Partisan Trust in the Federal Reserve *

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Abstract

This paper examines the perception of the public towards the Federal Reserve. Trust in the central bank depends on political partisanship, and is highest for respondents of the same party as the President. Independents tend to have the lowest trust, though in recent years, members of the opposition party have the lowest trust. Partisan effects are larger than other demographic differences in trust. However, controlling for central bank trust only slightly moderates the partisan gap in inflation expectations. We conduct a new survey-based information experiment before and after the Presidential inauguration in 2025 to study the reasons for partisan differences in trust and the effects of information about central bank independence on trust and expectations.

Keywords: Federal Reserve, trust, partisanship, inflation expectations
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1 Introduction

Political polarization and partisan animosity have been increasing in the United States in recent decades and especially in recent years (McConnell et al., 2017; Fasching et al., 2024). This trend may have important economic implications, as partisanship has become a major driver of consumer sentiment and expectations (Coibion et al., 2020; Mian et al., 2023; McCartney et al., 2024; Peterson and Iyengar, 2021; Gillitzer et al., 2021). Moreover, even institutions like the Federal Reserve, which are in some respects insulated from politics, face the risk that excessive politicization could undermine institutional credibility (Binder and Skinner, 2023). In this respect, the trend toward polarization may go hand in hand with the trend toward distrust of federal institutions (Deane, 2024).

In this paper, we document a partisan gap in trust in the Federal Reserve (or its Chair) in two pre-existing surveys: the Michigan Survey of Consumers and the Gallup Poll. Both surveys have asked questions about trust in the Fed in different years and when different parties held the presidency. And importantly, both have at least occasionally asked about party affiliation, trust in the Fed, and inflation expectations in the same survey.

First, we show that there has been a partisan gap in trust in the Federal Reserve since at least 2001. Respondents of the same party as the President have higher trust than respondents of the opposing party. However, in many years, Independents tend to have the lowest trust of all. The partisan effects on trust in the Fed are larger in more recent years, and larger than the effects of other demographic characteristics, such as gender, that have been previously shown to affect trust in central banks (Ehrmann et al., 2013; Hayo and Neuenkirch, 2014).

Next, given a documented link between central bank trust and economic expectations (Christelis et al., 2020; van der Cruijsen and Samarina, 2023; Nitoi and Pochea, 2024), we consider whether the partisan differences in trust can explain the large partisan gaps in economic expectations, including the striking fact that consumers of the same party as the President have lower inflation expectations. Partisanship differences in inflation expectations

are also larger than other demographic differences, and widened substantially starting in the COVID-19 era Binder et al. (2024).

We find that, although trust and inflation expectations are correlated, partisan differences in trust play at most a small role in accounting for partisan differences in expectations of inflation and other economic variables. This result could reflect a lack of knowledge among consumers about monetary policy and the Federal Reserve's role in price stability (Binder, 2017a; Binder and Rodrigue, 2018). Many consumers attribute inflation outcomes to other government policies, such as fiscal policy, or to corporate greed (Coibion et al., 2021; Stantcheva, 2024). Their inflation expectations may reflect the narratives about inflation on their preferred media sources, which may not always highlight the role of monetary policy (Binder, 2017b; Chahrour et al., 2024).

To better understand the relationships between political preferences, knowledge, trust, and expectations, we conduct a new online survey of consumers in early 2025. The two survey waves are launched shortly before and shortly after the inauguration of President Trump. We collect demographic information, inflation and other economic expectations, and self-reported knowledge of the Fed and satisfaction with Fed policies. Then, we randomize respondents into the control group or one of four treatment groups that are provided with different information about Fed appointments and independence. Treatments 1 and 2 both explain that Fed Governors are nominated by the President and must then be approved by a majority of the Senate. But Treatment 1 notes that the most recent Federal Reserve Chair was appointed by President Trump and then re-appointed by President Biden, while Treatment 2 instead notes that Senate approval has grown increasingly partisan. Treatments 3 and 4 concern speculation that President Trump might attempt to replace Chair Powell, but Treatment 4 emphasizes that Powell would resist such an attempt.

Following the information treatments, we re-solicit expectations and collect additional information about trust and beliefs about the Fed's independence. [RESULTS TO BE ADDED]

The most closely related paper to ours is by Kuang et al. (2024), who conducted a household survey in April 2024 (prior to the election of President Trump). They found that Republicans believed that the Fed favored Democrats, while Democrats believed that the Fed favored Republicans. Republicans reported that they would trust the Fed more, and Democrats less, if Trump were to win the election. They found, moreover, a large difference in perceptions of past inflation between respondents who believed the Fed was "in-group" (i.e., favoring their political party) versus "out-group."

