

Knowledge, Fear and Beliefs: Household Demand for Socially Responsible Investments

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Broader Research Agenda

Understanding the Difference Between What We Know and What We Think We Know

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Understanding the Difference Between What We Know and What We Think We Know

- Anderson, A. and D.T. Robinson, "Environmental Literacy and Mutual Fund Choice," working paper, March 2019.
- Anderson, A. and D.T. Robinson, "Knowledge, Fear and Beliefs: Household Demand for Socially Responsible Investments," working paper, May 2018.
- Anderson, A. and D.T. Robinson, "Who Feels the Nudge? Knowledge, Self-Awareness and Retirement Savings Decisions," working paper, March 2017.
- Anderson, A., F. Baker and D.T. Robinson, "Precautionary Savings, Retirement Planning and Misperceptions of Financial Literacy" *Journal of Financial Economics*, 126(2): 383-398.

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From a Financial Advisor



ESG Investing: Putting your money where your heart is

In recent years, it has become increasingly apparent to many that, to be a force for good in the world, our investments should work to make the world as we would like it to be. As more people have come to share this mindset, the range of investment strategies and vehicles available to invest with environmental, social, and governance (ESG) goals has expanded tremendously. But the decision-making process has been complicated by the number of options available and the challenge of defining clear goals.

Research Question

Investing for impact as well as returns means that investors need to understand science as well as risk/return and the time value of money.

- How environmentally literate are most households?
- Are environmental literacy and financial literacy correlated?
- Do environmentally literate people behave differently? Believe differently?
- How does environmental and financial literacy shape investment preferences?

Related Literature

Goal is to extend an enormous and influential literature on financial literacy to incorporate green preferences

- ESG is mispriced?
 - ▶ Hong and Kacperczyk (2009), Edmans (2007), Hong, Li, Xu (2018)
- Preferences for ESG?
 - ▶ Barber, Morse and Yasuda (2018): excess demand for socially responsible investments.
 - ▶ Riedl and Smeets (2018): investors expect to pay higher fees and earn lower financial returns in ESG investments
- Information shocks affect demand for green investment?
 - ▶ Hartzmark and Sussman (2018): introducing ESG information into Morningstar affects aggregate mutual fund flows

Roadmap

- Background and Motivation
- Sampling Strategy/Survey Instrument
- The Environmental Literacy Test
- Results

Sampling Strategy

Survey 20,000 Swedes through Statistics Sweden

- Mailer contains instructions and a link to a website
- 4,117 respondents (20.59%)
- Survey contains 4 types of questions:
 - ▶ Financial Literacy Questions [▶ See Actual Test](#)
 - ★ Standard Lusardi/Mitchell HRS questions (the Big 5) modified to the Swedish context as in Anderson and Robinson (2018)
 - ★ Replace mortgage question with question built around “Rule of 72”
 - ▶ Environmental Literacy Questions
 - ★ A great deal more on this in just a few slides
 - ▶ Beliefs about the future—How likely are the following over the next 20 years:
 - ★ Sea levels will rise by 1 meter
 - ★ Global food shortages will occur
 - ★ Average temperatures will rise by 1 degree centigrade
 - ▶ Self assessments of current behaviors
 - ★ I recycle more/less than my neighbors

Measuring Self-Awareness

Environmental and financial literacy include ex post self-assessment

For the previous five multiple choice questions, you could have answered between zero and five correctly. We would like to know how many you think you got correct. Please assign a probability for each possible outcome below.

Enter whole numbers and total should add to 100.

	Total
Probability that I have all five correct	<input type="text" value="0"/> %
Probability that I have exactly four correct	<input type="text" value="0"/> %
Probability that I have exactly three correct	<input type="text" value="0"/> %
Probability that I have exactly two correct	<input type="text" value="0"/> %
Probability that I have exactly one correct	<input type="text" value="0"/> %
Probability that I have no correct answers	<input type="text" value="0"/> %
Don't know	<input type="checkbox"/>
Prefer not to answer	<input type="checkbox"/>
	Total: 0%

