Main Experiment

Demographics

Which of these describes you more accurately?
- Male
- Female

What is your age?
- 18 – 24
- 25 – 34
- 35 – 44
- 45 – 54
- 55 – 64
- 65 or older

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Prior Beliefs

In some of the following questions, we will ask you to think about the percent chance of something happening in the future. Your answers can range from 0 to 100, where 0 means there is absolutely no chance, and 100 means that it is absolutely certain.

For example, numbers like:

- 2 or 5 percent may indicate "almost no chance".
- 18 percent or so may mean "not much chance".
- 47 or 52 percent chance may be a "pretty even chance".
- 83 percent or so may mean a "very good chance".
- 95 or 98 percent chance may be "almost certain".
A recession entails a fall of real GDP which means that in a given quarter the economy produces less final goods and services than in the preceding quarter. A fall of real GDP is normally reflected in a decline of real income, employment, industrial production, and wholesale-retail sales.

What do you think is the probability that there will be a fall of real US GDP in the fourth quarter of 2017 compared to the third quarter of 2017? Please give your best guess.

The probability is percent.

0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100

Next >>

How sure are you about your answer to the previous question?

- Very sure
- Sure
- Somewhat unsure
- Unsure
- Very unsure

Next >>

Treatment

On the next slide, we will provide you with information on the view of a professional forecaster on the likelihood of a recession.

We would like to ask you to take a moment to review the information carefully.

Note: This information is only shown once and you will not be able to come back to it.

Next >>
You said that you think that the probability of a fall in real US GDP in the fourth quarter of 2017 is 33 percent. We now would like to provide you with information on the view of a professional forecaster on the likelihood of a recession. According to a financial service provider that regularly takes part in a survey of professional forecasters by the Federal Reserve Bank of Philadelphia, the probability of a fall of real GDP in the fourth quarter of 2017 is 35 percent.

Macroeconomic conditions

What do you think will happen to unemployment in the US over the next 12 months?

- Unemployment will strongly increase
- Unemployment will somewhat increase
- Unemployment will remain the same
- Unemployment will somewhat decrease
- Unemployment will strongly decrease

What do you think is the percent chance that 12 months from now the national unemployment rate in the US will be higher than it is now?

Percent chance of increased unemployment:

0 [ ] 100 [ ]
Personal Economic expectations

Looking ahead, do you think you (and any family living with you) will be financially better or worse off 12 months from now than you are these days?

- Much worse off
- Worse off
- Somewhat worse off
- About the same
- Somewhat better off
- Better off
- Much better off

We now would like to ask you some questions about your expectations regarding your main job.

Suppose that, 12 months from now, you are working at the same place you currently work. In your view, what would you say is the percent chance that 12 months from now...

(Please note: The numbers need to add up to 100)

- Your earnings from working at this place, before taxes and deductions, will have increased by 12% or more: 0 %
- Your earnings from working at this place, before taxes and deductions, will have increased by 8% to 12%: 0 %
- Your earnings from working at this place, before taxes and deductions, will have increased by 4% to 8%: 0 %
- Your earnings from working at this place, before taxes and deductions, will have increased by 2% to 4%: 0 %
- Your earnings from working at this place, before taxes and deductions, will have increased by 0% to 2%: 0 %
- Your earnings from working at this place, before taxes and deductions, will have decreased by 2% to 4%: 0 %
- Your earnings from working at this place, before taxes and deductions, will have decreased by 4% to 8%: 0 %
- Your earnings from working at this place, before taxes and deductions, will have decreased by 8% to 12%: 0 %
- Your earnings from working at this place, before taxes and deductions, will have decreased by 12% or more: 0 %

Total 0 %
Other macroeconomic expectations

Next, we would like you to think about the different things that may happen to inflation over the next 12 months. We realize that this question may take a little more effort. In your view, what would you say is the percent chance that, over the next 12 months...

