

Revisiting a long-standing question

- Shiller (1997) explored why people dislike inflation: because of impact on living standards and association with “bad” economic outcomes.
- Lots of changes since the 90s! Have these views changed?
- Goals:
 - Update our understanding of perceptions of inflation using advanced survey methods, covering impacts on consumers, workers, and asset owners.
 - Explore heterogeneity across different groups, made possible with larger samples.

Two surveys to capture a broad spectrum of perspectives

Survey A: Structured (closed-ended) questions:

- Demographics
- Definition of inflation, past inflation, and expectations
- Personal impacts of inflation
 - as a consumer
 - as a worker
 - as an asset holder
 - emotional and psychological
- Personal responses to actual and expected inflation
 - as a consumer, worker, and asset holder
- Policy views
 - Priority of inflation, inflation and politics, inflation and economic outcomes
- Financial information about the household
- Feedback and debrief

Survey B: similar outline, but open-ended questions.

Sample representativity

	Survey A	Survey B	US population
Targeted quotas			
Male	.48	.5	0.49
Female	.51	.5	0.51
18-29 years old	.23	.22	0.23
30-39 years old	.21	.21	0.21
40-49 years old	.19	.2	0.19
50-59 years old	.19	.18	0.19
60-69 years old	.18	.19	0.18
\$0-\$19,999	.14	.15	0.13
\$20,000-\$39,999	.16	.15	0.16
\$40,000-\$69,999	.2	.2	0.20
\$70,000-\$99,999	.15	.15	0.15
\$100,000-\$124,999	.08	.1	0.09
\$125,000+	.26	.25	0.26
White	.68	.64	0.76
African-American/Black	.12	.13	0.13
Hispanic/Latino	.13	.16	0.19
Asian/Asian-American	.03	.04	0.06
Northeast	.19	.19	0.18
South	.37	.39	0.37
Midwest	.21	.2	0.21
West	.23	.22	0.24
Non-targeted characteristics			
Married	.49	.48	0.52
Single	.37	.35	0.35
Separated/Divorced	.1	.13	0.12
Widowed	.03	.04	0.02
Has children	.59	.64	0.40
Less than High School	.03	.04	0.09
Less than 4-year college	.51	.53	0.55
4-year college/Master's	.4	.33	0.32
Professional degree	.06	.11	0.03
Employed	.65	.73	0.70
Unemployed	.09	.07	0.03
Republican	.28	.32	0.26
Democrat	.38	.34	0.25
Independent & others	.34	.34	0.47
Voted in 2020 presidential election	.8	.81	0.61
Voted for Biden in 2020 presidential election	.56	.53	0.51
Voted for Trump in 2020 presidential election	.4	.43	0.47
Sample size	1500	504	

Outline

Understanding, Expectations, and Interest in Inflation

Personal Impacts of and Reactions to inflation

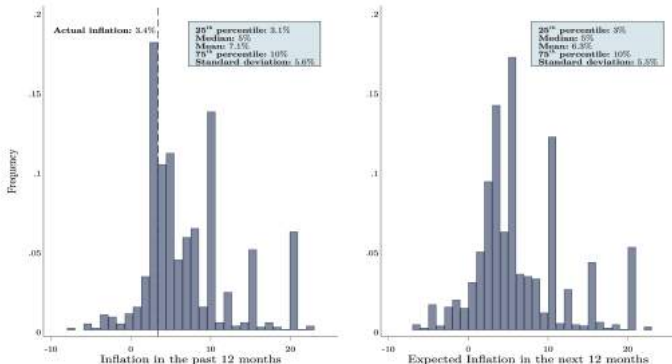
Policy Views

A closer look at definitions of inflation

Relatively correct answers (52%)	Relatively incorrect answers(44%)
Inflation is the price of things going up	The hiking of prices of consumer goods to offset the countrys debt due to elites over spending and throwing money away.
I describe inflation as an increase in prices across the country	Inflation is when everything gets so expensive. You can't afford it no matter how hard you work.
Inflation is when the price of goods go up based on the economy	Inflation to me is where the cost of living rises above affordable means for the majority of the people.
Inflation is when the price of things go up overtime. This can be attributed to specific events that cause the rise of pricing.	Price gouging, especially for the greedy, by raising prices so high, that almost everything is too expensive
A rise in the general price of goods	Over priced everything
Inflation is a rise in prices, which can be translated as the decline of purchasing power over time.	The price of goods keeps increasing but our incomes doesn't
the rise of prices for goods and services.	Not being able to afford to live.
Inflation is the gneral increase in the prices of goods and services in an economy over a period of time.	To me, inflation is when the economy is more than just hurting. It's when it's too tough just to keep positive.
Inflation is the increase of prices of goods	Increase in demand
Inflation is the rising cost of prices across multiple industries including food, electronics, and automobiles	Goods and services are priced high. The costs are inflated