Sample Characteristics

	Sample Prop.	Pop. Prop.	Score	Fin Overest.	Score	Eco Overest	Higher Returns	Fees
Overall	100.00	100.00	3.12	-0.02	2.26	0.87	0.81	0.25
Pop. Wtd.	.	.	2.91	0.00	2.21	0.82	0.79	0.25
Gender								
Men	49.84	51.10	3.42	0.06	2.31	1.06	0.78	0.28
Women	51.55	48.90	2.83	-0.09	2.21	0.69	0.84	0.22
Age								
18-24	9.60	15.50	2.68	-0.27	2.31	0.26	0.76	0.24
25-34	15.05	22.90	3.03	-0.27	2.29	0.54	0.78	0.21
35-44	18.64	20.80	3.26	-0.06	2.33	0.85	0.81	0.24
45-54	25.38	22.00	3.25	-0.00	2.24	1.00	0.82	0.25
55-65	32.71	18.90	3.13	0.18	2.19	1.12	0.82	0.26
Income								
0-111	15.07	25.00	2.70	-0.10	2.29	0.51	0.78	0.24
111-287	32.71	24.90	2.81	0.00	2.23	0.78	0.81	0.22
287-399	29.07	25.20	3.16	-0.02	2.21	0.99	0.82	0.25
399+	23.92	25.00	3.78	-0.00	2.33	1.09	0.80	0.29
Education								
Some school	9.85	17.40	2.55	0.01	2.18	0.66	0.76	0.25
High school	37.85	44.00	2.82	0.06	2.16	0.92	0.81	0.24
College	52.46	38.60	3.47	-0.09	2.35	0.87	0.81	0.25
Studied Env/Bio	1.83	.	3.59	0.17	2.63	1.08	0.80	0.17
Studied Econ/Bus	9.92	.	3.50	-0.05	2.14	0.85	0.82	0.29

Roadmap

- Motivation
- Sampling Strategy/Survey Instrument
- The Environmental Literacy Test
- Results

Developing an Environmental Literacy Test

To put environmental and financial literacy on an equal footing, we developed a five-question test of environmental literacy

- A mix of easy and more difficult questions
- Test knowledge relevant to household decision-making about environmental choices
 - ▶ Three questions oriented towards biology/food systems
 - ▶ Two with an energy focus
- Some rough summary stats
 - ▶ Mean score: 2.26
 - ▶ Low Cronbach's alpha
 - ▶ Many fewer "Don't Know/Refuse to Say" than with the standard financial literacy test

A low-energy (CFL or LED) lightbulb costs more than a regular lightbulb but uses less energy. About how long does one last?

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- About 100 times as long as a regular lightbulb
- Don't know/Prefer not to say

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A low-energy (CFL or LED) lightbulb costs more than a regular lightbulb but uses less energy. About how long does one last?

- About the same as a regular lightbulb (78, 1.9%)
- About 10 times as long as a regular lightbulb (1,773, 42.5%)
- About 100 times as long as a regular lightbulb (1,737, 41.6%)
- Don't know/Prefer not to say (586, 14%)

The ozone layer filters what harmful substance?

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- Acid rain
- UV radiation
- Sewage
- The Greenhouse Effect
- Don't know/Prefer not to say

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The ozone layer filters what harmful substance?

- Acid rain (28, 1.0%)
- UV radiation (3,599, 86.0%)
- Sewage (63, 1.5%)
- The Greenhouse Effect (202, 4.8%)
- Don't know/Prefer not to say (282, 6.8%)

According to the UN, around 30% of the world's food is wasted each year. When does this occur?

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- Most food is wasted before it reaches the supermarket
- Most food is discarded at the supermarket before it is sold
- Most food is wasted after it is purchased from the supermarket
- Don't know/Prefer not to say

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According to the UN, around 30% of the world's food is wasted each year. When does this occur?

- Most food is wasted before it reaches the supermarket (462, 11.1%)
- Most food is discarded at the supermarket before it is sold (754, 18.1%)
- Most food is wasted after it is purchased from the supermarket (2,593, 62.1%)
- Don't know/Prefer not to say (365, 8.7%)

Does the world spend more energy on heating homes or cooling them?

Does the world spend more energy on heating homes or cooling them?

- More energy on heating
- More energy on cooling
- About the same amount on both
- Don't know / Prefer not to say

Does the world spend more energy on heating homes or cooling them?

