Dräger, Lena and Nghiem, Giang (2025): Inflation Literacy, Inflation Expectations, and Trust in the Central Bank: A Survey Experiment

Questionnaire

This survey is about your views and opinions about inflation, monetary policy and the economy. The survey is part of a scientific study at the Leibniz University Hannover. Answering this survey takes about 15 minutes and your responses are strictly anonymous.

We care about the quality of our data. In order for us to get the most accurate measures of your knowledge and opinions, it is important that you thoughtfully provide your best answers to each question in this survey. Do you commit to thoughtfully provide your best answers to each question in this survey?

1 Yes
2 No

1. (only wave 1) How old are you?
2. (only wave 1) What is your gender?

   1 Male

   2 Female

   3 Other
3. (only wave 1) In which of the German federal states do you live?

   1 Baden-Württemberg

   2 Bavaria

   3 Berlin

   4 Brandenburg

   5 Bremen

   6 Hamburg

   7 Saarland

   8 Mecklenburg-Vorpommern

   9 Niedersachsen

   10 Nordrhein-Westfalen

   11 Rheinland-Pfalz

   12 Saarland

   13 Sachsen

   14 Sachsen-Anhalt

   15 Schleswig-Holstein

   16 Thüringen
4. (only wave 1) Over the past 12 months, what was the total monthly income of <u>your household</u> on average? This refers to the total amount, comprising wages, salaries, income from self-employment and pensions, in each case after deducting tax and social security contributions. In this amount,

please include any income received through public aid, earnings from rents and leases, housing allowance, child benefits and any other sources of income.

1 Less than €500
2 €500 to €999
3 €1,000 to €1,499
4 €1,500 to €1,999
5 €2,000 to €2,499
6 €2,500 to €2,999
7 €3,000 to €3,499
8 €3,500 to €3,999
9 €4,000 to €4,999
10 €5,000 to €5,999
11 €6,000 to €7,999
12 €8,000 to €9,999
13 €10,000 or more
999 Don't know/no answer

5. (only wave 1) What is your highest educational attainment?

1 Still at school
2 Completed lower secondary school
3 Completed higher secondary school
4 Polytechnical secondary school certificate, 10th grade
5 University of applied sciences entrance diploma/completed technical school
6 General or subject-specific university entrance diploma/senior school-leaving certificate (from a grammar school)/East German secondary school up to 12th grade (also with apprenticeship)
7 Other school-leaving certificate
8 No school-leaving certificate (and currently not a student)

6. (only wave 1) Which of the following best describes your employment status?

1 In full-time employment (including apprenticeship)
2 In part-time employment (including phased retirement)
3 In casual or irregular employment (including paid internship and integration measures)
4 On maternity leave/parental leave/longer-term sick leave/other leave, Planning to return to work
5 Unemployed (officially registered)
6 At school, university or in an unpaid internship
7 Retiree or pensioner

8 Retired early or about to retire (including unfit for work or reduced ability to work)

9 Federal volunteer service/voluntary year

10 Homemaker

11 Other form of non-employment

7. (only wave 1) Does your household live in a rented property or an owner-occupied apartment or house?

   1 Rent and do not own any other home(s)

   2 Rent but own other home(s)

   3 Live in own apartment

   4 Live in own house

8. (only wave 1) How many people (including yourself) live in your household?
9. (waves 1 & 2) How often have news about the following topics come to your attention in the last month? Please select one answer for each row. (matrix question)

   1 Never

   2 Once

   3 Between 2 and 3 times

   4 Between 4 and 5 times

   5 More than 5 times

   999 Don't know

   a. inflation rate

   b. the monetary policy of the European Central Bank (ECB)

Literacy Treatment (only wave 1): Randomly assign each respondent to either 'Control group 1' or 'Treatment group'

Control group 1: Skip to question 10.

For Treatment group: Please look at the following information carefully before continuing with the survey.

Inflation is the percentage increase in the general price level. This means that 1 Euro buys less than it did 12 months ago. By contrast, a fall in general prices is called "deflation".

Inflation is usually measured using the index of consumer prices and comparing prices today with prices 12 months ago. The index of consumer prices measures prices of a basket of selected goods and services, such as rent, energy, food and drink, transport, health, education and durable goods like furniture, computers or household appliances.