(Please note: The numbers need to add up to 100)

Percent chance that the rate of inflation will be 12% or higher: 0 %
Percent chance that the rate of inflation will be between 8% and 12%: 0 %
Percent chance that the rate of inflation will be between 4% and 8%: 0 %
Percent chance that the rate of inflation will be between 2% and 4%: 0 %
Percent chance that the rate of inflation will be between 0% and 2%: 0 %
Percent chance that the rate of deflation (opposite of inflation) will be between 0% and 2%: 0 %
Percent chance that the rate of deflation (opposite of inflation) will be between 2% and 4%: 0 %
Percent chance that the rate of deflation (opposite of inflation) will be between 4% and 8%: 0 %
Percent chance that the rate of deflation (opposite of inflation) will be between 8% and 12%: 0 %
Percent chance that the rate of deflation (opposite of inflation) will be 12% or higher: 0 %

Total 0 %
Behavioral outcomes

Generally speaking, do you think now is a good or a bad time for people to buy major durable goods such as automobiles, furniture of household appliances?
- A very good time.
- A somewhat good time.
- Neither a good nor a bad time.
- A somewhat bad time.
- A very bad time.

Compared to what you have been doing over the last 4 weeks, over the next 4 weeks do you intend to spend more, less or about the same on...

<table>
<thead>
<tr>
<th></th>
<th>Spend much less</th>
<th>Spend somewhat less</th>
<th>Spend about the same</th>
<th>Spend somewhat more</th>
<th>Spend much more</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food consumed at home</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Food consumed at restaurants</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Leisure activities such as visiting the cinema or sport games and performance arts</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
</tbody>
</table>

Other macroeconomic expectations

Over the next 12 months, do you think that the profitability of firms in the US economy will increase or decrease?
- The profitability will strongly increase.
- The profitability will somewhat increase.
- The profitability will remain the same.
- The profitability will somewhat decrease.
- The profitability will strongly decrease.
What do you think is the percent chance that 12 months from now the local unemployment rate in your county of residence will be higher than it is now?
Percent chance of increased unemployment:
0 [ ] 100 [ ]

We will now ask you again about your expectations regarding future GDP growth.

What do you think is the probability that there will be a fall of real US GDP in the fourth quarter of 2017 compared to the third quarter of 2017? Please give your best guess.
The probability is [ ] percent.
0 [ ] 100 [ ]

Other outcomes and demographics

Please tell us the approximate combined dollar value of all your spending on

- food consumed at home
- food consumed away from home
- leisure activities such as visiting the cinema or sport games and performance acts and
clothing

over the last 7 days.
What is your marital status?
- Single
- Married
- Divorced
- Separated
- Widowed
- Other: [ ]

In which of the following industries do you work in your main job?
- Construction
- Durable manufacturing (textile, apparel, paper products, printing and publishing, chemicals, petroleum and coal products, plastics products, leather products, other non-durable goods, agriculture and fishing, or mining
- Finance, insurance and real estate
- Health and education
- Non-durable manufacturing (food, beverages, tobacco products, printing and publishing, chemicals, petroleum and coal products, plastics products, leather products, other non-durable goods, agriculture and fishing, or mining
- Retail and wholesale
- Services (business and repair services, personal services, entertainment and recreation services, professional services and legal services)
- Transportation, communications and other public utilities
- Other: [ ]

Did you have earnings from paid jobs during the year 2016?
- Yes
- No
- Prefer not to say

In your main job, are you employed by a public institution (such as federal, state and local government, government agencies, or public schools and hospitals) or by a private firm, or by another institution (such as a foundation, an association, or a non-profit organisation)?
- Public Institution
- Private firm
- Another institution
How long have you been working at the place you work at in your main job?
- Less than 1 year
- 1 to 2 years
- 2 to 3 years
- 3 to 4 years
- 4 to 5 years
- 5 to 10 years
- 10 to 25 years
- More than 20 years

On average, how many hours per week do you usually work in your main job?
- Less than 10 hours
- 10 to 20 hours
- 20 to 30 hours
- 30 to 40 hours
- 40 to 50 hours
- 50 to 60 hours
- More than 60 hours

We now would like to ask you some questions on financial topics.

Suppose you had $100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow?
- More than $102
- Exactly $102
- Less than $102
- Do not know

Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account?
- More than today
- Exactly the same
- Less than today
- Do not know
Please tell me whether this statement is true or false: "Buying a single company's stock usually provides a safer return than a stock mutual fund."

