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FRAMING EFFECT AND THE RELATIONSHIP BETWEEN FEELINGS, ECONOMIC EXPECTATIONS AND RISK PERCEPTIONS

Abstract:

This study examines the impact of the framing effect on the relationships between natural feelings and economic expectations and between natural feelings and risk perceptions. Respondents estimated their levels of negative and positive feelings, their expectations for improvement in their economic status in the future and their personal risk perceptions with respect to various events. Two versions of the questionnaire (positive and negative) were administered to two groups of participants. The results suggest that risk perceptions were more optimistic on the negative version than on the positive version of the questionnaire. Yet, items regarding economic expectations were more optimistic on the positive version. The results also show that higher levels of negative feelings correlate with pessimistic economic expectations and pessimistic risk perceptions on the negative version of the questionnaire but not on the positive version. We conclude that the relationships between natural feelings and economic expectations and between natural feelings and risk perceptions depend on how the risky items and the economic expectations items are framed.

Keywords:

Framing effect, feelings, economic expectations, risk perception

JEL Classification: A14, A10