Korenok et al. (2023); Pfäuti (2023); Bracha and Tang (2025), among others. We also find that inflation attention is countercyclical, consistent with findings from Song and Stern (2024) and Flynn and Sastry (2024).

[3] See Malmendier and Nagel (2011); Malmendier et al. (2011); Bernile et al. (2017); Chen et al. (2021); Duchin et al. (2021); O'Sullivan et al. (2021); Severen and van Benthem (2022); Choi et al. (2023); Malmendier and Wachter (2024); Li et al. (2025), among others.

[4] See Kahana (2012); Bordalo et al. (2020); Charles (2022); D'Acunto and Weber (2022); Braggion et al. (2024).

experienced high inflation during childhood.

To measure CEOs' early-life inflation experiences, we compile a near-universe of CEO birth years—covering 99% of CEOs (17,139 unique CEOs from 5,327 firms)—for our earnings call-COMPUSTAT merged sample by combining BoardEx, Capital IQ, ExecuComp, SEC filings, and hand-collected data. Following the psychology literature, and existing economics and finance research, we define formative years as ages 5 to 15.[5] We find that CEOs in the top quintile of childhood inflation experience (those born between 1964 and 1969) exhibit the highest inflation attention compared to peers born in earlier and later years. By exploiting the continuous variation in each CEO's childhood inflation experience, based on birth year, we find a robust relationship between childhood inflation experience and their inflation attention: the higher the inflation CEOs experienced during their formative years, the higher their attention to inflation in response to inflation shocks. The statistical significance of this first-stage regression is strong, with an F-statistic of 27, as expected given the evidence in the literature. Childhood inflation experience is strongly associated with inflation attention (relevance), yet unlikely to be endogenously tied to corporate decisions through inflation exposure (exclusion).

We exploit this plausibly exogenous variation in inflation attention, captured by our instrumental variable, to examine how attention influences corporate decisions. If inflation attention merely reflects non-substantive narratives, we would expect no significant relationship with corporate decisions. Our empirical design is simple: with the instrumental variable from the first stage, we examine its potential impact on corporate decisions that are

[5] See Nelson (1993); Bernile et al. (2017); Chen et al. (2021); O'Sullivan et al. (2021); Choi et al. (2023); Li et al. (2025), among others.

the focus of many corporate finance studies, testing the null that there is no causal impact from inflation attention to corporate outcomes.

Our analysis begins with firms' financing decisions. We find that inflation-attentive firms tend to increase borrowing (indicated by a higher market leverage ratio) and reduce cash holdings. We next examine how inflation attention affects real investment decisions. Our findings show that while inflation attention is not significantly associated with physical capital expenditures, inflation-attentive firms significantly increase employment.

Overall, our findings on both financing and real investment decisions consistently support an interpretation that inflation attention reflects expectations of demand-driven inflation rather than concerns about supply-driven inflation. This aligns with prior studies that document that firms tend to associate higher expected inflation with stronger expected economic activity (e.g., Coibion et al., 2018; Candia et al., 2020; Zhang, 2024). To further support this interpretation, we utilize the decomposition of inflation into demand and supply components by Shapiro (2024). Our analysis shows that the inflation attention of CEOs with high childhood inflation experience rises in response to demand-driven inflation shocks but does not react to supply-driven inflation shocks. This evidence reinforces our interpretation that inflation attention driven by childhood inflation experience particularly captures expectations of demand-driven inflation.[6]

To further understand the underlying mechanism, we examine the share of fixed-rate debt. If the increase in borrowing is to exploit lower real borrowing costs due to higher expected inflation, firms would prefer fixed-rate debt over floating-rate debt, since floating

[6]This pattern cannot be attributed to CEOs' childhood experience of demand-driven inflation. Rather, CEOs in the top quintile of inflation experience (those born between 1964 and 1969) were primarily exposed to the supply-driven Great Inflation triggered by the oil crises of the 1970s, not demand-driven inflation episodes.

rates will rise once inflation materializes. Indeed, we find that attentive firms strategically increase their share of fixed-rate debt. In line with this finding, we also find that the portion of undrawn bank credit increases, which is a sign of substituting floating-rate bank credit with fixed-rate debt.

For our remaining analyses, we address potential concerns about our empirical approach and conduct various robustness checks. One concern is that CEOs with high formative-year inflation experience may have other birth cohort-specific experiences that influence corporate decisions, potentially threatening the validity of our empirical approach. To account for such unobservable birth cohort-specific factors, we consistently include birth-year fixed effects throughout our analysis. Moreover, since inflation is a macroeconomic equilibrium outcome, these CEOs' inflation attention might stem from general macroeconomic attention rather than inflation-specific focus. However, we demonstrate that while these CEOs increase inflation attention following inflation shocks, they do not similarly respond to other macroeconomic shocks such as changes to GDP growth, the unemployment rate, or monetary policy shocks.[7] Our sample through 2024 includes the post-COVID inflation surge and subsequent moderation. To ensure our results are not driven merely by this recent period, we replace inflation shocks with a post-COVID dummy (2021 and onwards) in our instrumental variable approach. The insignificant results confirm that our findings reflect broader patterns beyond the recent inflation dynamics.

We demonstrate that our results are robust to several alternative specifications, including: using headline inflation shocks or core PCE inflation shocks instead of core CPI inflation

[7] We also show that CEOs with greater experience of other macroeconomic variables do not show greater attention to inflation following inflation shocks.

shocks; adopting different definitions of formative years; analyzing only the presentation part of earnings conference calls or only the Q&A section; employing rank measures of inflation attention based on percentiles or deciles instead of continuous measures; restricting our sample to CEOs likely born in the United States; and considering both CEOs and CFOs in our analysis.

Overall, our findings demonstrate that CEOs' inflation attention causally influences corporate decisions. The direction of these effects suggests that inflation attention mainly captures expectations of demand-driven inflation rather than supply-driven inflation concerns. Our results highlight the significant role of CEOs' childhood experiences in shaping firms' responses to macroeconomic conditions, uncovering a novel channel through which early-life experience impacts later corporate behavior.

Literature review. Our study belongs to the growing literature on firm-level inflation attention.[8] Coibion et al. (2018) show that firm-level inflation attention is a key source of heterogeneous inflation expectations among New Zealand firms. Coibion et al. (2020b) show evidence of rational inattention to inflation using a survey of Italian firms. Flynn and Sastry (2024) and Song and Stern (2024) show that macro attention is countercyclical and important for firm performance. Afrouzi (2024) demonstrates the role of market competition for attention allocation. While previous studies have documented patterns of inflation attention, little is known about how firm-level attention translates into corporate decisions. We contribute to this literature by demonstrating concrete impacts of attention on corporate decisions. In doing so, we provide novel empirical evidence that (1) inflation attention

[8]See Coibion et al. (2018); Kitamura and Tanaka (2019); Coibion et al. (2020a,b); Yang (2022); Weber et al. (2022); Afrouzi (2024); Flynn and Sastry (2024); Link et al. (2024); Song and Stern (2024), among others.

responds to recent demand-driven inflation shocks rather than supply-driven ones, and (2) attention translates into corporate decisions in a way that aligns with CEOs associating higher inflation with demand-side economic effects.

Our study contributes to the literature emphasizing the role of inflation experience in shaping individuals' inflation expectations.[9] These studies find that individuals' past exposure to inflation can have a significant impact on their subsequent inflation expectations. We extend this line of research by demonstrating that inflation experience impacts not only expectations but also inflation attention levels, providing a mechanism through which past experiences translate into corporate decision-making. Moreover, while most studies focus on the inflation experience of individuals, we are among the first to study the implications of corporate managers' inflation experience.[10]

Our paper also contributes to the broad literature on the role of childhood experiences in shaping economic agents' beliefs, preferences, and decisions.[11] This body of work consistently finds that individuals' experiences during their formative years have a profound and long-lasting impact on their beliefs and subsequent decision-making. We extend this line of literature by analyzing firm managers' early-life inflation experience and demonstrating that inflation experience has a significant impact on their inflation attention and, conse-

[9] See Ehrmann and Tzamourani (2012); Malmendier and Nagel (2016); Angelico and Di Giacomo (2019); Goldfayn-Frank and Wohlfart (2020); D'Acunto et al. (2021); Malmendier et al. (2021); Braggion et al. (2024); Malmendier and Wellsjo (2024); Magud and Pienknagura (2024); Weber et al. (2025); Salle et al. (2024); An (2025), among others.

[10] An (2025) is a notable exception examining how managers' inflation experience shapes debt strategies. Our paper differs in three ways. First, we focus on childhood experience, while her approach weights recent inflation more heavily than distant experience. Second, we use an IV strategy to study inflation attention, whereas she employs a non-Bayesian learning model to analyze firm liability decisions without considering attention mechanisms. Third, we study broader firm outcomes—leverage, cash holdings, and employment—while she focuses on firm liability decisions.

[11] See Malmendier and Nagel (2011); Malmendier et al. (2011); Bernile et al. (2017); Chen et al. (2021); Duchin et al. (2021); O'Sullivan et al. (2021); Severen and van Benthem (2022); Choi et al. (2023); Malmendier and Wachter (2024); Li et al. (2025), among others.

quently, on their corporate decisions. Our findings align with the literature, reiterating the importance of early-life experiences while providing novel findings specific to inflation contexts.[12]

2 Data and Empirical Approach

In Section 2.1, we detail our data sources, including earnings conference call data to measure inflation attention, CEO birth year, inflation experience, and standard financial variables. In Section 2.2, we describe our methodology for measuring CEO inflation attention using a word-embedding approach. In Section 2.3, we examine the aggregate pattern of our attention measure and report summary statistics. In Section 2.4, we develop our main empirical design, aiming to establish a causal link between inflation attention and firm decisions.

2.1 Data

2.1.1 Earnings conference call data

To measure firm-level inflation attention, we use earnings conference call transcripts from the LSEG StreetEvents database. Earnings calls offer important advantages over traditional 10-Ks in capturing attention. These calls typically consist of a prepared presentation followed by an interactive Q&A session with analysts. The interactive nature of earnings calls often leads to unscripted responses that reveal managers' genuine focus and concerns in a way that formal filings cannot. Conversely, Cao et al. (2023b) show that 10-Ks are increasingly crafted with strategic language to manage sentiment in response to the growing

[12]While we focus on CEOs' experiences during formative years, another stream of the literature demonstrates that CEOs' early career experiences influence their management styles, career paths, and corporate financial policies (e.g., Custódio and Metzger, 2014; Dittmar and Duchin, 2016; Schoar and Zuo, 2016, 2017).

use of textual analysis, potentially obscuring true managerial attention. These advantages have led many researchers to use earnings calls to measure topic-specific attention and exposure.[13]

Our dataset of earnings calls for US-listed firms spans from 2003Q1 to 2024Q4, covering 17,139 unique CEOs from 169,609 earnings calls and 5,327 US public firms.[14] Importantly, our sample period captures the recent inflation surge following the COVID-19 pandemic and its subsequent moderation, allowing for a timely analysis of inflation attention. Following prior research (e.g., Hassan et al., 2019; Li et al., 2021; Sautner et al., 2023; Harford et al., 2024), we use the entire earnings call transcripts, including both the presentation and Q&A sections.[15]

2.1.2 CEO birth year data

To isolate inflation attention from inflation exposure and capture exogenous variation in inflation attention, we compile a comprehensive dataset of CEO birth years from BoardEx, Capital IQ, and ExecuComp.[16] We supplement these datasets with information from 10-K filings, based on fuzzy name matching and manual searches to extract CEO age information.[17] We prioritize BoardEx and Capital IQ over ExecuComp since they provide exact

[13] See Hassan et al. (2019); Cohen et al. (2020); Li et al. (2021); Cao et al. (2023a); García et al. (2023); Sautner et al. (2023); Harford et al. (2024); Cao et al. (2025); Chava et al. (2025); Ryu (2025), among others.

[14] When CFOs are included along with CEOs, our dataset expands to 28,091 unique managers across 177,127 earnings calls from 5,370 firms.

[15] In Section 4.5, we demonstrate that our results are robust to using only the presentation or Q&A sections.

[16] We focus on CEO inflation attention rather than CFO attention because CEOs are the primary corporate decision makers. Chava and Purnanandam (2010) show that CEOs significantly influence capital structure choices, while CFOs primarily make decisions about debt maturity. This distinction is further supported by Graham et al. (2015), who find that nearly half of CEOs make corporate policy decisions almost entirely on their own, with delegation typically partial and varying depending on CEO personality traits and workload demands. In Section 4.5, we show that our main results are robust to incorporating CFOs' inflation attention.

[17] Item 10 of a 10-K statement is dedicated to Directors, Executive Officers, and Corporate Governance. It is typical for firms to include brief biographical information, including executives' ages.

start and end dates for CEO tenure rather than just the year, which is critical for our quarterly analysis. Our final dataset captures the birth years for 99% of CEOs in our earnings call-COMPUSTAT sample. A detailed breakdown of data sources is available in Online Appendix Table A1, showing that most of our data is from BoardEx (87%), Capital IQ People Intelligence (8.05%), hand-collected data (3.43%), 10-K filings (1.25%), and ExecuComp (0.26%). A list of the 10 CEOs with the earliest and latest birth years and the 10 youngest and oldest CEOs is available in Online Appendix Tables A2 and A3.

2.1.3 Inflation variables

We obtain inflation data from the Federal Reserve Bank of St. Louis. We use the core and headline Consumer Price Index (CPI) and the core Personal Consumer Expenditures (PCE) Price Index.

To proxy for CEO inflation expectations, we implement the learning-from-experience model by Malmendier and Nagel (2016). This model generates inflation expectations through a recursive AR(1) process that estimates inflation forecasts based on each birth cohort's lifetime exposure to inflation. A key feature of the model is age-dependent updating – younger individuals adjust their expectations more sensitively than older ones in response to inflation surprises. Malmendier and Nagel (2016) demonstrate that this approach performs well in predicting heterogeneous inflation expectations across age cohorts in survey data. We provide more details in Online Appendix Section I.

For inflation shocks, we use a Vector Autoregression (VAR) in the spirit of Fama and Gibbons (1984), Ang et al. (2007), Boons et al. (2020), Hong et al. (2022), An (2025), and Fang et al. (2025). Specifically, we regress core inflation rates (measured as year-over-year

log change) on one-year lagged values of core, headline, food, energy, and Producer Price Index (PPI) inflation rates at a monthly frequency. We extract quarterly inflation shocks as residuals from the quarter-end month for each quarter. To eliminate look-ahead bias, we implement the VAR using rolling regressions with expanding windows, incorporating all available historical data at each estimation point (Hong et al., 2022). Our initial estimation window spans from January 1958 through December 2002, corresponding to the quarter preceding our earnings call sample period (2003Q1).

2.1.4 Inflation experience

We measure early-life inflation experience using seasonally unadjusted headline CPI. This series dates back to 1913, allowing us to capture inflation experiences for all birth cohorts in our sample, including our oldest CEOs born in 1918.[18]

Figure 1 plots headline and core inflation from 1914Q1 to 2024Q4. The figure illustrates several significant inflation episodes in U.S. history: the post-World War I spike around 1920, the post-World War II surge in 1947, the peaks during the 1974 and 1979 oil crises (collectively known as The Great Inflation), and the post-COVID inflation surge and moderation. The Great Inflation (1965-1982) represents a striking shift in the U.S. inflation regime, escalating to 13% inflation in 1980, and ending with the Volcker disinflation in the early 1980s.

We define formative years as ages 5 to 15, which is a standard benchmark in the psychology and economics literature.[19] We then measure childhood inflation experience as the

[18]The correlation between seasonally unadjusted headline inflation and adjusted headline inflation is 0.999 because we measure inflation as year-over-year log price changes, which removes seasonal patterns.

[19]See Nelson (1993); Bernile et al. (2017); Chen et al. (2021); O'Sullivan et al. (2021); Li et al. (2025), among others.

average year-over-year headline inflation rate that a CEO experienced during this critical developmental period.[20]

Figure 2 plots the average headline inflation rate experienced during the formative years for individuals born between 1909 and 2008. Notable historical inflation episodes translate into distinctive patterns of childhood inflation experiences across birth cohorts. Individuals born in 1911, the mid-1930s, and the late 1960s experienced particularly high inflation during their formative years. Interestingly, although the inflation spikes following World Wars I and II reached higher levels than those during the Great Inflation, individuals born in the late 1960s actually experienced higher average inflation during their formative years compared to those born around 1910 and the mid-1930s. This is because the Great Inflation represents a more prolonged period of high inflation rather than a sharp but brief spike, resulting in higher average inflation exposure during this formative period.

2.1.5 Firm-level financial data

To construct firm-level financial variables, we obtain data from COMPUSTAT. For our analysis of corporate decisions, we examine financing decisions, such as financial leverage and cash holdings, and real investment decisions, such as capital expenditures and employment. We also construct the share of fixed-rate debt and the undrawn bank credit proportion using Capital IQ's Capital Structure file. We consider the following control variables: log of market capitalization, log of firm age, markup, ROA, profit margin, PPE, and Tobin's Q. All of our firm-level data are quarterly except for employment, the share of fixed-rate debt, and undrawn bank credit proportions, which are annual. We exclude observations with

[20] In Section 4.5, we also demonstrate the robustness of our results to an alternative formative year definition of ages 5 to 20, capturing a broader developmental period.

missing or negative total assets, regulated utilities (SIC codes 4900-4999), financial firms (SIC codes 6000-6999), and non-classified entities (SIC codes 9900+). To mitigate the influence of extreme values, we winsorize our COMPUSTAT-derived variables at the 2.5% and 97.5% levels each quarter, except for birth year and log of firm age. Moreover, we use stock data from the Center for Research in Security Prices (CRSP) to calculate inflation betas. The detailed variable definitions are provided in Online Appendix Table A4.

2.2 Measuring inflation attention

In this section, we describe our methodology for measuring CEO inflation attention using a word-embedding approach based on Word2vec (Mikolov et al., 2013). The main challenge of measuring firm-level inflation attention is that CEOs often discuss inflation-related issues in an idiosyncratic, firm-specific way, such as input-output price changes and supply chain frictions, rather than using macroeconomic keywords such as inflation and GDP. For example, here is an excerpt from the 2022Q1 earnings call of Shalimar Paints Ltd:

"*That raw material costs, which remained significantly high during the quarter and during the year as well, has achieved the 9 months trend, the raw material cost has been significantly high.*"

While “inflation" is never mentioned once in the call, a cursory reading of the transcript reveals references to the impact of raw material prices on firm operations. Hence, traditional bag-of-words methods based on dictionaries pre-trained on textbooks or newspapers (e.g., Loughran and McDonald, 2011) will struggle when measuring inflation attention in the conference call, omitting relevant content. Although expanding the dictionary could mitigate this issue, machine-learning approaches provide more meaningful semantics while

also avoiding some of the arbitrariness of dictionary selection.

