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Knowledgeable Partisans and Inflation Expectations

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Abstract

Using a nationally representative survey from the 2024 United States presidential election, we investigate the role knowledge plays in the difference between inflation expectations of Republicans and Democrats. Unconditionally, Republicans' average inflation forecast was nearly 3% higher than Democrats; they also reported higher inflation in the past year (3.5%) and higher expectations in the long run (2.0%). Conditioning on their beliefs about the future and their long-run forecasts reduces the pure partisan gap in inflation forecasts by 2/3rds. The gap between Democrats and Republicans is largest for partisans who are the most knowledgeable about politics. Greater numeracy appears to exacerbate the partisan gap, while greater economic knowledge mitigates it. The differential role of partisan and economic knowledge are consistent with a model where respondents' survey responses balance objective forecasts with affective motives.

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1 Introduction

The rate of CPI inflation fell from more than 7% in November 2022 to 2.7% in November 2024. Household inflation expectations followed suit, with the median 12-month forecast in the Michigan Survey of Consumers dropping from about 5% in November 2022 to 2.7% 2 years later. Despite the deceleration of prices, inflation remained an important political issue, perhaps driving the loss of Democratic control of the White House in the 2024 general election (Steinberg et al. (2024)). It was also an issue where partisans were *divided*. In the month of the 2022 Midterm elections, the median Republican's forecast for inflation was 6%, while the median Democrat's was 3%. Two years later, the median Republican forecast was 2% , while Democrats' forecasts were still 3%. In December 2024, the difference was even more stark, with Republicans forecasting *no* price change over the next year, and Democrats forecasting 5% inflation. As Figure 1 illustrates, the difference between the median Republican and Democrat forecasts tends to change sign coincident with elections that change the party controlling the White House.

Understanding the difference in partisans' inflation forecasts is important. Inflation expectations measured through surveys help predict realized inflation (Coibion and Gorodnichenko (2015)). Experimental evidence suggests that changes in expectations induce changes in household spending and firm behavior (Coibion et al. (2019, 2020)). Taken alongside the changes in inflation expectations summarized above, we would expect that Democrats' spending might plunge in the wake of the 2024 election, and Republicans' spending would soar. That would be consistent with the findings of Kamdar and Ray (2023) and Yi (2025), who both find that political event-induced swings in household sentiment influence spending. However, it is less consistent with Mian et al. (2023), who document a change in expectations, but not spending, after the 2008 and 2016 presidential elections. On the other hand, it is plausible that the partisan gap in inflation expectations is essentially driven by inflation surveys being treated as solicitations of opinion by partisans (Prior et al. (2015)). This would imply *true* inflation expectations do not vary systematically across partisans,

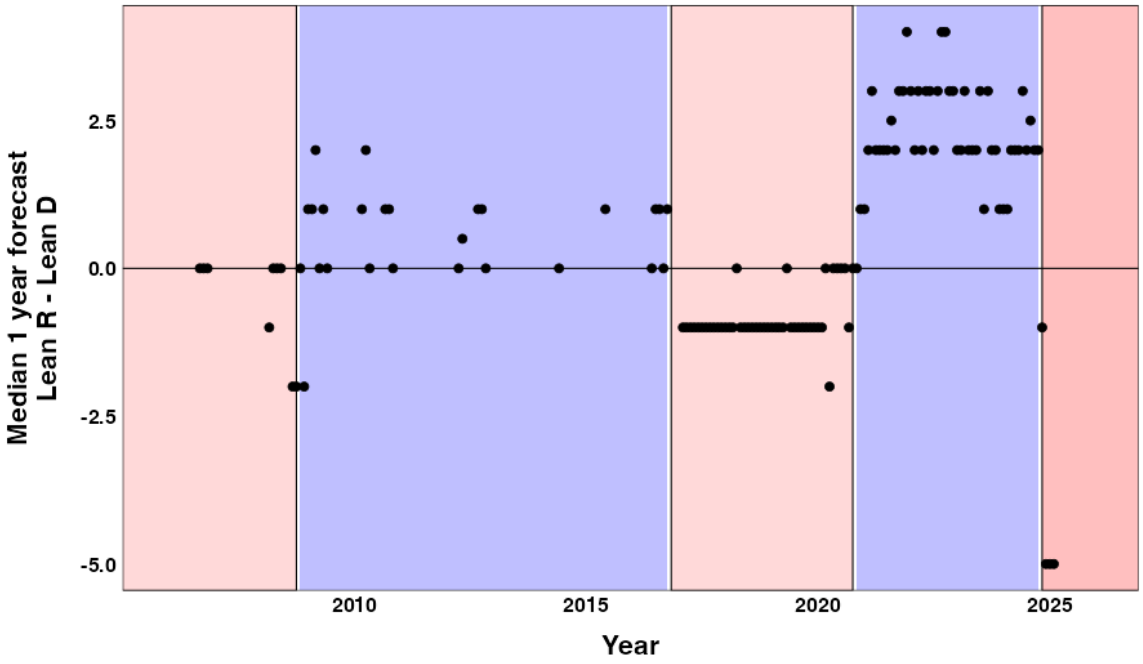


Figure 1: Difference between 12 month ahead forecast for inflation of median Republican and median Democrat in Michigan Survey of Consumers. Shading indicates party in control of White House from election to election (e.g., for the Obama administration, the box begins at November 2008 and extends to November 2016).

or at least do not vary as much as the raw responses would suggest; rather, responses to surveys reflect some degree of (conscious or unconscious) "partisan cheerleading." More broadly, understanding how partisans form inflation expectations is related to the question of whether partisans' inflation expectations are differentially anchored (DiGiuseppe et al. (2025a); Binder et al. (2024); Aidala et al. (2024)) and the political determinants (and limitations of) support for central banking (DiGiuseppe et al. (2025b); Binder et al. (2025)).

Farhart and Struby (2024), using data collected just before the 2022 U.S. midterm election, argue that survey responses are at least partially expressive or strategic. They find partisans who are the most knowledgeable about politics are the ones who tend to profess the most different beliefs. This is especially true for the set of partisans who express low generalized trust in others, a result which Farhart and Struby relate to the literature in political psychology on motivated reasoning and the endorsement of political misinformation (Kunda (1990); Miller et al. (2016); Kahan et al. (2017)). The basic argument is that survey respondents have both accuracy and directional/affective/"partisan cheerleading" motives when responding to surveys, including forecast surveys. More sophisticated partisans could be better able to identify what type of answer, or selectively draw on evidence, that is consistent with their partisan identity. They should also be more likely to be able to produce the more accurate response, though they motivated not to; rather, they provide responses more consistent with their partisan identity than objective reality. Those who are low trust are more likely to "cheerlead" (Prior et al. (2015); Flynn et al. (2017)).

However, the analysis of Farhart and Struby (2024) is limited in some respects. The context of Farhart and Struby (2024) was the 2022 midterm election, when inflation was quite high relative to recent experience. This might have raised its salience for partisans. At the same time, turnout during midterm elections is typically much lower than presidential election years (McDonald (2025)). To the extent the presidential campaign activates willingness to vote, it might also have activated partisan sentiment, or attention to the news, which may have changed the nature of household responses to inflation surveys.

More important than the difference in context, Farhart and Struby focus exclusively on knowledge about politics, which may be correlated with knowledge about economics or numeracy. Both of these have been shown to affect the use of information to form expectations (Burke and Manz (2014); Knotek et al. (2024); Doh et al. (2025)). To the extent partisanship and economic literacy could be correlated, we may be concerned political knowledge is a proxy for the role of economic or quantitative knowledge identified in earlier studies. More knowledge could affect the ability of agents to strategically respond to surveys. It could also affect what answers seem rationalizable to agents despite their partisan motives (Bénabou and Tirole (2016)). Hence, it is important to jointly examine different dimensions of knowledge alongside partisanship in determining expectations.

In this paper, we use nationally representative data collected prior to the 2024 election to investigate the role different kinds of knowledge play in explaining the partisan divide in inflation expectations. We show that there are significant partisan differences in responses to questions about expected inflation over the next year, inflation over long horizons (10 years), income growth, inflation over the past 12 months, and the perceived inflation target of the Federal Reserve. The first three items in this list are also tracked in the Michigan Survey of Consumers ("Michigan survey"), and we confirm our results are quantitatively consistent with that survey. However, the Michigan survey does not track past inflation or the Federal Reserve's inflation target, and we show that both of these also appear to have sizable partisan effects (for example, the average Republican reports past inflation 3.5% higher than the average Democrat). In other words, we find that the partisan lean in inflation responses extends beyond near-term expectations. This complicates the interpretation of Figure 1 as reflecting pure partisanship rather than differences in priors. But, we show that conditioning forecasts on (reported) recent inflation, long-run expectations, and demographic and economic characteristics only reduces the partisan gap in inflation expectations by 2/3rds relative to the unconditional estimate.

We investigate how different types of knowledge – political, economic, and quantitative –

affect inflation expectations and their partisan asymmetry. Our economic and quantitative knowledge questions are drawn to those used earlier studies and are similar to those asked by the Federal Reserve Bank of New York's Survey of Consumer Expectations (SCE).[1]

Consistent with Farhart and Struby (2024), we confirm that higher *political knowledge* is consistently associated with the partisan divide in inflation expectations. Partisans who have low levels of political knowledge do not report statistically significant differences in their inflation expectations, while high-political knowledge partisans do. The size of the gap between partisans is generally growing in political knowledge. In particular, high-knowledge Democrats tended to forecast lower inflation, rather than high-knowledge Republicans forecasting higher inflation.

When we jointly control for each type of knowledge, and allow for differences in the marginal effects across party, we find that differences in the role of partisanship in driving *disagreement*. Democrats with higher levels of political knowledge lower their forecasts, while Republicans do not. We see the opposite pattern for economic knowledge – more economically knowledgeable Republicans decrease their forecasts at higher levels of economic knowledge, while Democrats increase their forecasts very slightly, so that the net result is a smaller partisan gap. Higher quantitative knowledge appears to drive forecasts in opposite directions. Disagreement is not always (statistically) significant across partisans, but significant differences appear among the most politically knowledgeable partisans, especially those who have higher levels of quantitative knowledge and less economic knowledge. To verify the robustness of our results, we also use a measure of indirect inflation expectations drawn from Hajdini et al. (2024). Unlike our direct measure of inflation expectations, the indirect measure is not binned, and the range of responses is markedly larger as a result. But, the overall story is the same. We also examine expectations derived from agents' density forecasts. Although the results are noisy, the point estimates continue to suggest that higher political knowledge is associated with larger differences in forecasts.

[1]FRBNY did not participate in or endorse our survey.

Our conclusion is that forecasts are not totally insensible – households do not solely respond to surveys on the basis of partisan sentiment – but partisan cheerleading plays a role in why Republicans and Democrats give different responses to inflation surveys. Those who we might expect would have the best information about partisan cues tend to disagree more. More suggestively, economic knowledge tends to make the gap smaller – perhaps consistent with households choosing "plausible" numbers based on their understanding of the economy – but pure quantitative knowledge does not. We argue that these results are broadly consistent with agents' responses to forecast surveys trading off between accuracy and affective attachment to partisan identity, higher political knowledge suggests more precise signals about the latter. Another way of putting it is that the partisan gap in inflation expectations is not apparently driven by ignorant or uninformed partisans, but by those who are actually politically and quantitatively knowledgeable.

In the next section, we detail the survey questions and features of the responses to our survey, including documenting the partisan split in expectations. Section 3 introduces the knowledge measure and shows that the partisan gap is influenced by different types of knowledge. Section 4 includes robustness and extensions; Section 5 summarizes and interprets our results through the lens of economic theory. We then conclude.

2 Details about the survey

2.1 Questions

Our data is from a module from the 2024 Cooperative Election Study (CES) (Schaffner et al. (2025)). The CES is a nationally representative survey of adults administered by YouGov, a public opinion and data firm. Our module includes one thousand respondents, with weights to ensure the sample is nationally representative of adults in the United States. The CES administers two surveys, one pre-election and one post; most of the questions we use are from the pre-election module, although some questions are from the follow-up. Details of

the questions are in appendix A. That appendix also contains some summary statistics on the demographic and economic characteristics of our sample, as well as their partisan identity, political ideology, and media consumption prior to the survey.

We directly elicit the main inflation forecasts from respondents about inflation over the next year, the next ten years, the past twelve months (their "nowcast"),[2] and the perceived inflation target of the Federal Reserve. Respondents are asked to select from a set of bins that are symmetric around zero, with narrower bins towards the center of the distribution.

Respondents are asked about their party identity (and strength of that identity), and we identify them with their stated lean (i.e., independents who say they lean towards the Democratic party are counted as Democrats). The histogram of partisans' forecasts are shown in Figure 2. Notably, the modal response for past inflation (the top panel of the figure) is close to the correct value (e.g., the 2-4% range; the correct number was about 2.6% during the survey window). However, Democrats' response are somewhat skewed towards lower numbers, and Republicans' responses tend to be skewed towards higher. This pattern of skewness is repeated for forward-looking expectations, and to an extent for the Federal Reserve's inflation target.

Internal and external consistency We verify that the responses we obtain are generally internally consistent, as well as being consistent with other contemporaneous inflation surveys.

Table 1 contains some summary statistics for comparable questions in our CES module versus the contemporaneous Michigan survey. The median forecasts across 1-year inflation expectations, long-run inflation expectations, and income growth expectations are fairly similar between the two surveys, although Michigan's mean inflation forecasts is higher in general (perhaps due to stricter truncation in the CES measure). The CES income growth

[2]Most of the inflation of the past twelve months is, in principal, easily knowable to respondents. Nevertheless, they disagree substantially. While one could point to this as evidence of pure partisan motives in responding to surveys, we opt to treat it "as if" it reflects what agents genuinely believe the rate of inflation to be.

Table 1: Comparison of CES forecasts to Michigan Consumer Survey.

Variable	Mean	Std. Dev	Min	25th percentile	Median	75th percentile	Max
CES 1 year inflation	3.4	5.3	-12	1	3	6	12
CES 1 year inflation (indirect)	7.7	9.7	-18	0	5	16	32
Michigan 1 year inflation	4.9	12.3	-35	0	3	5	50
CES 10 year inflation	3.7	5.4	-12	1	3	6	12
Michigan 5 year inflation	6.2	12.3	-50	1	3	5	50
CES income	3.6	7.8	-17	0	0	4	32
Michigan income	2.6	14.5	-75	0	1	4	95

"Michigan" refers to the Survey of Consumers for October 2024. For CES and Michigan, income expectations indicates expected growth in all pretax household income over the next year. "CES 1 year inflation (indirect)" indicates respondents' level of income growth would be required to purchase same level of goods and services in the future. CES and Michigan income indicate expected income growth over the next year. CES data converted to numerical by taking midpoint of bins, except first and last bin which are truncated at -12 and 12%, respectively.

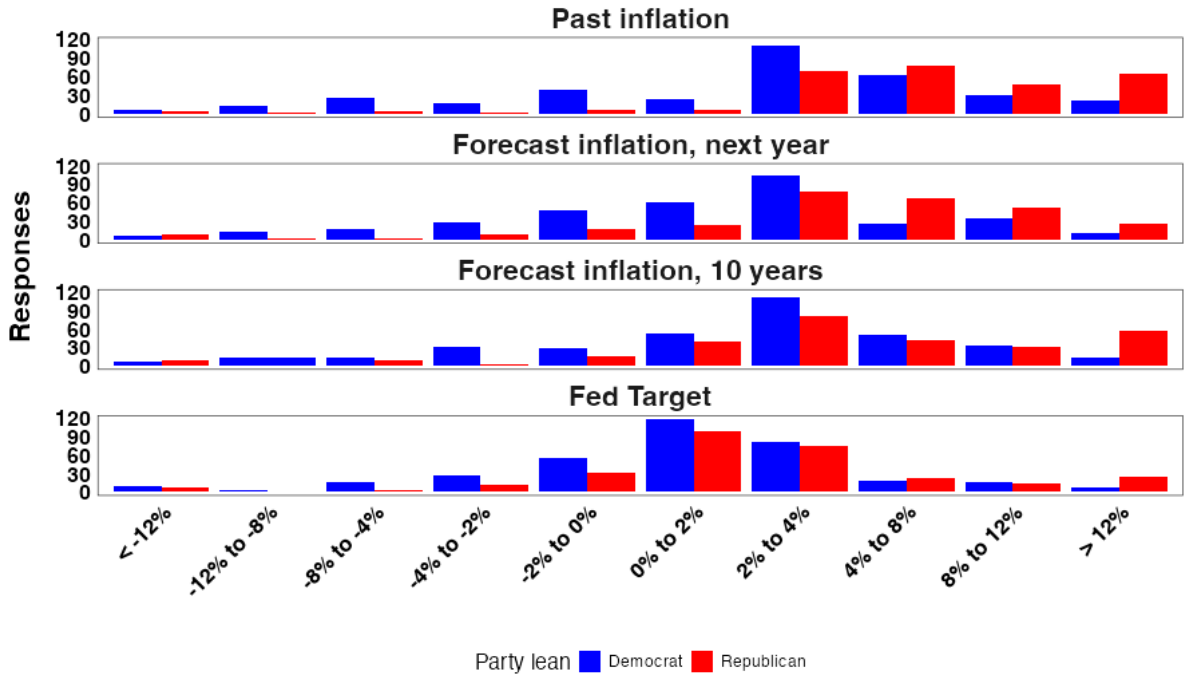


Figure 2: Histogram of responses to questions about inflation over past 12 months (top), next twelve months (second panel), next ten years (third panel) and the rate of inflation the Federal Reserve is targeting on average.

responses has a smaller overall range than the comparable Michigan question, and a somewhat higher mean. The interquartile ranges of the forecasts, while not identical, are quite similar. Hence, we are confident our sample captures a similar population of respondents to other well-established surveys.