- More energy on heating
- More energy on cooling
- About the same amount on both
- Don't know / Prefer not to say

Does the world spend more energy on heating homes or cooling them?

- More energy on heating (1,164, 27.9%)
- More energy on cooling (1,665, 39.9%)
- About the same amount on both (589, 14.1%)
- Don't know / Prefer not to say (756, 18.1%)

Why don't polar bears eat penguins?

Why don't polar bears eat penguins?

- They have both been driven out of their natural environment
- Polar bears do not eat meat
- Penguins are only active when polar bears hibernate
- None of the above
- Don't know/Prefer not to say

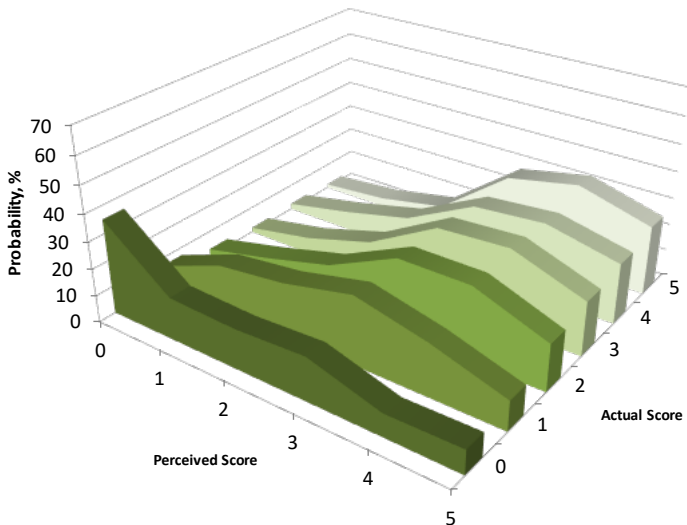
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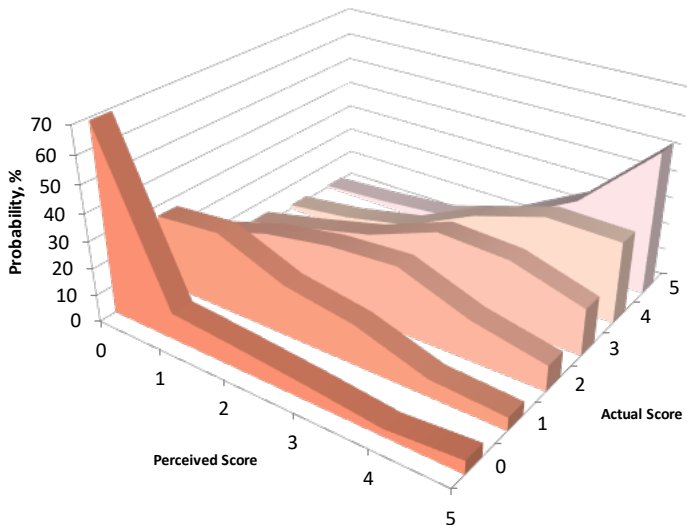
Why don't polar bears eat penguins?

- They have both been driven out of their natural environment (474, 11.4%)
- Polar bears do not eat meat (92, 2.2%)
- Penguins are only active when polar bears hibernate (145, 3.5%)
- None of the above (2,421, 58.0%)
- Don't know/Prefer not to say (1,042, 24.9%)

Distribution of environmental literacy beliefs across scores



Distribution of financial literacy beliefs across scores



Correlations in Financial and Environmental Literacy

This table presents the correlations between environmental and financial literacy, both in terms of the actual scores recorded as well as the average score computed over the subjective distributions of outcomes as reported by the respondents.