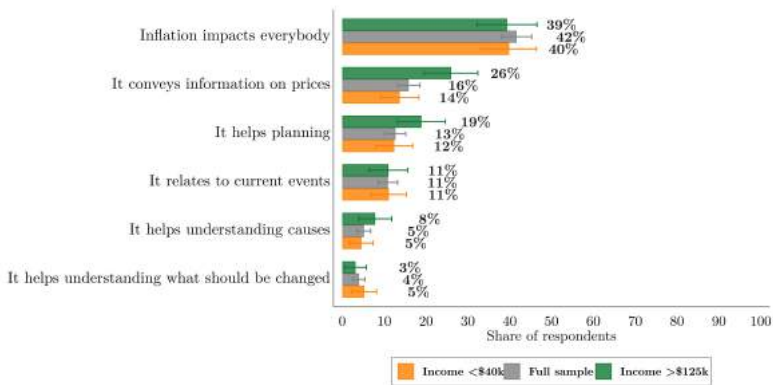
- But 85% of respondents are able to “compute” inflation in concrete examples.
- Only 40% agree that inflation is “merely a yardstick” or “measurement thing.”

Past and expected inflation



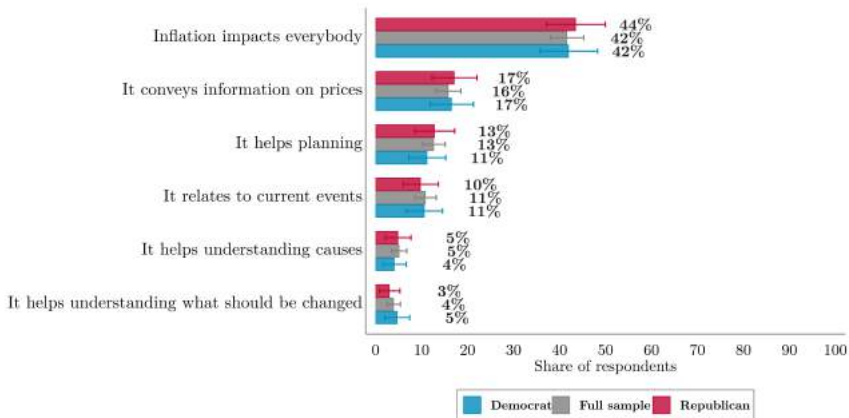
- High-income respondents perceive lower past & exp. inflation.
- Republican, female, and Black respondents think inflation has been higher in the past and have higher inflation expectations for the coming year.
- Which items have highest inflation: food > gas > rent > utilities.
- ▶ Demographic correlates

News on Inflation are Interesting Because...

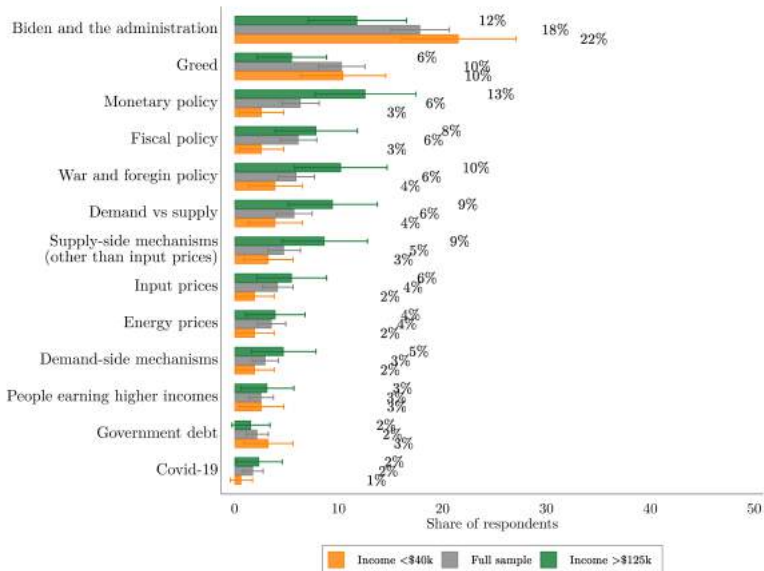


- 80% report paying more attention to inflation now than before and find it important to stay up to date
- Main source of formal news: TV > newspaper > social media > radio
- Recent purchases most informative according to people (< 15% rely on official stats or news)
- > Understanding and importance of inflation