More detailed plots, including by party lean, are shown in Appendix A.2. In both the CES and Michigan survey, inflation forecasts over the next year are skewed to the right for Republicans and to the left for Democrats. The median and interquartile range are similar across the sub-samples.

Figure 3 shows cross-tabulations of related forecasts. The top portion of the figure shows that the many respondents basically expect inflation in the next twelve months to be similar their response about the past twelve months, all else equal. The bottom portion plots expected inflation over the next ten years on the horizontal axis, and the perceived Federal Reserve inflation target on the vertical axis. Most (but not all) respondents reported a belief

that the Fed targets a rate of inflation between 0-4%. (We asked about CPI inflation, rather than PCE inflation. Given that the inflation target for PCE inflation is 2%, on the endpoint of two bins, the split is basically sensible). A sizable portion of the respondents said the inflation target is in the 0-2% range but that realized inflation over the next decade will be in the 2-4% range. In other words, many respondents appear to believe that the Federal Reserve cannot, or will not, hit its target over the next decade.

2.2 The partisan gap in inflation expectations: A first pass

We convert the binned responses to numerical forecasts by taking the midpoints of bins (except the bins at the endpoints, which we set at $\pm 12\%$). The results of projecting these numerical scores against a vector of party identifiers, with Democrat as the excluded category, are shown in Table 2. Relative to Democrats, Republican respondents report past inflation roughly 3.5% higher, and future inflation 2.9% higher; in the long run (over the next decade) the average Republican inflation forecast is slightly more than 2% higher. On average, Republicans also apparently believe the Federal Reserve's inflation target is about 1.1% higher, broadly consistent with partisans differentially de-anchoring their long run inflation (echoing the finding of Binder et al. (2024) for the Michigan survey).

As argued by Farhart and Struby (2024), the differences in partisan inflation forecasts at all horizons somewhat complicates the interpretation of the "average" differences such as those shown in Figure 1 as pure partisan cheerleading. Intuitively, high expectations of future inflation may reflect sincere belief about recent inflation or different priors; that is, partisans do not disagree precisely because of partisan cheerleading, but because they have different assessments of the current level of inflation (perhaps due to differences in location or consumption baskets) and are rationally projecting forward their nowcast.

More specifically, when inflation follows an AR(1) process, signal extraction models featuring heterogeneous long-run priors (a-la Patton and Timmermann (2010)) imply that near-term forecasts are a function of nowcasts and long-run forecasts:

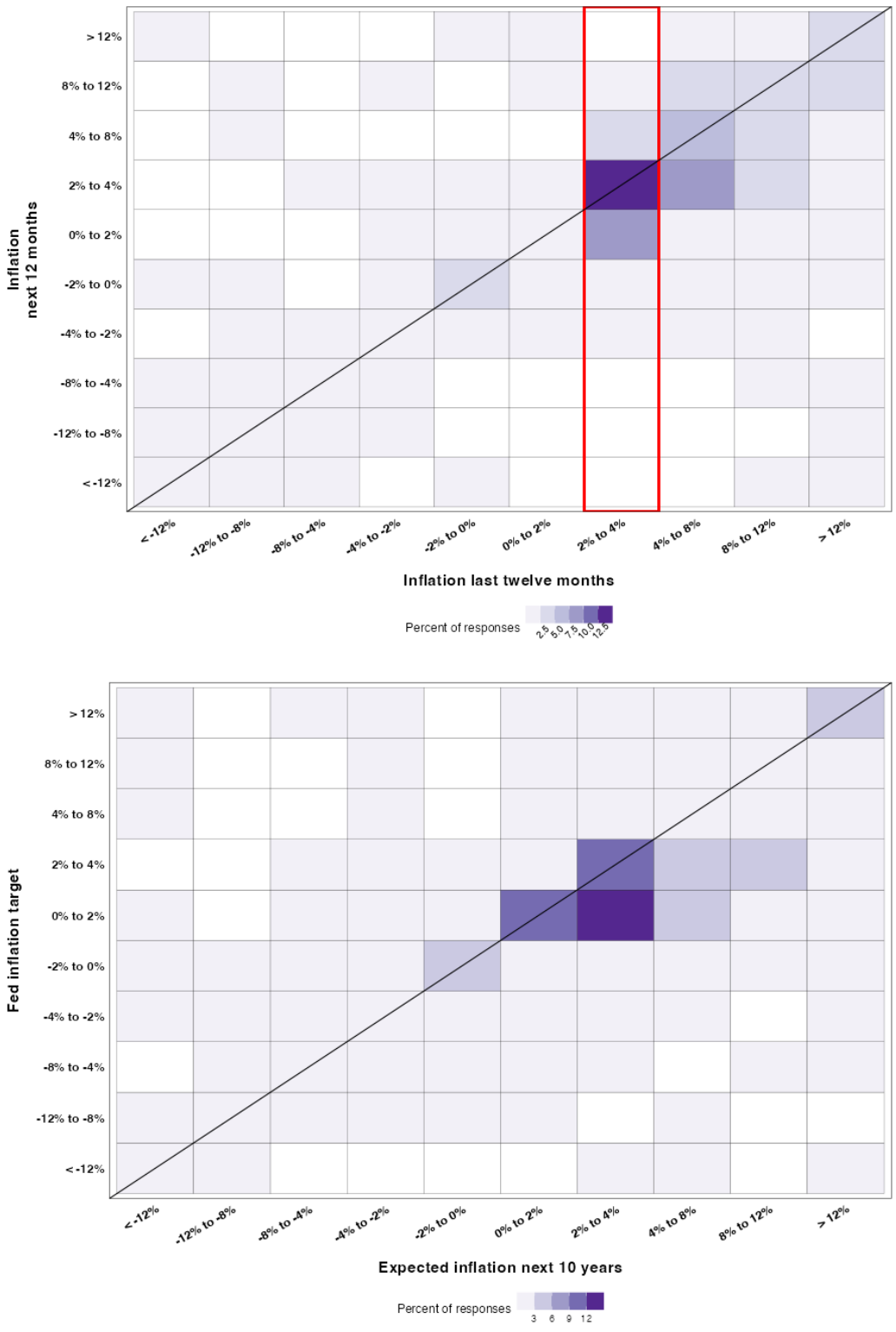


Figure 3: Heatmaps of survey responses. All responses are included. Top: Forecasts (vertical axis) and perceived inflation in the past twelve month (horizontal). Red outline indicates correct bin for 12-month % change in inflation over survey period (about 2.6%). Bottom: Perceived Federal Reserve target (vertical axis) and forecast inflation over the next ten years horizontal).

Table 2: Inflation beliefs and party lean

	1 year forecast	Past year inflation	10 year inflation	Fed Inflation target
Constant	1.855***	2.704***	2.679***	1.105***
	(0.332)	(0.382)	(0.366)	(0.298)
Independent	2.935***	1.859*	1.662**	1.440*
	(0.865)	(0.969)	(0.786)	(0.764)
Republican	2.906***	3.547***	2.029***	1.121**
	(0.504)	(0.515)	(0.559)	(0.462)
Not sure party	0.157	1.457	0.111	-0.132
	(1.193)	(1.842)	(1.399)	(2.233)
N	1000	1000	1000	1000
R2	0.08	0.08	0.03	0.02
R2 Adj.	0.07	0.08	0.03	0.01
F	12.81	15.84	4.89	2.57

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

Heteroskedasticity-robust standard errors shown in parentheses. Partisan categories (Republican, Democrat (excluded), Independent) obtained by consolidating self-identified partisan lean, including "Lean" and "not very strong" Democrats and Republicans as partisans of those respective parties; "Not sure party" indicates the respondent answered "Not sure" or "Don't know" about which party they leaned towards.

$$\widetilde{\pi}_{it+1|t} = \omega\bar{\pi}_i + (1-\omega)\rho\widetilde{\pi}_{it} \tag{1}$$

Where $\widetilde{\pi}_{it+1|t}$ is the forecast for inflation over the next period (here, twelve months); $\bar{\pi}_i$ is a long-run prior about inflation; ω is a shrinkage parameter; ρ is the autocorrelation coefficient on inflation; and $\widetilde{\pi}_{it}$ is the current perceived rate of inflation. In other words, inflation forecasts take the form of a shrinkage estimator between the (long-run) prior belief and the result of "rolling forward" the current belief about inflation. We need not assume that $\widetilde{\pi}_{it}$ is an optimal Bayesian forecast; it could reflect over-reaction to recent news (Bordalo et al. (2022)).

Equation (1) implies a straightforward cross-sectional regression (replacing the long-run prior with the agents' forecast over the next decade):

$$\widetilde{\pi}_{it+1|t} = \beta_0 + \beta_1\widetilde{\pi}_i^{LR} + \beta_2\widetilde{\pi}_{it} + \boldsymbol{\gamma}'\mathbf{X_{it}} + \varepsilon_{it} \tag{2}$$

The basic idea is that partisanship may be correlated with a number of things summarized in respondents' long-run or expectations or nowcasts. For example, if Republicans (on average) perceive higher past inflation (for instance, because they live in places that have experienced higher changes in the cost of living), then their forecasts would also be higher for reasons that are driven by partisan geographic sorting, but not because of 'cheerleading' *per se*. Similarly, long-run forecasts may differ because of past experiences (Malmendier and Wachter (2024)). For instance, the average birth year of Republicans in our sample is 1966, while for Democrats it is 1974; perhaps being eight years older during the run-up of inflation in the 1970s is reflected in higher long-run priors. What appears to be partisan cheerleading could, instead, be driven by demographic differences across parties that are, in turn, reflected in long-run priors.

The starkest null hypothesis implied by Equation (1) is that $\boldsymbol{\gamma}' = \mathbf{0}$. In short, signal extraction models suggest forecasts should be completely driven by recent inflation experiences

or long-run priors, so party lean (and indeed, *any* other variable) should no longer affect near-term inflation expectations once we condition on these variables. If, however, party lean is significant, that leaves open the possibility of "pure" partisan cheerleading motives – e.g., higher or lower inflation forecasts disconnected from beliefs about the past or the long-run, that might be interpreted as shading of forecasts for partisan reasons. Since we use long-run forecasts as a proxy for long-run priors, we also include a set of additional control variables typically associated with differences in inflation expectations in the literature: age and its square, indicator variables for White, Hispanic, and Male respondents, family income, the respondent's description of their employment status, stock ownership, whether they live in a rural area, and a measure of financial distress.

The results of estimating this regression are reported in Table 3. Columns (1) and (2) of the table present estimates of equation (2) without and with additional demographic and economic controls. While additional controls improve the fit of the model somewhat, the effect on the coefficients of past and long-run inflation is fairly limited. The coefficients, interpreted through the lens of equation (1), imply stationary expectations with an autoregressive coefficient in the neighborhood of .68.

Columns (3) adds party lean. Here, we find that Republicans (and Independents), relative to Democrats, reports significantly higher inflation expectations, *conditional on their beliefs about the long run and nowcasts.* This conditional partisan gap is smaller than the unconditional difference – reduced from about 2.9% to 80 basis points – but is still sizable. These results are also robust to dropping independents and those unsure of their party affiliation (column (4)). In short, there is evidence of partisan disagreement over the short horizon, which goes beyond what is straightforwardly explained by differences in forecasts, or economic and demographic variables. This conditional difference is slightly more than a quarter of the unconditional difference between the forecasts of Republicans and Democrats.[3]

What are the sources of the (residual) difference between partisans? Farhart and Struby

[3]We show in Appendix B.4 that there is no particular evidence that the weight placed on nowcasts and long-run forecasts differs across parties.

Table 3: Inflation forecasts and party lean

	(1)	(2)	(3)	(4)
Constant	0.115	1.422	1.404	1.886
	(0.298)	(1.906)	(1.885)	(2.034)
Inflation (past 12 months)	0.334***	0.341***	0.325***	0.326***
	(0.065)	(0.061)	(0.062)	(0.068)
Inflation forecast (10 years)	0.485***	0.503***	0.495***	0.481***
	(0.064)	(0.066)	(0.068)	(0.077)
Independent			1.196**	
			(0.558)	
Republican			0.814**	0.819**
			(0.397)	(0.409)
Not sure party			-0.057	
			(1.267)	
Demographic and Economic controls	No	Yes	Yes	Yes
Partisan subsample	No	No	No	Yes
N	1000	902	902	769
R2	0.56	0.62	0.62	0.62
R2 Adj.	0.56	0.61	0.61	0.61
F	136.57	31.58	27.19	25.20

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

Heteroskedasticity-robust standard errors shown in parentheses. Partisan categories (Republican, Democrat (excluded), Independent) obtained by consolidating self-identified partisan lean, including "Lean" and "not very strong" Democrats and Republicans as partisans of those respective parties; "Not sure party" indicates the respondent answered "Not sure" or "Don't know" about which party they leaned towards. Columns labeled 'Partisan subsample' includes only Democrats and Republicans. Demographic and economic controls include: Indicator variables for White, Hispanic, Male, a quadratic polynomial in age, categorical variables for family income groups, ability to pay for a $400 emergency, the presence of a child under 18 in the home, self-described employment status, self-identified stock ownership, self-identified home ownership, and whether the respondent indicates they live in a rural area.

(2024) showed in the context of the 2022 election that the partisan gap in expectations was largest for politically knowledgeable partisans. Their interpretation was that the partisan divide was likely "affective," driven by strategic or cheerleading responses to survey questions. In the next section, we show that this result also holds for the 2024 election, and, further, that political knowledge operates in the opposite direction of knowledge about economics.

3 Inflation expectations and partisan disagreement: the role of knowledge

In this section, we examine how differences in the factual knowledge displayed by survey respondents is associated with inflation expectations and partisan disagreement. After discussing the questions we use to elicit knowledge, we show that greater knowledge is, on average, associated with lower inflation expectations when considered separately, but this appears to be driven by correlation across the different dimensions we examine. Moreover, the average effect obscures differences across partisans; we show that increasing political and quantitative knowledge increase disagreement across partisans, all else equal, and greater economic knowledge decreases the gap. Ultimately, it is partisans with above-median political knowledge who appear to significantly disagree about the near-term evolution of inflation.

3.1 Measures of knowledge: Political, economic, and quantitative

We ask a set of of knowledge questions about politics and government (the role of different institutions). Additionally, we ask two sets of two questions about economic and quantitative knowledge. Specific question wording is listed in Appendix A.1. Briefly, we ask:

- *Political knowledge questions*: The party in control of the United States House and Senate, the party identity of the respondents' representatives in those legislatures, and the party of the respondents' governor'; multiple choice questions about the identities,

of the Speaker of the House and the Secretary of State, the office held by John Roberts (Chief Justice of the United States Supreme Court since 2005), and which government branches are responsible for nominating judges and determining the constitutionality of laws.

- *Economic knowledge questions*: Applying the Fisher relation, and a multiple choice question identifying the monetary authority in the United States.

- *Quantitative knowledge questions*: Free response questions asking for an expected value and a question about compound interest over two periods.