We use natural language processing (NLP) techniques to generate a data-driven dictionary of inflation-related terms. We combine Word2vec with a term frequency-inverse document frequency (TF-IDF) weighting scheme. Word2vec is a machine learning technique that represents words as dense vectors in a continuous space. The model uses the surrounding context to learn vector representations of each word, which allows us to capture semantic similarity through distance metrics in the embedding space. By training the model, we can generate a purely data-driven and annually updated similarity scores between words and the term "inflation." The TF-IDF adjustment is a commonly used technique that reflects the relative importance of a word within a given document relative to the entire corpus. Incorporating TF-IDF weights allows us to introduce frequency information and downweight generic terms that may be retrieved as semantically related to inflation, thus mitigating the limitation of Word2vec in handling words with multiple meanings.

In what follows, we describe our step-by-step implementation, while more technical details can be found in Section II of the Online Appendix. After preprocessing and tokenization of the raw earnings call transcripts, we use Gensim, a popular Python library for NLP, to train the Word2vec model. We choose a vector size of 200 and a context window of 10.[21] To avoid forward-looking bias, each year $t-1$, we use all historical transcripts up to that year as training samples, with the TF-IDF weights calculated in the same sample. Next, in the spirit of Sautner et al. (2023), we use the word "inflation" as the seed word to generate a list of the top-related words or bigrams from the customized Word2vec model.[22] In this

[21] Our results are robust to other parameter choices.

[22] In Online Appendix Table A5, we present the top 100 words/bigrams most related to inflation based on the full sample.

way, the resulting dictionary is fully data-driven and specific to the context of conference calls. Then, for all earnings calls in year t, we extract CEOs' words from the transcript and calculate the inflation attention score by incorporating both the relevance of each word to inflation and its frequency of occurrence.

$$\textit{Inflation Score}_{i,t} = \frac{\sum_s \sum_{\textit{inflation-related word}_{t-1}} \textit{Similarity}_{\textit{inflation}} \times \textit{tf-idf}}{\sum_s \textit{Length}}, \tag{1}$$

where *Similarity* is the cosine similarity $\in$ [0, 1] generated by the Word2vec model, *tf-idf* is the TF-IDF score, and $Length_s$ is the length of the sentence s. We limit the scope to the top one hundred relevant words to minimize noise in our measure. We calculate the score at the sentence level and then aggregate it by total length to get a measure of attention at the manager level. Our measure thus combines three important dimensions: relevance, specificity, and frequency.

2.3 Aggregate Variation and Summary Statistics

In this subsection, we examine the aggregate pattern of our attention measure. Figure 3 plots (1) average inflation attention across all firms and (2) year-over-year core inflation. Average inflation attention exhibits positive co-movement with core inflation on average, with a sharp peak during the post-COVID inflation surge in line with previous research.[23] The elevated attention during the Global Financial Crisis reflects the high headline inflation and its volatility during the period (See Figure 1). This pattern also aligns with the countercyclical nature of inflation attention, documented by Song and Stern (2024) and Flynn and Sastry (2024) showing that firms allocate more cognitive resources to macroeconomic

[23] See Coibion et al. (2018, 2020b); Korenok et al. (2023); Pfäuti (2023); Bracha and Tang (2025), among others.

conditions during downturns.[24]

In Online Appendix Section III, we conduct validity tests at the aggregate and industry levels and show that our inflation attention measure varies in a way consistent with the existing literature. For example, industries that are negatively exposed to inflation tend to pay more attention to it. Overall, these tests support that our inflation measure captures inflation-relevant information.

Table 1 presents summary statistics of variables used in our study from 2003Q1 to 2024Q4 across three panels: macro variables (Panel A), firm-quarter-level variables (Panel B), and firm-year-level variables (Panel C). Panel A shows that core inflation is less volatile than headline inflation. Moreover, core CPI inflation shocks show similar statistical properties as core PCE inflation shocks. Panel B shows that inflation attention has an average of 0.073 with a standard deviation of 0.072. The Q&A part shows slightly higher average inflation attention (0.071) compared to the presentation part (0.068). CEOs in our sample have an average birth year of 1958 and an average age of 55.8 years. The average inflation rate experienced during CEOs' formative years is 4.3%, with significant variation: CEOs in the 10th percentile experienced inflation of 1.7%, whereas those in the 90th percentile lived through a period of inflation of 7.7% during their formative years.

[24]The correlation between average inflation attention and core inflation is 0.13, indicating a mild positive correlation. The correlation between the change in average inflation attention and the change in core inflation is 0.33. Therefore, changes in our measure seem to better capture changes in core inflation. The high level of attention before the GFC is attributed to noise in our measure during the early part of the sample, stemming from the smaller sample size for the Word2vec model due to our expanding window approach to mitigate look-ahead bias. Moreover, we confirm that excluding the pre-GFC period from our analysis produces nearly identical 2SLS estimates, due to the minimal variation in inflation during that period.

2.4 Identification Strategy

Our main objective is to study how inflation attention influences corporate decisions. However, we face a key empirical challenge because both inflation attention and corporate decisions could be jointly driven by a firm's underlying exposure to inflation. When a CEO discusses supply chain issues and rising input price pressures, they may be doing so not only because they are attentive to inflation, but also because of the firm's exposure to inflation. Online Appendix Table A7 also confirms that industries that are negatively exposed to inflation tend to pay more attention to inflation.

To disentangle inflation attention from inflation exposure and thus mitigate the endogeneity issue, we use an instrumental variables (IV) approach. Our identification strategy exploits plausibly exogenous variation in inflation attention that stems from CEOs' early-life inflation experience during their formative years (ages 5–15), interacted with recent inflation shocks. This approach builds on the "experience hypothesis," which has strong psychological foundations (e.g., Weber et al., 1993; Hertwig et al., 2004) and extensive empirical support in the economics and finance literature. This literature documents that significant events experienced during the formative years have long-lasting impacts on individuals' beliefs, preferences, and subsequent decision-making later in life.[25] In line with this literature, CEOs who experienced higher inflation during their formative years may exhibit greater inflation attention than their peers.

We interact childhood inflation experience with recent inflation shocks in our instrumen-

[25] See Malmendier and Nagel (2011); Malmendier et al. (2011); Bernile et al. (2017); Chen et al. (2021); Duchin et al. (2021); O'Sullivan et al. (2021); Severen and van Benthem (2022); Choi et al. (2023); Malmendier and Wachter (2024); Li et al. (2025), among others.

tal variable approach for two reasons. First, previous studies show that inflation attention typically increases when inflation becomes more salient in the economic environment (e.g., Coibion et al., 2018, 2020b; Song and Stern, 2024; Flynn and Sastry, 2024). Second, research on memory and cue theory suggests that current experiences can trigger recall of similar past events.[26] Thus, unexpectedly high inflation may serve as a cue for CEOs who experienced high inflation in childhood. For inflation shocks, we use core inflation shocks, given the importance of core inflation relative to headline inflation emphasized in the literature (e.g., Mishkin, 2007; Sinclair et al., 2009; Hong et al., 2022; Fang et al., 2025). However, we also show that our results are robust to using headline inflation shocks.

For our identification strategy to be valid, childhood inflation experience should not be correlated with inflation exposure, which also influences corporate decisions (i.e., violation of exclusion restrictions). Online Appendix Figure A1 plots average core inflation betas across quintiles of childhood inflation experience relative to the bottom quintile, after controlling for firm and time fixed effects as well as firm-level control variables. The figure shows no relationship between childhood inflation experience and inflation exposure, measured by the inflation beta. Moreover, Online Appendix Figure A2 plots the distribution of average CEOs' birth years across the Fama–French 49 industries, showing that the average birth year varies narrowly across industries, from 1953.1 (Textiles) to 1961.4 (Computer Software). This tight distribution suggests that it is unlikely that CEOs with high childhood inflation experience systematically select into industries with high exposure to inflation. Together, these findings support the validity of our instrumental variable approach by showing

[26] See Kahana (2012); Bordalo et al. (2020); Charles (2022); D'Acunto and Weber (2022); Braggion et al. (2024).

that childhood inflation experience is unlikely to affect corporate decisions through inflation exposure over inflation attention.

3 Empirical Results

Section 3.1 presents the results of our first-stage analysis, showing that CEOs' childhood inflation experience is a strong predictor of inflation attention in earnings calls. Section 3.2 studies the impact of our instrumented inflation attention on financing decisions, focusing on leverage and cash holdings. Section 3.3 studies the impact of our instrumented inflation attention on investment decisions, measured by capital expenditures and employment.

3.1 First-stage regression

In our first-stage regression, we aim to capture the plausibly exogenous variation in inflation attention explained by CEOs' inflation experience. Specifically, we run the following regressions for a firm i and quarter t:

$$\textit{Inflation Attention}_{i(s),t} = \alpha + \beta \cdot \textit{ExpInfla}_{i(s)} \times \pi_{t-1} + \gamma' X_{i,t-1} + \theta_i + \psi_t + \nu_s + \epsilon_{i(s),t}, \quad (2)$$

where $\textit{Inflation Attention}_{i(s),t}$ is the firm-level attention for firm i whose CEO was born in year s, measured based on the earnings conference call data. For ease of interpretation, we standardize it to have a mean zero and unit variance. $\textit{ExpInfla}_{i(s)}$ is the average year-over-year headline inflation rate experienced during childhood (ages 5–15). π_{t-1} is the core inflation shock. $X_{i,t-1}$ is a set of firm-level control variables: log of market capitalization, log of firm age, markup, Return On Assets (ROA), profit margin, PPE, Tobin's *Q*. θ_i denotes firm fixed effects, ψ_t time fixed effects, and ν_s birth cohort fixed effects.

We note how the inclusion of birth cohort fixed effects allows us to account for unob-

servable birth cohort-specific factors that could affect (unconditionally) the level of inflation attention. Our IV approach builds on the reaction to inflation shocks for CEOs who experienced different inflation levels during their formative years.

Table 2 presents the estimates of our first-stage regressions. Column (1) presents the result without firm-level time-varying controls. Column (2) includes firm-level controls but omits birth cohort fixed effects. Column (3) includes both firm controls and birth cohort fixed effects. Column (4) replaces childhood inflation experience ($ExpInfla_{i(s)}$) with a dummy variable for CEOs born between 1964 and 1969 (birth cohorts that belong to the top quintile of childhood inflation experience). Online Appendix Table A9 reports the coefficients of the control variables.

Across all specifications, we find consistently significant coefficients on our IV at the 1% level, suggesting that CEOs who experienced high inflation during their formative years tend to pay more attention to inflation in response to inflation shocks in the previous quarter. Column (3), which includes our most stringent controls, shows particularly strong statistical power with a t-statistic of 5.2 (F-statistic = 27). While Column (4) shows that CEOs born between 1964 and 1969 exhibit higher inflation attention than others after inflation shocks, its statistical significance is weaker than the IV with our continuous experience measure (i.e., $ExpInfla_{i(s)} \times \pi_{t-1}$). This indicates that the effect of childhood inflation experience is not simply about CEOs born between 1964 and 1969, and that it is important to capture the intensity of the childhood inflation exposure.

Figure 4 visualizes the first-stage regression results by replacing childhood inflation experience ($ExpInfla_{i(s)}$) with birth cohort dummies, where birth cohorts are grouped in 5-year intervals from 1945 to 1979. It presents the result using the same control variables as in

Column (3) of Table 2. The upper panel shows that CEOs born between 1965 and 1969, who experienced the highest childhood inflation levels, have the highest inflation attention compared to other cohorts. The lower panel replaces birth cohorts with childhood inflation experience quintiles, showing a monotonically increasing relationship between the intensity of childhood inflation experience and inflation attention.

In terms of economic magnitude, shifting from the bottom to the top quintile of childhood inflation experience corresponds to a 5 percentage point increase in inflation attention following a one-standard-deviation inflation shock, equivalent to 5% of the standard deviation of inflation attention.[27]

Overall, our findings consistently indicate that childhood inflation experience strongly predicts inflation attention, confirming the relevance condition required for our instrumental variable approach.[28]

3.2 Financing decisions

Having established the strong effect of childhood inflation experience on inflation attention, we exploit this plausibly exogenous variation in attention and estimate standard second-stage regressions. Our main results are built around regressions of corporate decision variables on inflation attention instrumented with the interaction between childhood

[27]The 5% point estimate is equal to 4.56 (the estimated coefficient from Panel B of Figure 4), which captures the differential inflation attention between the top quintile and bottom quintiles of CEOs' childhood inflation experience in response to a one-unit increase in inflation shock, times the standard deviation of the inflation shock (0.011, as shown in Table 1), divided by one, as we standardize the inflation attention to unit standard deviation.

[28]In Online Appendix Table A10, we solely use childhood inflation experience without interacting it with core inflation shocks. We find no statistically significant relationship between childhood inflation experience and inflation attention in this case. This finding confirms that childhood inflation experience influences attention levels, specifically when triggered by recent inflation shocks, not unconditionally. This result supports our choice of IV, $ExpInfla_{i(s)} \times \pi_{t-1}$.

inflation experience and core inflation shock, as discussed in Section 3.1. Specifically, for a firm i, quarter t, and CEO born in year s, we estimate:

$$Y_{i(s),t} = \alpha + \beta \cdot \widehat{\textit{Inflation Attention}}_{i(s),t} + \gamma' X_{i,t-1} + \theta_i + \psi_t + \nu_s + \epsilon_{i(s),t}, \tag{3}$$

where $Y_{i,t}$ is a firm i's decision variable, standardized to have a mean zero and unit variance. $\widehat{\textit{Inflation Attention}}_{i(s),t}$ is the fitted variation of inflation attention in the first-stage regression, $X_{i,t}$ is a set of firm-level control variables, the same as in our first-stage regressions, θ_i denotes firm fixed effects, ψ_t denotes time fixed effects, and ν_s denotes birth cohort fixed effects.

We begin our second-stage analysis with the financing decisions. If inflation attention merely reflects non-substantive rhetoric, we would expect no significant relationship with financing choices. However, if our measure captures genuine inflation attention, two potential relationships could emerge. Firms expecting demand-driven inflation might increase borrowing to benefit from lower real borrowing costs and reduce cash holdings, whose value decreases with inflation. Conversely, firms concerned about supply-driven inflation (stagflation) may adopt precautionary measures by reducing leverage and increasing cash reserves.

Table 3 presents our second-stage regression results in columns (1) and (2) as well as OLS regression results in columns (3) and (4), examining how inflation attention is associated with firms' financing decisions. Column (1) shows that inflation-attentive firms significantly increase borrowing, as indicated by the positive coefficient on the inflation attention (t-statistic = 3.04). Column (2) shows that inflation-attentive firms significantly reduce their cash holdings (t-statistic = -3.23). In terms of economic magnitude, a one-standard-deviation increase in the instrumental variable ($\textit{ExpInfla}_{i(s)} \times \pi_{t-1}$) corresponds to

a 2 (3) percentage point increase (decrease) in leverage (cash holdings), which translates into 2% (3%) of the standard deviation of leverage (cash holdings). For both outcome variables, the Kleibergen and Paap (2006) *F*-statistics of 27.24 and 28.90 are well above the rule-of-thumb threshold of 10 recommended for strong instruments in linear regressions (Stock and Yogo, 2005).

The OLS results in columns (3) and (4) also show that leverage is positively associated with attention, and cash holdings are negatively associated with attention, as in the 2SLS results. The magnitudes of 2SLS estimates are larger than those of OLS estimates, although both are statistically significant. These differences could reflect the severity of the endogeneity bias in the OLS estimations, which also capture the effects of inflation exposure on these outcomes along with inflation attention, while the 2SLS estimations filter out the effects of inflation exposure. In particular, we showed before that firms that are negatively exposed to inflation tend to pay more attention to inflation.[29] Such firms are likely to maintain less leverage and more cash reserves as a buffer against adverse shocks, biasing OLS estimates downward for leverage and upward for cash holdings. This bias is particularly severe for cash holdings, as firms–even financially constrained ones–can adjust them more flexibly than leverage (Denis and Sibilkov, 2010). Moreover, the 2SLS estimates capture a local average treatment effect, where firms led by CEOs with high childhood inflation experience sharply raise leverage and lower cash holdings, resulting in amplified differences. However, the average treatment effect could differ from the local average treatment effect. Finally, measurement errors in our attention measure could be another contributing factor to the differences in magnitudes. For example, our attention measure could be

[29] See Table A7 in the Online Appendix.

in part driven by managers who discuss inflation to blame poor performance on it. While weak instruments could also explain these differences, our high F-statistics (>27) and t-statistics, along with the significant reduced-form results included in Table A11 in the Online Appendix, collectively support the validity and strength of our instrumental variable as a predictor of inflation attention (Angrist and Pischke, 2009).

Online Appendix Figure A3 further shows how the influence of inflation attention on future financing decisions gradually diminishes over time, yet remains statistically significant for market leverage one quarter ahead and for cash holdings up to two quarters ahead.

These findings provide strong evidence that inflation attention reflects CEOs' genuine focus on inflation, rather than non-substantive narratives, leading to significant changes in corporate decisions. The direction of these effects — increasing leverage while reducing cash holdings — suggests that CEOs' inflation attention reflects expectations of demand-driven inflation rather than supply-driven inflation concerns.

3.3 Real investment decisions

We next examine how inflation attention influences real investment decisions. If attention reflects expectations of demand-driven inflation, firms might increase investment, whereas concerns about stagflation would likely lead to a decrease in investment. We analyze two key real investment outcome variables: capital expenditures (CAPEX) and employment.

Table 4 presents these results. Column (1) shows that inflation attention has no statistically significant relationship with capital expenditures. Most notably, Column (2) demonstrates a strong positive relationship between inflation attention and employment level.