- True
- False
- Do not know

To what extent do you agree with the following statements?

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Somewhat disagree</th>
<th>Neither agree nor disagree</th>
<th>Somewhat agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>I usually follow news on the national economy.</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
</tr>
<tr>
<td>If I want I can easily borrow money.</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
</tr>
</tbody>
</table>

Please tell us how many people usually live in your current primary residence, including yourself and those who are temporarily away, and excluding non-relatives like roommates or renters?

What category would best describe your political orientation?

- Republican
- Democrat
- Other

What is the combined value of all liquid assets you hold? By liquid assets we mean assets such as cash, checking and savings accounts, certificates of deposit, bonds, stocks and mutual funds.

Please do not include the value of any illiquid assets you own, such as retirement accounts and life insurance or real assets like vehicles or real estate.

- Less than 500
- Between 500 and 1,000
- Between 1,000 and 2,000
- Between 2,000 and 5,000
- Between 5,000 and 20,000
- Between 20,000 and 50,000
- Between 50,000 and 200,000
- More than 200,000
- Prefer not to say
What is the zip code of your current residence?
90201

What is your year of birth?
1984

Thank you very much for completing our survey!

If there are any remarks that you would like to make or clarifications that you would like to obtain, please do let us know by writing them into the field below:

[Text field for remarks]
Follow-up Experiment

Introduction and consent

This study is conducted by researchers from Goethe University Frankfurt and the University of Oxford.

Participants will be asked to answer a few questions about their opinions, as well as a set of demographic questions. Participation in the study typically takes 3 minutes and is strictly anonymous.

If you encounter a technical problem, please do not restart the survey.

Consent form

- I have read the information provided on the previous page.
- I have had the opportunity to ask questions about the study.
- I understand that I may withdraw from the study at any time.
- I understand how to raise a concern or make a complaint.
- I understand that I can only participate in this experiment once.
- I understand that close attention to the survey is required for my responses to count.

If you are 18 years of age or older, agree with the statements above, and freely consent to participate in the study, please click on the "I Agree" button to begin the experiment.

I Agree  I Disagree

Next >>

Macroeconomic and personal expectations

What do you think is the percent chance that 12 months from now the national unemployment rate in the US will be higher than it is now?

Percent chance of increased unemployment:

0 100

Next >>
Looking ahead, do you think you (and any family living with you) will be financially better or worse off 12 months from now than you are these days?

- Much worse off
- Worse off
- Somewhat worse off
- About the same
- Somewhat better off
- Better off
- Much better off

We now would like to ask you some questions about your expectations regarding your main job.

Suppose that, 12 months from now, you are working at the same place you currently work. In your view, what would you say is the percent chance that 12 months from now...

(Please note: The numbers need to add up to 100)

<table>
<thead>
<tr>
<th>Earnings Change</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your earnings from working at this place, before taxes and deductions, will have increased by 10% or more</td>
<td>0 %</td>
</tr>
<tr>
<td>Your earnings from working at this place, before taxes and deductions, will have increased by 12% to 18%</td>
<td>0 %</td>
</tr>
<tr>
<td>Your earnings from working at this place, before taxes and deductions, will have increased by 8% to 12%</td>
<td>0 %</td>
</tr>
<tr>
<td>Your earnings from working at this place, before taxes and deductions, will have increased by 4% to 8%</td>
<td>0 %</td>
</tr>
<tr>
<td>Your earnings from working at this place, before taxes and deductions, will have increased by 2% to 4%</td>
<td>0 %</td>
</tr>
<tr>
<td>Your earnings from working at this place, before taxes and deductions, will have increased by 0% to 2%</td>
<td>0 %</td>
</tr>
<tr>
<td>Your earnings from working at this place, before taxes and deductions, will have decreased by 0% to 2%</td>
<td>0 %</td>
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<td>0 %</td>
</tr>
<tr>
<td>Your earnings from working at this place, before taxes and deductions, will have decreased by 8% to 12%</td>
<td>0 %</td>
</tr>
<tr>
<td>Your earnings from working at this place, before taxes and deductions, will have decreased by 12% to 16%</td>
<td>0 %</td>
</tr>
<tr>
<td>Your earnings from working at this place, before taxes and deductions, will have decreased by 16% or more</td>
<td>0 %</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>0 %</strong></td>
</tr>
</tbody>
</table>

What do you think is the percent chance that you will lose your main job during the next 12 months?