The quantitative questions and Fisher relation question are also used in the Survey of Consumer Expectations, and a version of the monetary policy question was used in Burke and Manz (2014). The responses in our sample display a wide range of political, economic, and quantitative knowledge. Summary statistics are shown in Table 4. About two-thirds to three quarters of the respondents answer individual economics knowledge questions correctly. Depending on the measure, the median respondent gets slightly more than half of the political knowledge questions correct.

Correlations of the different measures (for complete cases) are shown in Table 5. The pairwise correlations between economic, quantitative, and political knowledge are positive, generally with correlation coefficients in the neighborhood of 0.25, and are statistically significant. The positive correlation raises questions about existing studies that focus exclusively on a single domain of knowledge (e.g., Farhart and Struby (2024) for political knowledge, or Hajdini et al. (2024); Doh et al. (2025) for numeracy). To the extent that these measures are correlated, it is possible that the results in the literature suffer from omitted variable bias.

Admittedly, there is some conceptual overlap between quantitative and economic ability (at least, the quantitative questions are things one might expect someone in an introductory economics class to be able to answer). What we label "quantitative" questions emphasize

Variable	Mean	Std. Dev.	Min	25th Percentile	Median	75th percentile	Max	Num. obs
Correct partisan order	96.2							880
Political knowledge (0-11)	5.9	2.9	0	4	6	8	11	817
Economics knowledge: Federal Reserve	68.9							1000
Economics knowledge: Fisher relationship	76.5							1000
Econ knowledge score	1.5	0.7	0	1	2	2	2	1000
Quant. Knowledge: Percentage change	86.4							986
Quant knowledge: Compound interest	28.8							817
Quantitative knowledge score	1.2	0.6	0	1	1	2	2	807
Econ. Literacy (Econ + Quant)	2.7	1.0	0	2	3	3	4	807

Table 4: Summary statistics of knowledge questions and scores. Rows with only means reported report the fraction of respondents who correctly answered the question. "Correct partisan order" is whether the respondent identified the Democratic party as being at least as liberal as the Republican party. Individual components of political knowledge measures not shown. For compound interest, incorrect answers include skipping the question. Details of questions included in Appendix A.1.

actually carrying out calculations.[4] In the results that follow, we generally present both a combined "economic literacy" score (adding together the economics and quantitative knowledge), and consider them separately.

3.2 Knowledge and the partisan gap

In this subsection, we show that the different forms of knowledge we measure appear to influence inflation expectations. Broadly speaking, the *average* effect of higher knowledge is an (imprecisely estimated) decrease in inflation expectations (conditional on long-run forecasts and nowcasts). Table 6 illustrates the effects of adding individual measures of economic knowledge (aggregated and disaggregated), quantitative knowledge (aggregated and disaggregated) and our measures of political knowledge (columns (1)-(8)). Each "type" of knowledge tends to be associated with lower forecasts, albeit insignificantly for many of the measures. Political knowledge significantly decreases inflation expectations and has reasonably sizable effects. For instance, going from the 25th to 75th percentile of political

[4]As an additional check, we use multiple correspondence analysis to estimate the underlying factor structure of our knowledge measures; we discuss this in Section 4.2.

	Econ: Fed	Econ: Fisher	Econ. Know.	Quant: % Change	Quant: Compound	Quant. Know.	Econ Literacy (Quant + Econ)	Political knowledge
Econ: Fed	1.00							
Econ: Fisher	0.12	1.00						
Econ knowledge (0-2)	0.78	0.71	1.00					
Quant: % Change	0.17	0.25	0.28	1.00				
Quant: Compounding	0.12	0.23	0.23	0.17	1.00			
Quant Knowledge (0-2)	0.18	0.31	0.32	0.66	0.85	1.00		
Econ. literacy (Quant + Econ)	0.60	0.64	0.83	0.57	0.65	0.80	1.00	
Political knowledge	0.19	0.19	0.25	0.19	0.21	0.26	0.31	1.00

Table 5: Pearson correlation coefficients for complete cases in sample (About 88% after weighting). "Econ: Fed" and "Econ: Fisher" refers to whether respondent correctly identified the Federal Reserve as being responsible for monetary policy in the United States, and whether they correctly applied the Fisher relationship for real interest rates. "Econ Know." and "Quant Know." are the number of economics and quantitative reasoning questions the respondent answered correctly (0-2). "Econ Literacy" is the sum of quantitative and economics knowledge scores.

knowledge is associated with a 52 basis point decrease in predicted inflation forecast (column (8)). We obtain broadly similar results when we exclude independents (appendix Table 13). The estimated result appears to affect mainly the coefficients on our party indicators, however, rather than the coefficients on inflation nowcasts or long-term forecasts. Depending on the measure, the "residual" partisan gap ranges from about 80 to 111 basis points and is always significant at at least the 5% level.

Given the weak correlation across different knowledge measures, in columns (9)-(10) of Table 6 we jointly include political knowledge and quantitative and economic knowledge. Column (9) contains the "economic literacy" score – the sum of quantitative and economic knowledge – and column (10) separates them. The implied gap between inflation expectations, all else equal, is sizable – approximately 108 basis points. That is, the *conditional* partisan gap is about 1/3 of the unconditional effect, still sizable even after taking into account a considerable amount of information about respondents.

Table 6: Inflation forecasts, party lean, knowledge

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Constant	1.485	2.011	1.892	1.703	2.361	2.465	2.796	2.314	2.722	2.578
	(1.895)	(1.880)	(1.889)	(1.887)	(1.981)	(2.058)	(2.037)	(1.930)	(2.017)	(2.052)
Inflation (past 12 months)	0.326***	0.332***	0.331***	0.329***	0.346***	0.348***	0.350***	0.348***	0.350***	0.352***
	(0.062)	(0.062)	(0.061)	(0.062)	(0.066)	(0.066)	(0.066)	(0.066)	(0.066)	(0.066)
Inflation forecast (10 years)	0.494***	0.494***	0.494***	0.500***	0.502***	0.505***	0.505***	0.494***	0.501***	0.500***
	(0.067)	(0.067)	(0.067)	(0.067)	(0.073)	(0.072)	(0.072)	(0.074)	(0.073)	(0.073)
Independent	1.203**	1.214**	1.217**	1.244**	1.371***	1.430***	1.435***	1.315***	1.384***	1.389***
	(0.558)	(0.556)	(0.557)	(0.560)	(0.493)	(0.492)	(0.490)	(0.491)	(0.493)	(0.490)
Republican	0.809**	0.847**	0.825**	0.841**	1.071***	1.105***	1.099***	1.052***	1.078***	1.086***
	(0.397)	(0.399)	(0.395)	(0.397)	(0.395)	(0.398)	(0.398)	(0.400)	(0.401)	(0.400)
Not sure party	-0.088	-0.279	-0.237	-0.067	-0.077	-0.034	-0.111	-0.367	-0.341	-0.289
	(1.302)	(1.288)	(1.326)	(1.235)	(1.287)	(1.334)	(1.337)	(1.258)	(1.300)	(1.291)
Econ: Fed	-0.289									
	(0.424)									
Econ: Fisher relation		-0.813*								
		(0.435)								
Economics knowledge (0-2)			-0.474							-0.314
			(0.293)							(0.289)
Quant: % Change				-0.307						
				(0.532)						
Quant: Compounding					-0.294					
					(0.275)					
Quantitative Knowledge (0-2)						-0.158				0.015
						(0.247)				(0.247)
Combined economics and quantitative knowledge (0-4)							-0.230		-0.162	
							(0.181)		(0.190)	
Political knowledge: Broad (0-11)								-0.130**	-0.099	-0.100
								(0.062)	(0.063)	(0.064)
N	902	902	902	889	743	734	734	743	734	734
R2	0.62	0.63	0.63	0.63	0.67	0.67	0.67	0.67	0.67	0.67
R2 Adj.	0.61	0.62	0.62	0.62	0.66	0.66	0.66	0.66	0.66	0.66
F	25.93	32.93	29.39	28.33	43.24	44.29	47.81	46.29	47.88	45.88

* p ¡ 0.1, ** p ¡ 0.05, *** p ¡ 0.01

Heteroskedasticity-robust standard errors shown in parentheses. Partisan categories (Republican, Democrat (excluded), Independent) obtained by consolidating self-identified partisan lean, including "Lean" and "not very strong" Democrats and Republicans as partisans of those respective parties; "Not sure party" indicates the respondent answered "Not sure" or "Don't know" about which party they leaned towards. Each model also includes the following demographic and economic controls: Indicator variables for White, Hispanic, Male, a quadratic polynomial in age, categorical variables for family income groups, ability to pay for a $400 emergency, the presence of a child under 18 in the home, self-described employment status, self-identified stock ownership, self-identified home ownership, and whether the respondent indicates they live in a rural area.

Differences in knowledge operate differently across partisans Given that the addition of knowledge variables appears to materially impact the coefficient on political party, we allow for differences in knowledge to load differently across party lean. The results for separate interactions are shown in Table 7. We show effects for the whole sample (odd columns) and for the subsample of Democrats and Republicans (even columns); the results are similar. The coefficient on Republican becomes insignificant once we include the interaction terms. (The interpretation of the coefficient, of course, also changes; it becomes the difference between partisans who answered zero knowledge questions correctly).

Setting aside (in)significance for a moment, the results suggest that Democrats with greater economic, quantitative, and political knowledge tend to lower their inflation expectations. There is little evidence that Republicans behave differently than Democrats in this respect, at least when we consider the interactions separately. The point estimates imply that greater economic knowledge lowers inflation expectations by similar amounts for Democrats and Republicans (columns (1)-(2)). Greater quantitative knowledge (columns (3) and (4)) lowers Democrats' inflation expectations and raises that of Republicans; a Democrat who answered one more quantitative knowledge question correctly would be expected to *lower* their forecasts by about 45-50 basis points, while a Republican would be expected to *increase* theirs by about 10 basis points. Greater political knowledge significantly decreases inflation expectations among Democrats; for Republicans, there is not a statistically significant difference, but the point estimates suggest that higher political knowledge would lower Republicans' forecasts by about 5 basis points, while it would lower that of Democrats by about 23 basis points.The combined "economic literacy" (columns (7) and (8)) measure operates similarly to economic knowledge in terms of differences across parties.

Because the interaction terms are highly collinear, the insignificance of particular coefficients can be misleading. In Figure 4, we plot estimated marginal effects of increases in knowledge on the predicted difference in forecasts (Republican - Democrat). Notably, the predicted partisan difference becomes significant at higher levels of each type of knowledge;

Table 7: Inflation forecasts, party lean, knowledge: interactions

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Constant	2.045	2.454	2.726	3.606	2.536	3.411	2.838	3.580
	(1.942)	(2.058)	(2.102)	(2.408)	(2.093)	(2.302)	(2.137)	(2.418)
Inflation (past 12 months)	0.328***	0.331***	0.349***	0.352***	0.347***	0.350***	0.351***	0.350***
	(0.063)	(0.068)	(0.066)	(0.071)	(0.066)	(0.071)	(0.066)	(0.072)
Inflation forecast (10 years)	0.492***	0.478***	0.507***	0.501***	0.495***	0.491***	0.505***	0.497***
	(0.067)	(0.075)	(0.073)	(0.081)	(0.074)	(0.083)	(0.073)	(0.080)
Independent	0.342		0.678		1.195		1.164	
	(1.828)		(1.281)		(1.127)		(1.743)	
Republican	0.749	0.787	0.370	0.420	0.165	0.135	1.063	1.149
	(1.038)	(1.059)	(0.874)	(0.899)	(1.033)	(1.045)	(1.216)	(1.238)
Not sure party	-1.327		-1.209		-1.696		0.065	
	(3.127)		(2.875)		(1.894)		(4.626)	
Economics knowledge (0-2)	-0.620	-0.586						
	(0.402)	(0.417)						
Quantitative Knowledge (0-2)			-0.502	-0.455				
			(0.380)	(0.379)				
Combined economics and quantitative knowledge (0-4)							-0.244	-0.194
							(0.266)	(0.264)
Political knowledge: Broad (0-10)					-0.201*	-0.190*		
					(0.113)	(0.115)		
Republican × Political knowledge					0.143	0.147		
					(0.139)	(0.140)		
Republican × Economics knowledge	0.080	0.040						
	(0.567)	(0.571)						
Republican × Quantitative knowledge			0.604	0.562				
			(0.528)	(0.533)				
Republican × (Econ + Quant.)							0.013	-0.012
							(0.363)	(0.364)
N	902	769	734	634	743	642	734	634
R2	0.63	0.62	0.67	0.66	0.67	0.65	0.67	0.66
R2 Adj.	0.62	0.61	0.66	0.65	0.66	0.64	0.66	0.65
F	26.46	27.36	42.53	41.62	44.04	40.28	43.12	41.96

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

Heteroskedasticity-robust standard errors shown in parentheses. Partisan categories (Republican, Democrat (excluded), Independent) obtained by consolidating self-identified partisan lean, including "Lean" and "not very strong" Democrats and Republicans as partisans of those respective parties; "Not sure party" indicates the respondent answered "Not sure" or "Don't know" about which party they leaned towards. Odd numbered columns contain the complete sample, even numbered columns contain the subsample of Democrats and Republicans alone. Each model also includes the following demographic and economic controls: Indicator variables for White, Hispanic, Male, a quadratic polynomial in age, categorical variables for family income groups, ability to pay for a $400 emergency, the presence of a child under 18 in the home, self-described employment status, self-identified stock ownership, self-identified home ownership, and whether the respondent indicates they live in a rural area.

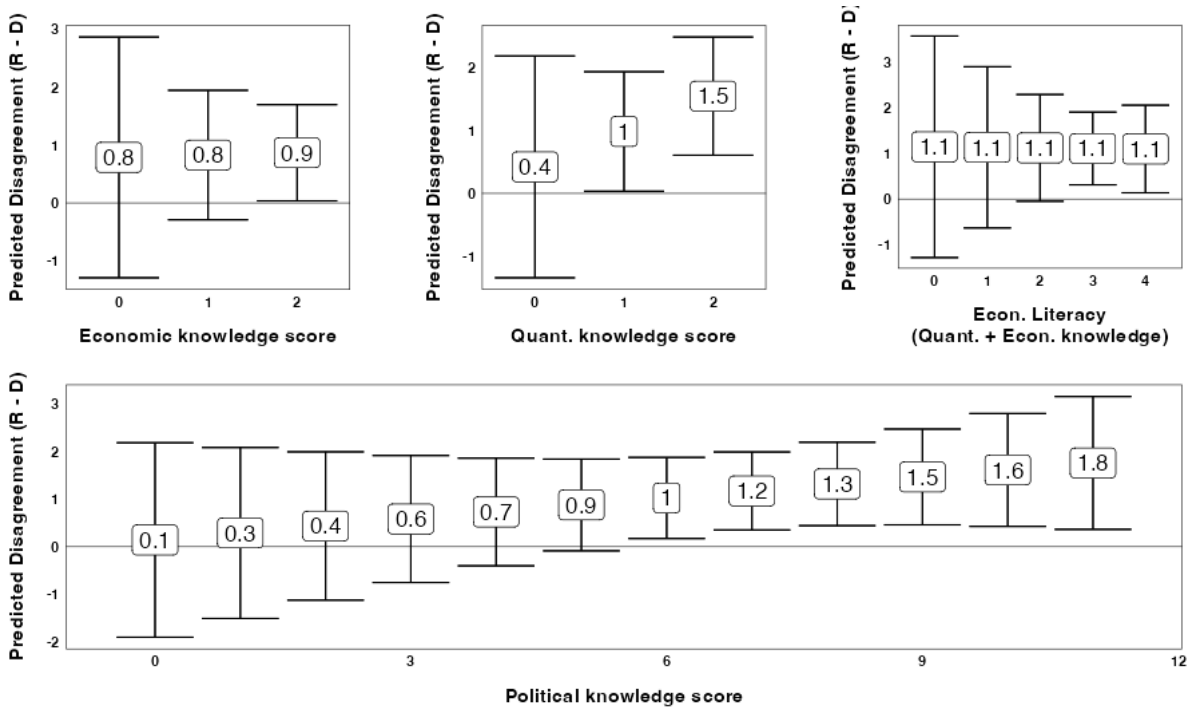


Figure 4: Predicted differences in Republican and Democratic forecasts at different levels of economic knowledge, quantitative knowledge, and their sum (top row) and political knowledge (bottom). Estimated marginal effects calculated using partisan-only sample results from Table 7. 95% confidence intervals calculated using the delta method.

in the case of economic knowledge or the combined economic literacy score, however, the point estimates are essentially unchanged. Roughly, respondents below the median levels of knowledge do not make statistically distinguishable forecasts; above the median, differences are significant. In the case of quantitative and political knowledge, point estimates tend to grow as either knowledge scores increases.