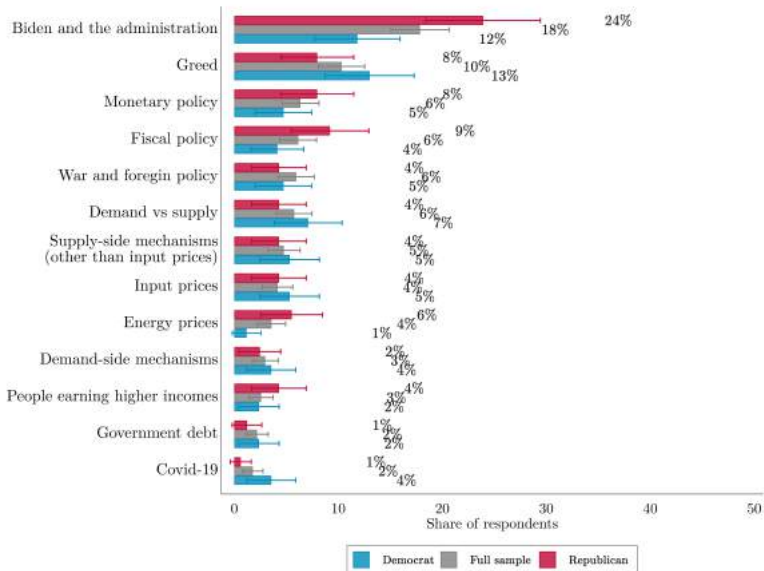
News on Inflation are Interesting Because...



High Inflation is Caused By...

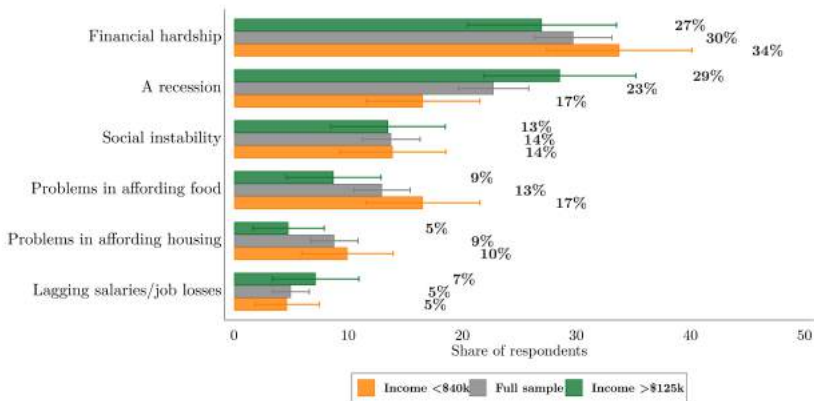


High Inflation is Caused By...



Perceived Consequences of High Inflation

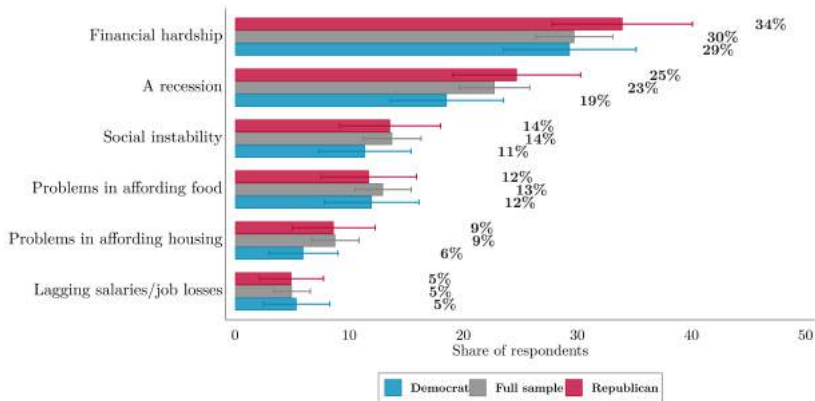
If inflation increases too much, I worry about...