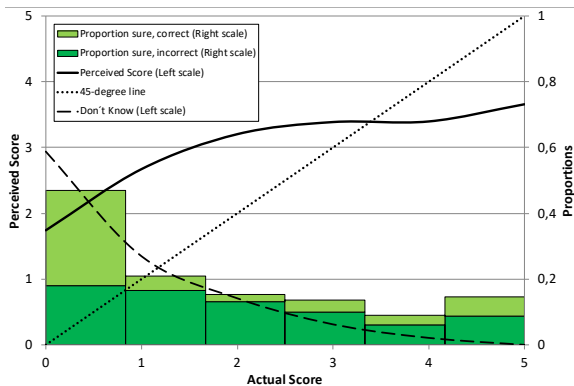
Literacy Score:	(1)	(2)	(3)	(4)
(1) Environmental Literacy (actual)	1.00	0.30	0.21	0.18
(2) Environmental Literacy (subjective)	-	1.00	0.31	0.59
(3) Financial Literacy (actual)	-	-	1.00	0.61
(4) Financial Literacy (subjective)	-	-	-	1.00

Gauging Interest

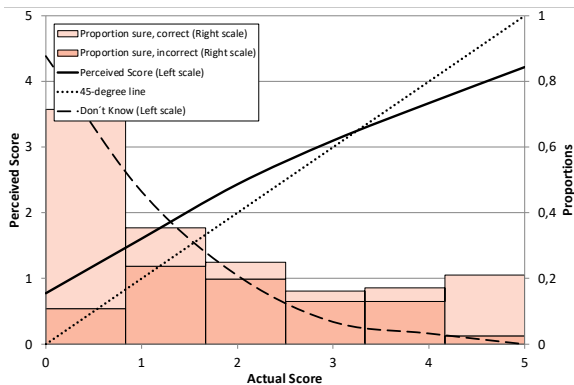
I find (Environmental vs. Financial) matters interesting:

	Environmental	Financial
Strongly agree	35%	21%
Agree	42%	38%
Neither Agree or Disagree	15%	22%
Disagree	4%	11%
Strongly disagree	1%	5%
Don't know	2%	2%

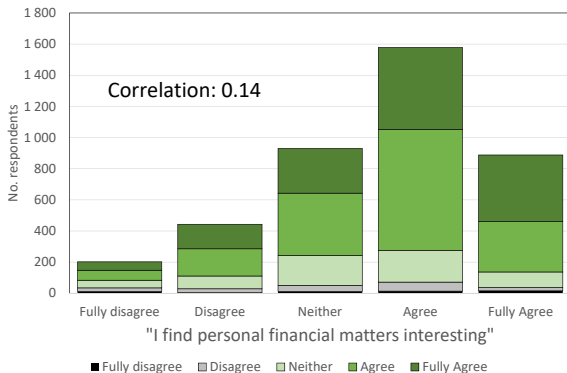
Actual vs. Perceived Environmental Literacy