2 Evidence from Pre-Existing Surveys

We first present results based on two publicly available survey datasets that include, at least occasionally, questions about political affiliation, inflation expectations and economic sentiment, and trust in the central bank: the Gallup Monthly Poll and the Michigan Survey of Consumers.

2.1 Gallup Survey Data

The Gallup Monthly Poll, by Gallup, Inc., includes about 1000 individuals per month. The survey always asks about respondents' political affiliation. Following Binder et al. (2024), we consider a respondent to be a Democrat if they respond that they are a Democrat or that they lean Democrat, and analogously for Republicans. Remaining respondents are Independent.

Gallup only asks about confidence in the Federal Reserve chair in April.[1] In particular, they are asked, "Please tell me how much confidence you have in Federal Reserve Chairman [name] to do or recommend the right thing for the economy." Response options include "a great deal," "a fair amount," "only a little," or "almost none." To study the relationship between partisanship and confidence in the Fed, we use the April surveys from 2001 to 2023.

[1]The Gallup survey in October asks a similar question about confidence in Federal Reserve Board but the data is only available for three years.

The survey also asks, nearly every year, whether the respondent believes that "economic conditions in this country, as a whole, are getting better or getting worse" and whether "your financial situation as a whole is getting better or getting worse." But questions about inflation and unemployment expectations were only included in the April Gallup Poll from 2002 to 2005 and in 2014. These questions are qualitative: respondents report whether, over the next six months, they expect inflation or unemployment to go up a lot, go up a little, remain the same, go down a little, or go down a lot. We exclude any participants who answer "Don't Know" which are 15% of total people surveyed.

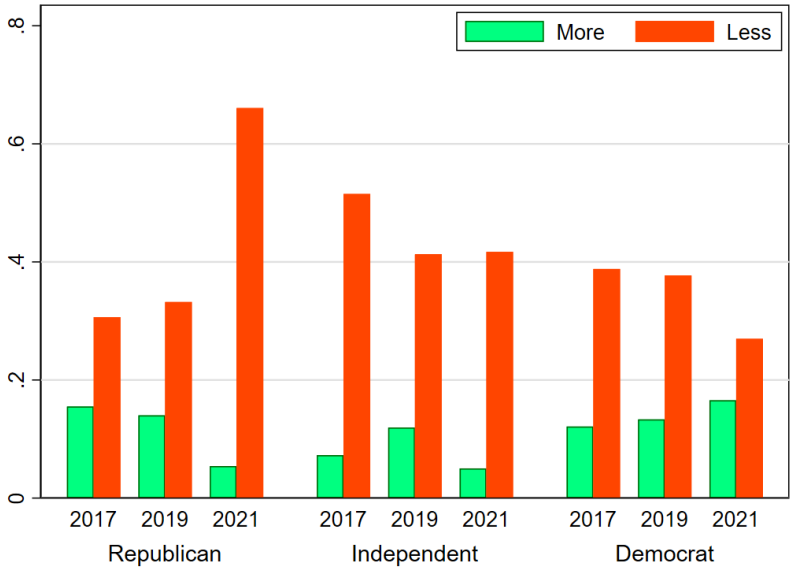
2.2 Michigan Survey Data

The Michigan Survey of Consumers is a widely-used national monthly survey of consumers. The survey regularly collects information about respondents' demographic characteristics and expectations. Since 2017, the survey always asks respondents for their political affiliation. (Prior to 2017, political affiliation was only solicited occasionally.) Partisan affiliation is defined just as in the Gallup data, but the questions about trust in the Fed and inflation expectations are different.

The question about the Fed asks, "Compared with five years ago, do you have a lot more confidence now, a little more confidence now, a little less confidence now, a lot less confidence now, or has your confidence in The Federal Reserve System remained about the same?" This question was included on the survey in November and December 2017, September and October 2019, and September and October 2021.

The Michigan Survey has the benefit of soliciting quantitative, rather than qualitative, inflation expectations. The question first asks, "During the next 12 months, do you think that prices in general will go up, or go down, or stay where they are now?" and then asks for the percent change that is expected. The question about unemployment expectations is qualitative: "How about people out of work during the coming 12 months — do you think that there will be more unemployment than now, about the same, or less?"

