Abstract

We show that individuals’ macroeconomic expectations are influenced by their socioeconomic status (SES). People with higher income or higher education are more optimistic about future macroeconomic developments, including business conditions, the national unemployment rate, and stock market returns. The spread in beliefs between high- and low-SES individuals diminishes significantly during recessions. A comparison with professional forecasters and historical data reveals that the beliefs wedge reflects excessive pessimism on the part of low-SES individuals. SES-driven expectations help explain why higher-SES individuals are more inclined to invest in the stock market and more likely to consider purchasing homes, durable goods, or cars.