► Word cloud

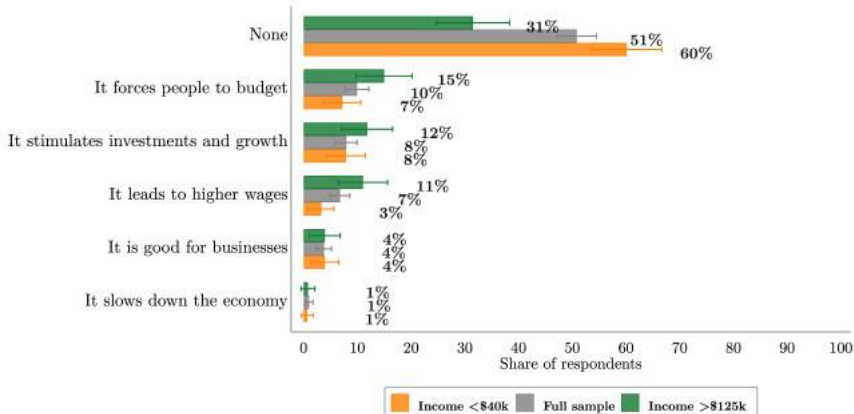
Perceived Consequences of High Inflation

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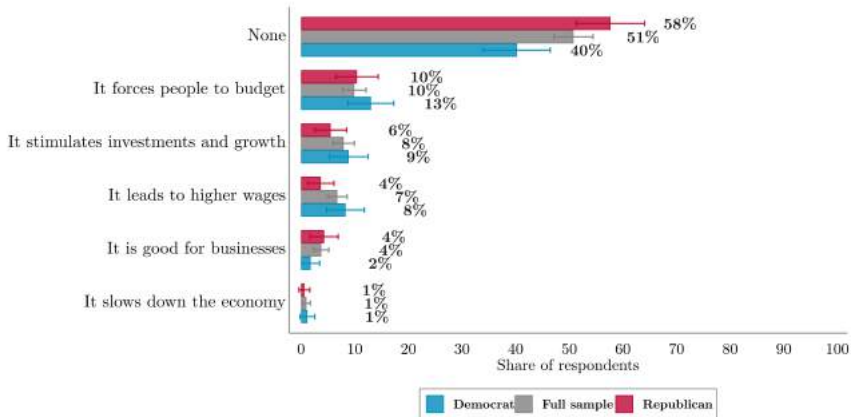
Consequences of Inflation: Few positives

A positive impact of inflation is...

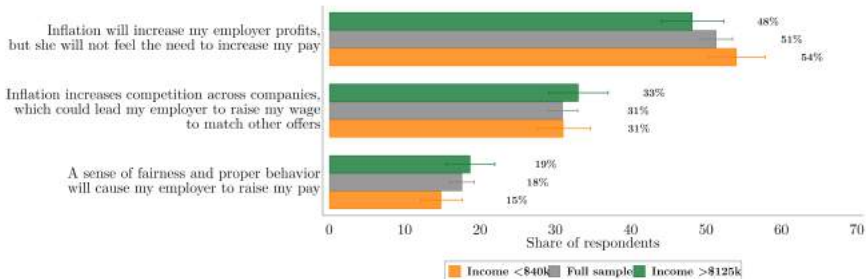


Consequences of Inflation: Few positives

A positive impact of inflation is...



Theories about inflation and wages



- People believe firms have considerable discretion in setting wages, rather than being compelled by market dynamics.

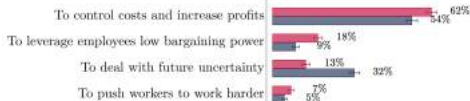
▸ By political leaning

Wage adjustment in small vs large companies

How many firms adjust wages in response to inflation?



Reasons why firms do not adjust wages:



Reasons why firms adjust wages:



0 10 20 30 40 50 60 70 80 90 100
Share of respondents

■ Small firms ■ Large firms

- Few firms perceived to adjust wages.
- Respondents somewhat more sympathetic to small than large firms.