Figure 1: Partisanship and Trust in the Federal Reserve



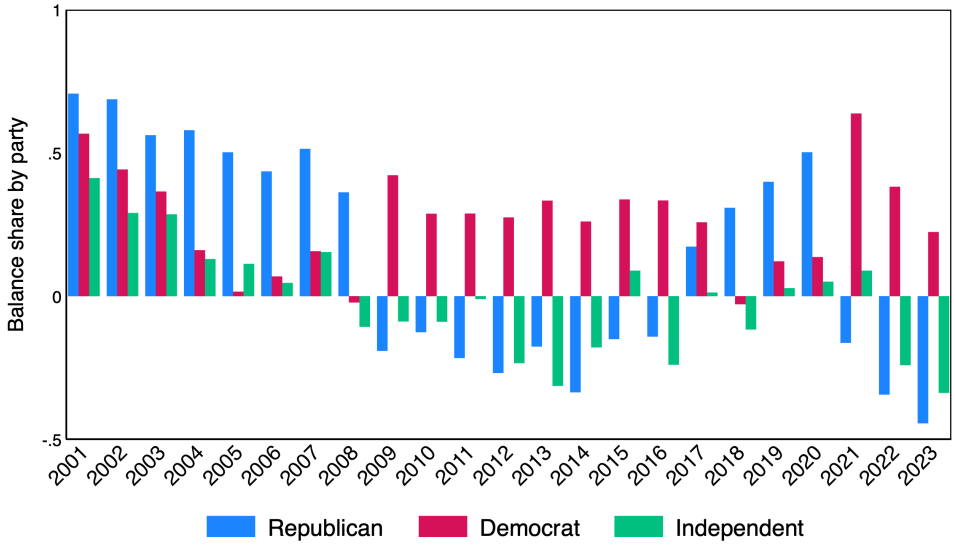
Notes: Figure shows the share of respondents, by political party and year, who report that their trust in the Federal Reserve is more or less than five years prior. Data from Michigan Survey of Consumers.

2.3 Partisan and Demographic Gaps in Trust

In both the Gallup and the Michigan Survey data, a partisan gap in trust in the Federal Reserve is visually apparent. Figure 2 plots a confidence balance statistic by party and time from the Gallup data. The balance statistic is the share of respondents who have "a great deal" or "a fair amount" of confidence, minus the share with "only a little" or "almost none."

Figure 1 plots the share of respondents or each political affiliation who report having more or less trust in the Federal Reserve compared to five years prior, for each of the three years that the question was asked. The pattern is qualitatively similar to that in the Gallup data. Regardless of political party, respondents are more likely to say that they have less trust than that they have more. During the first Trump administration, Democrats were less trusting than Republicans, and vice versa during the Biden administration, when Republicans expressed substantially reduced trust. Independents were even less trusting than Democrats during the Trump administration.

Figure 2: Partisanship and Trust in the Federal Reserve



Notes: Figure shows the balance statistic i.e. share of respondents who report having trust in the Federal Reserve minus those who report not having trust, by political party and year. Data from Gallup monthly polls.

To quantify the contribution of political affiliation to trust in the Fed, we regress a measure of trust of respondent i at time t ($Trust_{i,t}$) on dummy variables indicating that the respondent is of the same party as the President ($PresidentParty_{i,t}$) or of the opposite party ($OppositionParty_{i,t}$). Demographic controls include gender, age, and dummy variables indicating that the respondent has a college degree, has high income (top tercile), and has low income (bottom tercile).

Table 1 shows results from the Michigan Survey. In the first four columns, the dependent variable is a dummy variable indicating that the respondent has a lor or a little more confidence in the Fed than five years ago (columns 1 and 2) or a lot or a little less confidence (columns 3 and 4). Time fixed effects, in columns 2 and 4, make almost no difference to our coefficients of interest. We see that, relative to Independents, respondents of the same party as the President are about 6 percentage points more likely to say that they have more confidence in the Fed, and 15 percentage points more likely to say that they have less confidence.

There is no significant difference between Independents and members of the opposition party.

In columns 5 through 7, we use an ordered probit model, in which the dependent variable takes values from 1 (a lot less confidence) to 5 (a lot more confidence) (and "don't know" responses are dropped). Again, we see that respondents of the President's party have more confidence. The opposition party is slightly more confident than Independents, though the difference is not statistically significant. We also note that male, older, and higher-income consumers are more likely to report higher confidence, though effect sizes are much smaller. Column 7 includes a measure of confidence in other financial institutions. Analogous questions are asked about confidence in financial institutions, insurance companies, brokerage firms, and credit unions. Each of these is scored from 1 (a lot less confidence) to 5 (a lot more confidence) and the scores are summed together to create the "other confidence" measure. Confidence in the Fed is positively correlated with "other confidence", but controlling for confidence in other institutions only slightly reduces the coefficient on PresidentParty.