This result could be driven by firms attempting to secure lower real labor costs before inflation materializes and drives up wages. The mixed results for physical capital investment may reflect a balancing of opposing forces: while higher inflation expectations reduce real financing costs, resulting in an increase in leverage, they also diminish the present value of future cash flows from investments, potentially lowering NPV and tempering capital expenditures. The OLS results in columns (3) and (4) show that inflation attention is negatively associated with CAPEX and positively associated with employment, with smaller magnitudes than the ones in the 2SLS result. As in the financing results, this difference could stem from OLS estimates capturing the influence of inflation exposure on investment decisions along with attention: firms with negative inflation exposure show greater attention and reduce CAPEX and employment as precautions, biasing OLS estimates downward.

In terms of economic magnitude, a one-standard-deviation increase in the instrumental variable ($ExpInfla_{i(s)} \times \pi_{t-1}$) corresponds to a 0.86 percentage point decrease in CAPEX, which translates into 0.84% of the standard deviation of CAPEX, although this magnitude is statistically insignificant. For employment, given that the outcome variable is log of employment, a one-standard-deviation increase in the instrumental variable corresponds to a 1.16% increase in employment.

4 Mechanisms and robustness tests

In this section, we examine potential mechanisms behind our core findings, address potential concerns about our empirical approach, and conduct various robustness checks. In Section 4.1, we decompose inflation shocks into demand-driven versus supply-driven shocks (Shapiro, 2024), showing that the former seem to be driving our results. We further

study the choice of fixed-rate debt in Section 4.2, complementing our previous results on financing choices. In Section 4.3, we examine different macroeconomic variables (GDP, unemployment, and monetary shocks), and demonstrate that our findings are indeed driven by inflation. In Section 4.4, we study the effects of inflation expectations (Malmendier and Nagel, 2016), where we find the effects of inflation attention are distinct from, yet complementary to, those of inflation expectations by (Malmendier and Nagel, 2016). In Section 4.5, we conduct a series of perturbations to our baseline empirical design, showing that our core findings remain robust across an extensive range of alternative specifications.

4.1 Demand versus supply driven inflation

Our findings on both financing and real investment decisions indicate that inflation attention reflects expectations of demand-driven inflation rather than supply-driven inflation. The pattern of increased leverage, reduced cash holdings, and expanded employment suggests that firms are positioning themselves to benefit from anticipated inflation rather than protecting against stagflation risks. This interpretation aligns with Zhang (2024), who demonstrates both empirically and theoretically that firms tend to associate higher expected inflation with stronger economic activity. Using a rational inattention model, she shows that firms find it optimal to allocate more attention to demand shocks, as demand shocks have a larger impact on profits compared to supply shocks. Since demand shocks drive both higher inflation and higher output, firms' attention to demand shocks translates into beliefs where higher expected inflation is linked to higher expected output growth. Consistent with this, Candia et al. (2020) present survey evidence that both professional forecasters and firms in the U.S. tend to associate higher inflation with higher output growth. Furthermore, Coibion

et al. (2018) show that higher inflation expectations are associated with higher employment and investment, using a randomized information treatment in a survey of New Zealand firms.

Building upon this prior evidence, we conduct additional tests to examine whether CEOs' inflation attention reacts more to demand-driven inflation shocks versus supply-driven ones. To do so, we employ the decomposition method of core inflation by Shapiro (2024). Shapiro (2024) decomposes inflation into demand- and supply-driven components by running separate reduced-form regressions on prices and quantities for each category, labeling categories as demand-driven if the price and quantity residuals have the same sign and supply-driven if they have opposite signs. The demand- and supply-driven contributions are then computed as the expenditure-weighted averages of inflation rates across the respective labeled categories.

We estimate the regression equation (2) by decomposing the inflation shock into demand-driven and supply-driven components for both core and headline inflation. Table 5 shows that the inflation attention of CEOs with high childhood inflation experience rises in response to demand-driven inflation shocks, but it does not react to supply-driven inflation shocks. This result is observed across both core and headline inflation. Online Appendix Table A12 further demonstrates that average CEO inflation attention correlates significantly with the demand component of inflation, but not with the supply component. This correlation is particularly pronounced for CEOs with higher inflation experience during their formative years. Overall, these pieces of evidence reinforce that inflation attention driven by high childhood inflation experience specifically captures expectations of demand-driven inflation.

Interestingly, this result is not simply driven by CEOs' childhood experience of demand-driven inflation. CEOs in the top quintile of childhood inflation experience were born from 1964 to 1969 and primarily experienced the supply-driven Great Inflation caused by the two oil crises during their childhood.[30]

4.2 Debt composition

We further investigate our findings on financing choices by examining how inflation attention affects firms' debt composition, specifically the share of fixed-rate debt. If inflation-attentive firms are increasing leverage to exploit lower real borrowing costs in anticipation of higher inflation, they should prefer fixed-rate debt over floating-rate debt since floating rates will adjust upward once inflation materializes. Moreover, given that bank credit is floating debt, the portion of undrawn bank credit could increase if firms substitute floating-rate bank credit with fixed-rate debt.

To test this hypothesis, we measure (1) the share of fixed-rate debt: the value of fixed-rate debt divided by the sum of fixed-rate debt and variable-rate debt; (2) the portion of undrawn bank credit: Undrawn credit portion of revolving credit divided by the sum of undrawn credit portion of revolving credit and outstanding balance for revolving credit (e.g., Acharya et al., 2014; Acharya and Steffen, 2020). Column (1) of Table 6 shows a positive and marginally significant relationship between inflation attention and fixed-rate debt share. This finding indicates that inflation-attentive firms strategically lock in current interest rates before anticipated inflation materializes. Column (2) shows that the proportion of undrawn bank credit also significantly increases. These findings provide additional

[30] Online Appendix Figure A4 confirms that the share of supply-driven inflation experience during formative years exceeds 61% for these birth cohorts.

evidence that inflation attention reflects inflation expectations, as inflation-attentive firms adjust their debt composition to benefit from expected higher inflation.

4.3 Attention to general macroeconomic conditions

A potential concern with our analysis is that childhood inflation experience may correlate with experiences of broader macroeconomic conditions, as inflation is ultimately a macroeconomic equilibrium outcome. If this is the case, inflation attention by CEOs with high inflation experience might reflect general macroeconomic attention rather than an inflation-specific focus. To address this concern, we test whether CEOs with high childhood inflation experience increase their inflation attention in response to other macroeconomic shocks. The idea behind this test is that if childhood inflation experience is correlated with experiences of broader macroeconomic conditions, we expect that CEOs with high childhood inflation experience would react to shocks to other macroeconomic variables, not just inflation shocks. We augment our first-stage regression with interaction terms between childhood inflation experience and other key macroeconomic variables: real GDP growth, unemployment rate changes, and monetary policy adjustments.

Table 7 shows that while CEOs with high childhood inflation experience significantly increase their inflation attention following inflation shocks, they do not exhibit similar responses to other macroeconomic shocks. The interaction terms with GDP growth shock, unemployment rate shock, and monetary policy shock are statistically insignificant, indicating that childhood inflation experience specifically sensitizes CEOs to inflation rather than to macroeconomic conditions generally. Online Appendix Table A13 further shows that CEOs with higher experience of other macroeconomic variables do not show greater

attention to inflation following inflation shocks.

These findings strengthen our identification strategy by confirming that attention to inflation by CEOs with high inflation experience is specific to inflation, instead of attention to general macroeconomic conditions.

4.4 Controlling for inflation expectations

Our interpretation of our second-stage regression results is that inflation attention reflects expectations of demand-driven inflation. A natural question is then whether inflation attention remains significant when controlling for other firm-level inflation expectation measures. If our attention measure does not capture meaningful information beyond existing inflation expectation measures, it would become insignificant.

While no direct firm-level inflation expectation measure is available, Malmendier and Nagel (2016) develop a powerful model-implied inflation expectation measure, based on each birth cohort's lifetime experience, that has been validated against survey data and shown to explain household financial decision-making. This measure provides an excellent benchmark to test the distinct information content of our inflation attention measure. Therefore, we re-run our 2SLS regressions for financing and real investment decisions after controlling for the measure of inflation expectations by Malmendier and Nagel (2016).

Table 8 shows that even after we control for this inflation expectations measure in our regression models, our main results remain robust. The first-stage relationship between childhood inflation experience $\times$ inflation shock and inflation attention remains strong, as indicated by high F-statistics, and the second-stage effects on corporate decisions are virtually unchanged. The coefficients on the Malmendier and Nagel (2016) inflation expectation

measure have the same signs as those on our inflation attention measure, indicating that both measures are associated with corporate decision variables in the same direction. However, statistically significant coefficients on our inflation attention measure suggest that our inflation attention measure captures distinct information about beliefs about inflation that is not reflected in an existing measure of inflation expectations.

4.5 Robustness tests

Throughout our analyses, for our IV, we use childhood inflation experience interacted with core inflation shocks, given the importance of core inflation relative to other types of inflation emphasized in the literature (e.g., Mishkin, 2007; Sinclair et al., 2009; Hong et al., 2022; Fang et al., 2025). We replace core CPI inflation shocks with headline CPI inflation shocks or core PCE inflation shocks in our instrumental variable. Panels A and B of Table 9 show that our baseline results remain robust to this variant, while our results seem to be statistically stronger with the core CPI shocks or core PCE shocks than the headline shocks, consistent with the literature emphasizing the importance of core inflation.

We define formative years as ages 5 to 15, following psychological literature and existing economics and finance research.[31] To address potential sensitivity to this definition, we test an alternative age range of 5–20 to capture a broader developmental period. Panel C of Table 9 shows that our results remain significant, indicating that our findings are robust to reasonable variations in how formative years are defined.

Our baseline analysis uses the entire earnings call transcripts, but results could be driven by either the presentation or Q&A section. The presentation part is scripted and

[31] See Nelson (1993); Bernile et al. (2017); Chen et al. (2021); O'Sullivan et al. (2021); Li et al. (2025), among others.

pre-planned, potentially reflecting strategic communication rather than genuine attention. Conversely, the Q&A section may reveal more spontaneous responses. Panels D and E of Table 9 show consistent results when using inflation attention measured from either section separately, confirming that our findings are not dependent on which part of the earnings calls is analyzed.

Our inflation attention measure is positively skewed (mean 0.073, median 0.051), raising concerns that results might be driven by firms with extremely high attention levels. To address this, we replace our continuous measure with rank-based measures: percentiles and deciles of inflation attention computed each quarter. Panels F and G of Table 9 demonstrate that our results remain robust with these rank measures, suggesting our findings are not driven by firms with extreme inflation attention.

Non-U.S.-born CEOs might have experienced different inflation environments during their formative years, potentially biasing our results. Though we do not have access to comprehensive data on CEO birth countries, we use GPT-4 to identify likely non-U.S.-born CEOs and repeat our analysis after excluding them. Panel H of Table 9 shows that our results remain significant in this restricted sample, while it is marginally significant for employment, indicating our findings are not strongly driven by likely foreign-born CEOs' inflation experiences.

While we focus primarily on CEO attention following the literature, CFOs may have more direct responsibility for corporate decisions. To account for this possibility, we expand our analysis to include both CEO and CFO inflation attention. For each firm and quarter, we average the CEOs' and CFOs' birth years and their inflation attention. Panel I of Table 9 shows that our results remain robust when accounting for both executives' attention, confirming

that our findings extend beyond just CEO-level attention to reflect broader managerial focus on inflation.

Furthermore, given that our sample period includes the 2021-2024 period of a significant inflation surge and subsequent moderation, in Online Appendix Table A14, we replace inflation shocks with a post-COVID dummy variable (taking the value of one for 2021 and later) in our instrumental variable approach. The results show that our results are not merely artifacts of reactions to recent post-COVID inflation dynamics.

Overall, the evidence in this section further supports the validity of our identification strategy and shows that our core findings are unlikely driven by spurious correlations. The attention paid by CEOs, instrumented by their childhood experiences, drives firms to increase their leverage, reduce their cash holdings, and expand their employment.

5 Conclusion

We examine whether CEOs' inflation attention influences corporate decisions. To this end, we develop a firm-level inflation attention measure using earnings call transcripts from 2003 to 2024. To isolate the effects of inflation attention from inflation exposure, we exploit plausibly exogenous variation in attention driven by CEOs' early-life inflation experiences interacted with recent inflation shocks. Our analysis shows that CEOs' childhood inflation experiences significantly predict current inflation attention, when CEOs face inflation shocks.

Exploiting this plausibly exogenous variation in inflation attention, we find that inflation-attentive firms increase leverage (particularly fixed-rate debt), reduce cash holdings, and expand their workforce. These findings consistently suggest that CEOs' inflation attention

reflects expectations of inflation driven by demand shocks rather than supply shocks.

Our findings are not driven solely by reactions to the recent inflation surge during the post-COVID period and remain robust across various specifications. By demonstrating how CEOs' early-life experiences shape their inflation attention and corporate decisions, our study contributes to the literature on firm-level inflation attention and the role of formative experiences in economic decision-making.

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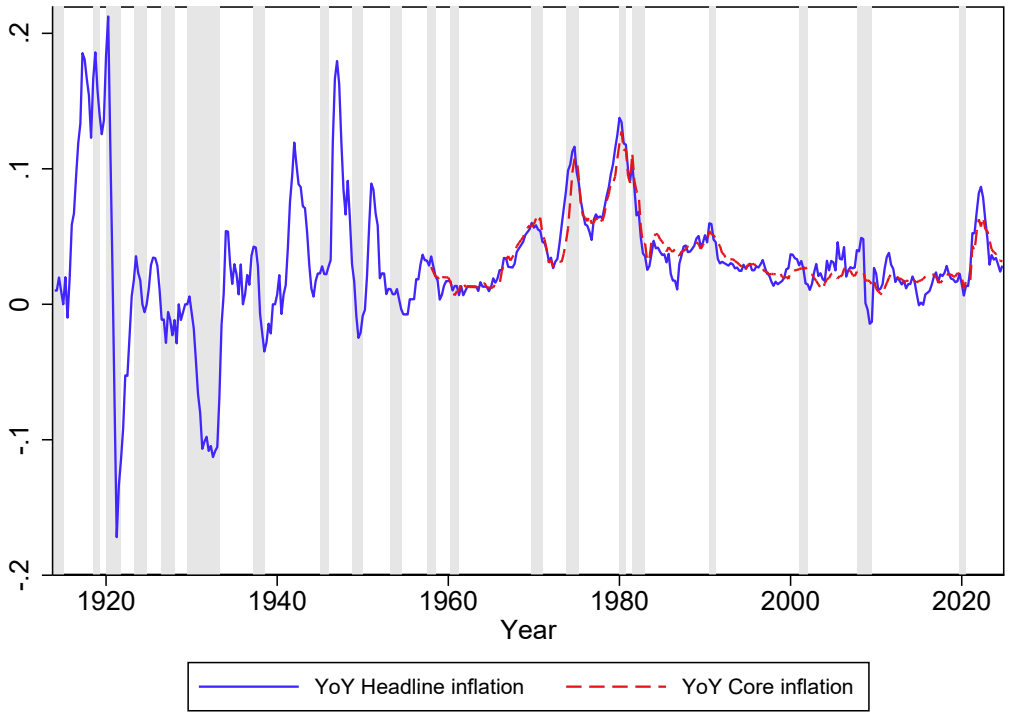


Figure 1. **Headline and Core Inflation**

This figure plots headline and core inflation variables along with the NBER recessions. The blue straight line denotes year-over-year headline (FRED code: cpiaucns) inflation from 1914Q1 to 2024Q4. The red dashed line denotes year-over-year core (FRED code: cpilfesl) inflation from 1958Q1 to 2024Q4. The shaded area denotes NBER recessions. Detailed variable definitions are in Online Appendix Table A4.

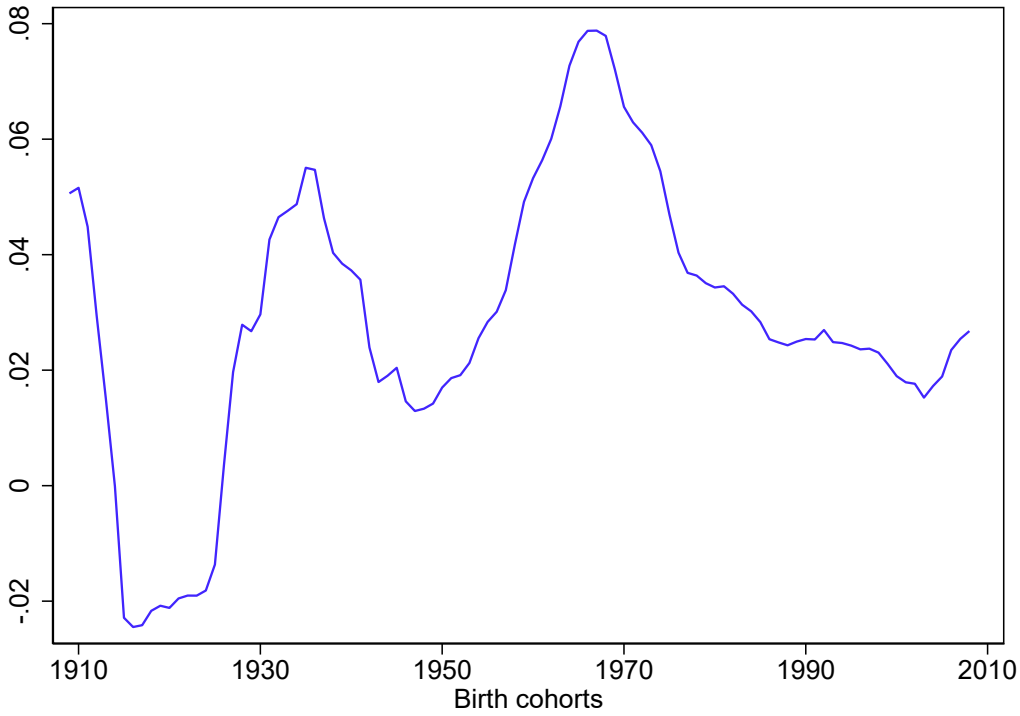


Figure 2. **Average Childhood Inflation Experience**

This figure plots the average headline inflation rate experienced during childhood (ages 5–15) for individuals born between 1909 and 2008. Detailed variable definitions are in Online Appendix Table A4.