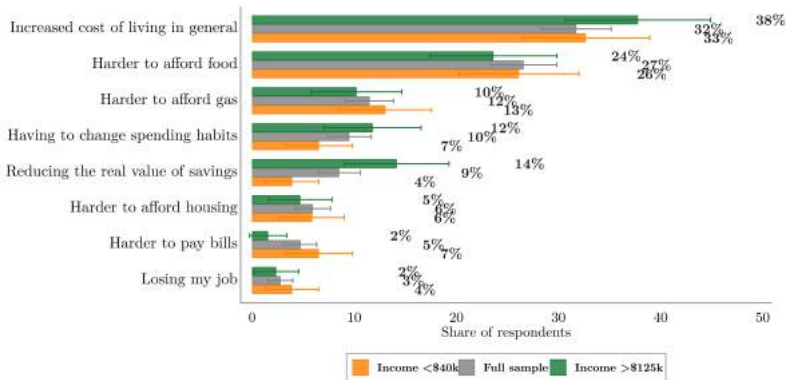
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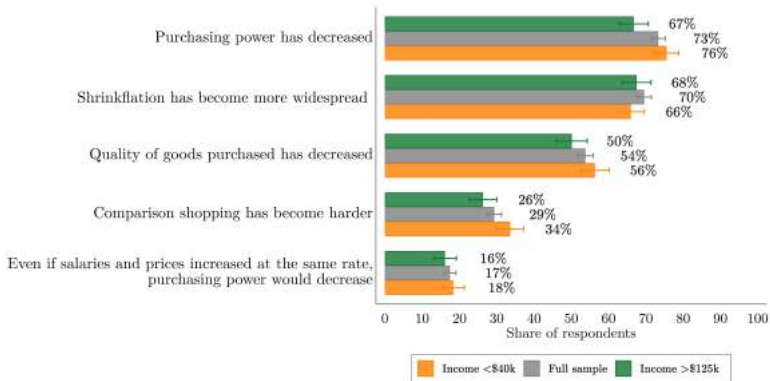
Policy Views

The most important impact of inflation on my life has been...



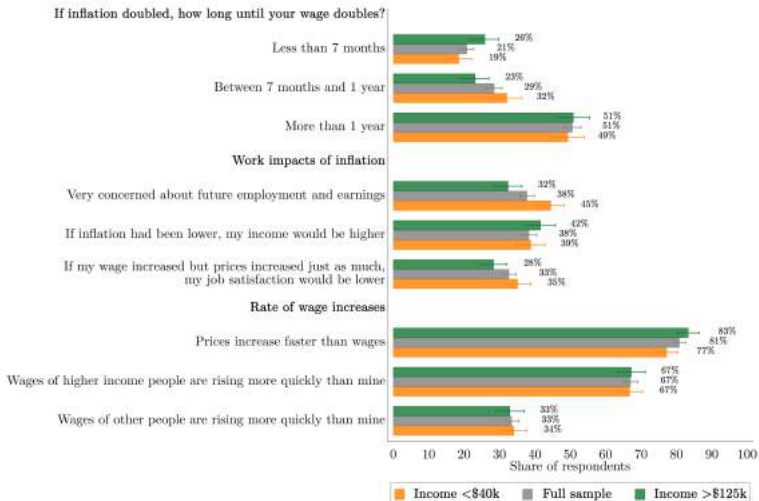
- Mainly cost-of-living concerns. Fewer job-related concerns.
- Lower-income respondents more likely to mention necessities.
- ▶ By political leaning
- ▶ Word cloud

Inflation impacts as a consumer



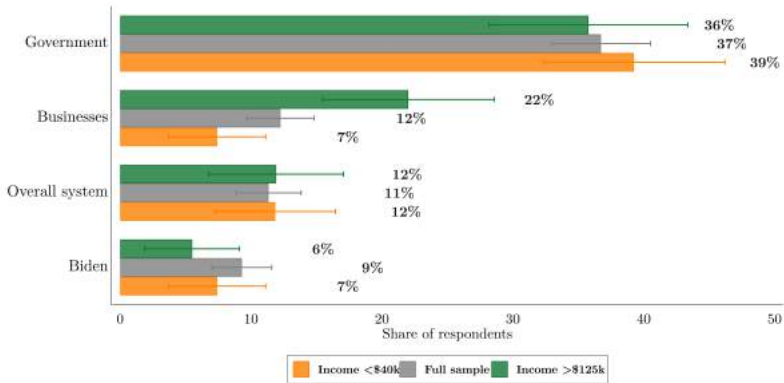
- Comparison shopping less of a concern today than in Shiller (1997) – has technology made this easier? Have hassles been reduced overall?
- Lower-income respondents more affected.
- ▶ By political leaning