(Please give your best guess.)

Percent chance of losing job:

0 %
Suppose you were to lose your main job during the next 12 months. What do you think is the percent chance that within the following 3 months, you will find a job that you accept, considering the pay and type of work?

(Please give your best guess.)

<table>
<thead>
<tr>
<th>Percent chance of finding a job</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
</tr>
</tbody>
</table>

Over the next 12 months, do you think that the profitability of firms in the US economy will increase or decrease?

- The profitability will strongly increase
- The profitability will somewhat increase
- The profitability will remain the same
- The profitability will somewhat decrease
- The profitability will strongly decrease

What do you think is the percent chance that 12 months from now the local unemployment rate in your county of residence will be higher than it is now?

Percent chance of increased unemployment:

| 0 | | | | | | | | | | 100 |

We will now ask you about your expectations regarding future GDP growth.
What do you think is the probability that there will be a fall of real US GDP in the fourth quarter of 2017 compared to the third quarter of 2017? Please give your best guess.

The probability is ______ percent.

Behavior

Please tell us the approximate combined dollar value of all your spending on

- food consumed at home
- food consumed away from home
- leisure activities such as visiting the cinema or sport games and performance acts and
- clothing

over the last 7 days.

Over the last 14 days, did you and your family living with you increase or decrease your holdings of shares of stock in publicly held corporations, stock mutual funds, or investment trusts?

(Note: Please only consider changes through active sales and purchases of stocks)

- We strongly increased our stock holdings
- We somewhat increased our stock holdings
- We neither increased nor decreased our stock holdings
- We somewhat decreased our stock holdings
- We strongly decreased our stock holdings

Over the last 14 days, did you and your family living with you buy any major durable goods such as automobiles, furniture, household appliances, entertainment equipment or sports equipment?

- Yes
- No
Additional outcomes and demographics

To what extent do you agree with the following statements:

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Somewhat disagree</th>
<th>Neither agree nor disagree</th>
<th>Somewhat agree</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over the last week I followed news about the economy.</td>
<td>○</td>
<td>○</td>
<td>○</td>
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<td>○</td>
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</tr>
<tr>
<td>My employer’s hiring decisions depend on how the aggregate economy is</td>
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<td>○</td>
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</tr>
<tr>
<td>doing.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My employer’s firing decisions depend on how the aggregate economy is</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
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</tr>
<tr>
<td>doing.</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>My employer’s profits depend on how the aggregate economy is doing.</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
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</tr>
<tr>
<td>Over the next 12 months, it will become more difficult for me to obtain a</td>
<td>○</td>
<td>○</td>
<td>○</td>
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<td>○</td>
<td>○</td>
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</tr>
<tr>
<td>loan.</td>
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<td></td>
</tr>
</tbody>
</table>

Over the next 12 months, how do you think your employer will adjust total employment?

- My employer will strongly increase total employment
- My employer will somewhat increase total employment
- My employer will keep total employment constant
- My employer will somewhat decrease total employment
- My employer will strongly decrease total employment

If there is a fall of real US GDP in the fourth quarter of 2017 compared to the third quarter of 2017, what do you think will be the three most likely causes?