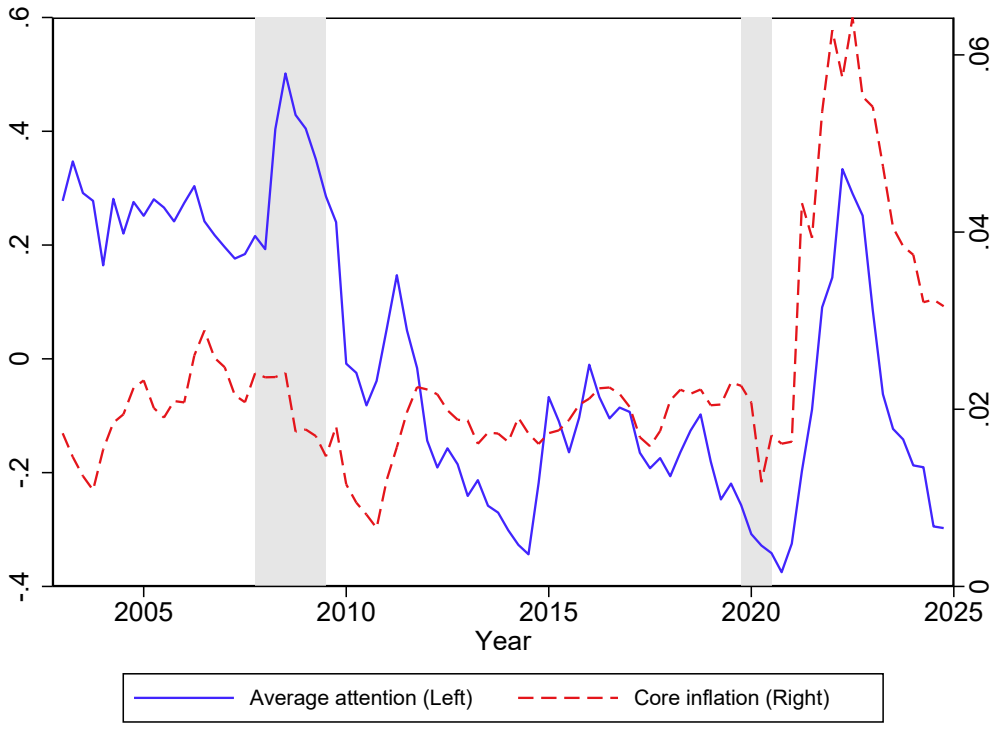
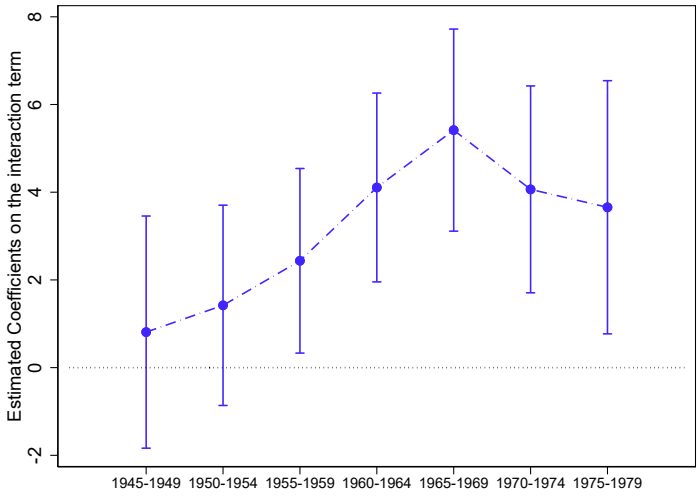


Figure 3. **Average Inflation Attention and Inflation Variables**

This figure plots the average inflation attention across all firms (straight-blue line, left) and year-over-year core inflation (dashed-red line, right). The shaded area denotes NBER recessions. Inflation attention is standardized to have a mean zero and unit variance. The sample spans from 2003Q1 to 2024Q4. Detailed variable definitions are in Online Appendix Table A4.

A. By Birth cohorts



B. By Quintiles

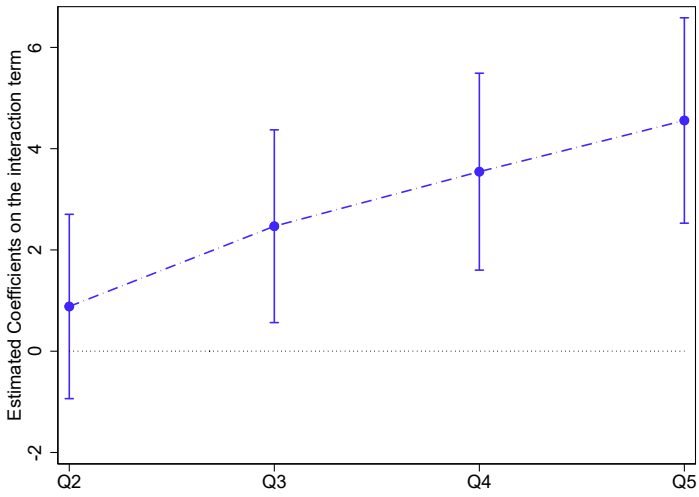


Figure 4. **Inflation Attention by Birth Cohorts and Quintiles of Childhood Inflation Experience**

These figures show how CEOs' inflation attention responds to core inflation shocks across birth cohorts (Panel A) and across childhood inflation experience (Panel B). Panel A plots estimated coefficients and 95% confidence intervals for interaction terms between birth cohort dummies and the lagged core inflation shock, with inflation attention as the dependent variable. Panel B replaces birth cohort dummies with dummies for quintiles of childhood inflation experience, defined as the average year-over-year headline inflation rate the CEO experienced during the ages 5-–15. These quintiles range from the second (Q2) to the highest (Q5), where the bottom quintile (Q1) serves as the benchmark. Inflation attention is standardized to have a mean zero and unit variance. Control variables are log of market capitalization, log of firm age, markup, ROA, profit margin, PPE, Tobin's *Q*, firm fixed effects, time fixed effects, and birth cohort fixed effects. Standard errors are clustered by firm. Detailed definitions of all variables are provided in Online Appendix Table A4.

Table 1. **Summary Statistics**

	N	Mean	SD	P1	P10	P50	P90	P99
Panel A: Macro-level variables								
Core Inflation	88	0.024	0.012	0.007	0.015	0.021	0.041	0.064
Core Inflation shock	88	-0.003	0.011	-0.035	-0.016	-0.003	0.007	0.037
Headline Inflation (Seasonally unadjusted)	88	0.025	0.018	-0.014	0.007	0.023	0.049	0.087
Headline Inflation (Seasonally adjusted)	88	0.025	0.018	-0.014	0.007	0.023	0.048	0.086
Headline Inflation shock	88	-0.004	0.018	-0.057	-0.025	-0.002	0.014	0.046
Core PCE inflation shock	88	-0.002	0.009	-0.022	-0.011	-0.003	0.005	0.033
Core Demand Inflation shock	88	0.000	0.005	-0.009	-0.006	0.000	0.004	0.020
Core Supply Inflation shock	88	-0.001	0.007	-0.019	-0.010	0.000	0.007	0.016
Headline Demand Inflation shock	88	0.000	0.008	-0.022	-0.009	0.000	0.008	0.022
Headline Supply Inflation shock	88	-0.002	0.010	-0.030	-0.016	-0.002	0.011	0.021
NBER recession	88	0.091	0.289	0.000	0.000	0.000	0.000	1.000
Real GDP growth shock	88	-0.008	0.022	-0.090	-0.036	-0.005	0.014	0.081
Unemployment rate shock	88	0.001	0.016	-0.056	-0.008	-0.002	0.013	0.087
Monetary Shock	84	0.011	0.074	-0.347	-0.060	0.007	0.084	0.220
Panel B: Firm-quarter-level variables								
Inflation Attention	167,416	0.073	0.072	0.000	0.010	0.051	0.165	0.341
Inflation Attention (Presentation part)	166,423	0.068	0.078	0.000	0.000	0.043	0.165	0.372
Inflation Attention (Q&A part)	165,416	0.071	0.079	0.000	0.000	0.047	0.172	0.368
Birth year	167,448	1958.0	9.0	1937.0	1946.0	1958.0	1969.0	1980.0
Age	167,448	55.8	7.7	38.0	46.0	56.0	65.0	75.0
ExpInfla	167,448	0.043	0.022	0.013	0.017	0.042	0.077	0.079
Size	166,984	6.855	1.907	2.328	4.320	6.886	9.436	10.729
Log(Firm Age)	167,448	2.826	0.797	1.099	1.792	2.890	3.850	4.477
Markup	165,081	2.148	1.616	0.020	1.113	1.609	4.008	8.685
ROA	167,343	-0.013	0.088	-0.360	-0.079	0.008	0.035	0.078
Profit margin	164,287	0.095	2.210	-11.0	0.109	0.381	0.753	0.913
PPE	167,049	0.235	0.228	0.004	0.030	0.149	0.611	0.879
Tobin's Q	147,197	2.278	2.110	0.666	0.954	1.637	4.241	10.614
Leverage	166,822	0.331	0.226	0.017	0.067	0.289	0.663	0.919
Cash holding	141,185	0.164	0.194	0.001	0.013	0.098	0.405	0.898
CAPEX	167,042	0.011	0.013	0.000	0.001	0.007	0.026	0.067
Inflation beta	158,456	0.334	26.972	-75.14	-24.90	0.537	26.11	71.76
Panel C: Firm-year-level variables								
Fixed-rate debt share	43,812	0.276	0.382	0.000	0.000	0.000	0.963	1.000
Unused bank	45,459	0.179	0.358	0.000	0.000	0.000	1.000	1.000
Log(employment)	48,284	0.610	2.053	-4.135	-2.226	0.748	3.332	4.248

This table reports summary statistics of variables used in this study from 2003Q1 to 2024Q4 in decimal format. Panel A covers macro-level variables, Panel B covers firm-quarter-level variables, and Panel C covers

firm-year-level variables. Core Inflation: Year-over-year core inflation (CPILFESL), Core inflation shock: Year-over-year core inflation shock that is measured as residuals from a vector autoregression (VAR), Headline Inflation (seasonally unadjusted): Year-over-year Headline inflation (CPIAUCNS), Headline Inflation (seasonally adjusted): Year-over-year Headline inflation (CPIAUCSL), Headline Inflation shock: Year-over-year headline inflation (CPIAUCSL) shock that is measured as residuals from a vector autoregression. Core PCE inflation shock: Year-over-year core inflation (PCEPILFE) shock that is measured as residuals from a vector autoregression, Core (or headline) demand (or supply) shock: Year-over-year inflation shock that is measured as residuals from a vector autoregression. The demand and supply decomposition for inflation is from Shapiro (2024). NBER recession: NBER-based Recession Indicators (USREC), Real GDP shock: Year-over-year real Gross Domestic Product (GDP) growth rate shock that is measured as residuals from a VAR. Unemployment rate shock: Unemployment rate shock that is measured as residuals from a VAR. Monetary shock: Monetary policy shock by Bauer and Swanson (2023). Inflation attention: CEO inflation attention, measured using earnings call transcripts from StreetEvents. Birth year: CEO birth year compiled from BoardEx, Capital IQ, ExecuComp, SEC, and hand-collection. ExpInfla: the average year-over-year headline inflation rate that the CEO of the firm experienced during childhood (ages 5–15). Size: log of market capitalization. Log(Firm age): log of firm age. Markup: Revenue divided by cost of goods sold. ROA: Net income divided by total assets. Profit margin: Gross profit divided by revenue. PPE: Property, Plant, and. Equipment divided by lagged total assets. Tobin's Q: The ratio of market assets to book assets. Leverage: Book value of debt divided by the sum of book value of debt and market value of equity. Cash: cash holdings divided by lagged total assets. CAPEX: capital expenditures divided by lagged total assets. Inflation beta: The OLS coefficient on core inflation shock from a 60-month rolling regression of monthly excess returns on the inflation shock, controlling for the Fama and French (1993) three factors (FF3). Fixed-rate debt share: Fixed-rate debt (FixedRateDbt) / (Fixed-rate debt + Variable-rate Debt (VariableRateDbt)). Unused bank: Undrawn Credit Portion of Revolving Credit (UndrawnCrdtPortionRevolvingCrdt) / (UndrawnCrdtPortionRevolvingCrdt + Outstanding Balance for Revolving Credit - Total (OutstandingBalrRevolvingCredit)). Log(employment): Log of employment in Thousands. For variables constructed using COMPUSTAT data, we winsorize all firm-quarter(year)-level variables by quarter (year) at the 2.5% and 97.5% levels except for birth year and Log(Firm age). A more detailed variable definition is in Online Appendix Table A4.

Table 2. **First-stage Regressions of Inflation Attention**

	Inflation Attention$_{i,t}$			
	(1)	(2)	(3)	(4)
ExpInfla$_{i(s)} \times \pi_{t-1}$	75.072***	69.909***	75.259***	
	(5.198)	(4.916)	(5.219)	
$\mathbb{1}(64-69)_{i(s)} \times \pi_{t-1}$				2.219***
				(3.070)
Firm controls		✓	✓	✓
Firm FEs	✓	✓	✓	✓
Time FEs	✓	✓	✓	✓
Birth cohort FEs	✓		✓	✓
Kleibergen-Paap Wald F-stat	27.933	24.140	27.242	9.424
Obs.	129,218	129,218	129,218	129,218
Adj. R^2	0.574	0.573	0.575	0.575

This table reports regressions of firm-level inflation attention on CEOs' childhood inflation experience interacted with the one-quarter lagged core inflation shock in Columns (1)–(3). In Column (4), we replace the continuous childhood-inflation measure with an indicator for CEOs born between 1964 and 1969 – i.e., $\mathbb{1}(64-69)_{i(s)}$. The specification in Column (3) is the first-stage model used for the two-stage least squares results in Table 3. The dependent variable is *Inflation Attention*$_{i,t}$, which is our CEO inflation attention measure for firm i in quarter t, standardized to have a mean zero and unit variance. *ExpInfla*$_{i(s)}$ is the average year-over-year headline inflation rate that the CEO of firm i born in year s experienced during childhood (ages 5–15). π_{t-1} denotes the core inflation shock. Control variables are log of market capitalization (Size), log of firm age, markup, ROA, profit margin, PPE, Tobin's *Q*, firm fixed effects, time fixed effects, and birth cohort fixed effects. t-statistics, based on standard errors clustered by firm, are in parentheses. Detailed variable definitions are in Online Appendix Table A4.

Table 3. **Inflation Attention and Financing Decisions**

	(1)	(2)	(3)	(4)
	2SLS		OLS	
	Leverage	Cash	Leverage	Cash
$\widehat{\text{Inflation Attention}}$	0.441***	-0.550***	0.031***	-0.007**
	(3.038)	(-3.225)	(8.196)	(-2.525)
Firm controls	✓	✓	✓	✓
Firm FEs	✓	✓	✓	✓
Time FEs	✓	✓	✓	✓
Birth cohort FEs	✓	✓	✓	✓
Kleibergen-Paap Wald F-stat	27.242	28.896		
Obs.	129,218	110,926	129,218	110,926

This table reports two-stage least squares (2SLS) regressions in Columns (1) and (2) and ordinary least squares (OLS) regression in Columns (3) and (4) to examine whether inflation attention is associated with corporate financing decisions. The dependent variable is leverage, defined as the book value of debt divided by the sum of the book value of debt and the market value of equity in Columns (1) and (3), and cash holdings, defined as cash holdings divided by lagged total assets in Columns (2) and (4). In Columns (1) and (2), inflation attention at t is instrumented with the childhood inflation experience ($\textit{ExpInfla}_{i(s)}$) $\times$ the one-quarter lagged core inflation shock (π_{t-1}), where $\textit{ExpInfla}_{i(s)}$ is the average year-over-year headline inflation rate that the CEO of firm i born in year s experienced during childhood (ages 5–15). *Inflation Attention*, leverage, and cash are standardized to have a mean zero and unit variance. Control variables are log of market capitalization, log of firm age, markup, ROA, profit margin, PPE, Tobin's *Q*, firm fixed effects, time fixed effects, and birth cohort fixed effects. Kleibergen-Paap Wald F-stat reports the test statistics of F-tests for weak identification with respect to inflation attention. t-statistics based on standard errors clustered at the firm level are in parentheses. ***, **, * indicate significance at the 1%, 5%, and 10% levels, respectively. Detailed variable definitions are in Online Appendix Table A4.

Table 4. **Inflation Attention and Real Investment Decisions**

	(1)	(2)	(3)	(4)
	2SLS		OLS	
	CAPEX	Employment	CAPEX	Employment
$\widehat{\text{Inflation Attention}}$	-0.185	0.170***	-0.029***	0.019***
	(-1.338)	(3.706)	(-6.454)	(3.929)
Firm controls	✓	✓	✓	✓
Firm FEs	✓	✓	✓	✓
Time FEs	✓	✓	✓	✓
Birth cohort FEs	✓	✓	✓	✓
Frequency	Quarterly	Yearly	Quarterly	Yearly
Kleibergen-Paap Wald F-stat	27.296	139.341		
Obs.	129,068	38,384	129,068	38,384

This table reports two-stage least squares (2SLS) regressions in Columns (1) and (2) and ordinary least squares (OLS) regression in Columns (3) and (4) to examine whether inflation attention is associated with corporate real investment decisions. The dependent variable is CAPEX, defined as capital expenditures divided by lagged total assets in Columns (1) and (3), and log of employment in Columns (2) and (4). In Columns (1) and (2), inflation attention at t is instrumented with the childhood inflation experience ($ExpInfla_{i(s)}$) $\times$ the one-quarter lagged core inflation shock (π_{t-1}), where $ExpInfla_{i(s)}$ is the average year-over-year headline inflation rate that the CEO of firm i born in year s experienced during childhood (ages 5–15). *Inflation Attention* and CAPEX are standardized to have a mean zero and unit variance. Control variables are log of market capitalization, log of firm age, markup, ROA, profit margin, PPE, Tobin's *Q*, firm fixed effects, time fixed effects, and birth cohort fixed effects. Kleibergen-Paap Wald F-stat reports the test statistics of F-tests for weak identification with respect to inflation attention. t-statistics based on standard errors clustered at the firm level are in parentheses. ***, **, * indicate significance at the 1%, 5%, and 10% levels, respectively. Detailed variable definitions are in Online Appendix Table A4.