Inflation impacts as a worker



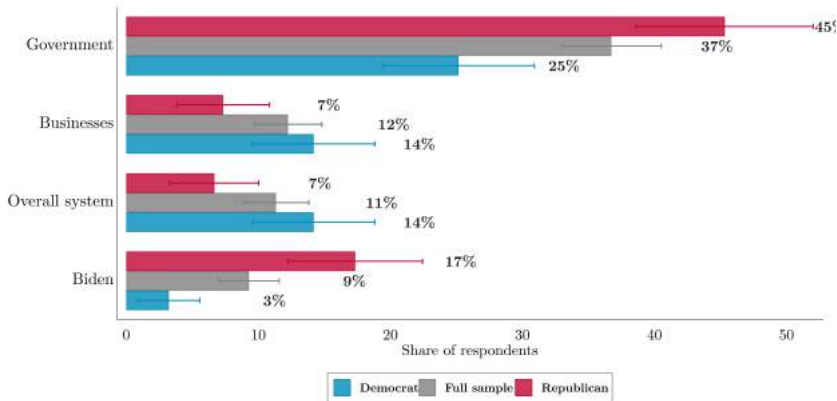
- Respondents today more likely to believe wage adjusts within one year (relative to 90s).
 - ▶ By political leaning
 - ▶ Inflation impacts as an asset holder

When I went to the store and saw that prices were higher, I felt angry at...



▶ Word cloud

When I went to the store and saw that prices were higher, I felt angry at...



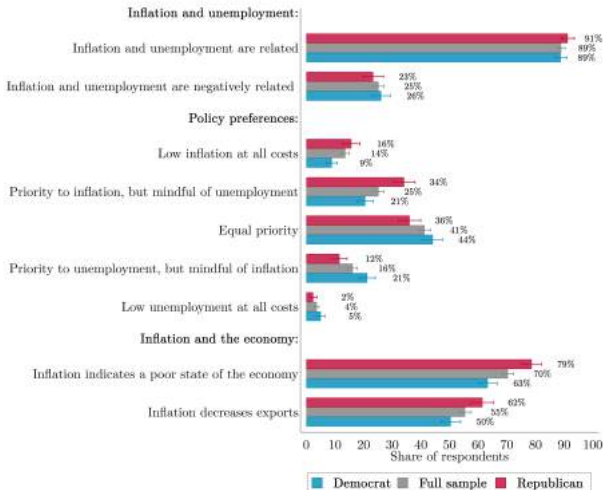
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Policy Views

(Lack of) perceived inflation-unemployment trade-off



- ▶ By income
- ▶ Ranking of social and economic issues

Conclusion: Main Findings (I)

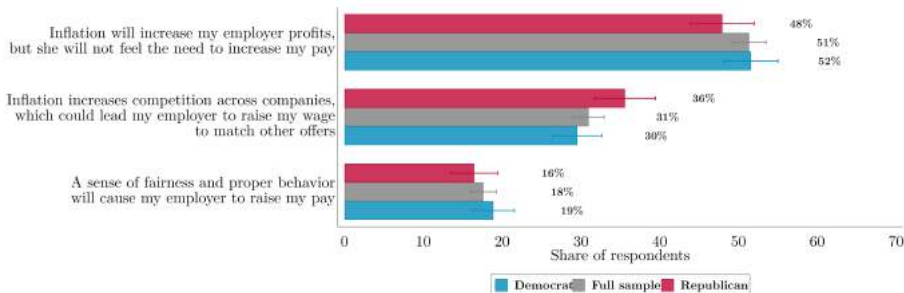
- Inflation not seen as a “yardstick.” but as causing tangible adverse effects.
- Predominant reason for aversion: Wages not keeping up with inflation ⇒ **perceived decline in living standards.**
- Amplified by belief that wage raises are not adjustments for inflation (instead due to job performance, especially for job switchers).
- Respondents report making costly adjustments, especially **along consumption margin.**
- Effects most pronounced **among lower-income respondents.**
- Inequality effects: Perception that wages of higher-income people grow faster than others’.
- **Stress and emotional responses.**

Conclusion: Main Findings (II)

- Why do wages lag behind prices? People believe employers have substantial discretion rather than being subject to market forces.
- Government and businesses (“Greed”) blamed for inflation; responses split along partisan lines.
- Few perceived positive impacts of inflation. Inflation linked to negative economic & political outcomes. **The “tradeoffs” economists perceive are not salient** (to be continued..)
- Despite economic changes & improved survey methodology, Shiller’s core conclusions remain relevant, with new insights on adjustments, emotions, and political polarization.