Table 2 presents analogous results using the Gallup data. Note that the magnitude of the coefficient estimates is not directly comparable between Table 1 and 2 because of the difference in wording of the trust or confidence questions. And recall that the Gallup results include a longer time sample. However, the results are qualitatively very similar: members of the President's party have substantially more confidence in the Federal Reserve, and this result is much larger than any demographic differences.

Table 1: Partisanship and Trust in the Federal Reserve (Michigan Survey)

	(1) More	(2) More	(3) Less	(4) Less	(5) oprobit	(6) oprobit	(7) oprobit
PresidentParty	0.063***	0.063***	-0.147***	-0.148***	0.406***	0.409***	0.335***
	(0.015)	(0.015)	(0.025)	(0.025)	(0.059)	(0.060)	(0.061)
OppositionParty	0.018	0.017	0.022	0.022	0.039	0.037	0.065
	(0.015)	(0.015)	(0.026)	(0.026)	(0.060)	(0.060)	(0.061)
Male	0.032***	0.031***	0.004	0.005	0.028	0.023	-0.052
	(0.011)	(0.011)	(0.017)	(0.017)	(0.037)	(0.037)	(0.039)
Age	0.001***	0.001***	-0.000	-0.000	0.002*	0.002*	0.001
	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)	(0.001)
College	0.003	0.003	0.015	0.016	0.020	0.019	0.040
	(0.012)	(0.012)	(0.018)	(0.017)	(0.040)	(0.040)	(0.042)
HighIncome	0.026**	0.026**	-0.065***	-0.065***	0.165***	0.163***	0.143***
	(0.013)	(0.013)	(0.019)	(0.019)	(0.042)	(0.042)	(0.043)
LowIncome	0.008	0.007	-0.011	-0.010	0.026	0.023	0.022
	(0.014)	(0.014)	(0.021)	(0.021)	(0.049)	(0.049)	(0.051)
OtherConfidence							0.187***
							(0.010)
Constant	0.007	0.009	0.485***	0.439***			
	(0.023)	(0.027)	(0.036)	(0.040)			
N	3614	3614	3614	3614	3553	3553	3371
(pseudo)-R^2	0.01	0.01	0.03	0.04	0.01	0.02	0.08
Time FEs	No	Yes	No	Yes	No	Yes	Yes

Notes: *** p< 0.01, ** p< 0.05, * p< 0.10. Robust SEs in parentheses. Columns 1 through 4 are linear probability models; dependent variable is a dummy variable indicating that the respondent has more confidence in the Fed than five years ago (1 and 2) or less (3 and 4). Columns 5 and 6 are ordered probit models; dependent variable takes values from 1 (a lot less) to 5 (a lot more).

Table 2: Partisanship and Trust in the Federal Reserve (Gallup Poll)

	High Confidence		Low Confidence		oprobit	
	(1)	(2)	(3)	(4)	(5)	(6)
PresidentParty	0.248***	0.238***	-0.151***	-0.146***	0.621***	0.617***
	(0.011)	(0.011)	(0.011)	(0.011)	(0.030)	(0.030)
OppositionParty	0.041***	0.034***	0.070***	0.073***	-0.002	-0.018
	(0.011)	(0.011)	(0.011)	(0.011)	(0.030)	(0.030)
Male	0.027***	0.037***	0.032***	0.025***	0.005	0.038**
	(0.006)	(0.006)	(0.006)	(0.006)	(0.016)	(0.016)
Age	0.000***	0.001***	-0.000	-0.001***	-0.000	0.002***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
College	0.102***	0.108***	-0.032***	-0.036***	0.209***	0.237***
	(0.007)	(0.007)	(0.007)	(0.006)	(0.017)	(0.017)
HighIncome	0.017*	0.060***	0.006	-0.027***	-0.013	0.122***
	(0.009)	(0.009)	(0.008)	(0.008)	(0.020)	(0.021)
LowIncome	-0.089***	-0.047***	0.039***	0.011	-0.214***	-0.104***
	(0.008)	(0.008)	(0.007)	(0.008)	(0.019)	(0.020)
N	23139	23139	23139	23139	19680	19680
(pseudo)-R^2	0.07	0.12	0.05	0.09	0.04	0.07
Time FEs	No	Yes	No	Yes	No	Yes

Notes: *** p< 0.01, ** p< 0.05, * p< 0.10. Robust SEs in parentheses. Columns 1 through 4 are linear probability models; dependent variable is a dummy variable indicating that the respondent has "a great deal" or "fair amount" of confidence in the Fed (1 and 2) or "only a little" to "almost none" (3 and 4). Columns 5 and 6 are ordered probit models; dependent variable takes values from 1 (almost none) to 4 (a great deal).