- An increase in interest rates by the Federal Reserve
- A sudden increase in the oil price
- A terrorist attack
- A decrease in government spending
- A stock market crash
- A deterioration of demand for US products from other countries
- An increase in the price of intermediate goods imported to the US from other countries
- A sudden increase in commodity prices
- A drop in consumer confidence, leading to lower consumer spending
- A drop in business confidence, leading to lower investment
- A natural disaster
- A sudden drop in house prices
- Tariffs, reducing disposable incomes
- Political turmoil, compromising the functioning of the government
- Strikes
- Other: [ ]
Have you ever been involuntarily unemployed and looking for a job for at least 3 months?
- Yes
- No

Which of the following statements describes you most accurately? When deciding how much to spend on consumption goods...
- ... I usually take into account my current income, but do not think much about my expected income in the next years
- ... I usually take into account my expected income in the next years, and do not think much about my current income
- ... I usually take into account both my current income and my expected income in the next years
- ... I usually do not take into account either my current income or my expected income in the next years

In which industry do you work in your main job?
Note: By industry we mean the branch of economic activity such as for instance agriculture, car manufacturing, health services or law enforcement.

Are you the main earner in your household (considering any family living with you, but excluding roommates and renters)?
- Yes
- No

The next question will ask you about your current earnings. Are you willing to respond to this question?
- Yes
- No, prefer not to say
What are your current monthly earnings before taxes and deductions from all your paid jobs in US dollars? Please include all wages, salaries, bonuses, and exercised stock options as they will be reported in Box 1 of Form W-2.
In case you have more than one paid job, please sum earnings across all your paid jobs.
Please do not include self-employment income.

What is the zip code of your current residence?

Thank you very much for completing our survey!

If there are any remarks that you would like to make or clarifications that you would like to obtain, please let us know by writing them into the field below:
Robustness Experiment 1 (Summer, 2018)

Demographics

The next question is about the following problem. In questionnaires like ours, sometimes there are participants who do not carefully read the questions and just quickly click through the survey. This means that there are a lot of random answers which compromise the results of research studies. To show that you read our questions carefully, please choose both "Very strongly interested" and "Not at all interested" as your answer in the next question.

How interested are you in politics?
- Very strongly interested
- Very interested
- A little bit interested
- Almost not interested
- Not at all interested

Which of these describes you more accurately?
- Male
- Female

What is your age?
- 18 - 24
- 25 - 34
- 35 - 44
- 45 - 54
- 55 - 64
- 65 or older

In which region do you currently reside?
- Northeast (CT, ME, MA, NH, RI, VT, NJ, NY, PA)
- Midwest (IL, IN, MI, OH, WI, IA, KS, MO, ND, NE, MN, SD)
- South (VA, DC, FL, GA, MD, NC, SC, AL, MS, KY, TN, AR, LA, OK, TX)
- West (AZ, CO, ID, MT, NV, UT, WY, NM, CA, OR, WA, HI, AK, GU)

What was your family’s household income in 2016 in US dollars before taxes and deductions?
- Less than 15,000
- Between 15,000 and 24,999
- Between 25,000 and 34,999
- Between 35,000 and 44,999
- Between 45,000 and 54,999
- Between 55,000 and 64,999
- Between 65,000 and 74,999
- Between 75,000 and 94,999
- Between 95,000 and 114,999
- Between 115,000 and 134,999
- More than 135,000
- Prefer not to say

What is the highest level of education you have completed?
- 10th grade or less
- Graduated high school or equivalent
- Some college, no degree
- Associate degree
- Bachelor's degree
- Post-graduate degree
Which of these describes your current situation most accurately?

- [ ] Employed full-time
- [ ] Employed part-time
- [ ] Self-employed
- [ ] Unemployed and looking for a job
- [ ] Unemployed but not looking for a job
- [ ] Retired
- [ ] Student
- [ ] Other
Belief elicitation

In some of the following questions, we will ask you to think about the percent chance of something happening in the future. Your answers can range from 0 to 100, where 0 means there is absolutely no chance and 100 means that it is absolutely certain.

For example, numbers like:

- 2 or 5 percent may indicate "almost no chance".
- 16 percent or so may mean "not much chance".
- 47 or 52 percent chance may be a "pretty even chance".
- 83 percent or so may mean a "very good chance".
- 96 or 98 percent chance may be "almost certain".

A recession entails a fall of real GDP which means that in a given quarter the economy produces less final goods and services than in the preceding quarter.

A fall of real GDP is normally reflected in a decline of real income, employment, industrial production, and wholesale-retail sales.
Belief elicitation: no incentive

In what follows, we will ask you to make an estimate on whether there will be a fall in real US GDP in the fourth quarter in 2018 compared to the third quarter in 2018.