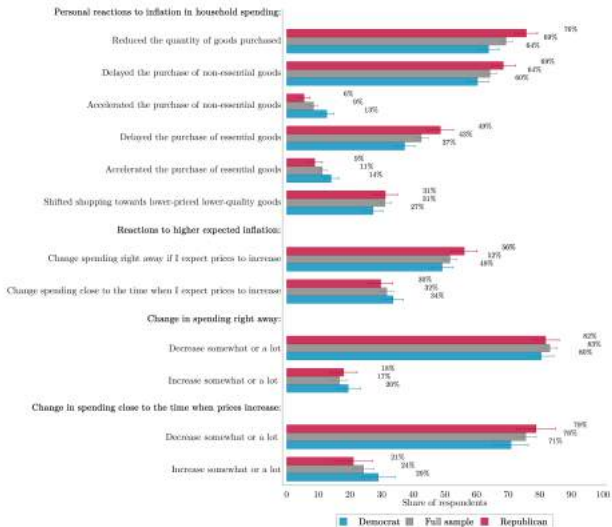
APPENDIX

Theories about inflation and wages, By political affiliation



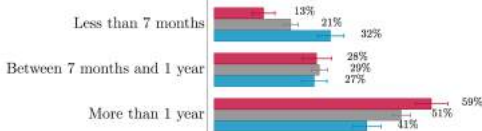
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Personal reactions to inflation as a consumer, By political affiliation



Inflation impacts as a worker, By political affiliation

If inflation doubled, how long until your wage doubles?



Work impacts of inflation

Very concerned about future employment and earnings



If inflation had been lower, my income would be higher



If my wage increased but prices increased just as much, my job satisfaction would be lower



Rate of wage increases

Prices increase faster than wages



Wages of higher income people are rising more quickly than mine



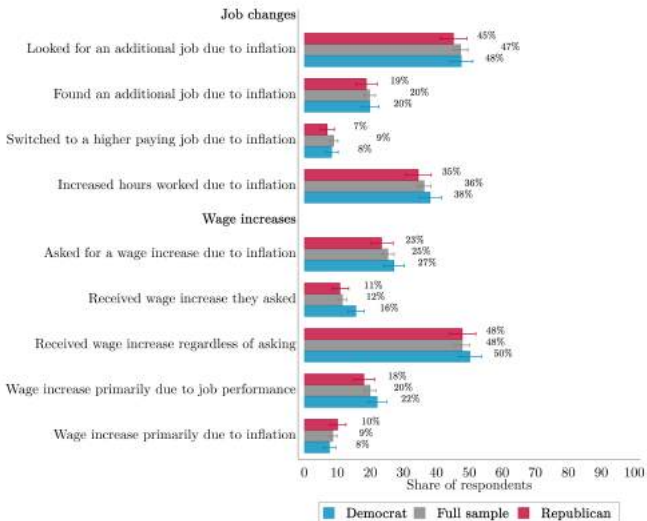
Wages of other people are rising more quickly than mine