Given the correlation between knowledge measures, we estimate a set of models that jointly controls for each domain of knowledge and interacts it with party lean. The results are presented in Table 8 (for the complete sample in odd columns, and restricted to Democrats and Republicans in even columns). The first two columns interact the combined economic and quantitative knowledge measures with party lean. Focusing on point estimates alone, greater political knowledge tends to lower the forecasts of Democrats across specifications, while the marginal effect for Republicans is closer to zero (e.g., answering one additional

Table 8: Inflation forecasts, party lean, knowledge: joint interactions

	(1)	(2)	(3)	(4)
Constant	2.740	3.647	2.380	3.449
	(2.231)	(2.424)	(2.282)	(2.442)
Inflation (past 12 months)	0.349***	0.351***	0.354***	0.353***
	(0.066)	(0.072)	(0.066)	(0.071)
Inflation forecast (10 years)	0.498***	0.495***	0.497***	0.495***
	(0.075)	(0.083)	(0.074)	(0.081)
Independent	0.685		0.703	
	(1.862)		(1.866)	
Republican	0.626	0.655	0.787	0.823
	(1.393)	(1.402)	(1.391)	(1.395)
Not sure party	-0.795		-0.392	
	(4.442)		(4.624)	
Economics knowledge (0-2)			0.169	0.198
			(0.423)	(0.428)
Quantitative Knowledge (0-2)			-0.463	-0.416
			(0.376)	(0.385)
Combined economics and quantitative knowledge (0-4)	-0.134	-0.094		
	(0.271)	(0.274)		
Political knowledge: Broad (0-10)	-0.157	-0.143	-0.160	-0.147
	(0.118)	(0.118)	(0.118)	(0.118)
Republican × Political knowledge	0.120	0.124	0.108	0.116
	(0.146)	(0.147)	(0.147)	(0.148)
Republican × Economics knowledge			-0.839	-0.821
			(0.604)	(0.605)
Republican × Quantitative knowledge			0.727	0.663
			(0.553)	(0.562)
Republican × Combined Econ and Quant know.	-0.107	-0.123		
	(0.376)	(0.378)		
N	734	634	734	634
R2	0.68	0.66	0.68	0.66
R2 Adj.	0.66	0.65	0.66	0.65
F	39.25	39.07	35.77	35.28

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

Heteroskedasticity-robust standard errors shown in parentheses. Partisan categories (Republican, Democrat (excluded), Independent) obtained by consolidating self-identified partisan lean, including "Lean" and "not very strong" Democrats and Republicans as partisans of those respective parties; "Not sure party" indicates the respondent answered "Not sure" or "Don't know" about which party they leaned towards. Odd numbered columns contain the complete sample, even numbered columns contain the subsample of Democrats and Republicans alone. Each model also includes the following demographic and economic controls: Indicator variables for White, Hispanic, Male, a quadratic polynomial in age, categorical variables for family income groups, ability to pay for a $400 emergency, the presence of a child under 18 in the home, self-described employment status, self-identified stock ownership, self-identified home ownership, and whether the respondent indicates they live in a rural area.

		Republican forecasts	Democrat forecasts	Δ Partisan gap
Knowledge type	Quantitative	$\uparrow$	$\downarrow$	$+0.6\%$
	Economic	$\downarrow$	$\uparrow$	-0.8%
	Political	-	$\downarrow$	$+0.1\%$

Table 9: Summary of marginal effects of changes in each knowledge measure, using final column of Table 8.

political knowledge question correctly is associated with lowering inflation forecasts by 3-6 basis points for Republicans, depending on the specification). In other words, the results suggest that if political knowledge widens the forecast gap, it is because high-knowledge Democrats behave differently than low-knowledge Democrats.

The point estimates reported in columns (1) and (2) suggest that higher economic literacy – e.g higher quantitative and economic knowledge scores – tend to lower forecasts for both parties, although moreso for Republicans. In columns (3) and (4), we break quantitative knowledge up into separate economic and quantitative components. The results here suggest that the "combined" score conceals differences between different components of "economic literacy." Higher economic knowledge raises forecasts for Democrats and lowers them for Republicans, militating against the partisan forecast gap; on the other hand, higher quantitative knowledge does the opposite. In short, the point estimates imply that for otherwise identical partisans, increased levels of political knowledge and quantitative knowledge tend to be associated with a wider divide between Republicans and Democrats, while greater economic knowledge mitigates the differences. The broad marginal effects of increased knowledge on disagreement are summarized in Table 9.

The interaction terms, on their own, are not significant; but when we turn to marginal effects, it is clear that the (conditional) partisan forecast gap of Republicans and Democrats is significant mainly among high-knowledge partisans. This is clear from the predicted gap across different dimensions of knowledge, displayed visually in Figure 5. That figure shows

the predicted difference between otherwise identical partisans at different combinations of economic, political, and quantitative knowledge, holding other covariates fixed. Within each figure, we show the effects of increasing political knowledge scores. Along columns, quantitative knowledge scores are fixed; along rows, economic knowledge is fixed. Notably, the difference between Republicans' and Democrats' forecasts is usually only significant at or above the median of political knowledge, and is always insignificant for the lowest levels of quantitative knowledge. Among the most economically knowledgeable partisans, differences between forecasts are only significant for those who also have high quantitative and political knowledge as well. This result is also true if we consider the combined economic and quantitative knowledge score (Figure 12 in the appendix).

Relationship to the literature on economic literacy A number of papers emphasize that economic, financial, and quantitative knowledge impacts forecasting ability and the response to shocks. de Bruin et al. (2010) emphasizes demographic differences in inflation expectations are partially explained by differences in financial literacy. Burke and Manz (2014), in a lab experiment, find that higher scores on an economic and financial literacy questionnaire were associated with better forecasting performance, both through better information selection and better use of information. Using the SCE economic and quantitative knowledge questions, Doh et al. (2025) find higher knowledge generally lowers inflation expectations, although the effects are nonlinear and heterogeneous across the distribution of beliefs. Knotek et al. (2024), in a randomized controlled trial, find that more numerate respondents were more likely to report paying attention to monetary policy news, consistent with positive correlations we report in Table 5 between numeracy and economic and political knowledge.

Our overall results confirm the consistent finding in the literature that more knowledgeable respondents *on average* tended to have lower forecasts prior to the 2024 election. However, our results emphasize that there may be differences in the effects of sub-categories

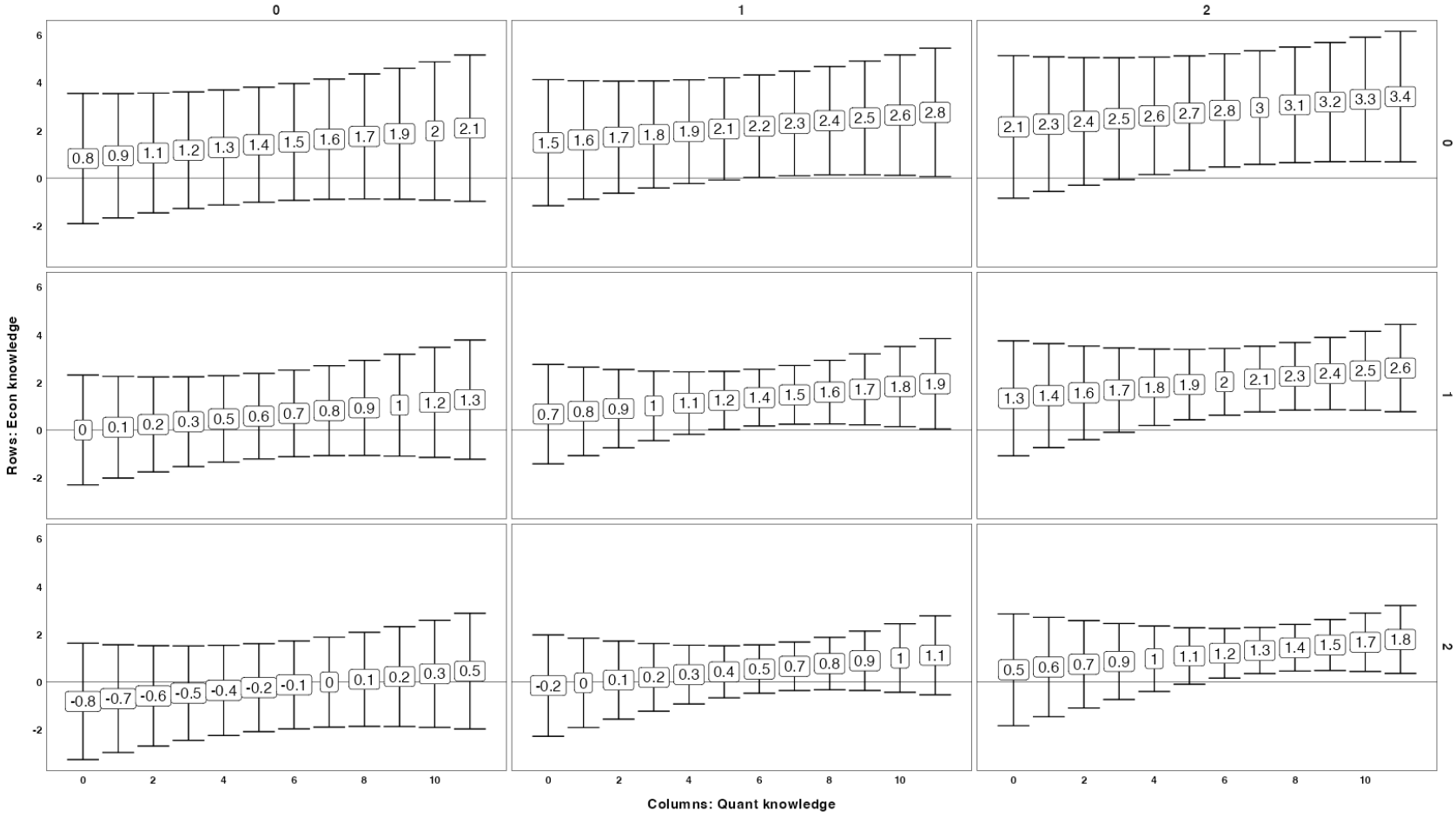


Figure 5: Predicted differences in Republican and Democratic forecasts at different levels of economic knowledge, quantitative knowledge, and political knowledge. Within a column, quantitative knowledge score is held fixed; within a row, economic knowledge score is held fixed. Estimated marginal effects calculated using column (4) of 8. 95% confidence intervals calculated using the delta method.

of what the literature refers to as "economic literacy." Moreover, our results suggest that different kinds of knowledge may exacerbate the partisan divide in expectations, rather than simply driving respondents to more accurate forecasts.

4 Robustness and extensions

In this section, we first discuss evidence that our results are robust to alternative measures of inflation expectations and alternative methods of partitioning the knowledge questions. We subsequently show three extensions of our estimates that illustrate (1) That the middle of the ideological/partisan spectrum appears to drive the effects of political knowledge on disagreement; (2) The highest-trust partisans reverse the effects of political knowledge and (3) recent television media consumption plays a partial role in driving partisan disagreement in forecasts, which could suggest differences in information is an incomplete explanation for the phenomenon.

4.1 The results are robust to alternative measures of inflation expectations

In Appendix B, we present versions of Table 8 and Figure 5 where we use *indirect* inflation forecasts (Hajdini et al. (2024)). These indirect forecasts ask respondents what percentage growth in income would be needed for them to be " equally well-off relative to [their] current situation, such that [they could] buy the same amount of goods and services as today?" These questions asked for point estimates, rather than bins, and did not restrict the range of answers. When we estimate the relationship between knowledge, partisanship, and inflation forecasts, the estimated coefficients (and hence, the implied gap between partisans) are generally larger, and the qualitative results on partisanship and different types of knowledge are robust.

We also use measures of estimates based on density forecasts. As a separate question in

our survey model, we remind respondents of the bin for their point forecasts, and ask them to place probabilities of outcomes in different bins. Appendix B.2 shows that the implied densities have some qualitative similarity to density forecasts from the the SCE reported by Zhao (2023), although with slightly more weight on fewer bins. Unconditionally, there are partisan differences (e.g., in the tendency to place all of the weight in a single bin), although these are not statistically significant once we condition on knowledge and our set of other controls. Following the suggestion of Engelberg et al. (2009), we test whether reported point forecasts fall within non-parametric estimates of the bounds on the median and mean, and find (somewhat surprisingly) that the majority of point estimates in our sample are inconsistent with density forecasts. As the results in the Appendix show, Republicans are significantly more likely to report a point estimate above that implied by the median of their density forecasts, although we find no significant evidence they are more likely to do so for the mean. Higher economic knowledge appears to increase the probability of consistency across the two forecasts, although we do not find evidence of a differential effect across parties. When we estimate whether there is a partisan gap between the bounds of central tendency (e.g., the lower bound of the median among Republicans minus the lower bound of the median for Democrats), the estimates are imprecise and marginal effects are generally insignificant at the 95% level. Qualitatively, however, we find that increases in political knowledge, conditional on quantitative and economic knowledge, tend to increase the size of the partisan gap, although the results are quite noisy.

4.2 The different knowledge measures capture different domains of knowledge

In most of our results, we have presented knowledge as a set of "scores" based on the number of correctly answered questions of each type. Our results have suggested that our measures of political knowledge, economic knowledge, and quantitative knowledge play distinct roles, with higher political and quantitative knowledge increasing partisan disagreement and higher

economic knowledge mitigating it. One concern might be that our assignment of questions to particular categories is somewhat arbitrary; indeed, what we separately label "economic" and "quantitative" knowledge is often consolidated in the literature. Or, it could be that different measures of knowledge we include are all basically capturing the same underlying feature of responses ("informed" versus "uninformed.")

An alternative is to try to identify the underlying factor structure of respondents' answers. This is the approach taken by Burke and Manz (2014) to a set of multiple-choice questions in an experimental setting, and by Kamdar and Ray (2023) to identify a partisan sentiment factor in Michigan survey responses. To estimate the underlying factor structure, we use multiple correspondence analysis, an analog of principal components analysis for categorical data (Lê et al. (2008)). Appendix Figure 15 shows the squared cosine of each question and the factors; higher values (closer to 1) indicate a stronger relationship between that variable and the estimated component. Squared cosine values above .1 are (somewhat arbitrarily) highlighted in the table. It is clear that the first two components are largely associated with the political knowledge questions, and the next three components are most strongly related to quantitative and economic knowledge questions (and somewhat with individual components of political knowledge). Again, this suggests that political and economic/quantitative knowledge are capturing different dimensions of sophistication, rather than standing in for "informed" versus "uninformed" respondents.

We subsequently estimate separate factor structures for the political knowledge and economic knowledge questions. Representations of question responses in the factor space are illustrated in Appendix Figure 16. These two factors explain just under 56% of the variation in the political knowledge questions. Higher values on the first factor are associated with more correct answers to all of the questions; the second dimension also captures correctly identifying the respondents' Congressional representatives and Governor. Suggestively, the first factor is capturing general political awareness, while the second captures more specialized knowledge about state- and Congressional-district level politics. Similarly, when we

estimate the factors separately for economic knowledge questions, the first dimension is associated with getting more correct answers; the second appears to be distinguishing between those who can identify the role of the Federal Reserve as monetary policymakers versus those who answer the compound interest question correctly. In other words, the different economic knowledge questions appear to be capturing distinct (albeit correlated) areas of knowledge. These results suggest, however, that the extent to which "economic" and "quantitative" knowledge break down is somewhat fuzzy, rationalizing our approach of using both of them separately as well as the combined "economic literacy" measure.

We estimate models using the political knowledge score directly alongside the two estimated economic knowledge factors. The estimated results are shown in Appendix Table 22. The first four columns of the table regress the levels of forecasts on party lean, the political knowledge score, the first two components of the economic and quantitative knowledge questions, and their interactions. Except for the inflation target, there is a significant partisan gap, and the point estimates show that increasing knowledge is associated with lower Republican forecasts in general. In the last column, we estimate a version of equation (2). The marginal effect of increasing overall economic and quantitative knowledge is lower forecasts for both Democrats and Republicans; increases in the second factor seem to lower Democrats' forecasts and increase Republicans'. In other words, the general pattern that some component of "economic literacy" shrinks disagreement, while another raises it, is maintained.