What do you think is the probability that there will be a fall of real US GDP in the fourth quarter of 2018 compared to the third quarter of 2018? Please give your best guess.

The probability is [ ] percent. 100

Belief elicitation: with incentive

In what follows, we will ask you to make an estimate on whether there will be a fall in real US GDP in the fourth quarter in 2018 compared to the third quarter in 2018. Your estimates will affect your payoffs. You can earn up to an additional $1.

You will receive a payment depending on your answer. The below formula explains in detail how your payout is determined. While this formula may appear to be complicated, the important take-away message from the formula is that you will earn more money the closer you are to the Truth. If there will be a fall in real GDP then you will receive a higher payoff the higher your estimate. If there will not be a fall in real GDP then you will receive a higher payoff the lower your estimate. Moreover, you can never make a loss by giving an estimate.

Your payment depends on your estimate in the following way:

\[ \text{Payment (in US dollars)} = 1 - 1 \times \left( \frac{\text{estimate}}{100} - \text{Truth} \right)^2 \]

where Truth takes the value one if there will be a fall in real US GDP in the fourth quarter of 2018 compared to the third quarter in 2018, and zero otherwise.

The payment to you will be made once the official estimates of the GDP in the fourth quarter of 2018 will be released (January 2019).

What do you think is the probability that there will be a fall of real US GDP in the fourth quarter of 2018 compared to the third quarter of 2018? Please give your best guess.

The probability is [ ] percent. 100

How sure are you about your answer to the previous question?

- Very sure
- Sure
- Somewhat unsure
- Unsure
- Very unsure

Political affiliation

What category would best describe your political affiliation?

- Republican
- Democrat
- Other
Robustness Experiment 2 (September, 2018)

In some of the following questions, we will ask you to think about the percent chance of something happening in the future. Your answers can range from 0 to 100, where 0 means there is absolutely no chance, and 100 means that it is absolutely certain.

For example, numbers like:
- 2 or 5 percent may indicate "almost no chance".
- 16 percent or so may mean "not much chance".
- 47 or 52 percent chance may be a "pretty even chance".
- 83 percent or so may mean a "very good chance".
- 95 or 98 percent chance may be "almost certain".

Control group: Recession expectations

A recession entails a fall of real GDP which means that in a given quarter the economy produces less final goods and services than in the preceding quarter. A fall of real GDP is normally reflected in a decline of real income, employment, industrial production, and wholesale-retail sales.

What do you think is the probability that there will be a fall of real US GDP in the first quarter of 2019 compared to the fourth quarter of 2018? Please give your best guess.

The probability is percent.

Demand treatment: Recession expectations

A recession entails a fall of real GDP which means that in a given quarter the economy produces less final goods and services than in the preceding quarter. A fall of real GDP is normally reflected in a decline of real income, employment, industrial production, and wholesale-retail sales.

In this experiment people are randomly assigned to receive different instructions. We hypothesize that participants who are shown the same instructions as you report more optimistic expectations about the US economy.

What do you think is the probability that there will be a fall of real US GDP in the first quarter of 2019 compared to the fourth quarter of 2018? Please give your best guess.

The probability is percent.
Anchoring treatment: Recession expectations

We would like to provide you with some information about the share of illegal immigrants in the United States. According to the Department of Homeland Security, 3 percent of the total U.S. population are illegal immigrants.

A recession entails a fall of real GDP which means that in a given quarter the economy produces less final goods and services than in the preceding quarter. A fall of real GDP is normally reflected in a decline of real income, employment, industrial production, and wholesale-retail sales.

What do you think is the probability that there will be a fall of real US GDP in the first quarter of 2019 compared to the fourth quarter of 2018? Please give your best guess.

The probability is ______ percent.

0 100

Financial prospects and consumption plans

Looking ahead, do you think you (and any family living with you) will be financially better or worse off 12 months from now than you are these days?