Table 5. **Inflation Attention and Demand vs. Supply-driven Inflation**

	Inflation Attention$_{i,t}$	
	(1)	(2)
ExpInfla$_{i(s)} \times \pi_{t-1}^{\text{Core Demand}}$	170.456***	
	(4.225)	
ExpInfla$_{i(s)} \times \pi_{t-1}^{\text{Core Supply}}$	11.319	
	(0.534)	
ExpInfla$_{i(s)} \times \pi_{t-1}^{\text{Head Demand}}$		104.646***
		(4.161)
ExpInfla$_{i(s)} \times \pi_{t-1}^{\text{Head Supply}}$		-6.634
		(-0.450)
Firm controls	✓	✓
Firm FEs	✓	✓
Time FEs	✓	✓
Birth cohort FEs	✓	✓
Kleibergen-Paap Wald F-stat	14.452	12.625
Obs.	129,218	129,218
Adj. R^2	0.575	0.575

This table reports regressions of firm-level inflation attention on CEOs' childhood inflation experience interacted with the one-quarter lagged core (Column 1) or headline (Column 2) demand-driven and supply-driven inflation components.The dependent variable is *Inflation Attention*$_{i,t}$, which is our CEO inflation attention measure for firm i in quarter t, standardized to have a mean zero and unit variance. *ExpInfla*$_{i(s)}$ is the average year-over-year headline inflation rate that the CEO of firm i born in year s experienced during childhood (ages 5–15). π_{t-1} denotes the core inflation shock. The demand and supply decomposition for inflation is from Shapiro (2024). Control variables are log of market capitalization (Size), log of firm age, markup, ROA, profit margin, PPE, Tobin's *Q*, firm fixed effects, time fixed effects, and birth cohort fixed effects. t-statistics, based on standard errors clustered by firm, are in parentheses. Detailed variable definitions are in Online Appendix Table A4.

Table 6. **Debt composition**

	(1) Fixed-rate debt share	(2) Unused bank
$\widehat{\text{Inflation Attention}}$	0.190*	0.248**
	(1.838)	(2.377)
Firm controls	✓	✓
Firm FEs	✓	✓
Time FEs	✓	✓
Birth cohort FEs	✓	✓
Kleibergen-Paap Wald F-stat	125.547	134.825
Obs.	34,821	36,173

This table reports two-stage least squares (2SLS) regressions to examine whether inflation attention is associated with the share of floating debts and unused bank credits. The dependent variable is fixed-rate debt share, defined as fixed-rate debt (FixedRateDbt) / (Fixed-rate debt + Variable-rate Debt (VariableRateDbt)). Unused bank: Undrawn Credit Portion of Revolving Credit (UndrawnCrdtPortionRevolvingCrdt) / (UndrawnCrdtPortionRevolvingCrdt + Outstanding Balance for Revolving Credit - Total (OutstandingBalrRevolvingCredit)). Inflation attention at t is instrumented with the childhood inflation experience ($ExpInfla_{i(s)}$) $\times$ one-year lagged core inflation shock (π_{t-1}), where $ExpInfla_{i(s)}$ is the average year-over-year headline inflation rate that the CEO of firm i born in year s experienced during childhood (ages 5–15). *Inflation Attention*, fixed-rate debt share, and unused bank are standardized to have a mean zero and unit variance. Control variables are log of market capitalization, log of firm age, markup, ROA, profit margin, PPE, Tobin's *Q*, firm fixed effects, time fixed effects, and birth cohort fixed effects. Kleibergen-Paap Wald F-stat reports the test statistics of F-tests for weak identification with respect to inflation attention. t-statistics based on standard errors clustered at the firm level are in parentheses. ***, **, * indicate significance at the 1%, 5%, and 10% levels, respectively. Detailed variable definitions are in Online Appendix Table A4.

Table 7. **Attention to General Macroeconomic Conditions**

	Inflation Attention$_{i,t}$		
	(1)	(2)	(3)
ExpInfla$_{i(s)}$ × π_{t-1}	74.449***	69.855***	72.650***
	(5.401)	(5.099)	(5.048)
ExpInfla$_{i(s)}$ × Real GDP$_{t-1}$	1.562		
	(0.278)		
ExpInfla$_{i(s)}$ × Unrate$_{t-1}$		-8.875	
		(-1.176)	
ExpInfla$_{i(s)}$ × Monetary shock$_{t-1}$			-0.006
			(-0.005)
Firm controls	✓	✓	✓
Firm FEs	✓	✓	✓
Time FEs	✓	✓	✓
Birth cohort FEs	✓	✓	✓
Obs.	129,242	129,242	128,541
Adj. R^2	0.575	0.575	0.575

This table tests whether our attention measure reflects general macro attention rather than inflation-specific attention. To this end, we regress firm-level inflation attention on CEOs' childhood inflation experience interacted with alternative macro shocks (e.g., GDP growth, unemployment, monetary shocks) to test whether non-inflation shocks also trigger attention. The dependent variable is *Inflation Attention*$_{i,t}$, which is our CEO inflation attention measure for firm i in quarter t, standardized to have a mean zero and unit variance. *ExpInfla*$_{i(s)}$ is the average year-over-year headline inflation rate that the CEO of firm i born in year s experienced during childhood (ages 5–15). π_{t-1} denotes the core inflation shock. *Real GDP*$_{t-1}$ is a year-over-year real Gross Domestic Product (GDP) growth rate shock that is measured as residuals from a VAR. *Unrate*$_{t-1}$ is the unemployment rate shock that is measured as residuals from a VAR. *Monetary shock*$_{t-1}$ is monetary policy shock by Bauer and Swanson (2023). Control variables are log of market capitalization (Size), log of firm age, markup, ROA, profit margin, PPE, Tobin's *Q*, firm fixed effects, time fixed effects, and birth cohort fixed effects. t-statistics, based on standard errors clustered by firm, are in parentheses. Detailed variable definitions are in Online Appendix Table A4.

Table 8. **Inflation Attention and Financing/Real Investment Decisions Controlling for Inflation Expectations**

	(1) Leverage	(2) Cash	(3) CAPEX	(4) Employment
$\widehat{\text{Inflation Attention}}$	0.442***	-0.588***	-0.226	0.168***
	(2.920)	(-3.161)	(-1.530)	(3.690)
Inflation Expectation$_{i(s),t-1}$	0.035	-3.947*	-3.861**	0.244
	(0.024)	(-1.795)	(-2.182)	(0.546)
Firm controls	✓	✓	✓	✓
Firm FEs	✓	✓	✓	✓
Time FEs	✓	✓	✓	✓
Birth cohort FEs	✓	✓	✓	✓
Frequency	Quarterly	Quarterly	Quarterly	Yearly
Kleibergen-Paap Wald F-stat	24.358	25.449	24.403	145.442
Obs.	129,218	110,926	129,068	38,384

This table reports two-stage least squares (2SLS) regressions to address a concern that an existing measure of inflation expectations subsumes inflation attention. The dependent variable is leverage, defined as the book value of debt divided by the sum of the book value of debt and the market value of equity in Column (1), cash holdings, defined as cash holdings divided by lagged total assets in Column (2), CAPEX, defined as capital expenditures divided by lagged total assets in Column (3), and log of employment in Column (4). Inflation attention at t is instrumented with the childhood inflation experience (*ExpInfla*$_{i(s)}$) $\times$ one-year lagged core inflation shock (π_{t-1}), where *ExpInfla*$_{i(s)}$ is the average year-over-year headline inflation rate that the CEO of firm i born in year s experienced during childhood (ages 5–15). *Inflation Attention*, leverage, cash, and CAPEX are standardized to have a mean zero and unit variance. *Inflation Expectation*$_{i(s),t-1}$ is the model-implied inflation expectation measure based on birth cohorts by Malmendier and Nagel (2016). Control variables are log of market capitalization, log of firm age, markup, ROA, profit margin, PPE, Tobin's *Q*, firm fixed effects, time fixed effects, and birth cohort fixed effects. Kleibergen-Paap Wald F-stat reports the test statistics of F-tests for weak identification with respect to inflation attention. t-statistics based on standard errors clustered at the firm level are in parentheses. ***, **, * indicate significance at the 1%, 5%, and 10% levels, respectively. Detailed variable definitions are in Online Appendix Table A4.

Table 9. **Robustness of the Relation Between Inflation Attention and Financing/Real Investment Decisions**

	(1) Leverage	(2) Cash	(3) CAPEX	(4) Employment
Panel A: Headline inflation shock				
$\widehat{\text{Inflation Attention}}$	0.376**	-0.448**	-0.256	0.146***
	(2.301)	(-2.354)	(-1.292)	(3.156)
Kleibergen-Paap Wald F-stat	18.432	20.324	18.521	119.893
Obs.	129,218	110,926	129,068	38,384
Panel B: Core PCE inflation shock				
$\widehat{\text{Inflation Attention}}$	0.353**	-0.483***	-0.010	0.127***
	(2.566)	(-3.151)	(-0.077)	(3.441)
Kleibergen-Paap Wald F-stat	26.853	29.136	27.003	162.796
Obs.	129,218	110,926	129,068	38,384
Panel C: Different window of formative years				
$\widehat{\text{Inflation Attention}}$	0.456***	-0.410**	-0.287*	0.160***
	(2.709)	(-2.357)	(-1.685)	(3.593)
Kleibergen-Paap Wald F-stat	22.564	24.810	22.507	144.378
Obs.	129,218	110,926	129,068	38,384
Panel D: Presentation part only				
$\widehat{\text{Inflation Attention}}$	0.498***	-0.629***	-0.221	0.197***
	(2.748)	(-2.889)	(-1.353)	(3.596)
Kleibergen-Paap Wald F-stat	16.289	16.989	16.339	91.749
Obs.	128,537	110,659	128,388	38,369
Panel E: Q&A part only				
$\widehat{\text{Inflation Attention}}$	0.492***	-0.597***	-0.219	0.175***
	(2.886)	(-3.099)	(-1.408)	(3.806)
Kleibergen-Paap Wald F-stat	21.944	24.102	21.899	108.953
Obs.	127,843	109,690	127,698	38,173
Panel F: Rank measure of attention (Percentiles)				
$\widehat{\text{Inflation Attention}}$	0.029**	-0.035***	-0.012	0.008***
	(2.554)	(-2.649)	(-1.282)	(3.597)
Kleibergen-Paap Wald F-stat	10.920	12.018	10.848	81.269
Obs.	129,218	110,926	129,068	38,384
Panel G: Rank measure of attention (Deciles)				
$\widehat{\text{Inflation Attention}}$	0.279***	-0.346***	-0.118	0.086***
	(2.610)	(-2.699)	(-1.293)	(3.575)
Kleibergen-Paap Wald F-stat	11.931	12.912	11.834	75.968
Obs.	129,218	110,926	129,068	38,384

Table 9 – continued from the previous page

	(1) Leverage	(2) Cash	(3) CAPEX	(4) Employment
Panel H: US-born CEOs only				
$\widehat{\text{Inflation Attention}}$	0.493**	-0.763***	0.115	0.147*
	(2.263)	(-2.852)	(0.565)	(1.952)
Kleibergen-Paap Wald F-stat	15.720	16.545	15.748	51.671
Obs.	97,879	82,839	97,766	28,208
Panel I: Both CEOs and CFOs				
$\widehat{\text{Inflation Attention}}$	0.803***	-0.630**	-0.189	0.150***
	(3.088)	(-2.552)	(-0.901)	(3.795)
Kleibergen-Paap Wald F-stat	15.331	17.029	15.476	221.981
Obs.	137,008	116,518	136,851	39,425
Frequency	Quarterly	Quarterly	Quarterly	Yearly
Firm controls	✓	✓	✓	✓
Firm FEs	✓	✓	✓	✓
Time FEs	✓	✓	✓	✓
Birth cohort FEs	✓	✓	✓	✓

This table reports two-stage least squares (2SLS) regressions to test the robustness of our main findings documenting significant relationships between inflation attention and financing decisions. The dependent variable is leverage, defined as the book value of debt divided by the sum of the book value of debt and the market value of equity in Column (1), cash holdings, defined as cash holdings divided by lagged total assets in Column (2), CAPEX, defined as capital expenditures divided by lagged total assets in Column (3), and log of employment in Column (4). Panels A and B replace the core CPI inflation shock with headline CPI inflation shocks and core PCE inflation shocks, respectively. Panel C redefines formative years as ages 5–20 (instead of 5–15). Panels D and E use only the presentation section and only the Q&A section of earnings call transcripts, respectively, rather than the full transcript. Panels F and G replace the continuous inflation-attention measure with percentile and decile ranks, respectively, where the distribution is computed every quarter. Panel H excludes CEOs likely born outside the United States. Panel I includes both CEOs and CFOs: for each firm, we average the CEOs' and CFOs' birth years and their inflation attention. For our baseline 2SLS regression specification, inflation attention at t is instrumented with the childhood inflation experience ($\textit{ExpInfla}_{i(s)}$) $\times$ the one-quarter lagged core inflation shock (π_{t-1}), where $\textit{ExpInfla}_{i(s)}$ is the average year-over-year headline inflation rate that the CEO of firm i born in year s experienced during childhood (ages 5–15). *Inflation Attention*, leverage, cash, and CAPEX are standardized to have a mean zero and unit variance. Control variables are log of market capitalization, log of firm age, markup, ROA, profit margin, PPE, Tobin's *Q*, firm fixed effects, time fixed effects, and birth cohort fixed effects. Kleibergen-Paap Wald F-stat reports the test statistics of F-tests for weak identification with respect to inflation attention. t-statistics based on standard errors clustered at the firm level are in parentheses. ***, **, * indicate significance at the 1%, 5%, and 10% levels, respectively. Detailed variable definitions are in Online Appendix Table A4.

Internet Appendix to "Echoes of Inflation: CEO Early-life Inflation Experience, Inflation Attention, and Corporate Decisions"

November 14, 2025

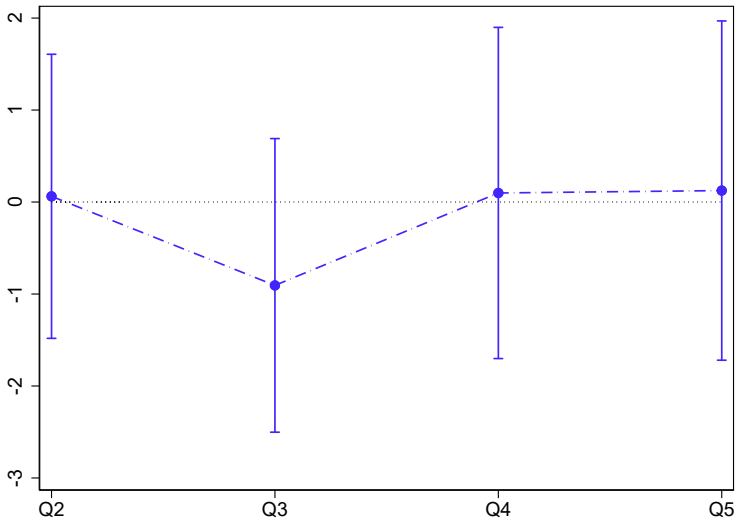


Figure A1. **Average Inflation Beta by Quintiles of Childhood Inflation Experience**

This figure plots average core inflation beta across quintiles of childhood inflation experience. Specifically, it plots estimated coefficients and 95% confidence intervals for dummies for quintiles of CEO childhood inflation experience, defined as the average year-over-year headline inflation rate the CEO experienced during the ages 5–15, with inflation beta as the dependent variable. The bottom quintile serves as the benchmark. The core inflation beta is estimated using a 60-month rolling regression of monthly excess returns on the inflation shock, controlling for the Fama and French (1993) three factors (FF3). Control variables are log of market capitalization, log of firm age, markup, ROA, profit margin, PPE, Tobin's *Q*, firm fixed effects and time fixed effects. Standard errors are clustered by firm. Detailed definitions of all variables are provided in Online Appendix Table A4. The distribution of birth years for each quintile of childhood inflation experience is displayed in Online Appendix Figure A5.

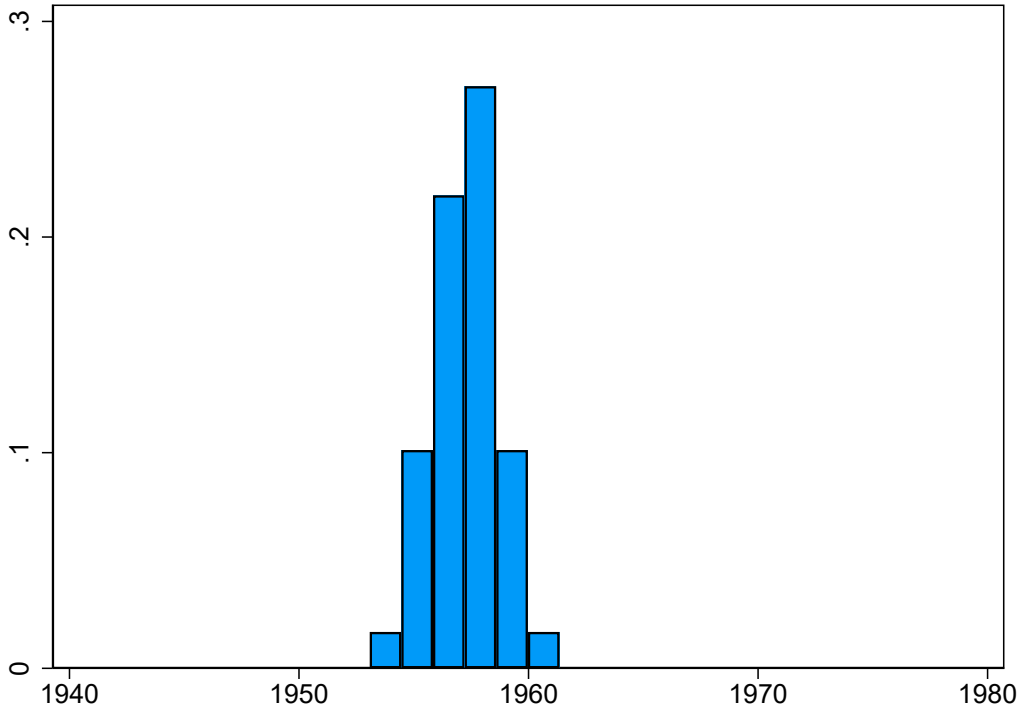


Figure A2. **Distribution of average CEO birth years across industries**

This figure displays the distribution of average CEO birth years across the Fama–French 49 industries. The lowest average birth year is observed in Textiles (1953.1), while the highest is in Computer Software (1961.4), followed by Agriculture (1959.6). The list of Fama-French 49 industries is in Online Appendix Table A15.