The results in Appendix Table 22 also confirm partisan disagreement is significant at higher levels of political knowledge. Appendix Figure 19 displays contour plots of the predicted partisan disagreement varying the two estimated components of economic knowledge; each panel increases the level of political knowledge (e.g., the number of correctly answered questions) by 1. The contours increase in both economic knowledge variables, but partisan disagreement is generally only statistically significant when political knowledge is higher. In short, our main results do not appear to depend on the *a priori* classification of questions

as different knowledge types. They confirm that the line between economic and quantitative knowledge is fuzzier than the line between "economic literacy" and political knowledge.

4.3 Differences in inflation forecasts are not necessarily driven by the most extreme partisans or ideologues

So far, our results have focused on respondents' party lean, but ignored the strength of that lean. We have also focused on party as opposed to self-described political ideology (e.g., liberal or conservative). In this subsection, we show our results are largely insensitive to these choices.

Ideology The CES asks respondents to identify their ideology on a 5-point scale (Very Liberal – Very Conservative). Appendix Figure 24 plots histograms of the 1-year ahead forecasts by ideology. Notably, while forecasts tend to have more weight in higher bins as ideology moves to the right, there is a set of liberal (rather than "very" liberal) respondents who put their point forecast in the lowest bin, as well as a set of very conservative voters who do the same. We estimate versions of Equation (2), replacing party lean with categorical variables for ideology, and interacting these categories with our three knowledge measures. The estimated results are shown in Table 24. The coefficients on the other ideological categories (or the interaction terms) are relative to those who self-identified as "very liberal." As might be expected given ideological sorting among parties, these results are basically consistent with the results that use party lean.

Without conditioning on knowledge (column (1) of Table 24) our results suggest that moderates and conservatives tend to forecast higher inflation than those who describe themselves as liberal or very liberal. The effects are not monotonic moving from the left to the right; liberals tend to have lower forecasts than those who describe themselves as "very liberal", and "very conservative" respondents have lower forecasts (all else equal) than those who describe themselves as moderate or conservative, (although "very conservative" respon-

dents forecast higher inflation than (very) liberal respondents). In other words, respondents closer to the center of the ideological spectrum appear to be the main drivers of the ideological forecast divide, rather than those at the extremes.

The second column adds in our knowledge measures and their interaction with the ideological categories. We also summarize these by presenting the marginal effects (contrasting each ideological category with the baseline group of "very liberal" respondents), at different levels of each type of knowledge. Plots of the marginal effects are shown in figures 20 – 23 in Appendix B.5. The dominant effect comes from differences in political knowledge, and differences between very liberal respondents and those with other ideologies are generally significant (at the 90% level) for high levels of political knowledge. Higher-knowledge "very liberal" respondents have lower forecasts than conservatives, but these differences are only significant among those with the highest levels of economic and quantitative knowledge. We see a similar pattern for moderates versus very liberal respondents. By contrast, the difference between very liberal and very conservative respondents is not significant in general (although point estimates are always positive) and the difference tends to *shrink* as political knowledge increases. Contrasting liberal with very liberal respondents, increased political knowledge makes liberals' forecasts lower relative to very liberal respondents, while increasing economic and quantitative knowledge tends to raise the relative forecast of liberals compared to very liberal forecasts. Indeed, the quantitative difference for increasing economic knowledge in this subset is quite sizable (more than 2%). The end result is that significant differences between liberal and very liberal forecasts tend to only arise among the respondents who have relatively lower economic knowledge and the highest levels of political knowledge.

In short, using respondents' self-described ideology rather than party lean leaves the essential story unchanged; more conservative respondents (who mostly lean towards the Republican party) tend to have higher forecasts than more liberal respondents (who tend to lean with the Democrats). Moderates, who may place themselves in either party as well as

identifying as independent, have forecasts that look more like conservatives' in the context of the 2024 election. Greater political knowledge tends to increase the gap between liberals and conservatives.

Using ideology, rather than party, does reveal an interesting result, however. One might have expected that very liberal voters would have the lowest forecasts, and very conservative voters the highest (all else equal), under the assumption that very liberal respondents would have Democrat-like forecasts and very conservative voters Republican-like forecasts. However, the effects we measure in the previous section seem to be driven mostly by respondents who identify closer to the middle of the ideological spectrum.

Partisan strength Our measure of partisanship consolidates a 7-point scale ("Strong Democrat" - "Strong Republican") into Democrat – Independent – Republican. Similar to the exercise for ideology, we also examine the effects of using the whole 7-point scale instead of our consolidated party lean measure. The results are shown in Appendix B.6. Democrats of different strengths do not have statistically distinguishable forecasts (at the 90% level). Independents tend to forecast higher inflation, with significant differences at higher levels of quantitative knowledge and (and interestingly, often at intermediate levels of political knowledge; this could be due to a limited sample size of these sub-groups). Lean and "not very strong" Republicans have higher forecasts that tend to grow increasingly distant from Strong Democrat forecasts as political knowledge increases. Interestingly, there is little variation in point estimates of disagreement based on political knowledge between strong Democrats and strong Republicans; while quantitative and economic knowledge shift the level of disagreement, political knowledge plays little role. As with ideology, this may partially be a limited sample size issue, but it underlines that partisan disagreement is not driven primarily by the most die-hard partisans, and the role of political knowledge appears to mediate disagreement for less-strong partisans in particular.

4.4 High-trust, high-knowledge partisans do not have significantly different forecasts, but there are few of them

As mentioned in the introduction, partisans who express low generalized trust have been found in the political psychology literature to be more likely to endorse political misinformation (Kunda (1990); Miller et al. (2016); Kahan et al. (2017)). The argument is that low-trust respondents tend to act more affectively when interpreting information. Miller et al. (2016) in particular find that high political knowledge, low-trust conservatives and liberals are more likely to endorse conspiracy theories. Farhart and Struby (2024) find, similarly, that low-trust partisans who are have high political knowledge have statistically distinct forecasts, but there is no statistical evidence to distinguish between high-trust, high-knowledge partisans (or between low-trust, low-knowledge partisans).

Compared to the sample in Farhart and Struby (2024), the average level of trust in our sample is notably lower. Like in Farhart and Struby (2024), responses to questions about trust in people generally (and in particular sub-groups) are converted to a 0-3 scale, where 0 indicates that a group of people can "almost never" be trusted and a 3 indicates they can "almost always" be trusted. Appendix Figure 31 displays the histograms of average trust scores for the sample in Farhart and Struby (2024) and the CES 2024 module we use in this paper. With the caveat that the set of questions used to assess trust is slightly different across the two samples, there are fewer high trust respondents in the 2024 sample relative to 2022. The threshold used in Farhart and Struby (2024) was an average trust score of 2 – e.g., responding that a group of people could be trusted "most of the time". That captured roughly 10% of the 2022 sample, but only 5% of the 2024 sample; only 3% of Republicans respondents in the 2024 CES sample meet the "high trust" threshold used in Farhart and Struby (2024).

Lowering the threshold to capture a similar fraction of the overall sample (e.g., treating the 90th percentile of trust scores as the cutoff for "high trust") does replicate the core result from Farhart and Struby (2024). Regression results that interact an indicator for "high trust"

with the knowledge measures and party lean are shown in Appendix Table 26; estimated marginal effects are depicted in Appendix Figure 32. The gap between forecasts grows for the non-high-trust subsample, and it is statistically significant for high-quantitative-knowledge partisans. By contrast, high-trust, high-knowledge partisans generally have statistically indistinguishable forecasts, although higher quantitative knowledge plays a similar role in the subsample.

Broadly speaking, the role of trust and knowledge is consistent with the political psychology literature on endorsement of misinformation. Low-trust partisans may have affective motives that color their interpretation of evidence in line with their partisan motives; greater political knowledge is perhaps selectively interpreted when forming beliefs (or enables strategic forecast reporting). High-trust partisans may care more about accurate forecasts, and with greater knowledge report forecasts that are less influenced by noisy partisan signals or affective motives.[5]

Interestingly, the role of trust appears to mainly intersect with *political* knowledge, rather than economic or quantitative knowledge. Consistent with earlier results, greater economic knowledge tends to shrink the forecast gap (all else equal), and greater quantitative knowledge appears to increase it.

We must acknowledge, however, that these results may have low statistical power, given the shift in the trust distribution over time and the limited size of the high-trust subsample. The results in this subsection suggest, however, that the phenomenon of partisan forecast disagreement may be connected to the fact that the modal survey respondent is not high trust. Among high-trust partisans, higher levels of political knowledge seem to militate against disagreement.

[5]High trust, low-knowledge partisans appear to significantly disagree about the evolution of inflation, on average. One possibility is that these partisans credulously accept partisan signals.

4.5 Television media only partially explains the partisan gap

One possible reason for partisans to disagree would be differences in media diet (and hence, signal observed by agents). Nimark and Sundaresan (2019) model the delegation of agents' news selection to media and the nature of news coverage, and Chahrour et al. (2025) show that in the Michigan survey, coverage of high inflation causes viewers to adjust their expectations upward, consistent with a model where agents account for news selection when forming their beliefs.

Respondents to the CES survey report on their media use in the 24 hours prior to the survey. We focus on television news consumption, particularly, whether they have watched broadcast TV news, CNN, MSNBC, or Fox News. Their audiences differ across party lines in our sample: about 18.4% of Democrats in our sample had viewed MSNBC in the previous day, compared to 1.6% of Republicans; 29% of Republicans had watched Fox News, but only 7.2% of Democrats had.

We incorporate indicator variables for having watched any of the three aforementioned cable networks or broadcast TV news in the previous 24 hours, and interact them with party lean (Appendix Table 27). The results in the first column (for the complete sample) suggest that Democrats who had viewed CNN tended to forecast lower inflation than those who hadn't, and Democrats who watched Fox tended to forecast higher inflation than those who hadn't. Both effects are sizable (on the order of a percentage point or more) and significant at the 95% level.

Among Republicans, there is no significant difference between those who watched Fox and those who did not, although the point estimate is negative. Moreover, non-Fox viewing Republicans have predicted inflation expectations about 1 percent higher than analogous Democrats, all else equal. Broadly speaking, it seems as if Democrats who watched Fox have much higher inflation expectations than those who did not, but that there is still a significant partisan gap for partisans who had not recently watched Fox. Democrats who watched Fox have atypically higher inflation expectations for Democrats and, as a result, Republican-like

inflation expectations. But, they are few and far between in our sample.

However, it must be noted that the role of media networks is insignificant in the smaller subsample of only Republicans and Democrats, and the coefficients are also insignificant once we condition on knowledge. Moreover, the marginal effects of increased knowledge on partisan disagreement are similar even with the addition of the media viewing variables. This suggests that the different TV networks could play a role in information used by partisans, but that there still seems to be some role for disagreement not (solely) driven by media diet – in other words, by affective motives in survey responses.[6]

5 Interpreting the role of political knowledge

To summarize, our main results are:

1. There is a large unconditional partisan difference in responses to questions about realized inflation (the past 12 months), near-term inflation (the next 12 months) and long term inflation.

2. There is a sizable partisan difference in 12-month inflation forecasts even conditional on reported recent inflation, long-term inflation beliefs, and demographic and economic characteristics.

3. The difference in forecasts between otherwise identical partisans tends to grow in respondents' political knowledge. Greater quantitative knowledge seems to increase the gap, and greater economic knowledge decreases it.

4. The effects of political knowledge are reversed for the highest-trust partisans.

5. The pattern of greater political knowledge being associated with greater partisan disagreement holds for the "middle" of the political and ideological spectrum; the

[6]Of course (1) Respondents may have obtained partisan information from some source other than TV news (2) They may have viewed TV news in the past that informed their beliefs but not in the past 24 hours and (3) the selection of news network is probably endogenous to their political preferences.

strongest Democrats and Republicans (or strong liberals and strong conservatives) do not appear to vary much with increased political knowledge.

Our interpretation of these results is that they are broadly consistent with models where agents form expectations based on noisy signals, but have affective motives in how they interpret or report information. We sketch out two, related models that relate to this behavior.

Signal extraction with a partisan target Equation (1) suggests that "true" inflation forecasts depend on long run beliefs and nowcasts. However, reported forecasts may not be the same as true underlying beliefs. For example, suppose that agents' payoffs depend on both correctly forecasting the fundamental (an accuracy motive) and reporting a forecast that is close to a "partisan" target. We assume agents experiences losses from reporting beliefs that differ from the party line; they trade off between accurately forecasting the truth and have a forecast similar to their the partisan fundamental. This formalizes the suggested interpretation of Prior et al. (2015) that reported forecasts are a combination of actual forecasts and "what [survey respondents] would like to be true."

Appendix C details the comparative statics of this type of model. Bayesian signal extraction and a quadratic loss function imply optimal actions (i.e., reported forecasts) are a weighted average of signals, with weights determined by relative precisions and the relative importance of the two targets in the loss function. To the extent partisan signals are less noisy, the optimal action will be shaded towards that signal's realization.

This theory explains differences in partisans' forecasts as driven both by differences in information observed and the presence of a forecasting target that is correlated with the true fundamental but not identical to it. Simply observing an (on-average) biased signal is insufficient to generate disagreement because agents should account for the bias when forming their beliefs. On the other hand, agents who care about a partisan target may have different forecasts, and those forecasts may be increasingly different in the precision of the partisan signal, even holding constant the degree of "affectiveness" of their loss function. Similarly,

if we identify "economic knowledge" with the precision of the direct signal, forecasts could be more consistent with agents' true beliefs and less influenced by their partisan motives. Moreover, the fact that information received (even when it is partisan) can affect forecasts could be consistent with the evidence that Fox News-viewing Democrats tend to have higher inflation forecasts than other Democrats as in section 4.5. If high trust partisans generally act less affectively (as suggested by Miller et al. (2016)) then that could explain the apparent reversal of the role of political knowledge. However, it is somewhat challenging to reconcile this theoretical lens with finding (5), since we would expect political knowledge to play an even larger role in forecast disagreement among the strongest partisans.

Motivated reasoning Bénabou and Tirole (2016) review models of "motivated reasoning" where agents selectively interpret evidence (or ignore information) in favor of a particular decision. This line of reasoning is essentially compatible with the signal extraction story, but suggests agents may selectively avoid or misinterpret information that is unfavorable to their preferred self-image or conclusion.

Bénabou and Tirole argue the balance of evidence argues more knowledgeable individuals tend to be more likely to display "self-serving" behavior when updating beliefs on ideologically charged issues, while being less likely to do so for less-ideologically charged ones (i.e., Kahan et al. (2017)). To the extent inflation was a partisan issue during the 2022 and 2024 midterms, the results of this paper and Farhart and Struby (2024) are consistent with this interpretation, rather than assuming that partisans are naive or ignorant of the news. Melnikoff and Strohminger (2024) documents experimental evidence that Bayesian agents may learn from their affective response to information and interpret it as evidence in favor of their position, which can also serve as a source of differences of interpretation if information, even given identical priors. In our context, higher economic knowledge, by contrast, may mitigate this force by making some interpretations of the news more rationalizable than others; for instance, familiarity with the Federal Reserve may make it harder to convince oneself that

inflation is "really" 12 percent instead of 3.

Our results basically suggest that partisan disagreement about inflation cannot be explained by a lack of sophistication or pure differences in information, demographics, or the model implicitly used by respondents to make forecasts. Different domains of knowledge appear to differentiable affect partisans' forecasts. Those that we might expect are most connected to understanding of partisan affective motives (political knowledge) drive disagreement. Those that make blatantly partisan answers less seemingly plausible (economic knowledge) seem to mitigate disagreement. Pure "quantitative" knowledge that conveys less specific information about macroeconomics may give partisans confidence in their ability to rationalize their partisan priors, along the lines of the literature on "motivated numeracy" (Kahan et al. (2017)).

6 Conclusion

In the context of the 2024 election, we show that there is a significant partisan gap in reported perceptions and forecasts of inflation. Unconditionally, the gap is large. Guided by models of signal extraction, we show the gap in near-term forecasts is only partially mitigated by controlling for long-run forecasts, reported past inflation, and by a battery of economic and demographic variables. This is consistent with a sizable portion of forecasts being driven by "partisan cheerleading."

We also document that this gap is driven by politically knowledgeable partisans. Conditional on quantitative and economic knowledge, those who have more knowledge about politics have the most differentiated forecasts. This qualitative result is robust to a variety of alternative measures of inflation expectations and measures of political knowledge. We find that economic knowledge and quantitative knowledge *on average* reduce inflation forecasts, but our results suggest the former tends to make partisan gaps smaller and the latter makes them larger. The fact that politically knowledgeable partisans are most likely

to disagree, conditional on economic and quantitative skills, underlines that disagreement is likely to be driven by differences in sources or interpretation of information or in affective motives that drive survey responses.

