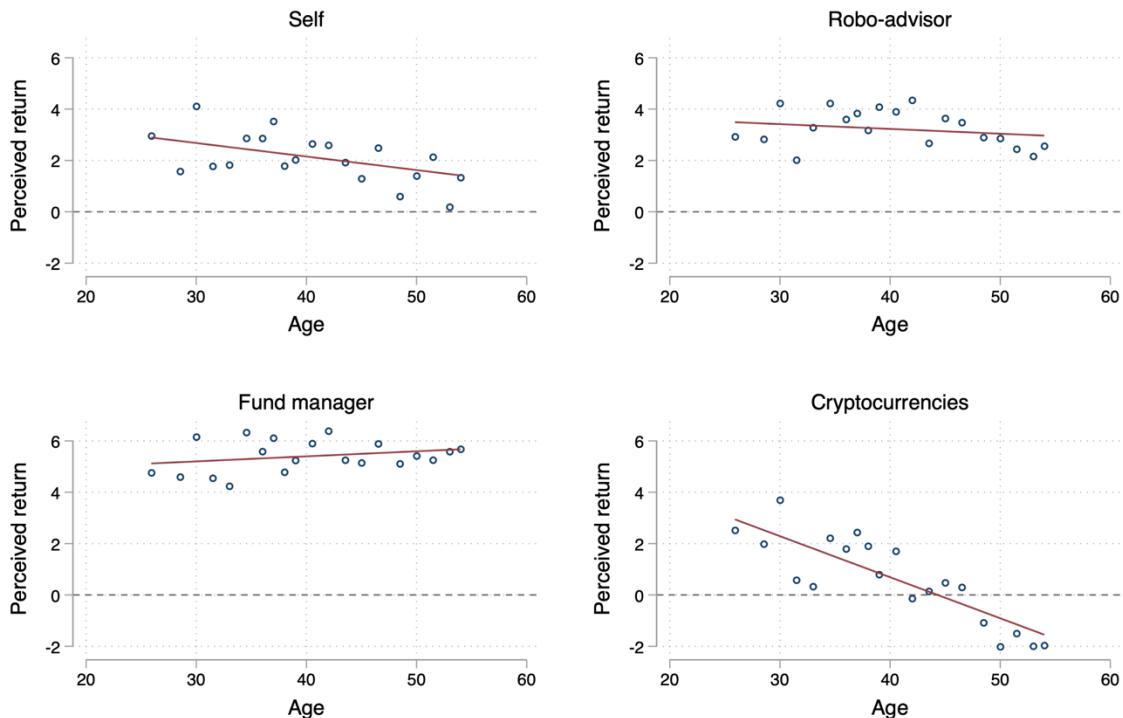


Progress report on “How do people perceive the effect of algorithms and automation on returns to stocks and cryptocurrencies?”

The first wave of data collection has been completed. I collected data from more than 7,000 respondents in the US representative of the labor force aged 25-54. Respondents were asked about their perceived returns to difference forms of investments within the next year.

In Figure 1 we can see a binned scatter plot of the perceived returns in percentage points with the corresponding regression line by age. The top left quadrant shows the perceived returns to respondents choosing stocks themselves, the top right to investments chosen by a robo-advisor, the bottom left to returns generated by a fund manager, and the bottom right to cryptocurrencies.

Figure 1: Average perceived returns to different forms of investment and assets by age of respondent



Several patterns emerge. First, perceived average returns are highest for investments chosen by professional fund managers, which are around 5% and only show a slightly increasing perceived return by age. Perceived returns to cryptocurrencies, however, on average are lower and show a strong negative gradient by age. Older respondents on average actually expect the returns to be negative.

Further I find that perceived returns are highly predictive of whether the respondent engages in the corresponding form of investment. In Table 1 I regress a binary variable of whether someone engages in a given form of investment on the corresponding perceived return. For choosing stocks themselves and investments in cryptocurrencies the elasticity is larger than one, i.e. a one percent increase in perceived returns increases the likelihood of

choosing stocks themselves or investments in cryptocurrencies by more than one percentage point.

Table 1: Predicting investment activity

	(1) Self	(2) Robo- advisor	(3) Fund- manager	(4) Crypto- currencies
Perceived return	1.311*** (.043)	.16*** (.035)	.213*** (.042)	1.21*** (.034)
Constant	.296*** (.005)	.131*** (.004)	.054*** (.005)	.247*** (.005)
Observations	7461	7453	7455	7373
R-squared	.11	.003	.004	.145

Standard errors are in parentheses

*** $p<.01$, ** $p<.05$, * $p<.1$

In the same survey I also collected extensive data about perceptions of automation. In future analysis I will aim to understand how this relates to perceived returns and investment activity.