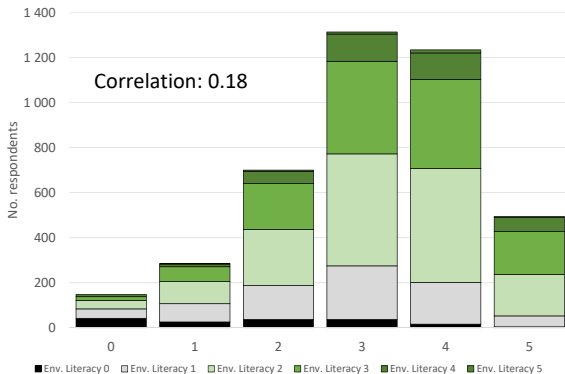
Actual vs. Perceived Financial Literacy



Interest in Environmental and Financial Matters



Environmental and Financial Literacy



Regression Analysis

VARIABLES	(1) Q2	(2) Q3	(3) Q5	(4) Q1	(5) Q4	(6) Bio 3	(7) Score	(8) OC	(9) DK
Log Income	0.044*** (0.008)	-0.003 (0.007)	0.010 (0.011)	0.017 (0.011)	-0.029*** (0.010)	0.057*** (0.021)	0.043* (0.023)	0.005 (0.026)	-0.065*** (0.024)
Age	0.008* (0.005)	-0.024*** (0.004)	0.006 (0.007)	-0.000 (0.007)	-0.010 (0.006)	-0.011 (0.010)	-0.021 (0.014)	0.168*** (0.017)	-0.040*** (0.014)
Female	-0.025** (0.010)	0.007 (0.010)	-0.085*** (0.015)	-0.018 (0.015)	0.022 (0.014)	-0.101*** (0.023)	-0.096*** (0.031)	-0.366*** (0.038)	0.237*** (0.032)
Married	-0.031** (0.013)	0.010 (0.012)	-0.042** (0.019)	-0.015 (0.019)	0.006 (0.017)	-0.066** (0.028)	-0.075** (0.038)	0.120** (0.048)	0.003 (0.039)
Urban	0.036*** (0.012)	0.010 (0.012)	0.044** (0.018)	0.004 (0.018)	-0.013 (0.017)	0.092*** (0.027)	0.082** (0.037)	-0.061 (0.045)	-0.041 (0.037)
University	0.094*** (0.026)	-0.057** (0.025)	0.129** (0.055)	-0.017 (0.056)	-0.068 (0.048)	0.138** (0.062)	0.059 (0.105)	0.001 (0.124)	-0.132 (0.091)
Env/Bio Student	0.101*** (0.022)	0.103** (0.050)	0.242*** (0.047)	0.044 (0.060)	-0.127*** (0.043)	0.424*** (0.076)	0.343*** (0.105)	0.246** (0.121)	-0.367*** (0.085)
ECON Student	0.004 (0.018)	-0.019 (0.015)	-0.048* (0.026)	-0.018 (0.026)	-0.031 (0.023)	-0.065* (0.038)	-0.114** (0.052)	-0.053 (0.066)	0.057 (0.057)
R ² / Pseudo R ²	0.0239	0.0202	0.0136	0.000881	0.00610	0.021	0.011	0.068	0.023

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

The Demographics of Financial Literacy Scores

VARIABLES	(1) Q1	(2) Q2	(3) Q3	(4) Q4	(5) Q5	(6) Big 3	(7) Score	(8) OC	(9) DK
Log Income	0.024*** (0.006)	0.035*** (0.009)	0.058*** (0.010)	0.059*** (0.014)	0.055*** (0.011)	0.126*** (0.022)	0.234*** (0.033)	-0.082*** (0.026)	-0.159*** (0.030)
Age	0.002 (0.004)	0.043*** (0.006)	0.012** (0.005)	-0.020*** (0.007)	-0.007 (0.005)	0.061*** (0.011)	0.035** (0.016)	0.117*** (0.016)	-0.099*** (0.015)
Female	-0.039*** (0.009)	-0.143*** (0.013)	-0.079*** (0.012)	-0.217*** (0.015)	-0.122*** (0.012)	-0.257*** (0.024)	-0.593*** (0.036)	-0.149*** (0.035)	0.392*** (0.035)
Married	0.012 (0.011)	0.013 (0.017)	-0.008 (0.015)	0.021 (0.020)	0.029* (0.015)	0.009 (0.030)	0.059 (0.045)	0.059 (0.044)	-0.034 (0.042)
Urban	0.032*** (0.009)	0.085*** (0.014)	0.015 (0.014)	0.058*** (0.019)	0.103*** (0.016)	0.132*** (0.028)	0.289*** (0.043)	-0.076* (0.041)	-0.159*** (0.039)
University	0.068*** (0.020)	0.166*** (0.033)	0.064 (0.039)	0.184*** (0.058)	0.114** (0.053)	0.240*** (0.059)	0.534*** (0.121)	0.054 (0.117)	-0.207** (0.091)
ECO student	0.075*** (0.014)	0.167*** (0.026)	0.069* (0.036)	0.112* (0.062)	-0.014 (0.046)	0.289*** (0.052)	0.378*** (0.103)	0.208 (0.128)	-0.296*** (0.086)
ECON student	0.040*** (0.012)	0.061*** (0.020)	0.058*** (0.018)	0.136*** (0.026)	0.106*** (0.024)	0.154*** (0.036)	0.390*** (0.058)	-0.031 (0.056)	-0.189*** (0.052)
Constant						0.625** (0.282)	0.065 (0.434)	0.575* (0.341)	3.045*** (0.389)
Observations	4,117	4,117	4,117	4,117	4,117	4,117	4,117	4,117	4,117
R-squared						0.070	0.113	0.030	0.070
Pseudo R2	0.0319	0.0698	0.0328	0.0499	0.0531				

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Question about environmental risks

How likely are the following global scenarios to occur in the next 20 years?

1 "The average temperature on earth increases by more than 1 Centigrade."