A number of recent papers (e.g., Binder et al. (2025); DiGiuseppe et al. (2025a); Kamdar and Ray (2023)) emphasize that partisans' sentiment or inflation expectations seem to be causally affected by the results of elections. The nature of our data does not speak to this idea directly, although our results are basically consistent with the findings of these papers. In our setting where expectations were collected preelection, Republicans (who were not in control of the White House) generally have higher expectations, a situation which Figure 1 suggests likely reversed subsequent to the election. Future work should examine whether more or less knowledgeable partisans (along different dimensions of knowledge) are more or less likely to dramatically change forecasts as a result of swings in electoral results.

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A Additional details on CES module

A.1 Details on questions

Inflation questions Most of our inflation questions involved asked respondents to pick bins on a grid. Respondents were shown a screen with a text prompt, specific questions in rows, and the same set of columns for their answers to each question. The columns were:

- Falling by more than 12%
- -8% to -12%
- -8% to -4%

- -4% to -2%
- -2% to 0%
- 0% to 2%
- 2% to 4%
- 4% to 8%
- 8% to 12%
- Rising More than 12%

For the main questions on inflation expectations, respondents were shown the following prompt:

Now we have a set of questions about inflation: the percentage change in the consumer price index (CPI).

For these questions, the rows were:

1. What do you think inflation was over the past 12 months?
2. What do you think inflation will be over the next 12 months?
3. What do you think the average rate of inflation will be over the next ten years?
4. What rate of inflation do you think monetary policymakers are trying to achieve on average?

Higher order expectations In a later question, respondents were asked

We want you to think about what other people expect inflation (the percentage change in the Consumer Price Index) to be. This can be the same as you, or different from what you personally expect.

The rows were:

1. What do you think the average person thinks inflation will be over the next 12 months?
2. Democratic party thinks inflation will be over the next 12 months?
3. Republican party thinks inflation will be over the next 12 months?

Distributions For questions about the distribution of outcomes, respondents were asked

You said you thought the percentage change in the price level over the next 12 months would be about {`Answer to forecast question`}*. We want to know the chance of different outcomes for inflation. Your answers can range from 0 to 100, where 0 means there is absolutely no chance, and 100 means that it is absolutely certain. For example, numbers like: 2 and 5 percent may indicate "almost no chance", 18 percent or so may mean "not much chance", 47 or 52 percent chance may be a "pretty even chance," 83 percent or so may mean a "very good chance". 95 or 98 percent chance may be "almost certain." What percent chance do you place on the rate of inflation (the percentage change in the Consumer Price Index) falling in each of the following ranges? The total chance must add to 100%.*

Indirect and income expectation questions We also asked two questions on income changes that incorporated free response:

1. Given your expectations about developments in prices of goods and services during the next 12 months, by what percentage would your income have to change to make you equally well-off relative to your current situation, such that you can buy the same amount of goods and services as today?
2. By about what percentage do you expect your household income from all sources, before taxes or deductions, to change in the next 12 months? (By "household," we mean everyone you live with except roommates or renters)

For these questions, respondents were given three choices, where the first and third choice had text boxes:

1. Decrease (specify in percentage points)
2. Stay about the same
3. Increase (specify in percentage points)

The first question above captures inflation expectations as in the indirect utility approach of Hajdini et al. (2024).

Economic knowledge questions We have two multiple choice economics questions. The second is drawn from the New York Fed's Survey of Consumer Expectations.

1. Whose responsibility is it to conduct monetary policy in the United States?

    - Bank of America
    - The Federal Reserve System
    - The President
    - The U.S. House of Representatives

2. Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After one year, how much would you be able to buy with the money in this account?

    - More than today
    - Exactly the same as today
    - Less than today

Quantitative knowledge questions We have two quantitative knowledge questions that required respondents to type in an answer. The first was on the initial survey; the second was on the post-election survey. Both of these questions are drawn from the Federal Reserve Bank of New York's Survey of Consumer Expectations.

1. If the chance of getting a disease is 10 percent, how many people out of 1,000 would be expected to get the disease?

2. Let's say you have $200 in a savings account. The account earns ten per cent interest per year. Interest accrues at each anniversary of the account. If you never withdraw money or interest payments, how much money will you have in the account at the end of two years?

Political knowledge questions We ask a specific set of multiple choice questions on political knowledge. The first four are on the initial survey (October 2024), while the last was included on the follow up survey:

1. Who is the current Speaker of the U.S. House of Representatives?

    - Nancy Pelosi

- Paul Ryan
- Marco Rubio
- Mike Johnson

2. Whose responsibility is it to nominate judges to the U.S. Federal Courts?

    - The President
    - The U.S. Senate
    - The U.S. House of Representatives
    - The U.S. Supreme Court

3. Whose responsibility is it to determine if a law is constitutional or not?

    - The President
    - The U.S. Senate
    - The U.S. House of Representatives
    - The U.S. Supreme Court

4. Who is the current U.S. Secretary of State?

    - Hillary Clinton
    - Janet Napolitano
    - Antony Blinken
    - Mike Pompeo

5. What job or political office is now held by John Roberts?

    - Chair of the Democratic National Committee
    - Senate Majority Leader
    - Chief Justice of the Supreme Court
    - Chair of the Republican National Committee

Our narrowest measure of political knowledge only uses this set of questions, similar to Farhart and Struby (2024).

Our broader set also uses an additional six questions asking respondents to identify the party of their current governor, U.S. House Representative, U.S. Senators, and the majority party in the U.S. House and Senate.

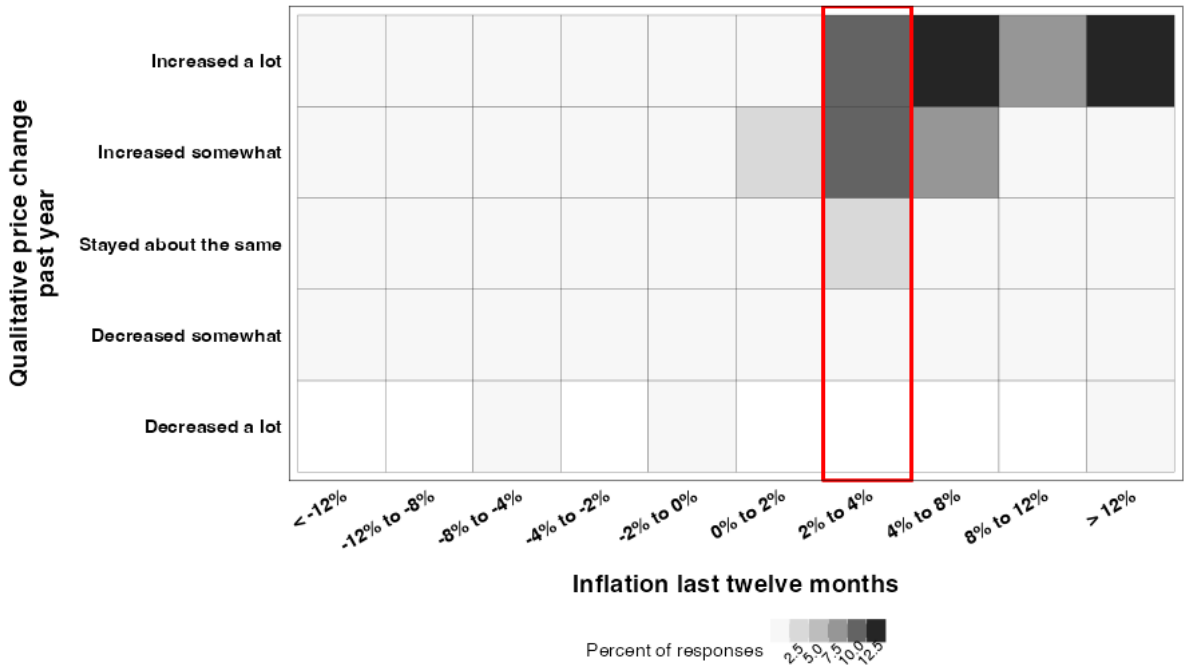


Figure 6: Heatmap of cross-tabulation of qualitative response to whether prices have gone up or down (vertical) and perceived inflation forecast (horizontal axis). Red outline indicates correct bin for 12-month % change in inflation over survey period (about 2.6%).

For the main results, we use the broad set.

A.2 Internal and external consistency

Figure 6 shows the cross-tabulation of respondents' responses to the level of inflation in the past twelve months (horizontal axis, correct answer boxed in red) against their qualitative comments about whether prices have increased, decreased, or stayed about the same. Although there are responses in most of the bins, those who provided inflation nowcasts in the correct bin, or higher, tended to respond that prices increased somewhat, with those with nowcasts in higher bins said that prices increased somewhat or a lot. This suggests that respondents generally had internally consistent answers to these two backwards-looking questions.

We also ask about inflation directly and indirectly. Consistent with Hajdini et al. (2024), these two measures are not generally identical for all respondents. There is a certain amount

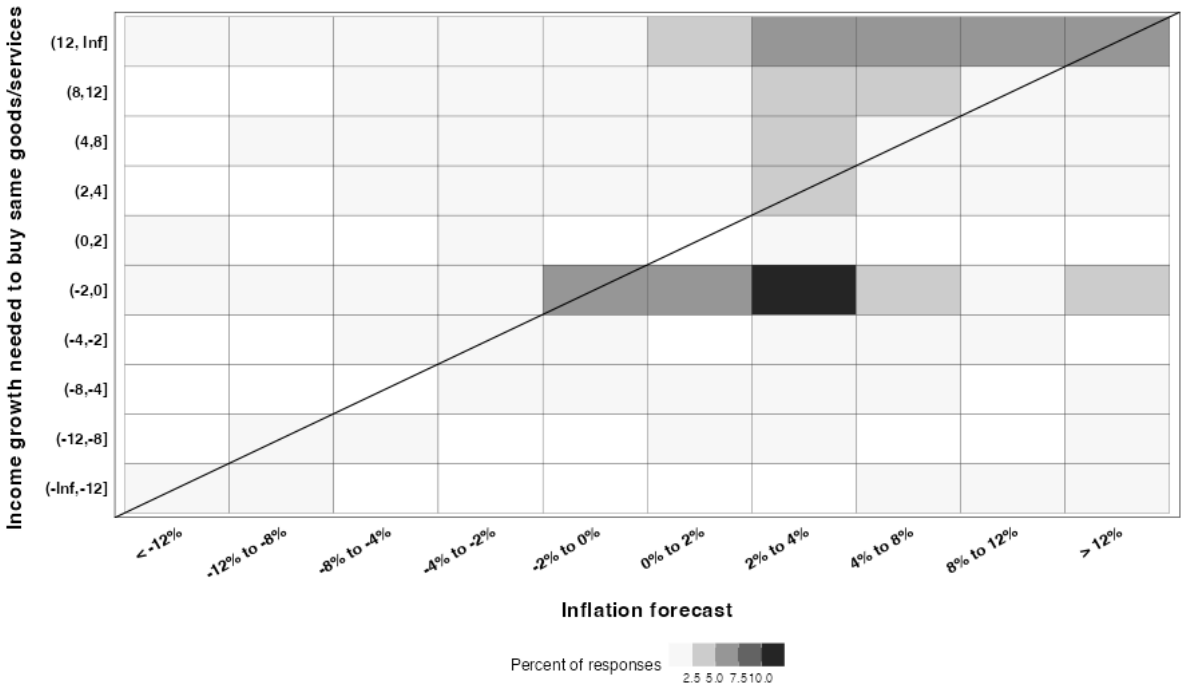


Figure 7: Heatmap of cross-tabulation of responses to "how much income growth would be needed to purchase the same quantity of goods and services" (with responses binned in the same bins as inflation forecast bins) and inflation forecast (horizontal axis). Answers to the right over the 45 degree line indicate forecast inflation is higher than "indirect" inflation forecast.

of bunching at zero for the income growth question, even when respondents provide slightly higher forecasts for overall CPI inflation. But those respondents who forecast higher inflation tend to report needing higher income growth to purchase the same quantity of goods and services – the mass of responses is in the upper-right quadrant of the graph. Again, we do not expect these two measure to be identical, but there appears to be a systematic relationship between responses.

We examine whether our responses are consistent with the contemporaneous Michigan survey (from October 2024). We compare 1 year forecasts (Figure 8, forecasts over a longer horizon (5 years for Michigan, ten for the CES, shown in Figure 9), forecasts for nominal income growth (Figure 10, and the partisan breakdown of 1 year inflation forecasts (Figure 11. Despite the binning for the inflation forecasts and truncation for the CES, the broad distribution of the Michigan and CES responses on inflation are similar.

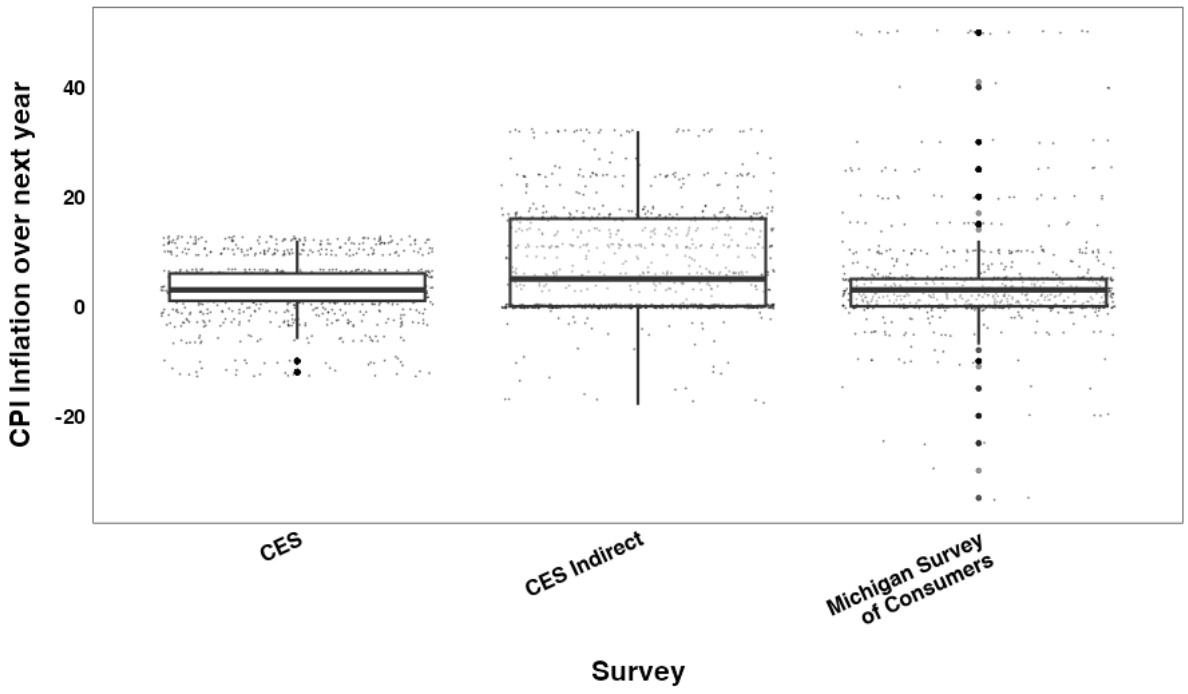


Figure 8: Box and whisker plots of individual responses of CPI inflation over the next year. "CES" is response to direct inflation question with binned responses converted to midpoints (truncated at -12% or 12%). "CES indirect" (free response) indicates response to question about percentage growth in income needed to afford the same quantity of goods and services. "Michigan Survey of Consumers" are point forecasts of expected inflation (free response). Both surveys collected in October 2024.