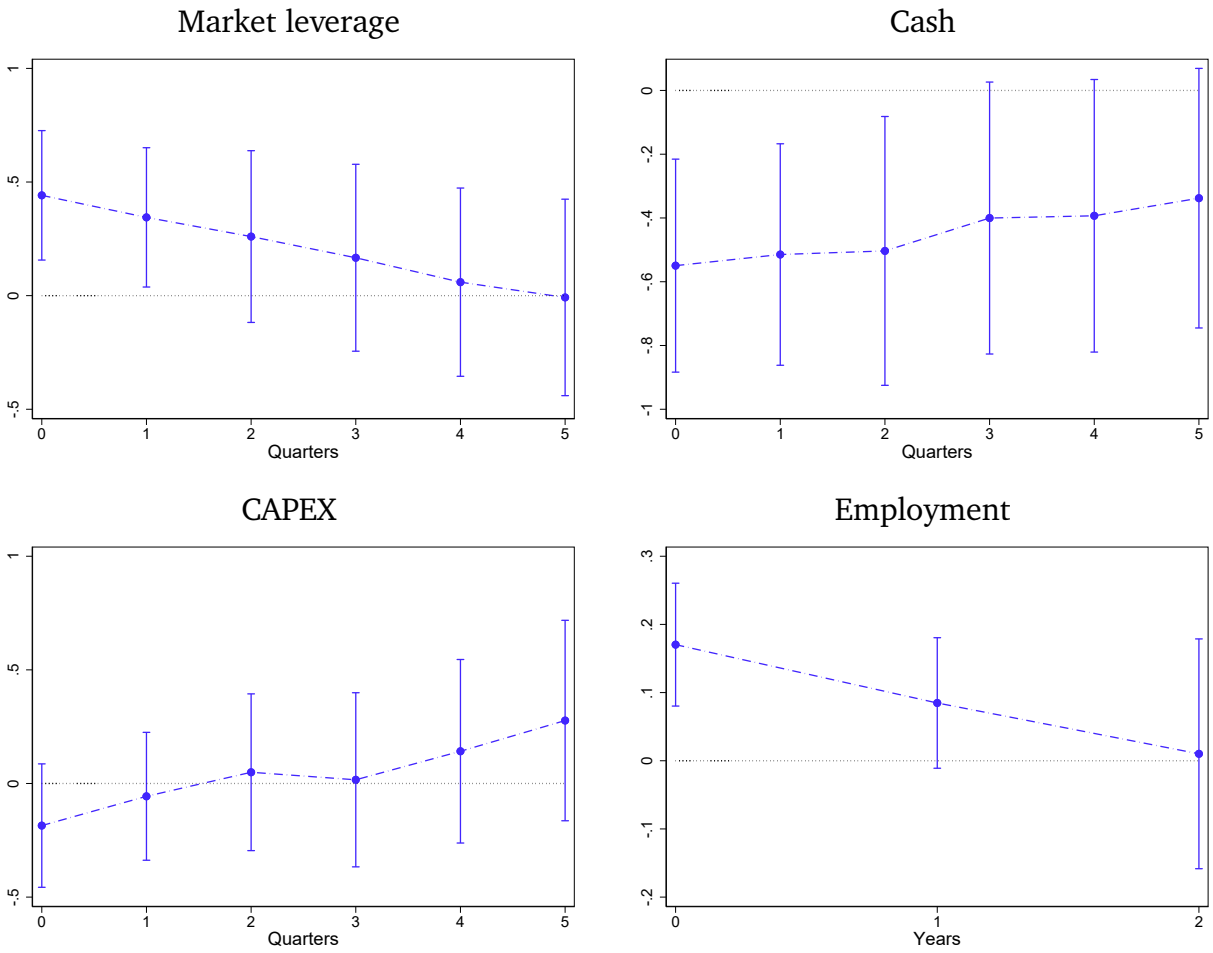


Figure A3. **Longer-term relation between Inflation Attention and Future Financing/Real Investment decisions**

These figures present two-stage least squares (2SLS) regressions of future financing decisions or real investment decisions on inflation attention. *Quarter = 0* (*Year = 0*) denotes the contemporaneous relationship, as in the baseline test. *Quarter = h* (*Year = h*) denotes the relationship between inflation attention and financing decisions *h* quarters (years) ahead. The dependent variables are (1) leverage, defined as the book value of debt divided by the sum of the book value of debt and the market value of equity (upper left); (2) cash holdings, defined as cash holdings divided by lagged total assets (upper right); (3) CAPEX, defined as capital expenditures divided by lagged total assets (lower left); and (4) log of employment (lower right). Inflation attention at t is instrumented with the childhood inflation experience ($ExpInfla_{i(s)}$) $\times$ the one-quarter lagged core inflation shock (π_{t-1}), where $ExpInfla_{i(s)}$ is the average year-over-year headline inflation rate that the CEO of firm i born in year s experienced during childhood (ages 5–15). *Inflation Attention*, leverage, cash, and CAPEX are standardized to have a mean zero and unit variance. Control variables are log of market capitalization, log of firm age, markup, ROA, profit margin, PPE, Tobin's *Q*, firm fixed effects, time fixed effects, and birth cohort fixed effects. We report point estimates and 95% confidence intervals based on standard errors clustered at the firm level. Detailed variable definitions are in Online Appendix Table A4.

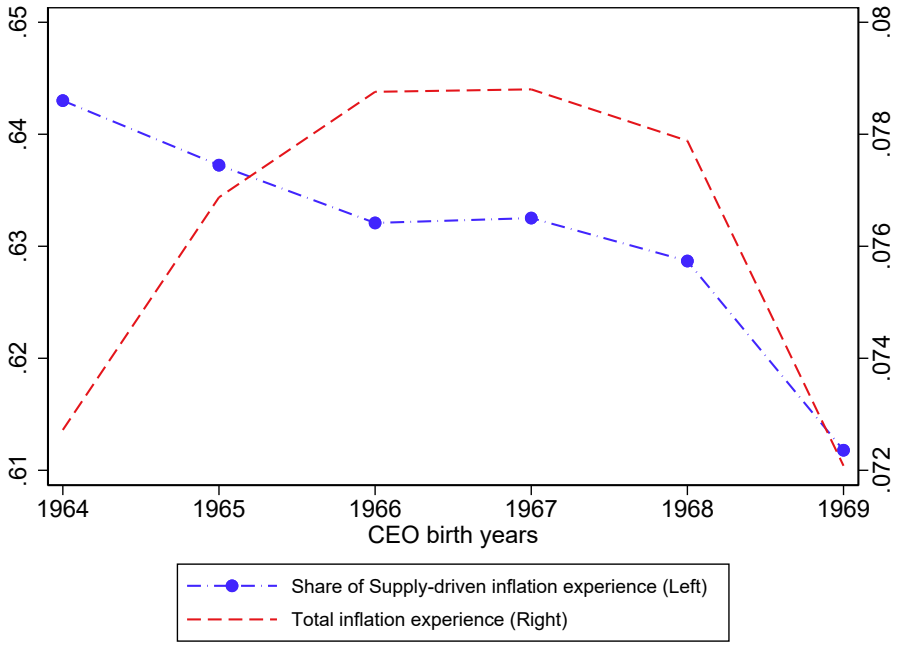


Figure A4. **Share of Supply-Driven Inflation Experience for the Top Quintile of Inflation Experience Cohorts**

These figures plot the share of supply-driven childhood inflation experience for the top quintile of childhood inflation experience cohorts (Left), along with the level of total childhood inflation experience for each of the birth cohorts in the top quintile formed by ranking CEOs on the average headline CPI they experienced during the ages 5–15 (Right). The demand and supply decomposition for core inflation is from Shapiro (2024).

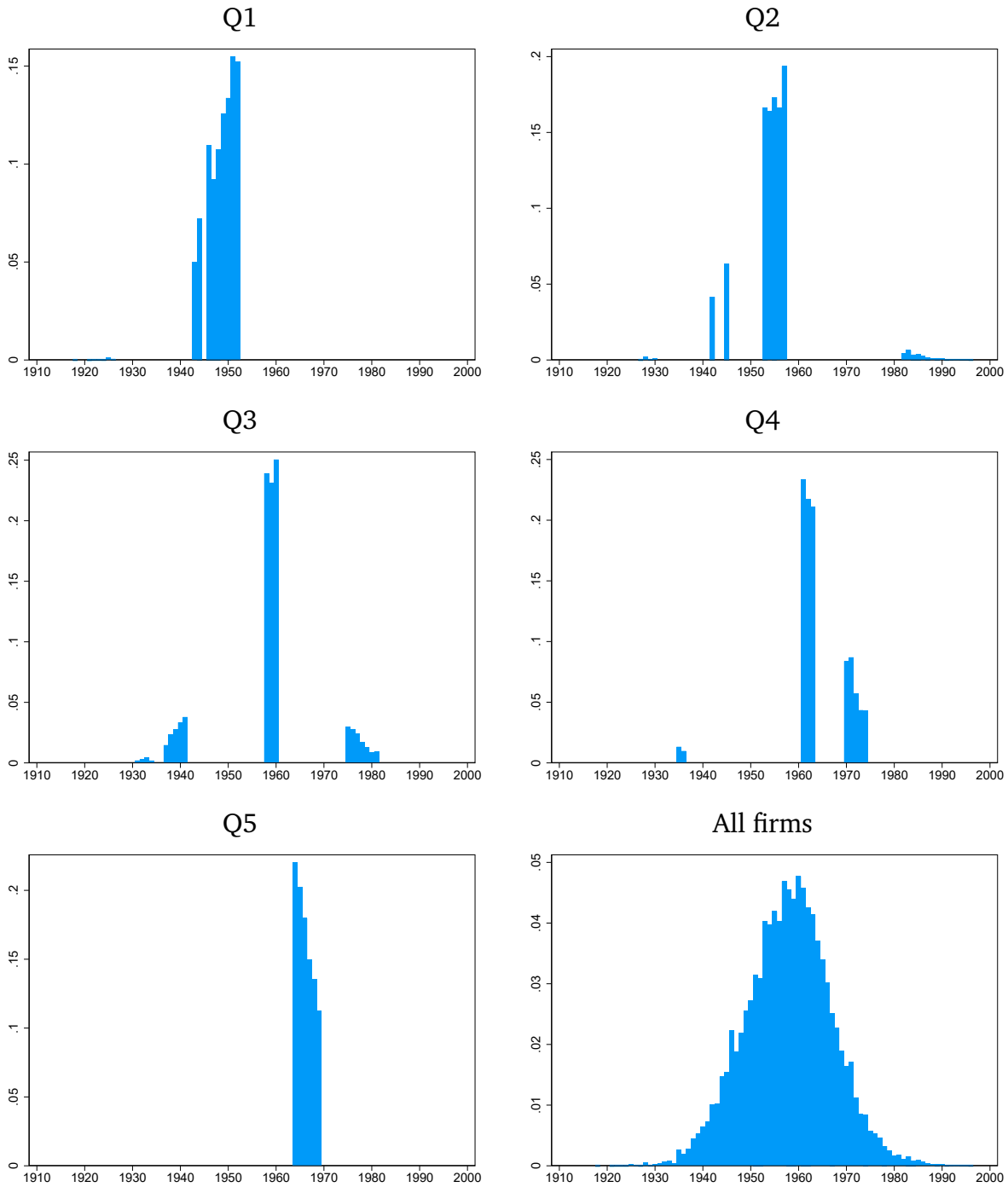


Figure A5. **Distribution of birth years by CEO childhood-inflation-experience quintiles**

These figures display the distribution of CEO birth years for each quintile of childhood inflation experience, from the bottom quintile (Q1) to the top quintile (Q5). These quintiles are formed by ranking CEOs on the average headline CPI they experienced during the ages 5-–15. The "All firms" histogram in the bottom-right panel shows the birth-year distribution for the full CEO sample.

Table A1. **Source of CEO Birth Years**

Source	Freq.	Percent
BoardEx	145,686	87.00
Capital IQ	13,483	8.05
Hand collection	5,746	3.43
10-K filings	2,090	1.25
ExecuComp	443	0.26
Total	167,448	100

This table reports the data sources of CEO birth years.

Table A2. **Top 10 Earliest and Latest Birth Years**

Rank	Name	Firm name	Source	Birth year
		Panel A: Earliest birth year		
1	Sidney Harman	Harman International Industries Inc.	BoardEx	1918
2	Donald L. Smith, Jr.	Devcon International Corp.	10-K filings	1921
3	Stanford Ovshinsky	Energy Conversion Devices Inc	10-K filings	1922
4	Sumner M. Redstone	Viacom Inc	BoardEx	1923
5	Ralph Bailey	Fuel Tech Inc	BoardEx	1924
6	Alfred E. Mann	MannKind Corp	BoardEx	1925
7	Bernard Schwartz	Loral Space & Communications Inc	Hand collection	1925
8	Albert Ondis	AstroNova Inc	BoardEx	1926
9	Jim Green	PECO II Inc	BoardEx	1927
10	Hatem El Khalidi	Trecora Resources	Hand collection	1927
		Panel B: Latest birth year		
1	Michael Franklin	Whole Earth Brands Inc	BoardEx	1996
2	Alex Rodrigues	Embark Technology Inc	BoardEx	1996
3	Michael Seifert	PSQ Holdings Inc	BoardEx	1995
4	Austin Russell	Luminar Technologies Inc	BoardEx	1995
5	Brandon Sim	Astrana Health Inc	BoardEx	1994
6	Thomas J. Healy	Hyliion Holdings Corp	BoardEx	1993
7	Dakota Semler	Xos Inc	Hand collection	1993
8	Adam David Sachs	Vicarious Surgical Inc	Hand collection	1992
9	Francis Davidson	Sonder Holdings Inc	BoardEx	1992
10	Timothy Hwang	FiscalNote Holdings Inc	BoardEx	1992

This table lists the 10 earliest- and latest-born CEOs, along with their company names, data sources, and birth years, in our sample from 2003Q1 to 2024Q4.

Table A3. **Top 10 Youngest and Oldest CEOs**

Rank	Name	Firm name	Source	Birth year	Year	Age
		Panel A: Youngest CEOs				
1	Austin Russell	Luminar Technologies Inc	BoardEx	1995	2021	26
2	Alex Rodrigues	Embark Technology Inc	BoardEx	1996	2022	26
3	Michael Franklin	Whole Earth Brands Inc	BoardEx	1996	2023	27
4	Evan Spiegel	Snap Inc	BoardEx	1990	2017	27
5	Davidi Jonas	Straight Path Communications Inc	BoardEx	1986	2014	28
6	Brandon Sim	Astrana Health Inc	BoardEx	1994	2022	28
7	Mark Zuckerberg	Meta Platforms Inc	BoardEx	1984	2012	28
8	Thomas J. Healy	Hyliion Holdings Corp	BoardEx	1993	2021	28
9	Sarah Watterson	Drive Shack Inc	BoardEx	1987	2016	29
10	Michael Seifert	PSQ Holdings Inc	BoardEx	1995	2024	29
		Panel B: Oldest CEOs				
1	Alfred E. Mann	MannKind Corp	BoardEx	1925	2014	89
2	Sidney Harman	Harman International Industries Inc.	BoardEx	1918	2007	89
3	Phillip Frost	OPKO Health Inc	BoardEx	1936	2024	88
4	Roger S. Penske	Penske Automotive Group Inc	ExecuComp	1937	2024	87
5	Sheldon Gary Adelson	Las Vegas Sands Corp	Hand collection	1933	2020	87
6	Jack Golsen	LSB Industries Inc	BoardEx	1928	2014	86
7	Laurans A. Mendelson	HEICO Corp	BoardEx	1938	2024	86
8	Albert Ondis	AstroNova Inc	BoardEx	1926	2011	85
9	Norman H. Asbjornson	AAON Inc	BoardEx	1935	2020	85
10	Fred Kornberg	Comtech Telecommunications Corp.	BoardEx	1936	2021	85

This table lists the 10 youngest and oldest CEOs, along with their company names, data sources, birth years, and the year when the age was computed, and age in our sample from 2003Q1 to 2024Q4. For any CEOs appearing multiple times in the top 10 list, we keep only their youngest recorded age and corresponding year.