- Much worse off
- Worse off
- Somewhat worse off
- About the same
- Somewhat better off
- Better off
- Much better off

Compared to what you have been doing over the last 4 weeks, over the next 4 weeks do you intend to spend more, less or about the same on...

<table>
<thead>
<tr>
<th>Category</th>
<th>Spend Much Less</th>
<th>Spend somewhat less</th>
<th>Spend about the same</th>
<th>Spend somewhat more</th>
<th>Spend much more</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food consumed at home</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Food prepared at home or purchased at restaurants</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Leisure activities such as watching TV, cinema, or sport games and performance events</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
</tbody>
</table>

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Robustness Experiment 3 (January, 2019)

Introductory explanations

In some of the following questions, we will ask you to think about the percent chance of something happening in the future. Your answers can range from 0 to 100, where 0 means there is absolutely no chance, and 100 means that it is absolutely certain.

For example, numbers like:
- 2 or 5 percent may indicate "almost no chance".
- 18 percent or so may mean "not much chance".
- 47 or 52 percent chance may be a "pretty even chance".
- 83 percent or so may mean a "very good chance".
- 95 or 98 percent chance may be "almost certain".

A recession entails a fall of real GDP which means that in a given quarter the economy produces less final goods and services than in the preceding quarter.

Likelihood of a recession

What do you think is the probability that there will be a fall of real US GDP in the second quarter of 2019 compared to the first quarter of 2019? Please give your best guess.

The probability is

percent

0

100

How sure are you about your answer to the previous question?

- Very sure
- Sorta
- Slightly unsure
- Unsure
- Very unsure
Introduction of information treatment

On the next slide, we will provide you with information on the view of a professional forecaster on the likelihood of a recession. We would like to ask you to take a moment to review the information carefully.

Note: This information is only shown once and you will not be able to come back to it.

5 percent forecast

You said that you think that the probability of a fall in real US GDP in the second quarter of 2019 is 79 percent.

We now would like to provide you with information on the view of a professional forecaster on the likelihood of a recession. According to the view of a forecaster that participated in a survey of professional forecasters by the Federal Reserve Bank of Philadelphia, the probability of a fall of real GDP in the second quarter of 2019 is 5 percent.

30 percent forecast

You said that you think that the probability of a fall in real US GDP in the second quarter of 2019 is 79 percent.

We now would like to provide you with information on the view of a professional forecaster on the likelihood of a recession. According to the view of a forecaster that participated in a survey of professional forecasters by the Federal Reserve Bank of Philadelphia, the probability of a fall of real GDP in the second quarter of 2019 is 30 percent.
Average forecast

You said that you think that the probability of a fall in real US GDP in the second quarter of 2019 is 79 percent.

We now would like to provide you with information on the view of professional forecasters on the likelihood of a recession. According to the average view of all forecasters that participated in a survey of professional forecasters by the Federal Reserve Bank of Philadelphia, the probability of a fall of real GDP in the second quarter of 2019 is 15 percent.

5 percent forecast - no prior

We now would like to provide you with information on the view of a professional forecaster on the likelihood of a recession. According to the view of a forecaster that participated in a survey of professional forecasters by the Federal Reserve Bank of Philadelphia, the probability of a fall of real GDP in the second quarter of 2019 is 8 percent.

Anchoring

We would like to provide you with some information about the share of legal immigrants in the United States in 1970. According to official statistics, 9 percent of the total U.S. population in 1970 were legal immigrants.
Macroeconomic expectations

What do you think is the percent chance that 12 months from now the national unemployment rate in the US will be higher than it is now?

Percent chance of increased unemployment:

0 100

Over the next 12 months, do you think that the profitability of firms in the US economy will increase or decrease?

- The profitability will strongly increase
- The profitability will somewhat increase
- The profitability will remain the same
- The profitability will somewhat decrease
- The profitability will strongly decrease

We will now ask you again about your expectations regarding future GDP growth.

What do you think is the probability that there will be a fall of real US GDP in the second quarter of 2019 compared to the first quarter of 2019? Please give your best guess.

The probability is percent.

0 100

How sure are you about your answer to the previous question?

- Very sure
- Sure
- Somewhat unsure
- Unsure
- Very unsure