High inflation has economic costs, for instance reducing the purchasing power of those with fixed incomes or savings. However, people with debt, for instance households with a mortgage, also benefit from inflation, since inflation reduces the value of their debt. Low and stable inflation is regarded as optimal for the economic development, since low inflation encourages investment, while keeping down the economic costs of inflation. Deflation is detrimental for economic development because with prices falling, there is an incentive to not consume or invest today, but rather wait to see if prices will fall further. This can cause a recession with rising unemployment.

Since Germany is part of the Euro area, its monetary policy is decided by the Eurosystem, consisting of the European Central Bank and the national central banks like the Bundesbank. The Eurosystem is responsible for keeping prices stable throughout the Euro area over the medium term. This means that average inflation over a period of 1-3 years should be low and stable. The Eurosystem can achieve this by setting interest rates and/or by buying securities from banks.

Now we would like to ask you a few general questions about inflation and monetary policy. Please answer all questions according to your current knowledge.

10. (waves 1 & 2) The rate of inflation in an economy is best described as the percentage increase in the
    1 overall price level of goods and services.
    2 overall level of money wages.
    3 the long-term interest rate.
    4 prices of stocks
    999 Don't know
11. (waves 1 & 2) The primary purpose of the monetary policy of the European Central Banks (ECB) today is to
    1 Stabilize the price level of goods and services.
    2 Stabilize the price of corporate stocks.
    3 Keep interest rates low and steady.
    4 Reduce national debt.
    999 Don't know
12. (waves 1 & 2) Which of the following is a tool of monetary policy?
    1 Raising and lowering income taxes
    2 Increasing and decreasing unemployment benefits
    3 Raising and lowering interest rates
    4 Increasing and decreasing government spending
    999 Don't know
13. (waves 1 & 2) Which of the following measures is most likely to lead to lower inflation?
    1 Raising the short-term interest rate.
    2 Lowering the short-term interest rate.
    3 Lowering income taxes.
    4 Raising the level of government spending.
    999 Don't know
14. (only wave 1) Imagine you have 100€ in a bank account. Your money earns 10% interest per year. How many dollars are in your account after two years?
    1 Exactly 110€
    2 Exactly 120€
    3 Exactly 200€
    4 Slightly more than 120€
    999 Don't know

15. (waves 1 & 2) Suppose that in the year 2023, your net income (after taxes) has doubled and the prices of all goods have doubled as well. In 2023, how much will you be able to buy with your income?

    1 More than you can buy today.

    2 The same as you can buy today.

    3 Less than you can buy today.

    4 It cannot be determined from the information given.

    999 Don't know

16. (only wave 1) Do you agree with the following statement: "The investment in the stock of a single company is less risky than investing in a fund with stocks in similar companies"?

    1 I agree

    2 I do not agree

    999 Don't know

Next, we would like to ask your opinions about current and expected inflation.

17. (only wave 1) We would like to ask you about the rate of inflation/deflation in the last 12 months (Note: inflation is the percentage rise in overall prices in the economy, most commonly measured by the Consumer Price Index and deflation corresponds to when prices are falling). Please enter a number in the box below.
    If you prices did not change in the last 12 months, please enter a "0".
    If you think there was deflation, enter a negative value.
    If you think there was inflation, enter a positive value.

    Over the last 12 months, the rate of inflation/deflation was _____percent (one decimal allowed).

    999 Don't know

18. (waves 1 & 2) What do you think the rate of inflation or deflation will be over the next 12 months? Please enter a number in the box below.
    If you prices will not change in the next 12 months, please enter a "0".
    If you think there will be deflation, enter a negative value.
    If you think there will be inflation, enter a positive value.
    Over the next 12 months, I expect the rate of inflation/deflation to be _____percent (one decimal allowed).

    999 Don't know

19. (waves 1 & 2) What do you think the rate of inflation or deflation will be on average over the next 3 years? Please enter a number in the box below.

    If you think prices will not change over the next 3 years, please enter a "0".

    If you think there will be deflation, enter a negative value.

    If you think there will be inflation, enter a positive value.

    Over the next 3 years, I expect the average rate of inflation/deflation to be _____percent.

    999 Don't know

20. (waves 1 & 2) What is your best guess about the annual inflation rate that the ECB tries to achieve on average over the medium run (about 1-3 years)? (Please use a percentage between -100 and 100)
    _____ % per year

    999 Don't know

Quantitative Treatments (only wave 1): Randomly assign each respondent to either 'Control group 2' or one of the 'Treatment groups 1-4'

Control group 2: Skip to question 21

For Treatment Groups 1-4: Please look at the following information carefully before continuing with the survey.