- ▶ Very likely (39%)
- ▶ Likely (41%)
- ▶ Neither Likely or Unlikely (11%)
- ▶ Unlikely (4%)
- ▶ Very unlikely (2%)
- ▶ Don't know (3%)

2 "Food shortage increases."

- ▶ Very likely (25%)
- ▶ Likely (40%)
- ▶ Neither Likely or Unlikely (20%)
- ▶ Unlikely (11%)
- ▶ Very unlikely (3%)
- ▶ Don't know (2%)

3 "The sea level rises by more than one meter."

- ▶ Very likely (13%)
- ▶ Likely (34%)
- ▶ Neither Likely or Unlikely (20%)
- ▶ Unlikely (18%)
- ▶ Very unlikely (11%)
- ▶ Don't know (3%)

How likely are future environmental calamities?

	Temperature Rise		Food Shortage		Sealevel Rise	
	(1)	(2)	(3)	(4)	(5)	(6)
Env. Lit.	0.013** (0.006)	0.005 (0.007)	0.020*** (0.008)	0.012 (0.008)	-0.003 (0.008)	-0.006 (0.008)
Fin. Lit.	0.029*** (0.005)	0.028*** (0.007)	0.029*** (0.007)	0.028*** (0.008)	-0.014** (0.007)	-0.004 (0.008)
Perceived Env. Lit.		0.030*** (0.007)		0.032*** (0.009)		0.015 (0.009)
Perceived Fin. Lit.		-0.008 (0.007)		-0.008 (0.009)		-0.023*** (0.009)
Log Income	-0.001 (0.009)	-0.001 (0.009)	-0.025** (0.011)	-0.025** (0.011)	-0.015 (0.011)	-0.015 (0.011)
Age	-0.024*** (0.005)	-0.027*** (0.006)	-0.024*** (0.007)	-0.027*** (0.007)	-0.047*** (0.007)	-0.046*** (0.007)
Female	0.044*** (0.013)	0.051*** (0.013)	0.046*** (0.016)	0.054*** (0.016)	0.166*** (0.016)	0.162*** (0.016)
Married	-0.009 (0.015)	-0.010 (0.015)	0.029 (0.019)	0.028 (0.019)	-0.008 (0.020)	-0.007 (0.020)
Urban	0.024 (0.015)	0.026* (0.015)	0.023 (0.018)	0.025 (0.018)	0.045** (0.019)	0.047** (0.019)
University	0.036 (0.043)	0.039 (0.042)	0.009 (0.055)	0.014 (0.055)	-0.020 (0.058)	-0.012 (0.058)
Env/Bio Student	-0.100* (0.057)	-0.112* (0.058)	0.014 (0.058)	0.004 (0.059)	-0.065 (0.059)	-0.063 (0.060)
Econ Student	-0.055** (0.023)	-0.047** (0.023)	-0.049* (0.026)	-0.041 (0.026)	-0.028 (0.027)	-0.022 (0.027)
Pseudo R2	0.0202	0.0245	0.0108	0.0133	0.0388	0.0400

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

How much do you recycle?

"Which sentence best describes how much you recycle?" Potential answers are as follows:

- "A great deal more than my neighbors" (n=612, 15%)
- "Somewhat more than my neighbors," (n=1,174, 29%)
- "About the same as my neighbors," (n=1,941, 48%)
- "My neighbors recycle somewhat more than I do," (n=238, 6%)
- "My neighbors recycle a great deal more than I do," (n=60, 1%)