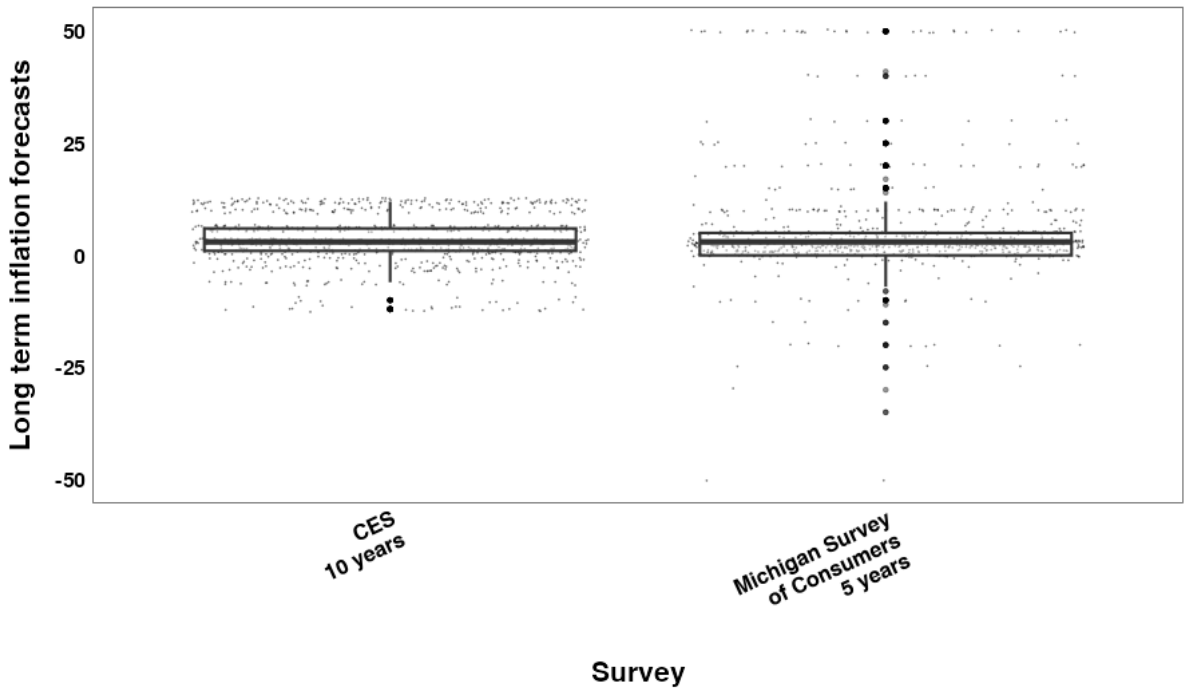


Figure 9: Box and whisker plots of individual responses of CPI inflation over the next 10 years (CES) and next 5 years (Michigan consumer survey). For CES, binned responses are converted to numerical at bin midpoints (truncated at -12% or 12%). Both surveys collected in October 2024.

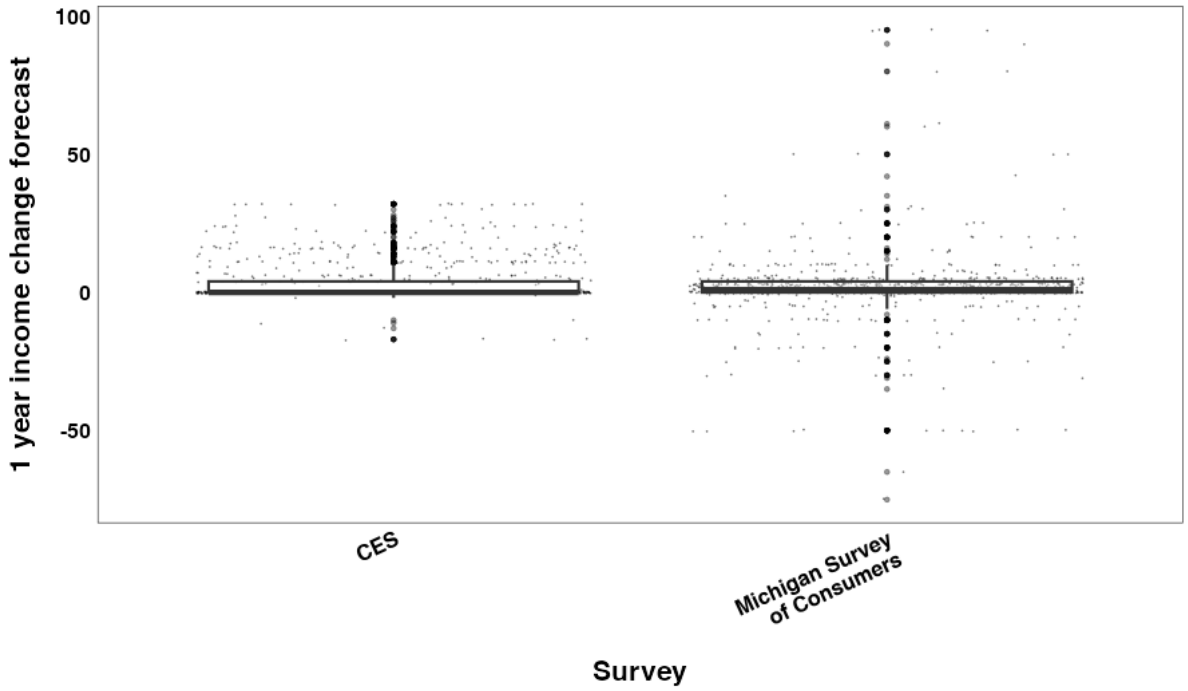


Figure 10: Box and whisker plots of individual responses of nominal household income growth over next year. Both questions are free responses. Both surveys collected in October 2024.

A.3 Demographics and summary statistics

Table 10 displays some qualitative summary statistics from the sample. The employment categories indicate our sample is much more likely to be "out of the labor force" or unemployed than BLS statistics would indicate. However, unlike the BLS household survey, respondents are simply asked to select an option that " best describes [their] current employment status" from the following set of options:

- Working full time now
- Working part time now
- Temporarily laid off
- Unemployed
- Retired
- Permanently disabled
- Taking care of home or family

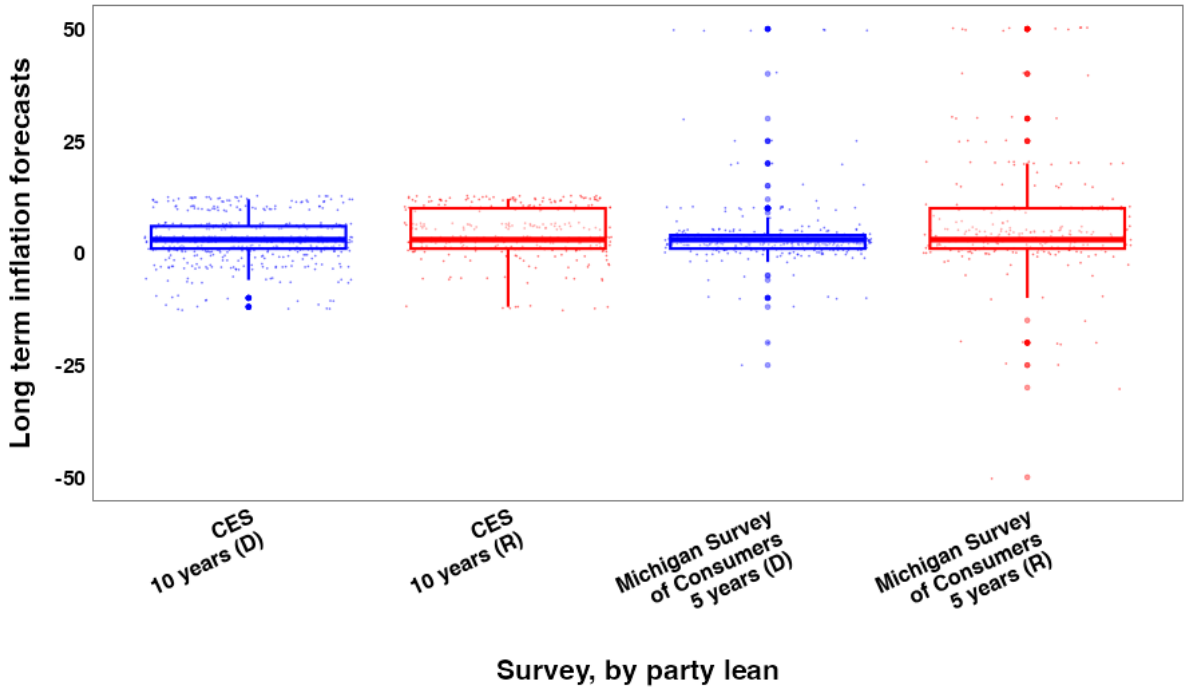


Figure 11: Box and whisker plots of individual responses of CPI inflation over the next year, by party lean. "CES" is response to direct inflation question with binned responses converted to numerical at midpoints (truncated at -12% or 12%). "Michigan Survey of Consumers" are point forecasts of expected inflation (free response). Both surveys collected in October 2024

- Student
- Other

Given the differences in question wording, it is plausible some of the difference could be respondents interpreting "best describes" differently than how the BLS would identify them. For instance, someone who works part time might nevertheless view their primary role as being a student and be classified as out of the labor force when we consolidate the data.

Politics and political attitudes

Table 10: Sample demographics

Variable	Fraction of sample (percentage points)
Male	50.2
White	68.7
Hispanic	13.8
Could cover $400 emergency	83.8
Child under 18 in home	20.2
Own home	67.0
Owns stock	42.5
Lives in rural area	21.1
Education: Less than HS	7.1
Education: HS graduate	26.9
Education: Some college or 2 year degree	36.0
Education: Bachelors degree	18.5
Education: Graduate or professional degree	11.5
Employed	41.7
Out of labor force	46.7
Unemployed	11.6
Income: Below 40k	35.8
Income: 40-80k	29.0
Income: 80-120k	23.6
Income: Above 120k	11.6

'Out of labor force' includes anyone who described themselves as retired, permanently disabled, a student, or homemaker. 'Unemployed' includes those who said they were unemployed or on temporary layoff. 'Could cover $400 emergency' is fraction of sample who indicated they could pay for a 400 emergency expense through savings, borrowing, or selling possessions.

Table 11: Party, ideology, and media use

Variable	Fraction of sample (percentage points)
Party Lean: Republican	38.7
Party Lean: Democrat	44.3
Party lean: Independent	12.8
Party lean: Not sure	4.1
Ideology: Very conservative	10.9
Ideology: Conservative	18.6
Ideology: Moderate	34.7
Ideology: Liberal	15.0
Ideology: Very liberal	12.9
Ideology: Not sure	7.8
Registered to vote	80.1
Watched TV news in past day	56.2

Table 12: Trust scores

Variable (Trust in...)	Mean	Std. Dev.	Min	25th Percentile	Median	75th percentile	Max	Num. obs
Federal government	0.9	0.7	0	0	1.0	1.0	3	1000
Law Enforcement	1.6	0.8	0	1	2.0	2.0	3	1000
Media	0.8	0.8	0	0	1.0	1.0	3	1000
People in general	1.4	0.7	0	1	1.0	2.0	3	1000
Military	1.8	0.8	0	1	2.0	2.0	3	1000
collective political decisions	1.0	0.7	0	1	1.0	1.0	3	1000
Avg. Trust score	1.2	0.5	0	1	1.3	1.5	3	1000

Response to "how often can you trust the following groups or institutions to do what is right?" where 0 indicates "Almost never" and 3 is "Almost always.". "Trust: collective political decisions" is response to whether you can trust "The wisdom of the American people when it comes to making political decisions." Trust score is average across six questions.

B Additional results and robustness

B.1 Knowledge and inflation forecasts

Table 13: Inflation forecasts, party lean, knowledge: Democrats and Republicans only

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Constant	2.048	2.388	2.433	2.190	3.168	3.393	3.591	3.135	3.551	3.494
	(2.057)	(2.016)	(2.045)	(2.063)	(2.291)	(2.364)	(2.361)	(2.255)	(2.350)	(2.373)
Inflation (past 12 months)	0.328***	0.331***	0.331***	0.332***	0.346***	0.349***	0.350***	0.348***	0.351***	0.351***
	(0.068)	(0.068)	(0.068)	(0.069)	(0.071)	(0.072)	(0.072)	(0.072)	(0.072)	(0.072)
Inflation forecast (10 years)	0.479***	0.480***	0.478***	0.487***	0.495***	0.498***	0.498***	0.488***	0.495***	0.494***
	(0.076)	(0.076)	(0.076)	(0.076)	(0.081)	(0.080)	(0.080)	(0.083)	(0.082)	(0.082)
Republican	0.812**	0.870**	0.848**	0.840**	1.086**	1.114***	1.116***	1.069**	1.095**	1.101**
	(0.408)	(0.408)	(0.405)	(0.412)	(0.421)	(0.426)	(0.426)	(0.425)	(0.428)	(0.426)
Econ: Fed	-0.509									
	(0.458)									
Econ: Fisher relation		-0.781								
		(0.487)								
Economics knowledge (0-2)			-0.571*							-0.233
			(0.311)							(0.308)
Quant: % Change				-0.239						
				(0.582)						
Quant: Compounding					-0.280					
					(0.294)					
Quantitative Knowledge (0-2)						-0.194				-0.062
						(0.265)				(0.268)
Combined economics and quantitative knowledge (0-4)							-0.199		-0.154	
							(0.191)		(0.200)	
Political knowledge: Broad (0-11)								-0.112	-0.075	-0.076
								(0.072)	(0.072)	(0.072)
N	769	769	769	757	642	634	634	642	634	634
R2	0.62	0.62	0.62	0.63	0.65	0.66	0.66	0.65	0.66	0.66
R2 Adj.	0.61	0.61	0.61	0.62	0.64	0.65	0.65	0.64	0.65	0.65
F	24.43	30.10	28.31	26.17	38.78	41.35	42.77	39.22	40.85	38.56

* p ¡ 0.1, ** p ¡ 0.05, *** p ¡ 0.01

Heteroskedasticity-robust standard errors shown in parentheses. Sample restricted to Democrats and Republicans only. Partisan categories (Republican, Democrat (excluded)) obtained by consolidating self-identified partisan lean, including "Lean" and "not very strong" Democrats and Republicans as partisans of those respective parties; "Not sure party" indicates the respondent answered "Not sure" or "Don't know" about which party they leaned towards. Each model also includes the following demographic and economic controls: Indicator variables for White, Hispanic, Male, a quadratic polynomial in age, categorical variables for family income groups, ability to pay for a $400 emergency, the presence of a child under 18 in the home, self-described employment status, self-identified stock ownership, self-identified home ownership, and whether the respondent indicates they live in a rural area.

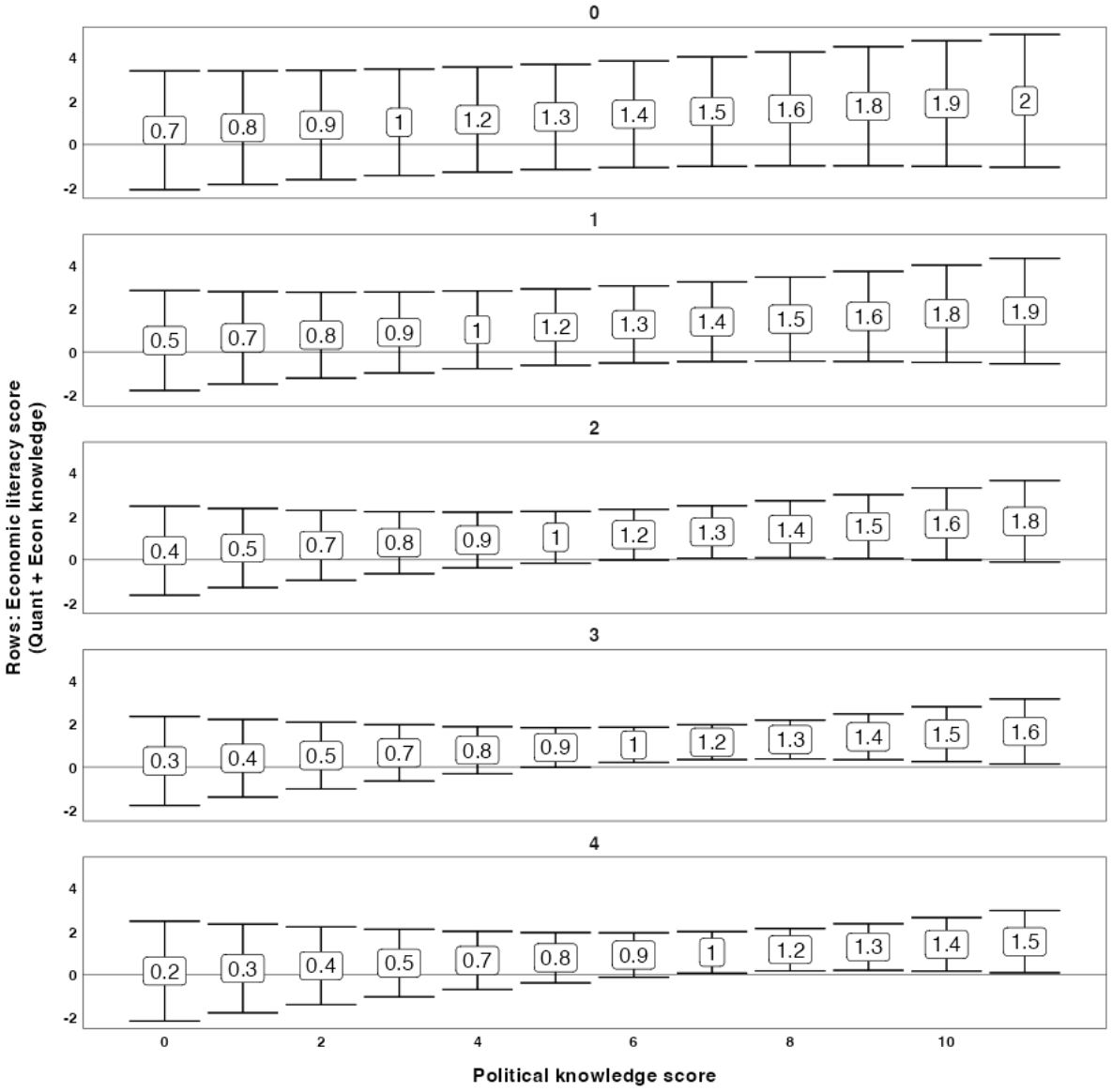


Figure 12: Predicted differences in Republican and Democratic forecasts at different levels of the sum of quantitative and economic knowledge and political knowledge. Within each row, the sum of economic and quantitative reasoning is held fixed. Estimated marginal effects calculated using partisan-only sample results from Table 8. 95% confidence intervals calculated using the delta method.