Table A4. **Variable Definitions**

Variable	Description	Source
	Panel A: Macro-level variables	
Core Inflation	Year-over-year core inflation (CPILFESL)	Federal Reserve Bank of St. Louis
Core inflation shock	Year-over-year core inflation shock is measured as residuals from a Vector autoregression (VAR). Similar to Fang et al. (2025), year-over-year core inflation is regressed on 1-year lagged core, headline, food, energy, and Producer Price Index (PPI) inflation. To avoid look-ahead bias, the VAR is estimated using a rolling regression with an expanding window, using all available past data at each point in time.	Federal Reserve Bank of St. Louis and authors' computation
Headline inflation	Year-over-year Headline inflation (CPIAUCNS, CPIAUCSL)	Federal Reserve Bank of St. Louis
Headline inflation shock	Year-over-year headline inflation shock is measured as residuals from a VAR using the same approach as the core inflation shock computation. Year-over-year headline inflation (CPIAUCSL) is regressed on 1-year lagged core, headline, food, energy, and Producer Price Index (PPI) inflation.	Federal Reserve Bank of St. Louis and authors' computation
Core PCE inflation shock	Year-over-year core PCE (PCEPILFE) inflation shock is measured as residuals from a VAR using the same approach as the core inflation shock computation. Year-over-year core PCE inflation is regressed on 1-year lagged core PCE, headline PCE, food PCE, energy PCE, and Producer Price Index (PPI) inflation.	Federal Reserve Bank of St. Louis
Core Demand Inflation shock	Year-over-year core demand inflation shock is measured as residuals from a VAR using the same approach as the core inflation shock computation. Year-over-year core demand inflation is regressed on 1-year lagged core demand, core supply, headline demand, headline supply, and Producer Price Index (PPI) inflation.	Shapiro (2024)
Core Supply Inflation shock	Year-over-year core supply inflation shock is measured as residuals from a VAR using the same approach as the core inflation shock computation. Year-over-year core supply inflation is regressed on 1-year lagged core demand, core supply, headline demand, headline supply, and Producer Price Index (PPI) inflation.	Shapiro (2024)
Headline Demand Inflation shock	Year-over-year headline demand inflation shock is measured as residuals from a VAR using the same approach as the core inflation shock computation. Year-over-year headline demand inflation is regressed on 1-year lagged core demand, core supply, headline demand, headline supply, and Producer Price Index (PPI) inflation.	Shapiro (2024)
Headline Supply Inflation shock	Year-over-year headline supply inflation shock is measured as residuals from a VAR using the same approach as the core inflation shock computation. Year-over-year headline supply inflation is regressed on 1-year lagged core demand, core supply, headline demand, headline supply, and Producer Price Index (PPI) inflation.	Shapiro (2024)
NBER recession	NBER based Recession Indicators (USREC)	Federal Reserve Bank of St. Louis
Real GDP growth shock	Year-over-year real Gross Domestic Product (GDP) growth rate shock is measured as residuals from a VAR using the same approach as the core inflation shock computation. Quarterly year-over-year real GDP growth rate is regressed on 4-quarter lagged real GDP growth rate, 2-year Treasury yield, unemployment rate, NBER recession dummy.	Federal Reserve Bank of St. Louis and authors' computation

Table A4 – continued from the previous page

Variable	Description	Source
Unemployment rate shock	Unemployment rate shock is measured as residuals from a VAR using the same approach as the core inflation shock computation. unemployment rate is regressed on 4-quarter lagged real GDP growth rate, 2-year Treasury yield, unemployment rate, NBER recession dummy.	Federal Reserve Bank of St. Louis and authors' computation
Monetary shock	Monetary policy shock by Bauer and Swanson (2023)	Federal Reserve Bank of San Francisco
	Panel B: Firm-level variables	
Inflation attention	CEO inflation attention	StreetEvents and authors' computation
Birth year	CEO birth year	ExecuComp, Capital IQ, SEC, BoardEx, Hand-collection
Age	Calendar year minus CEO birth year	ExecuComp, Capital IQ, SEC, BoardEx, Hand-collection
ExpInfla	Average year-over-year headline inflation rate experienced during childhood (ages 5–15). For each CEO birth year, we calculate this measure by averaging inflation rates from the 20th quarter (5 years) to the 63rd quarter (just before turning 16) after the last quarter of the birth year	Federal Reserve Bank of St. Louis and authors' computation
Size	Log of market value of equity (PRCC $\times$ CSHO)	COMPUSTAT
Log(Firm age)	First year of IPO or First year of CRSP observation	COMPUSTAT, CRSP
Markup	Revenue (REVT) / COGS (COGS)	COMPUSTAT
ROA	Net income (NI) / Total assets (AT)	COMPUSTAT
Profit margin	(Revenue (REVT) - COGS (COGS)) / Revenue (REVT)	COMPUSTAT
PPE	Property, Plant, and Equipment (PPENT) / Lagged Total Assets (AT)	COMPUSTAT
Tobin's Q	(Total Assets (AT) - (Book Value of common equity (CEQ) + balance sheet deferred taxes and investment tax credit (TXDITC)) + Market value of equity (PRCC $\times$ CSHO)) / Total Assets (AT)	COMPUSTAT
Book value of preferred stock	The par value of preferred stock (PSTK). If PSTK is missing, then we use the Preferred Stock Redemption Value (PSTKRV). If PSTKRV is missing then, we use the Preferred Stock Liquidating Value (PSTKL)	COMPUSTAT
Stockholders' book equity	Shareholders' equity (SEQ) if it is available. If not, we use the book value of common equity (CEQ) plus the book value of preferred stock (PSTK) or Total assets (AT) minus total liabilities (LT)	COMPUSTAT
Book value of equity	Stockholders' book equity + balance sheet deferred taxes and investment tax credit (TXDITC), if available - the book value of preferred stock (PSTK)	COMPUSTAT
Book value of debt	Total Assets (AT) - Book value of equity	COMPUSTAT
Leverage	Book value of debt / (Book value of debt + Market value of equity)	COMPUSTAT
Cash	Cash (CH) / Lagged Total Assets (AT)	COMPUSTAT
CAPEX	Capital Expenditures (CAPX) / Lagged Total assets (AT)	COMPUSTAT

Table A4 – continued from the previous page

Variable	Description	Source
Inflation beta	The OLS coefficient on core inflation shock from a 60-month rolling regression of monthly excess returns on the inflation shock, controlling for the Fama and French (1993) three factors (FF3).	CRSP, Kenneth French website, Federal Reserve Bank of St. Louis, and authors' computation
	Panel C: Firm-year-level variables	
Fixed-rate debt share	Fixed-rate debt (FixedRateDbt) / (Fixed-rate debt + Variable-rate Debt (VariableRateDbt))	COMPUSTAT - Capital Structure
Unused bank	Undrawn Credit Portion of Revolving Credit (UndrawnCrdtPortionRevolvingCrdt) / (UndrawnCrdtPortionRevolvingCrdt + Outstanding Balance for Revolving Credit - Total (OutstandingBalrRevolvingCredit))	COMPUSTAT - Capital Structure
Log(employment)	Log of employment in Thousands (EMP)	COMPUSTAT

Table A5. **Top 100 words/bigrams most related to Inflation**

rank	words	similarity	tf-idf	rank	words	similarity	tf-idf
0	inflation	1.000	9.393	50	tailwind	0.459	11.044
1	inflationary	0.843	12.705	51	fx	0.458	10.036
2	inflationary_pressure	0.838	13.646	52	hyperinflationary	0.457	19.171
3	deflation	0.765	12.727	53	upward	0.456	11.554
4	wage_inflation	0.747	13.864	54	rpi	0.456	16.044
5	deflationary	0.672	14.701	55	unemployment	0.456	11.384
6	raw_material	0.635	9.615	56	devaluation_peso	0.453	18.433
7	commodity	0.632	9.180	57	cog_hectoliter	0.452	18.530
8	input	0.607	10.574	58	deceleration	0.451	12.971
9	wage	0.597	11.372	59	devaluation_argentine	0.451	19.243
10	disinflation	0.589	20.057	60	inflate	0.451	14.037
11	labor	0.579	9.341	61	watchout	0.451	20.392
12	headwind	0.577	9.390	62	durum_wheat	0.449	19.970
13	devaluation	0.568	13.015	63	macro	0.447	9.983
14	pressure	0.553	8.103	64	bodily_injury	0.447	16.252
15	moderation	0.549	13.359	65	pass	0.447	8.945
16	cpi	0.544	13.215	66	inflator	0.444	18.237
17	minimum_wage	0.540	13.990	67	erosion	0.444	11.977
18	inflationary_deflationary	0.538	20.118	68	abate	0.443	13.450
19	escalation	0.538	13.198	69	lag	0.443	10.485
20	hike	0.525	12.520	70	disruption	0.442	10.390
21	pricing	0.520	7.072	71	spike	0.442	11.467
22	price	0.519	5.670	72	saving	0.442	8.261
23	easing	0.517	14.885	73	resin	0.441	12.350
24	escalation_clause	0.516	17.610	74	devalue	0.440	15.592
25	indexation	0.510	15.107	75	beef_chicken	0.440	18.423
26	cost	0.510	4.944	76	uncontrollable	0.439	16.729
27	hyperinflation	0.505	17.226	77	weakening	0.439	13.638
28	freight	0.497	10.528	78	pork_beef	0.437	18.871
29	transitory	0.491	14.575	79	pipe_logix	0.437	19.129
30	rise	0.491	8.675	80	peso	0.435	13.373
31	soften	0.488	11.964	81	labour	0.435	16.802
32	shortage	0.483	11.098	82	malt_barley	0.435	19.989
33	macroeconomic	0.481	11.367	83	unfavorability	0.434	18.286
34	tariff	0.477	10.609	84	constraint	0.433	10.809
35	volatility	0.476	9.553	85	foreign_exchange	0.432	10.264
36	cog	0.476	12.831	86	liquid_asphalt	0.431	17.782
37	stagflation	0.470	19.745	87	monetary_policy	0.431	14.256
38	reflation	0.469	19.023	88	noncontrollable	0.430	19.354
39	tin_plate	0.469	18.289	89	unrecovered	0.429	17.371
40	tightness	0.467	13.897	90	moderate	0.428	10.462
41	deflate	0.467	16.706	91	pass_through	0.428	15.359
42	supply_chain	0.466	9.024	92	increase	0.427	4.597
43	gdp	0.465	11.007	93	social_unrest	0.426	17.011
44	indexation_clause	0.462	19.761	94	downward	0.426	12.101
45	runup	0.461	18.330	95	peso_devaluation	0.424	18.694
46	igpm	0.461	19.871	96	downward_pressure	0.423	13.378
47	creep	0.461	12.823	97	rcaf	0.422	18.920
48	favorability	0.460	14.332	98	softening	0.420	14.833
49	hourly_wage	0.459	17.134	99	stubbornly	0.419	16.809

Table A6. **Average Inflation Attention and Lagged Core Inflation**

	(1) All	(2) Q1	(3) Q2	(4) Q3	(5) Q4	(6) Q5
Panel A: Equal-weighted average inflation Attention						
Core_{t-1}	0.134	-0.043	-0.132	0.097	0.407***	0.598***
	(1.006)	(-0.420)	(-1.131)	(0.678)	(2.889)	(4.037)
Obs.	87	87	87	87	87	87
Adj. R^2	0.007	-0.010	0.006	-0.002	0.159	0.352
Panel B: Market cap-weighted average inflation Attention						
Core_{t-1}	0.144	0.138	-0.116	0.090	0.242**	0.657***
	(1.078)	(0.966)	(-1.037)	(0.674)	(2.291)	(4.996)
Obs.	87	87	87	87	87	87
Adj. R^2	0.009	0.007	0.002	-0.004	0.053	0.423

This table reports time-series regressions of average firm-level inflation attention on lagged year-over-year core inflation at the quarterly frequency. In Column (1), the dependent variable is the average of inflation attention across all firms. In Columns (2)–(6), the dependent variable is the average of inflation attention computed within CEO childhood inflation experience quintiles, formed by ranking CEOs on the average headline CPI they experienced during the ages 5–15: Column (2) uses the bottom quintile (Q1), ..., and Column (6) uses the top quintile (Q5). Panel A uses equal-weighting. Panel B uses market capitalization weights. The CEO inflation attention measure for each group is standardized to mean zero and unit variance before computing the average value. Core inflation is also standardized to mean zero and unit variance. t-statistics based on Newey and West (1987) standard errors are in parentheses. The lag of three for the standard errors is automatically selected based on Newey and West (1994). ***, **, * indicate significance at the 1%, 5%, and 10% levels, respectively. Detailed variable definitions are in Online Appendix Table A4.

Table A7. **Inflation Beta and Inflation Attention across Industries**

	Inflation Attention$_{i,t}$	
	Equal-weight (1)	Market cap-weight (2)
Core inflation beta$_{i,t}$	-0.003**	-0.003**
	(-2.086)	(-2.218)
Industry FEs	✓	✓
Time FEs	✓	✓
Obs.	3,731	3,731
Adj. R^2	0.771	0.770

This table examines the relationship between our inflation attention measure and industry (Fama-French 49 industries)-level inflation exposure, measured by inflation beta. To this end, we regress industry-level inflation attention on inflation beta, estimated using a 60-month rolling regression of monthly excess returns on the inflation shock, controlling for the Fama and French (1993) three factors (FF3). Industry-level variables are constructed from firm-level data using equal weighting (Column 1) and market capitalization weighting (Column 2) *Inflation Attention*$_{i,t}$, which is our CEO inflation attention measure for firm i in quarter t, is standardized to have a mean zero and unit variance. Control variables are log of market capitalization (Size), log of firm age, markup, ROA, profit margin, PPE, Tobin's *Q*, firm fixed effects, time fixed effects, and birth cohort fixed effects. t-statistics, based on standard errors clustered by firm, are in parentheses. The list of Fama-French 49 industries is in Online Appendix Table A15. Detailed variable definitions are in Online Appendix Table A4.

Table A8. **Inflation Beta and Inflation Attention**

	Inflation Attention$_{i,t}$	
	(1)	(2)
Core inflation beta$_{i,t}$	-0.000	
	(-0.277)	
Core inflation beta$_{i,t-1}$		-0.000
		(-0.258)
Firm controls	✓	✓
Firm FEs	✓	✓
Time FEs	✓	✓
Birth cohort FEs	✓	✓
Obs.	124,375	123,119
Adj. R^2	0.574	0.573

This table examines the relationship between our inflation attention measure and inflation exposure, measured by inflation beta. To this end, we regress firm-level inflation attention on either contemporaneous (Column 1) or one-quarter lagged (Column 2) inflation beta, estimated using a 60-month rolling regression of monthly excess returns on the inflation shock, controlling for the Fama and French (1993) three factors (FF3). *Inflation Attention*$_{i,t}$, which is our CEO inflation attention measure for firm i in quarter t, is standardized to have a mean zero and unit variance. Control variables are log of market capitalization (Size), log of firm age, markup, ROA, profit margin, PPE, Tobin's *Q*, firm fixed effects, time fixed effects, and birth cohort fixed effects. t-statistics, based on standard errors clustered by firm, are in parentheses. Detailed variable definitions are in Online Appendix Table A4.

Table A9. **First-stage Regressions of Inflation Attention**

	Inflation Attention$_{i,t}$			
	(1)	(2)	(3)	(4)
ExpInfla$_{i(s)} \times \pi_{t-1}$	75.072***	69.909***	75.259***	
	(5.198)	(4.916)	(5.219)	
$\mathbb{1}(64-69)_{i(s)} \times \pi_{t-1}$				2.219***
				(3.070)
Size$_{i,t-1}$		-0.036***	-0.034***	-0.034***
		(-4.673)	(-4.502)	(-4.491)
Log(Firm's Age)$_{i,t-1}$		0.021	0.030	0.031
		(0.638)	(0.932)	(0.965)
Markup$_{i,t-1}$		-0.014***	-0.014***	-0.014***
		(-4.135)	(-4.121)	(-4.089)
ROA$_{i,t-1}$		-0.154***	-0.157***	-0.157***
		(-4.355)	(-4.474)	(-4.470)
Profit margin$_{i,t-1}$		0.004***	0.004***	0.004***
		(3.375)	(3.120)	(3.114)
PPE$_{i,t-1}$		0.004	0.001	-0.000
		(0.058)	(0.013)	(-0.006)
Tobin's $Q_{i,t-1}$		-0.002	-0.002	-0.002
		(-0.907)	(-0.940)	(-0.940)
Firm controls		✓	✓	✓
Firm FEs	✓	✓	✓	✓
Time FEs	✓	✓	✓	✓
Birth cohort FEs	✓		✓	✓
Kleibergen-Paap Wald F-stat	27.933	24.140	27.242	9.424
Obs.	129,218	129,218	129,218	129,218
Adj. R^2	0.574	0.573	0.575	0.575

This table reports regressions of firm-level inflation attention on CEOs' childhood inflation experience interacted with the one-quarter lagged core inflation shock in Columns (1)–(3). In Column (4), we replace the continuous childhood-inflation measure with an indicator for CEOs born between 1964 and 1969 – i.e., $\mathbb{1}(64-69)_{i(s)}$. The specification in Column (3) is the first-stage model used for the two-stage least squares results in Table 3. The dependent variable is *Inflation Attention*$_{i,t}$, which is our CEO inflation attention measure for firm i in quarter t, standardized to have a mean zero and unit variance. *ExpInfla*$_{i(s)}$ is the average year-over-year headline inflation rate that the CEO of firm i born in year s experienced during childhood (ages 5–15). π_{t-1} denotes the core inflation shock. Control variables are log of market capitalization (Size), log of firm age, markup, ROA, profit margin, PPE, Tobin's *Q*, firm fixed effects, time fixed effects, and birth cohort fixed effects. t-statistics, based on standard errors clustered by firm, are in parentheses. Detailed variable definitions are in Online Appendix Table A4.

Table A10. **First-stage Regressions of Inflation Attention with Inflation Experience as Instrumental Variable**

	Inflation Attention$_{i,t}$		
	(1)	(2)	(3)
ExpInfla$_{i(s)}$	0.452	0.417	
	(1.327)	(1.227)	
$\mathbb{1}(64-69)_{i(s)}$			-0.010
			(-0.545)
Size$_{i,t-1}$		-0.035***	-0.035***
		(-4.618)	(-4.651)
Log(Firm's Age)$_{i,t-1}$		0.027	0.024
		(0.830)	(0.730)
Markup$_{i,t-1}$		-0.014***	-0.014***
		(-4.066)	(-4.080)
ROA$_{i,t-1}$		-0.153***	-0.153***
		(-4.322)	(-4.335)
Profit margin$_{i,t-1}$		0.004***	0.004***
		(3.280)	(3.313)
PPE$_{i,t-1}$		0.005	0.002
		(0.080)	(0.033)
Tobin's $Q_{i,t-1}$		-0.002	-0.002
		(-0.906)	(-0.916)
Firm controls		✓	✓
Firm FEs	✓	✓	✓
Time FEs	✓	✓	✓
Birth cohort FEs			
Kleibergen-Paap Wald F-stat	1.761	1.506	0.297
Obs.	129,218	129,218	129,218
Adj. R^2	0.572	0.573	0.573

This table reports regressions of firm-level inflation attention on CEOs' childhood inflation experience interacted with the one-quarter lagged core inflation shock in Columns (1)–(3). In Column (3), we replace the continuous childhood-inflation measure with an indicator for CEOs born between 1964 and 1969 – i.e., $\mathbb{1}(64-69)_{i(s)}$. The dependent variable is *Inflation Attention*$_{i,t}$, which is our CEO inflation attention measure for firm i in quarter t, standardized to have a mean zero and unit variance. *ExpInfla*$_{i(s)}$ is the average year-over-year headline inflation rate that the CEO of firm i born in year s experienced during childhood (ages 5–15). π_{t-1} denotes the core inflation shock. Control variables are log of market capitalization (Size), log of firm age, markup, ROA, profit margin, PPE, Tobin's *Q*, firm fixed effects, time fixed effects, and birth cohort fixed effects. t-statistics, based on standard errors clustered by firm, are in parentheses. Detailed variable definitions are in Online Appendix Table A4.