2.4 Changes in Partisan Gap Over Time

Since the Gallup data is available over a longer time period, from 2001 to 2023, we can use it to examine whether the partisan gap in trust has changed over time. We re-estimate the trust regressions for three different time periods: before the financial crisis (2001-2008), from the financial crisis through 2019, and from 2020 (the start of the COVID-19 pandemic) through the end of the sample.

As shown in Table 3, the relationship between partisanship and trust is fairly stable over time, with one exception. In both of the pre-COVID time periods, Independents had the lowest trust. Since 2020, members of the opposition party have the lowest trust, with independents in the middle.

Table 3: Partisanship and Trust in the Federal Reserve in Time Subsamples

	High Confidence			oprobit		
	(1)	(2)	(3)	(4)	(5)	(6)
	Yr$\leq$ 2008	2009 $-$ 2019	Yr$\geq$ 2020	Yr$\leq$ 2008	2009 $-$ 2019	Yr$\geq$ 2020
PresidentParty	0.227***	0.235***	0.256***	0.502***	0.676***	0.668***
	(0.019)	(0.015)	(0.029)	(0.052)	(0.043)	(0.076)
OppositionParty	0.072***	0.039***	-0.057**	0.044	0.023	-0.240***
	(0.019)	(0.015)	(0.028)	(0.052)	(0.043)	(0.075)
Male	0.064***	0.028***	0.015	0.147***	-0.022	0.020
	(0.010)	(0.009)	(0.015)	(0.026)	(0.023)	(0.037)
Age	0.001**	0.001***	0.001***	0.000	0.003***	0.004***
	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)	(0.001)
College	0.126***	0.103***	0.071***	0.257***	0.211***	0.209***
	(0.011)	(0.010)	(0.016)	(0.028)	(0.025)	(0.040)
HighIncome	0.039**	0.068***	0.087***	0.124***	0.125***	0.166***
	(0.016)	(0.012)	(0.018)	(0.041)	(0.030)	(0.045)
LowIncome	-0.097***	-0.032***	-0.014	-0.218***	-0.062**	-0.073
	(0.014)	(0.011)	(0.019)	(0.036)	(0.028)	(0.048)
N	8061	11157	3921	6961	9171	3548
(pseudo)-R^2	0.12	0.07	0.15	0.06	0.05	0.09
Time FEs	Yes	Yes	Yes	Yes	Yes	Yes

Notes: *** p< 0.01, ** p< 0.05, * p< 0.10. Robust SEs in parentheses. Columns 1 through 3 are linear probability models; dependent variable is a dummy variable indicating that the respondent has "a great deal" or "fair amount" of confidence in the Fed (1, 2, and 3). Columns 4, 5, and 6 are ordered probit models; dependent variable takes values from 1 (almost none) to 4 (a great deal).

President Trump notoriously began tweeting critically about the Federal Reserve and Chairman Powell in 2019. This could plausibly have reduced the partisan gap in trust by reducing Republican trust. However, in neither the Michigan nor Gallup data do we find evidence of a differential effect before and after these tweets during the first Trump presidency.

2.5 Partisanship, Trust, and Expectations

Next, we consider the relationship between trust and the Fed and economic expectations. In particular, we consider the extent to which partisan differences in trust can account for partisan differences in expectations. Binder et al. (2024) estimate regressions of the form:

$$Y_{i,t} = \beta_0 + \beta_1 PresidentParty_{i,t} + \beta_2 OppositionParty_{i,t} + \delta \mathbf{X_{i,t}} + \tau_t + \epsilon_{i,t} \tag{1}$$

where Y_{it} are economic expectations, $X_{i,t}$ is a vector of demographic controls, and τ_t is time fixed effects. We estimate the same specification using the Michigan or Gallup sample for which we also have available data on trust in the Federal Reserve. Then we re-estimate while controlling for trust. If partisan differences in trust are the channel by which party affiliation affects economic expectations, then the coefficients on $PresidentParty_{i,t}$ and $OppositionParty_{i,t}$ should shrink when we control for trust.