Treatment group 1: Since its strategy review enacted in July 2021, the European Central Bank (ECB) is committed to setting its monetary policy to ensure that inflation stabilizes at its 2% target in the medium term. This target is symmetric, meaning that the ECB considers negative and positive deviations from this target as equally undesirable.

Treatment group 2: Since its strategy review enacted in July 2021, the European Central Bank (ECB) is committed to setting its monetary policy to ensure that inflation stabilizes at its 2% target in the medium term. This target is symmetric, meaning that the ECB considers negative and positive deviations from this target as equally undesirable.

In addition, the ECB is now committed to accounting for the effect of climate change on the stability of the financial system.

Treatment group 3: The inflation rate in Germany, measured as the year-on-year change in the consumer price index, was measured at +4.9% in January 2022. Since 1994, inflation rates across German federal states have been very close to each other.

Treatment group 4: The inflation rate in Germany, measured as the year-on-year change in the consumer price index, was measured at +4.9% in January 2022. The Bundesbank inflation projections, published in December 2021, forecast average inflation in Germany at 3.6% in 2022, 2.2% in 2023 and 2.2% in 2024.

21. (only wave 1) Now we would like to ask you about the rate of inflation/deflation you expect in February 2022 compared with February 2021.

In this question, you will be asked about the percent chance of something happening. The percent chance must be a number between 0 and 100 and the sum of your answers must add up to 100. What do you think is the percent chance that, in February 2022…

1 the rate of deflation (opposite of inflation) will be -12% or less _____

2 the rate of deflation (opposite of inflation) will be between -8% and -12% _____

3 the rate of deflation (opposite of inflation) will be between -4% and -8% _____

4 the rate of deflation (opposite of inflation) will be between -2% and -4% _____

5 the rate of deflation (opposite of inflation) will be between 0% and -2% _____

6 the rate of inflation will be between 0% and 2% _____

7 the rate of inflation will be between 2% and 4% _____

8 the rate of inflation will be between 4% and 8% _____

9 the rate of inflation will be between 8% and 12% _____

10 the rate of inflation will be 12% or more _____

% Total _____

999 Don't know

22. (waves 1 & 2) Now we would like to ask you about the rate of inflation/deflation you expect in the next 12 months. In this question, you will be asked about the percent chance of something happening. The percent chance must be a number between 0 and 100 and the sum of your answers must add up to 100. What do you think is the percent chance that, over the next 12 months…

1 the rate of deflation (opposite of inflation) will be -12% or less _____

2 the rate of deflation (opposite of inflation) will be between -8% and -12% _____

3 the rate of deflation (opposite of inflation) will be between -4% and -8% _____

4 the rate of deflation (opposite of inflation) will be between -2% and -4% _____

5 the rate of deflation (opposite of inflation) will be between 0% and -2% _____

6 the rate of inflation will be between 0% and 2% _____

7 the rate of inflation will be between 2% and 4% _____

8 the rate of inflation will be between 4% and 8% _____

9 the rate of inflation will be between 8% and 12% _____

10 the rate of inflation will be 12% or more _____

% Total _____

999 Don't know

23. (waves 1 & 2) Now we would like to ask you about the rate of inflation/deflation you expect in the next 3 years.

    In this question, you will be asked about the percent chance of something happening. The percent chance must be a number between 0 and 100 and the sum of your answers must add up to 100.

    What do you think is the percent chance that, over the next 3 years…

    1 the rate of deflation (opposite of inflation) will be -12% or less _____

    2 the rate of deflation (opposite of inflation) will be between -8% and -12% _____

    3 the rate of deflation (opposite of inflation) will be between -4% and -8% _____

    4 the rate of deflation (opposite of inflation) will be between -2% and -4% _____

    5 the rate of deflation (opposite of inflation) will be between 0% and -2% _____

    6 the rate of inflation will be between 0% and 2% _____

    7 the rate of inflation will be between 2% and 4% _____

    8 the rate of inflation will be between 4% and 8% _____

    9 the rate of inflation will be between 8% and 12% _____

    10 the rate of inflation will be 12% or more _____

    % Total _____

    999 Don't know

24. (waves 1 & 2) How much do you trust the European Central Bank (ECB)? Please indicate your level of trust on a scale from 0 to 10, where 0 means you cannot trust at all and 10 means that you fully trust.

    999 Don't know

25. (waves 1 & 2) How much do you trust the Bundesbank? Please indicate your level of trust on a scale from 0 to 10, where 0 means you cannot trust at all and 10 means that you fully trust.

    999 Don't know

    Thank you very much for your participation in this survey!