Better-than-Average Environmental Stewardship

	(1)	(2)	(3)	(4)	(5)	(6)
Fear				0.040*** (0.008)		0.038*** (0.008)
Env. Lit.	0.026*** (0.008)		0.019** (0.008)	0.019** (0.008)	0.010 (0.008)	0.009 (0.008)
Fin. Lit.		0.033*** (0.007)	0.029*** (0.007)	0.028*** (0.007)	0.026*** (0.008)	0.024*** (0.008)
Perceived Env. Lit.					0.038*** (0.009)	0.036*** (0.009)
Perceived Fin. Lit.					-0.006 (0.009)	-0.005 (0.009)
Log Income	0.010 (0.011)	0.004 (0.011)	0.004 (0.011)	0.005 (0.011)	0.004 (0.011)	0.005 (0.011)
Age	-0.008 (0.007)	-0.010 (0.007)	-0.010 (0.007)	-0.006 (0.007)	-0.014** (0.007)	-0.011 (0.007)
Female	0.045*** (0.016)	0.062*** (0.016)	0.062*** (0.016)	0.052*** (0.016)	0.072*** (0.016)	0.062*** (0.017)
Married	0.001 (0.019)	-0.003 (0.019)	-0.002 (0.019)	-0.002 (0.019)	-0.003 (0.019)	-0.004 (0.019)
Urban	0.019 (0.019)	0.012 (0.019)	0.011 (0.019)	0.008 (0.019)	0.013 (0.019)	0.010 (0.019)
University	0.095 (0.058)	0.079 (0.058)	0.080 (0.058)	0.080 (0.058)	0.084 (0.058)	0.083 (0.057)
Env/Bio Student	0.215*** (0.058)	0.212*** (0.058)	0.207*** (0.058)	0.214*** (0.058)	0.194*** (0.059)	0.201*** (0.059)
Econ Student	0.046* (0.026)	0.030 (0.026)	0.033 (0.027)	0.039 (0.027)	0.042 (0.027)	0.047* (0.027)
Pseudo R2	0.00834	0.0105	0.0116	0.0160	0.0151	0.0191

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Who's Willing to Make Green Investments?

- 1 "Environmental sustainable investments generate higher returns."
 - ▶ Strongly agree (14%)
 - ▶ Agree (30%)
 - ▶ Neither Agree or Disagree (37%)
 - ▶ Disagree (8%)
 - ▶ Strongly disagree (5%)
 - ▶ Don't know (6%)
- 2 "It is worth paying higher fees for a mutual fund that only make sustainable investments."
 - ▶ Strongly agree (9%)
 - ▶ Agree (32%)
 - ▶ Neither Agree or Disagree (31%)
 - ▶ Disagree (11%)
 - ▶ Strongly disagree (8%)
 - ▶ Don't know (7%)

Think that green investments outperform?

	(1)	(2)	(3)	(4)	(5)	(6)
Fear				0.109*** (0.008)		0.108*** (0.008)
Env. Lit.	0.016** (0.008)		0.013 (0.008)	0.010 (0.008)	0.005 (0.008)	0.004 (0.008)
Fin. Lit.		0.015** (0.007)	0.012* (0.007)	0.009 (0.007)	0.002 (0.008)	-0.003 (0.008)
Perceived Env. Lit.					0.025*** (0.009)	0.017* (0.009)
Perceived Fin. Lit.					0.010 (0.009)	0.015 (0.009)
Log Income	-0.014 (0.011)	-0.017 (0.011)	-0.017 (0.011)	-0.013 (0.011)	-0.017 (0.011)	-0.013 (0.011)
Age	0.008 (0.007)	0.008 (0.007)	0.008 (0.007)	0.018*** (0.007)	0.003 (0.007)	0.014** (0.007)
Female	0.093*** (0.015)	0.100*** (0.016)	0.100*** (0.016)	0.076*** (0.016)	0.112*** (0.016)	0.088*** (0.017)
Married	0.022 (0.019)	0.020 (0.019)	0.021 (0.019)	0.020 (0.020)	0.019 (0.019)	0.018 (0.020)
Urban	0.008 (0.019)	0.005 (0.019)	0.005 (0.019)	-0.004 (0.019)	0.006 (0.019)	-0.004 (0.019)
University	0.010 (0.057)	0.004 (0.057)	0.004 (0.057)	0.003 (0.058)	0.002 (0.057)	-0.001 (0.058)
Env/Bio Student	-0.086 (0.057)	-0.086 (0.057)	-0.089 (0.057)	-0.076 (0.059)	-0.102* (0.056)	-0.088 (0.058)
Econ Student	0.007 (0.026)	-0.000 (0.026)	0.002 (0.026)	0.016 (0.027)	0.006 (0.027)	0.018 (0.027)
Pseudo R2	0.00837	0.00849	0.00894	0.0407	0.0117	0.0429

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Pay higher fees for green investments?