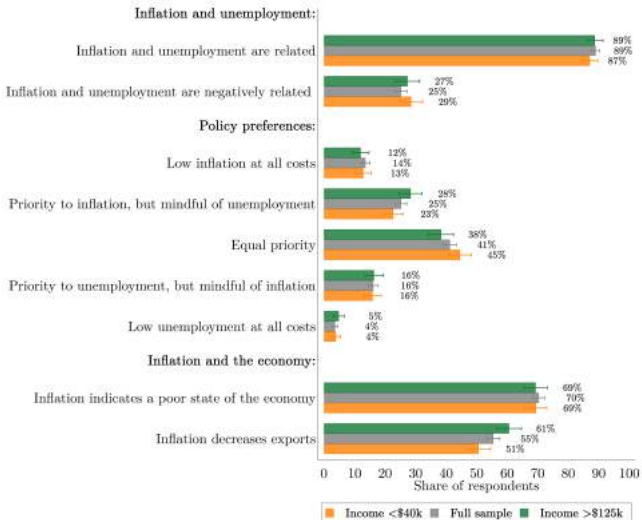
Share of respondents who say that

Democrat Full sample Republican

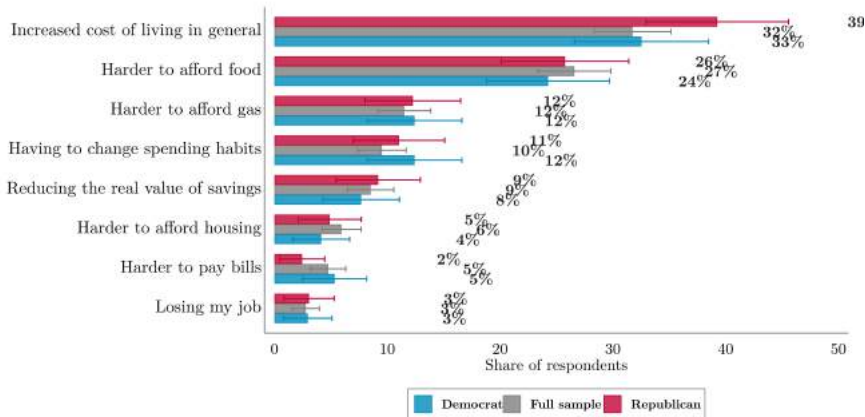
Personal reactions to inflation as a worker, By political affiliation



The inflation versus unemployment trade-off, By income



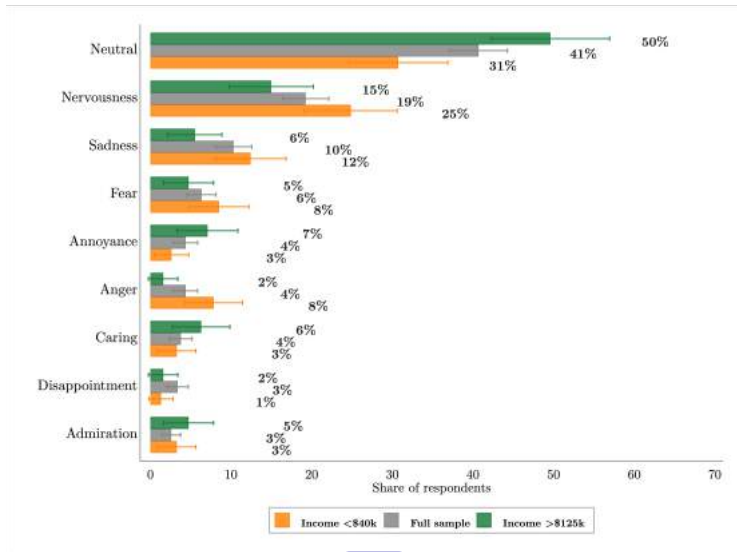
The most important impact of inflation on my life has been...



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When hearing rising inflation I feel...

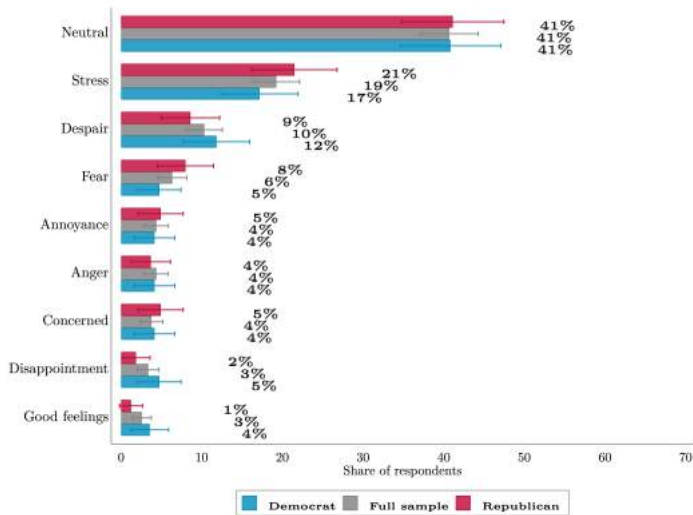
By income



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When hearing rising inflation I feel...

By political leaning



[← Back](#)