In the regressions in Table 4, the dependent variable is one-year-ahead inflation expectations. In the first column, which does not include controls for confidence in the Fed, the coefficients on PresidentParty and OppositionParty are negative and positive, respectively, and together imply that inflation expectations are about 2.3 percentage points lower for consumers of the President's party than those of the opposite party. Columns 2 and 3 show that this partisan gap is smaller in the 2017-2019 data (about 1.4 percentage points) and larger in the 2021 data (about 3.2 percentage points). These are consistent with the results of Binder et al. (2024), though we are using a more limited sample.

In columns 4 through 6, we include dummy variables indicating that the respondent has a little less confidence in the Fed, the same confidence, a little more, or much more (the omitted category is a lot less confidence). Looking at column 4, which includes the full sample period, the first point to note is that inflation expectations decline as respondents express greater confidence in the Fed. Compared to a respondent with a lot less confidence, a respondent with a lot more confidence has expectations that are 2.4 percentage points lower. The second point to note is that the partisan gap only slightly declines, to 2.1 percentage points instead of 2.3 percentage points. In column 5, which includes 2017 and 2019, the partisan gap does not shrink at all with the addition of the confidence controls. Comparing column 6 to column 3, we see that the inclusion of trust variables shrinks the partisan gap in inflation expectations down to 3 percentage points (from 4.2 percentage points). As a placebo test, we estimate similar regressions using dummy variables indicating confidence in credit unions in place of, or in addition to, the Fed confidence dummies. Coefficients on the credit union confidence dummies are not statistically significant.

Table 5 shows analogous regressions, in which the dependent variable is long-run (5- to 10-years ahead) inflation expectations. Similarly, long-run inflation expectations decrease with greater trust in the central bank. Controlling for trust barely affects the partisan gap in expectations. In 2021, the gap is 1.8 percentage points with the controls and 1.9 without.

Similar regressions with alternative dependent variables are in Appendix A. For example, Table A.1 shows that members of the President's party are more optimistic about unemployment. In 2021, this partisan gap narrows slightly when controlling for confidence in the Fed.

Table 5 shows analogous regressions, in which the dependent variable is long-run (5- to 10-years ahead) inflation expectations. Similarly, long-run inflation expectations decrease with greater trust in the central bank. Controlling for trust barely affects the partisan gap in expectations. In 2021, the gap is 1.8 percentage points with the controls and 1.9 without.

Table 4: Short-Run Inflation Expectations, Partisanship and Trust in the Federal Reserve (Michigan Survey)

	(1) All	(2) 2017-19	(3) 2021	(4) All	(5) 2017-19	(6) 2021
PresidentParty	-1.38***	-0.77***	-2.73***	-1.11***	-0.71***	-2.02***
	(0.24)	(0.22)	(0.59)	(0.24)	(0.22)	(0.56)
OppositionParty	0.92***	0.64***	1.44**	0.98***	0.71***	0.99*
	(0.25)	(0.22)	(0.63)	(0.25)	(0.22)	(0.60)
Little less				-1.38***	-0.75***	-1.91***
				(0.27)	(0.24)	(0.58)
Same conf.				-1.77***	-0.62***	-3.40***
				(0.25)	(0.23)	(0.54)
Little more				-2.01***	-0.71**	-3.85***
				(0.30)	(0.28)	(0.74)
Much more				-2.37***	-1.05***	-4.25***
				(0.47)	(0.36)	(1.25)
N	3298	2225	1073	3298	2225	1073
R^2	0.16	0.07	0.11	0.18	0.07	0.15

Notes: *** p< 0.01, ** p< 0.05, * p< 0.10. Data from Michigan Survey. All columns include time fixed effects and demographic controls.

Table 5: Long-Run Inflation Expectations, Partisanship and Trust in the Federal Reserve (Michigan Survey)

	(1) All	(2) 2017-19	(3) 2021	(4) All	(5) 2017-19	(6) 2021
PresidentParty	-0.83***	-0.40**	-1.73***	-0.72***	-0.38**	-1.41***
	(0.18)	(0.17)	(0.43)	(0.18)	(0.17)	(0.41)
OppositionParty	0.13	0.27	-0.18	0.15	0.30*	-0.38
	(0.19)	(0.17)	(0.45)	(0.19)	(0.18)	(0.45)
Little less				-0.67***	-0.42**	-0.88**
				(0.20)	(0.20)	(0.40)
Same conf.				-0.74***	-0.23	-1.53***
				(0.18)	(0.17)	(0.38)
Little more				-0.85***	-0.30	-1.71***
				(0.21)	(0.21)	(0.45)
Much more				-1.00***	-0.64**	-1.41**
				(0.28)	(0.27)	(0.65)
N	3291	2219	1072	3291	2219	1072
R^2	0.06	0.04	0.05	0.07	0.04	0.08

Notes: *** p< 0.01, ** p< 0.05, * p< 0.10. Data from Michigan Survey. All columns include time fixed effects and demographic controls.