Table A11. **Inflation Attention and Financing Decisions: Reduced-form regression**

	(1)	(2)	(3)	(4)
	Reduced form			
	Leverage	Cash	CAPEX	Employment
$\text{ExpInfla}_{i(s)} \times \pi_{t-1}$	33.220***	-43.071***	-13.982	19.820***
	(3.548)	(-3.864)	(-1.358)	(3.873)
Firm controls	✓	✓	✓	✓
Firm FEs	✓	✓	✓	✓
Time FEs	✓	✓	✓	✓
Birth cohort FEs	✓	✓	✓	✓
Frequency	Quarterly	Quarterly	Quarterly	Yearly
Obs.	129,218	110,926	129,068	38,384
Adj. R^2	0.828	0.679	0.636	0.968

This table reports reduced-form OLS regressions of corporate decision variables on our instrumental variable, the childhood inflation experience ($\textit{ExpInfla}_{i(s)}$) $\times$ the one-quarter lagged core inflation shock (π_{t-1}), where $\textit{ExpInfla}_{i(s)}$ is the average year-over-year headline inflation rate that the CEO of firm i born in year s experienced during childhood (ages 5–15). The dependent variable is leverage, defined as the book value of debt divided by the sum of the book value of debt and the market value of equity in Column (1), cash holdings, defined as cash holdings divided by lagged total assets in Column (2), CAPEX, defined as capital expenditures divided by lagged total assets in Column (3), and log of employment in Column (4). Leverage, cash, and CAPEX are standardized to have a mean zero and unit variance. Control variables are log of market capitalization, log of firm age, markup, ROA, profit margin, PPE, Tobin's *Q*, firm fixed effects, time fixed effects, and birth cohort fixed effects. t-statistics based on standard errors clustered at the firm level are in parentheses. ***, **, * indicate significance at the 1%, 5%, and 10% levels, respectively. Detailed variable definitions are in Online Appendix Table A4.

Table A12. **Average Inflation Attention and Demand vs. Supply-driven Inflation**

	(1) All	(2) Q1	(3) Q2	(4) Q3	(5) Q4	(6) Q5
			Panel A: Core inflation			
core_demand	0.392*	0.349	0.237	0.333	0.441**	0.442**
	(1.674)	(1.529)	(0.909)	(1.370)	(2.144)	(2.360)
core_supply	-0.190	-0.335*	-0.349	-0.191	0.028	0.224
	(-0.964)	(-1.821)	(-1.600)	(-0.928)	(0.157)	(1.319)
Obs.	88	88	88	88	88	88
Adj. R^2	0.058	0.039	0.033	0.031	0.195	0.378
			Panel B Headline inflation			
head_demand	0.415**	0.345	0.216	0.344*	0.471***	0.570***
	(2.153)	(1.606)	(0.933)	(1.707)	(3.195)	(5.273)
head_supply	-0.042	-0.141	-0.131	-0.044	0.088	0.113
	(-0.215)	(-0.706)	(-0.617)	(-0.210)	(0.488)	(0.598)
Obs.	88	88	88	88	88	88
Adj. R^2	0.131	0.053	0.004	0.079	0.267	0.409

This table reports time-series regressions of average firm-level inflation attention on the core (Panel A) or headline (Panel B) demand-driven and supply-driven inflation components at the quarterly frequency. In Column (1), the dependent variable is the average of inflation attention across all firms. In Columns (2)–(6), the dependent variable is the average of inflation attention computed within CEO childhood inflation experience quintiles, formed by ranking CEOs on the average headline CPI they experienced during the ages 5–15: Column (2) uses the bottom quintile (Q1), ..., and Column (6) uses the top quintile (Q5). The demand and supply decomposition for inflation is from Shapiro (2024). All variables are standardized to mean zero and unit variance. t-statistics based on Newey and West (1987) standard errors are in parentheses. The lag of three for the standard errors is automatically selected based on Newey and West (1994). ***, **, * indicate significance at the 1%, 5%, and 10% levels, respectively. Detailed variable definitions are in Online Appendix Table A4.

Table A13. **Experiences of Other Macroeconomic Variables**

	Inflation Attention$_{i,t}$							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
ExpInfla$_{i(s)} \times \pi_{t-1}$	81.869***	74.273***	86.994***	68.318***	83.349***	74.685***	75.291***	81.497***
	(3.941)	(3.751)	(4.833)	(2.864)	(5.132)	(4.909)	(4.622)	(3.352)
ExpRealGDP$_{i(s)} \times \pi_{t-1}$	32.249							
	(0.437)							
ExpUnrate$_{i(s)} \times \pi_{t-1}$		3.133						
		(0.080)						
ExpRecession$_{i(s)} \times \pi_{t-1}$			-5.939					
			(-0.980)					
ExpTreasury$_{i(s)} \times \pi_{t-1}$				9.337				
				(0.404)				
ExpUncertainty$_{i(s)} \times \pi_{t-1}$					-267.088			
					(-1.218)			
ExpStockReturn$_{i(s)} \times \pi_{t-1}$						-3.496		
						(-0.118)		
ExpEarningsGrowth$_{i(s)} \times \pi_{t-1}$							0.115	
							(0.007)	
ExpDefault$_{i(s)} \times \pi_{t-1}$								-55.769
								(-0.339)
Firm controls	✓	✓	✓	✓	✓	✓	✓	✓
Firm FEs	✓	✓	✓	✓	✓	✓	✓	✓
Time FEs	✓	✓	✓	✓	✓	✓	✓	✓
Birth cohort FEs	✓	✓	✓	✓	✓	✓	✓	✓
Obs.	123,950	123,950	129,242	129,242	129,242	129,242	129,242	129,242
Adj. R^2	0.579	0.579	0.575	0.575	0.575	0.575	0.575	0.575

This table reports regressions of firm-level inflation attention on CEOs' childhood inflation experience interacted with the one-quarter lagged core inflation shock, as well as childhood experiences of other macroeconomic variables interacted with the same inflation shock. *Inflation Attention*$_{i,t}$ is our CEO inflation attention measure for firm i in quarter t, standardized to have a mean zero and unit variance. *ExpInfla*$_{i(s)}$ is the average year-over-year headline inflation rate that the CEO of firm i born in year s experienced during childhood (ages 5–15). *Exp'Var'*$_{i(s)}$ denotes the average childhood experience of variable name 'Var' that is computed in the same way as inflation experience — RealGDP: Real GDP growth, Unrate: Unemployment rate, Recession: NBER recession, Treasury: 3-month Treasury-bill rates, Uncertainty: S&P 500 stock variance, StockReturn: S&P500 log returns, EarningsGrowth: year-over-year log growth of earnings on S&P 500 index. Default: Default Yield Spread. π_{t-1} denotes the core inflation shock. Control variables are log of market capitalization (Size), log of firm age, markup, ROA, profit margin, PPE, Tobin's *Q*, firm fixed effects, time fixed effects, and birth cohort fixed effects. t-statistics, based on standard errors clustered by firm, are in parentheses. Detailed variable definitions are in Online Appendix Table A4.

Table A14. **Inflation Attention and Financing/Real Investment Decisions Using Birth year × Post-COVID as an IV**

	(1) Leverage	(2) Cash	(3) CAPEX	(4) Employment
$\widehat{\text{Inflation Attention}}$	0.187	-0.627	0.940**	0.034
	(0.575)	(-1.645)	(2.053)	(0.377)
Firm controls	✓	✓	✓	✓
Firm FEs	✓	✓	✓	✓
Time FEs	✓	✓	✓	✓
Birth cohort FEs	✓	✓	✓	✓
Frequency	Quarterly	Quarterly	Quarterly	Yearly
Kleibergen-Paap Wald F-stat	7.593	7.442	7.620	42.585
Obs.	129,218	110,926	129,068	38,384

This table reports two-stage least squares (2SLS) regressions to address a concern that our results are driven by the post-COVID period. In this table, for the instrumental variable, we replace the one-quarter lagged core inflation shock instrument with a one-quarter lagged *dummy variable* equal to 1 for years 2021 and later (year>=2021). That is, inflation attention at t is instrumented with the childhood inflation experience ($ExpInfla_{i(s)}$) × one-quarter lagged *dummy variable*, where $ExpInfla_{i(s)}$ is the average year-over-year headline inflation rate that the CEO of firm i born in year s experienced during childhood (ages 5–15). The dependent variable is leverage, defined as the book value of debt divided by the sum of the book value of debt and the market value of equity in Column (1), cash holdings, defined as cash holdings divided by lagged total assets in Column (2), CAPEX, defined as capital expenditures divided by lagged total assets in Column (3), and log of employment in Column (4). *Inflation Attention* is standardized to have a mean zero and unit variance. Control variables are log of market capitalization, log of firm age, markup, ROA, profit margin, PPE, Tobin's *Q*, firm fixed effects, time fixed effects, and birth cohort fixed effects. Kleibergen-Paap Wald F-stat reports the test statistics of F-tests for weak identification with respect to inflation attention. t-statistics based on standard errors clustered at the firm level are in parentheses. ***, **, * indicate significance at the 1%, 5%, and 10% levels, respectively. Detailed variable definitions are in Online Appendix Table A4.

Table A15. **Fama-French 49 Industry Classifications**

Order	Acronym	Industry	Order	Acronym	Industry
1	Agric	Agriculture	26	Guns	Defense
2	Food	Food Products	27	Gold	Precious Metals
3	Soda	Candy & Soda	28	Mines	Non-Metallic and Industrial Metal Mining
4	Beer	Beer & Liquor	29	Coal	Coal
5	Smoke	Tobacco Products	30	Oil	Petroleum and Natural Gas
6	Toys	Recreation	31	Util	Utilities
7	Fun	Entertainment	32	Telcm	Communication
8	Books	Printing and Publishing	33	PerSv	Personal Services
9	Hshld	Consumer Goods	34	BusSv	Business Services
10	Clths	Apparel	35	Hardw	Computers
11	Hlth	Healthcare	36	Softw	Computer Software
12	MedEq	Medical Equipment	37	Chips	Electronic Equipment
13	Drugs	Pharmaceutical Products	38	LabEq	Measuring and Control Equipment
14	Chems	Chemicals	39	Paper	Business Supplies
15	Rubbr	Rubber and Plastic Products	40	Boxes	Shipping Containers
16	Txtls	Textiles	41	Trans	Transportation
17	BldMt	Construction Materials	42	Whlsl	Wholesale
18	Cnstr	Construction	43	Rtail	Retail
19	Steel	Steel Works Etc	44	Meals	Restaurants, Hotels, Motels
20	FabPr	Fabricated Products	45	Banks	Banking
21	Mach	Machinery	46	Insur	Insurance
22	ElcEq	Electrical Equipment	47	RlEst	Real Estate
23	Autos	Automobiles and Trucks	48	Fin	Trading
24	Aero	Aircraft	49	Other	Almost Nothing
25	Ships	Shipbuilding, Railroad Equipment			

I Malmendier and Nagel (2016) Learning-from-Experience Details

Here we describe the Malmendier and Nagel (2016) model and how we implemented their model for our inflation expectations. To estimate inflation expectations, Malmendier and Nagel (2016) model the perceived law of motion of inflation that agents are trying to estimate as an AR(1) process as follows:

$$\pi_{t+1} = \alpha + \phi\pi_t + \eta_{t+1},$$

where π_t is inflation at time t, and η_{t+1} is the error term. Agents who are cohort s estimate $b \equiv (\alpha, \phi)'$ recursively from past data as follows:

$$b_{t,s} = b_{t-1,s} + \gamma_{t,s} R_{t,s}^{-1} x_{t-1}(\pi_t - b'_{t-1,s} x_{t-1})$$
$$R_{t,s} = R_{t-1,s} + \gamma_{t,s}(x_{t-1}x'_{t-1} - R_{t-1,s})$$

where $x_t = (1\pi_t)'$ is past inflation data, , $\gamma_{t,s}$ is the gain parameter,

Importantly, the gain parameter depends on past experience as follows:

$$\gamma_{t,s} = \begin{cases} \frac{\theta}{t-s} & \text{if } t - s \geq \theta, \\ 1 & \text{if } t - s < \theta. \end{cases}$$

We extend the data using the replication code provided through Stefan Nagel's website. We do this to ensure consistency with Malmendier and Nagel (2016). In particular, we extend the inflation data up to 2024Q4 via Robert Shiller's inflation data, which is the dataset that Malmendier and Nagel (2016) also use as this extends past the FRED data for the older cohort in our sample.

II Word2vec Details

In this section, we describe in more detail the procedures and parameterization we used for the Word2vec model.

II.1 Step 1: Preprocessing and Tokenization

We analyze the raw script and extract and categorize sentences by speaker, such as the CEO. We then tokenize all the dialogue into a list of sentences, and then tokenize each sentence into a list of words (technically tokens). We clean the data by lemmatizing and removing stopwords and non-alphabetic characters from the dialogue.

II.2 Steps 2 and 3: Training the Word2vec and Computing TF-IDF

We customize our Word2vec model. For each year t, we use all the structured data from Step 1, before year t to customize a phraser, which is used to detect bigrams from a list of words, and a dictionary, which defines the bigram universe. In the dictionary, we keep the top 200,000 most frequent words and drop very sparse and very frequent words.

Next, we use the phrased list of bigrams to train our Word2vec model, where each bigram is represented by a 200-dimensional vector, along with a TF-IDF words' uniqueness vector. We use a CBOW or a continuous bag of words specification. The exact hyperparameters we use are min count = 100, window = 10, vector size = 200, epochs = 20, min alpha = 0.0001, and workers = 27. Since the trained sample is relatively large, different hyperparameters only have a marginal impact on the effectiveness of the model.

Then for each year t, we get a phraser, a dictionary, a Word2vec model, and a TF-IDF words uniqueness vector based on all the historical information from the start of the sample to time $t-1$.

II.3 Step 4: Combining the Word2vec with TF-IDF

We then apply the model to our earnings calls to generate our attention measure. For each year t, we use the Word2vec models from Step 2 to generate a top-seed-word related list. The seed word we choose is "'inflation" and we consider the 100 most relevant words based on the trained Word2vec model, using all the data before time t. Then for each

conference call at time t, we apply the model and the following formula below to calculate our measure at the sentence level s.

$$\textit{Inflation Score}_{i,t} = \frac{\sum_s \sum_{\textit{inflation-related word}_{t-1}} \textit{Similarity}_{\textit{inflation}} \times \textit{tf-idf}}{\sum_s \textit{Length}} \tag{4}$$

where $similarity$ is the Word2vec inflation similarity score via cosine similarity $\in [0, 1]$, $tf - idf$ is the TF-IDF score, and $length_s$ is the length of the sentence s.

III Validation

In this section, we assess the validity of our CEO inflation attention measure by examining whether it varies in a manner consistent with attention to inflation, rather than mere random noise.

III.1 Time-series test

To this end, we first examine the time-series variation in average inflation attention at the aggregate level and its relation to macroeconomic conditions. We hypothesize that inflation attention increases with inflation levels, in line with prior research showing elevated attention during periods of high inflation.[32] Moreover, we expect that CEOs with greater childhood exposure to inflation are more sensitive to current inflation, given their salient memory of inflation, leading their attention to track inflation levels more closely. Figure 3 in Section 2.3 shows that average inflation attention positively comoves with core inflation and exhibits countercyclical behavior, aligning with findings from Song and Stern (2024) and Flynn and Sastry (2024).

We formally test this relationship using the following time-series regression:

$$\textit{Average Attention}_{g,t} = a + b \cdot \textit{Core inflation}_{t-1} + \epsilon_t, \tag{5}$$

where $\textit{Average Attention}_{g,t}$ is the average attention in quarter t for group g, which represents either all firms or groups based on quintiles of CEOs' formative inflation experience. $\textit{Core inflation}_{t-1}$ is the year-over-year core inflation rate in quarter $t-1$.

[32] See Coibion et al. (2018, 2020b); Korenok et al. (2023); Pfäuti (2023); Bracha and Tang (2025), among others

Table A6 reports the regression coefficients. Column (1) shows the positive correlation between average attention and lagged core inflation, as indicated in the figure. Moreover, Columns (2) to (6) show that this positive relationship strengthens from the bottom to the top quintile of inflation experience, with coefficients becoming statistically significant for the top two quintiles. This pattern supports our hypothesis that the intensity of childhood inflation exposure significantly influences CEOs' responsiveness to inflation fluctuations, resulting in attention more closely aligned with inflation levels.

III.2 Industry-level test

Next, we test whether attention varies sensibly with inflation exposure at the industry level. To do so, we estimate firm-level inflation betas using the following regression for each stock and month, employing a 60-month rolling window and requiring at least 12 observations in the last 60 months:

$$R_{i,t} - r_{f,t} = \alpha + \beta_i^{\pi} \pi_t + \gamma' X_t + \epsilon_{i,t}, \tag{6}$$

where $R_{i,t}$ is the monthly return on stock i, $r_{f,t}$ is the 30-day T-bill rate, π_t is the shock to core inflation, and X_t is a vector of the Fama-French 3 factors (Fama and French, 1993). β_i^{π} is the inflation beta for stock i.

We then compute quarterly averages of these inflation betas and inflation attention scores within each Fama-French 49 industry.[33] Table A7 presents the results of panel regressions where inflation attention is regressed on inflation beta. The results indicate a significant negative relationship between our inflation attention measure and inflation betas. That is, industries that are more negatively exposed to inflation (indicated by more negative betas) exhibit higher levels of inflation attention. This finding is consistent with previous studies indicating that firms whose fundamentals are more sensitive to inflation allocate greater cognitive resources to monitoring it, as rational inattention predicts (e.g., Coibion et al., 2018, 2020b; Song and Stern, 2024; Flynn and Sastry, 2024).

[33] The list of Fama-French 49 industries is in Online Appendix Table A15.

III.3 Firm-level test

Our industry-level analysis shows that negatively exposed industries pay more attention to inflation. While this result assures that our measure captures inflation-related information sensibly, it also raises the question of whether our attention measure merely reflects inflation exposure or contains meaningful additional information beyond inflation exposure.

To address this concern, we regress firm-level inflation attention on core inflation beta. Table A8 shows that, although the relationship remains negative — consistent with industry patterns — it becomes statistically insignificant after controlling for firm characteristics and fixed effects, for both contemporaneous and predictive relationships. This suggests that firm-specific factors account for much of the industry-level correlation, confirming that our measure captures distinct information about cognitive focus and inflation expectations, beyond mere exposure to inflation.

In summary, our analyses based on time-series and panel regressions demonstrate that our inflation attention measure reasonably varies in a way that aligns with the existing literature: (1) aggregate attention comoves with inflation levels and peaks during high-inflation episodes; (2) attention is countercyclical; (3) attention tracks inflation more closely among CEOs with high formative inflation experience; and (4) attention correlates with industry-level inflation exposure. Collectively, these findings indicate that our measure effectively captures managerial attention to inflation, rather than random noise.