	(1)	(2)	(3)	(4)	(5)	(6)
High return					0.225*** (0.015)	0.201*** (0.016)
Fear			0.087*** (0.008)			0.068*** (0.008)
Env. Lit.	0.030*** (0.008)	0.018** (0.008)	0.016** (0.008)	0.010 (0.008)	0.010 (0.008)	0.010 (0.008)
Fin. Lit.		0.056*** (0.007)	0.056*** (0.007)	0.042*** (0.008)	0.044*** (0.008)	0.042*** (0.008)
Perceived Env. Lit.				0.023** (0.009)	0.018** (0.009)	0.015 (0.009)
Perceived Fin. Lit.				0.019** (0.009)	0.017* (0.009)	0.021** (0.009)
Log Income	0.018 (0.011)	0.006 (0.011)	0.010 (0.012)	0.006 (0.011)	0.010 (0.012)	0.012 (0.012)
Age	-0.016** (0.007)	-0.018*** (0.007)	-0.011 (0.007)	-0.024*** (0.007)	-0.026*** (0.007)	-0.019*** (0.007)
Female	0.073*** (0.015)	0.105*** (0.016)	0.086*** (0.016)	0.120*** (0.016)	0.100*** (0.017)	0.087*** (0.017)
Married	0.008 (0.019)	0.004 (0.019)	0.003 (0.019)	0.000 (0.019)	-0.005 (0.020)	-0.005 (0.020)
Urban	0.081*** (0.019)	0.066*** (0.019)	0.060*** (0.019)	0.067*** (0.019)	0.069*** (0.019)	0.064*** (0.019)
University	0.086 (0.057)	0.057 (0.058)	0.056 (0.058)	0.053 (0.057)	0.052 (0.061)	0.051 (0.061)
Env/Bio Student	0.078 (0.060)	0.062 (0.060)	0.075 (0.062)	0.045 (0.060)	0.072 (0.061)	0.080 (0.062)
Econ Student	-0.018 (0.026)	-0.041 (0.026)	-0.032 (0.026)	-0.039 (0.026)	-0.043* (0.026)	-0.037 (0.026)
Pseudo R2	0.0135	0.0254	0.0463	0.0292	0.0665	0.0784

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

In Summary

Key Findings

- The average Swedish household gets a pretty low score on an environmental literacy designed to gauge the scientific basis for much of the popular discourse around climate change.
- The average Swedish household also thinks they do more than their neighbors to “do their part” towards a good environment.
- The correlation between financial literacy and environmental literacy is low.
- Many people hold beliefs about future environmental calamities that are well outside the scientific consensus worse case scenario.
- What people think they know about environmental and financial literacy is a far better gauge of their willingness to invest green than how much they actually know.
- Fears and beliefs are far more important than actual or perceived knowledge for predicting whether someone is a “green investor”

Five Modified Financial Literacy Questions

- 1 *Compounding.* Suppose you had \$100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow? Please select one.

 - ▶ **More than \$102 (91%)**
 - ▶ Exactly \$102 (2%)
 - ▶ Less than \$102 (3%)
 - ▶ Don't know (3%)
 - ▶ Prefer not to say (1%)
- 2 *Inflation.* Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account? Please select one.

 - ▶ More than today (5%)
 - ▶ **Less than today (76%)**
 - ▶ Exactly the same as today (4%)
 - ▶ Don't know (13%)
 - ▶ Prefer not to say (2%)
- 3 *Diversification.* Buying a single company's stock usually provides a safer return than a stock mutual fund. Please select one.

 - ▶ True (4%)
 - ▶ **False (76%)**
 - ▶ Don't know (19%)
 - ▶ Prefer not to say (1%)

- 4 *Saving*. Suppose you were given 10,000 as a gift and wanted to double the amount by saving the money ten years without having to touch it. What interest rate would you require to achieve this goal? Please select one.
- ▶ About 15% annual interest rate (6%)
 - ▶ About 10% annual interest rate (39%)
 - ▶ **About 7% annual interest rate (44%)**
 - ▶ Don't know (9%)
 - ▶ Prefer not to say (2%)
- 5 *Bond Pricing*. If interest rates fall, what should happen to bond prices? Please select one.
- ▶ **They will rise (17%)**
 - ▶ They will fall (20%)
 - ▶ They will stay the same (42%)
 - ▶ Don't know (19%)
 - ▶ Prefer not to say (2%)