Table 6: Inflation Up or Down, Partisanship and Trust in the Federal Reserve (Gallup Poll)

	(1) Increase	(2) Decrease	(3) oprobit	(4) Increase	(5) Decrease	(6) oprobit
PresidentParty	-0.111***	0.021	-0.399***	-0.113***	0.019	-0.326***
	(0.022)	(0.014)	(0.056)	(0.026)	(0.017)	(0.067)
OppositionParty	0.016	-0.007	-0.054	-0.014	-0.010	-0.052
	(0.022)	(0.013)	(0.057)	(0.026)	(0.017)	(0.068)
Only a little				-0.037	-0.019	-0.189***
				(0.025)	(0.017)	(0.073)
Fair amount				-0.072***	-0.027	-0.308***
				(0.024)	(0.017)	(0.069)
A great deal				-0.118***	-0.038**	-0.349***
				(0.027)	(0.018)	(0.072)
N	6040	6040	5869	4553	4553	4467
(pseudo)-R^2	0.05	0.02	0.03	0.07	0.02	0.03
Time FEs	Yes	Yes	Yes	Yes	Yes	Yes

Notes: *** p< 0.01, ** p< 0.05, * p< 0.10. Data from Gallup Monthly Poll in April. Inflation expectations questions were only asked in years 2002-2005 and 2014. Columns 1, 2, 4, and 5 are linear probability models; dependent variable is a dummy variable indicating that the respondent expects inflation to increase (1 and 4) or decrease (2 and 5). Columns 3 and 6 are ordered probit models; dependent variable takes values from 1 (decrease by lot) to 5 (increase by lot). All columns include time fixed effects and demographic controls.

Results using the Gallup data are in Table 6. Recall that the Gallup inflation expectations question is qualitative, asking whether inflation will go up a lot, go up a little, remain the same, go down a little, or go down a lot. In the first column, when the dependent variable is a dummy variable indicating that the respondent expects inflation to increase by a little or a lot, we find that members of the President's party are less likely to expect inflation to increase. In column 2, there is no partisan difference in likelihood of expecting inflation to decrease (which is a rare response). The ordered probit results in column 3 are again consistent with members of the President's party expecting lower inflation. In columns 4 through 6, which include controls for confidence in the Fed, the Gallup results are consistent with the Michigan results. Higher confidence is associated with lower inflation expectations, but the confidence controls do not notably reduce the coefficients on PresidentParty.

3 Design of New Survey

We conduct two waves of a new online survey on the platform Prolific in January 2025, the first on January 20, prior to the inauguration of President Trump, and the second shortly after inauguration. In total, 2500 respondents are surveyed, with approximately the same number in each wave. We require respondents to be at least 18 years old, and Prolific aims for a nationally-representative sample in terms of sex, age, political affiliation, and ethnicity.

3.1 Pre-Treatment Questions

After collecting demographic information, we solicit respondents' perceptions and expectations about their personal financial situation, as well as their expectations of inflation, unemployment, and interest rates. These questions use the same wording as the Federal Reserve Bank of New York's Survey of Consumer Expectations. In particular, the inflation expectations question first asks respondents whether they expect inflation or deflation over the next 12 months, and then asks, "What do you expect the rate of inflation/deflation to be over the next 12 months?"

We then ask respondents to rate their familiarity with the Federal Reserve, their satisfaction with the Fed's COVID response, and their satisfaction with the Fed's control of inflation over the past 3 years, all on a scale of 0 to 10. Summary statistics of the pre-treatment variables are in Appendix Table [TO BE ADDED].

3.2 Information Treatments

Respondents are randomly assigned into a control group or one of 4 treatment groups. The treatments are the following:

1. Members of the Board of Governors of the Federal Reserve System are nominated by the President and must then be approved by a majority of the Senate. The most recent

Federal Reserve Chair was appointed by President Trump and then re-appointed by President Biden.

2. Members of the Board of Governors of the Federal Reserve System are nominated by the President and must then be approved by a majority of the Senate. Recent nominations have been approved on increasingly partisan lines.

3. Members of the press have speculated that President Trump might try to replace Federal Reserve Chair Jerome Powell early in his presidency.

4. Members of the press have speculated that President Trump might try to replace Federal Reserve Chair Jerome Powell early in his presidency. Powell has stated that he would not resign if President Trump asked him to do so.

The first and second treatments both give the same information about the appointment process of Governors. But the first treatment provides an example of Presidents of different political parties reappointing the Fed Chair. In that respect, it highlights the Fed's political independence. The second, in contrast, highlights the potential for partisanship to influence appointments.

The third and fourth treatments both point to recent media speculation that President Trump might try to replace Chairman Powell, and therefore may cast doubts about Fed independence. They may, also, reduce the perception that the Fed Chair is politically aligned with the President. Only the fourth treatment includes Powell's statement that he would refuse to resign. This statement, made at a press conference shortly after the election, was heavily reported in the media, but whether it gave households any reassurance about Federal Reserve independence is unknown.[2]

[2]See https://www.nytimes.com/2024/11/07/us/politics/jerome-powell-trump-fed.html

3.3 Post-Treatment Questions

Following the information treatment, we ask two additional questions about the Federal Reserve. First, "How much do you trust the Federal Reserve in its ability to stabilize inflation?" Responses range from 0 (do not trust at all) to 10 (fully trust). Second, "Do you believe that the Federal Reserve (Fed) is independent of political interference?" Responses range from 0 (not at all independent) to 10 (fully independent). These questions are intended to allow us to test whether the information treatments affect trust and beliefs about independence.

Then, we re-solicit inflation expectations. Following Coibion et al. (2023) and others, we want to avoid asking respondents the exact same question twice, so we ask for density forecasts instead of point forecasts after the treatment. That is, we ask respondents for the percent chance that inflation in the next 12 months will fall into predesignated ranges.

To understand more about why respondents' political preferences and beliefs shape their inflation expectations, we also ask, "How do you expect the election results will influence the level of inflation?" They can choose "increase," "decrease," or "no impact," and can also provide an open-ended explanation of their response in a text box.

Finally, we ask respondents about their political affiliation, using the same wording as in the Michigan Survey. Also as in the Michigan Survey, we ask this question at the end, to avoid priming respondents to think about politics earlier in the survey.

4 Results from New Survey

4.1 Pre-Treatment Expectations, Trust, and Partisanship

Using the pre-treatment survey data, we estimate regressions of the form:

$$Y_i = \alpha + \gamma X_i + \epsilon_i, \tag{2}$$

where Y_i is a response to one of the questions about expectations or beliefs about the Fed, and X_i is a vector of variables including age, gender, race, ethnicity, employment status, political affiliation, education, income, and a post-inauguration dummy variable. In some specifications, we interact the post-inauguration dummy with political affiliation to test whether any partisan effects change once the new President takes office.

[RESULTS TO BE ADDED]

4.2 Effects of Information Treatments

We regress our post-treatment outcomes of interest on treatment group dummy variables, controls, and a post-inauguration dummy.

We also test whether the treatments have differential effects by political party and by survey wave.

[RESULTS TO BE ADDED]

5 Conclusion

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A Additional Tables and Figures

Table A.1: Unemployment Expectations, Partisanship and Trust in the Federal Reserve (Michigan Survey)

	(1) All	(2) 2017-19	(3) 2021	(4) All	(5) 2017-19	(6) 2021
PresidentParty	-0.730***	-0.783***	-0.623***	-0.673***	-0.748***	-0.496***
	(0.062)	(0.077)	(0.107)	(0.062)	(0.077)	(0.108)
OppositionParty	0.286***	0.320***	0.201*	0.299***	0.353***	0.131
	(0.061)	(0.075)	(0.108)	(0.061)	(0.075)	(0.108)
Little less				-0.269***	-0.183**	-0.417***
				(0.065)	(0.084)	(0.102)
Same conf.				-0.396***	-0.308***	-0.590***
				(0.057)	(0.074)	(0.092)
Little more				-0.520***	-0.380***	-0.884***
				(0.083)	(0.103)	(0.154)
Much more				-0.717***	-0.562***	-1.032***
				(0.128)	(0.160)	(0.226)
N	3529	2382	1147	3529	2382	1147
(pseudo)-R^2	0.09	0.11	0.07	0.10	0.11	0.09

Notes: *** p< 0.01, ** p< 0.05, * p< 0.10. Data from Michigan Survey. Ordered probit regressions in which dependent variable takes values 1 (expects less unemployment), 2 (expects unemployment to stay the same), or 3 (expects more unemployment). All columns include time fixed effects and demographic controls.