Table 14: Indirect inflation forecasts, party lean, knowledge: joint interactions

	(1)	(2)	(3)	(4)
Constant	2.369	2.373	2.068	1.783
	(6.297)	(6.938)	(6.476)	(6.959)
Inflation (past 12 months)	0.328***	0.333***	0.334***	0.340***
	(0.113)	(0.123)	(0.114)	(0.123)
Inflation forecast (10 years)	0.101	0.122	0.097	0.120
	(0.147)	(0.161)	(0.150)	(0.163)
Independent	-6.230		-6.671	
	(5.638)		(5.558)	
Republican	1.331	1.086	1.718	1.462
	(4.168)	(4.291)	(4.175)	(4.280)
Not sure party	-9.754		-9.638	
	(10.117)		(10.716)	
Economics knowledge (0-2)			1.824*	1.939*
			(1.039)	(1.053)
Quantitative Knowledge (0-2)			1.703	1.553
			(1.126)	(1.147)
Combined economics and quantitative knowledge (0-4)	1.762**	1.746**		
	(0.728)	(0.744)		
Political knowledge: Broad (0-10)	-0.260	-0.273	-0.262	-0.280
	(0.316)	(0.314)	(0.315)	(0.313)
Republican × Political knowledge	0.897**	0.895**	0.868**	0.872**
	(0.416)	(0.419)	(0.416)	(0.418)
Republican × Economics knowledge			-2.569	-2.674
			(1.603)	(1.627)
Republican × Quantiative knowledge			-0.236	-0.078
			(1.573)	(1.615)
Republican × Combined Econ and Quant know.	-1.474	-1.450		
	(1.030)	(1.058)		
N	733	634	733	634
R2	0.23	0.22	0.24	0.22
R2 Adj.	0.20	0.19	0.20	0.19

* p ¡ 0.1, ** p ¡ 0.05, *** p ¡ 0.01

Dependent variable is respondents' point estimate of how much their income would need to grow over the next year to purchase the same quantity of goods and services as today. Heteroskedasticity-robust standard errors shown in parentheses. Partisan categories (Republican, Democrat (excluded), Independent) obtained by consolidating self-identified partisan lean, including "Lean" and "not very strong" Democrats and Republicans as partisans of those respective parties; "Not sure party" indicates the respondent answered "Not sure" or "Don't know" about which party they leaned towards. Each model also includes the following demographic and economic controls: Indicator variables for White, Hispanic, Male, a quadratic polynomial in age, categorical variables for family income groups, ability to pay for a $400 emergency, the presence of a child under 18 in the home, self-described employment status, self-identified stock ownership, self-identified home ownership, and whether the respondent indicates they live in a rural area.

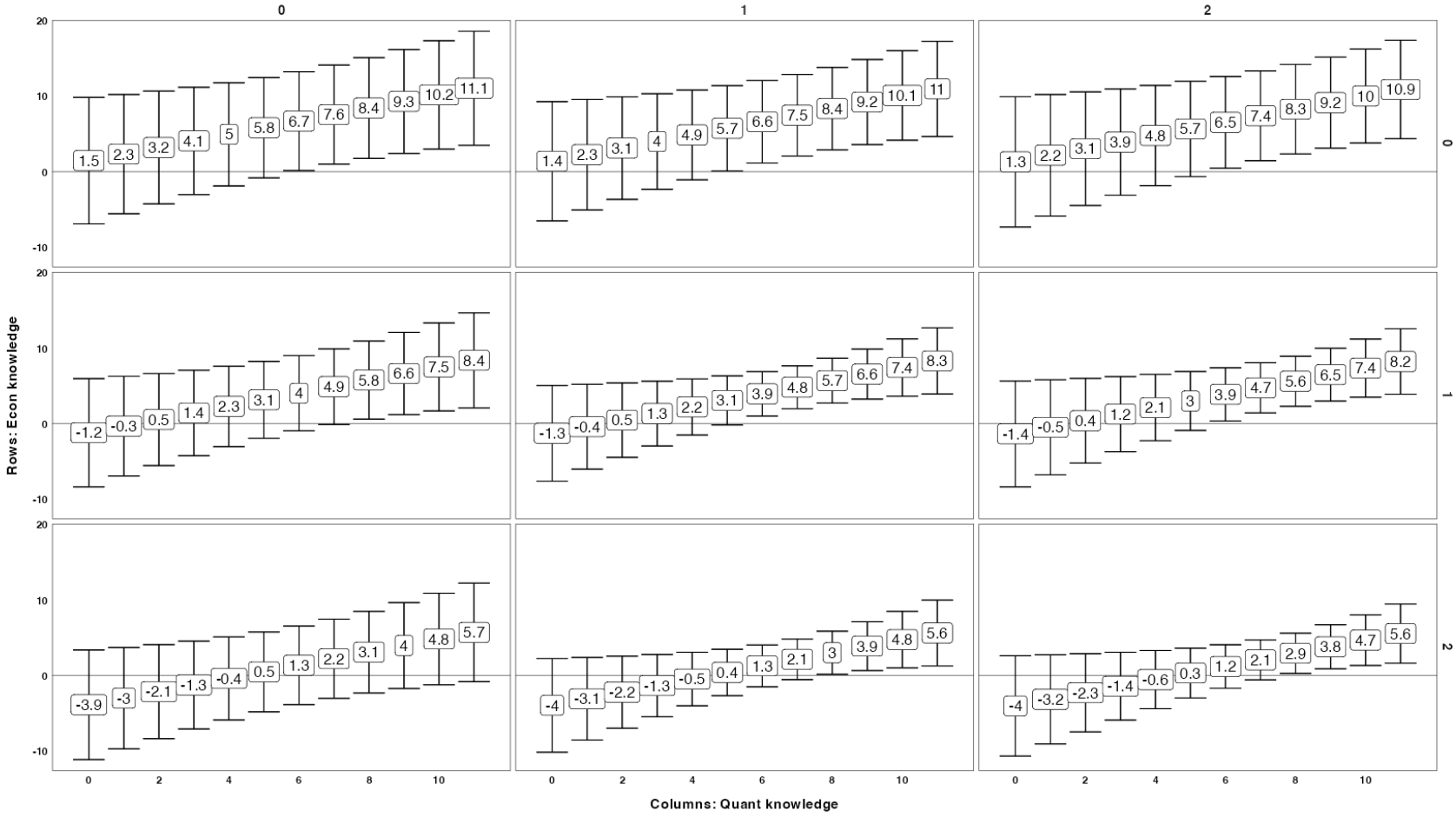


Figure 13: Predicted differences in Republican and Democratic indirect inflation forecasts at different levels of economic knowledge, quantitative knowledge, and political knowledge. Within a column, quantitative knowledge score is held fixed; within a row, economic knowledge score is held fixed. Estimated marginal effects calculated using column (4) of Table 14. 95% confidence intervals calculated using the delta method.

B.2 Consistency with density forecasts

We also elicit probability densities of expected inflation forecasts. These use the same bins as our point forecasts; respondents are prompted with their point forecast and asked to assign probability mass to each bin.

On average, about 8% of the sample has a significantly (at the 90% level) multimodal distribution (using the test proposed by Hartigan and Hartigan (1985)). The relative proportion of forecasts appearing with each bin is broadly consistent with what Zhao (2023) finds for the SCE, with significant mass on the left end of the distribution (three bins or fewer) and a second mode using all ten bins. Figure 14 plots the distribution by party lean for the subset of Democrats and Republicans; Democrats seem more likely to put density on all 10 bins than Republicans, on average. However, conditional on political and economic knowledge, as well as on demographic and economic controls, there is little evidence to suggest either Republicans or Democrats are differentially likely to put all of their density in a single bin.[7]

Engelberg et al. (2009) non-parametrically bound the central tendencies of subjective probability distributions from professionals' forecast densities and whether point estimates are consistent with those densities; Zhao (2023) applies their method to the SCE. For our main measure of inflation expectations, this is relatively simple: we identify whether the bin chosen for the point forecast is the same as the median bin implied by the density forecasts of respondents, and if the mean falls between the Engelberg et al. bounds on the mean (e.g., the mean "as if" all of the probability mass were on the lower end of each bin versus the upper bound of each bin; we truncate end-points at $\pm 38\%$ as in **?**Zhao (2023)). Cross-tabulation by party is shown in table 15. Unconditionally, at least a plurality of respondents select bins for inflation forecasts that are above that implied by their density forecasts, slightly more so Republicans than Democrats. The relative proportion selecting a bin other than their point forecast bin is higher than that reported for the SCE by Zhao (2023). On the one hand,

[7] Results available on request.

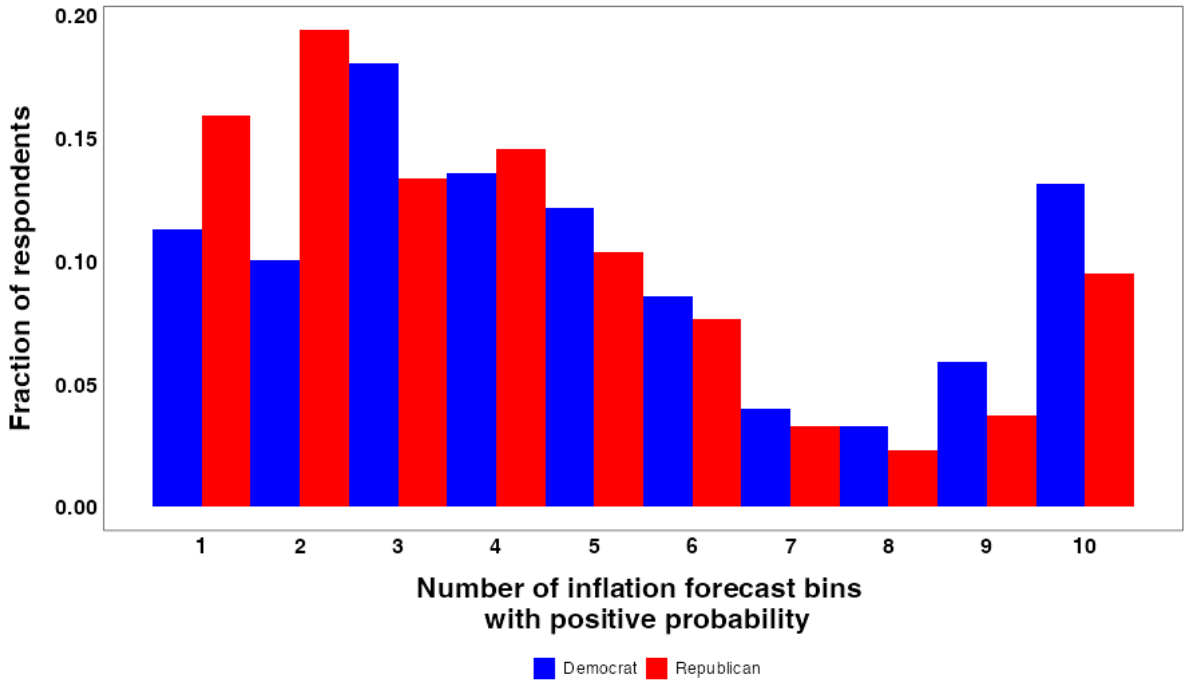


Figure 14: Number of forecast bins with assigned positive density (out of 10), for the subset of respondents with Democratic or Republican party lean.

this is surprising, as we remind respondents what their reported forecast was before selecting densities. On the other hand, unlike the SCE, we require having percentages sum to 100, so it is possible that we do not filter out a set of respondents that are not included by Zhao (2023).

Party	Mean low	Mean consistent	Mean high	Median low	Median consistent	Median high
Total	15.4	38.8	45.8	16.8	31.6	51.6
Democrat	16.9	39.0	44.1	19.1	35.0	45.8
Republican	13.8	37.9	48.3	15.8	27.6	56.6

Table 15: Cross-tabulation of whether bin selected as point forecast for inflation over the next year is lower, consistent with, or higher than the bounds on the central tendency implied by density forecasts. "Total" also includes respondents who identified as independents or did not know their party.

We also check the consistency of indirect inflation forecasts. Recall that our indirect forecasts ask respondents for the quantity of income growth needed to purchase the same

quantity of goods and services in the future as today, and we ask for point estimates rather than bins. The unconditional results are shown in Table 16. Notably, the majority of respondents of either party indicate that their income will have to grow faster than the central tendency of their implied distribution, and that this proportion is relatively higher among Republicans.

Party	Mean low	Mean consistent	Mean high	Median low	Median consistent	Median high
Total	14.6	25.1	60.2	14.6	22.8	62.5
Democrat	17.2	23.9	59.6	17.2	25.0	57.8
Republican	11.2	21.1	66.9	11.2	18.3	70.5

Table 16: Cross-tabulation of whether indirect inflation forecast is lower, consistent with, or higher than the bounds on the central tendency implied by density forecasts. "Total" also includes respondents who identified as independents or did not know their party.

To assess whether partisanship-*qua*-partisanship matters for these consistency measures, we estimate linear probability models, incorporating the same set of economic and demographic controls as our earlier specifications, as well as party lean, political knowledge, and economic literary (the sum of quantitative and economic knowledge scores). The results are reported in Table 17 (where the outcome is *consistency* between measures of central tendency and density forecasts) and Table 18 (where the outcome is reporting a higher point forecast than the upper bound of the central tendency measure). We find marginally significant evidence that higher economic literacy is associated with higher consistency of estimates and lower probability of reporting higher point forecasts. Republicans are significantly more likely (by about 15.6%) than Democrats to report a point forecast above the median of their density forecast, relative to Democrats, but this is not true for the mean (where point estimates are smaller and insignificant). There is little support (from either statistical significance or measures of fit) to support that knowledgeable partisans behave differently than less-knowledgeable individuals who identify with the same party with respect to their tendency to have (in)consistently point forecasts and densities.

Table 17: Linear probability model: consistency of forecast with density forecast

	Mean consistent	Mean consistent	Median consistent	Median consistent
Constant	0.229	0.276	0.095	0.128
	(0.314)	(0.332)	(0.273)	(0.290)
Independent	-0.028	-0.064	-0.069	-0.111
	(0.083)	(0.257)	(0.079)	(0.250)
Republican	-0.014	0.035	-0.085	-0.106
	(0.055)	(0.195)	(0.053)	(0.187)
Not sure party	-0.046	-0.143	-0.094	-0.324
	(0.286)	(0.340)	(0.307)	(0.352)
Combined economics and quantitative knowledge (0-4)	0.048*	0.059	0.061**	0.081**
	(0.027)	(0.038)	(0.026)	(0.039)
Political knowledge: Broad (0-10)	0.008	0.002	0.009	-0.005
	(0.010)	(0.015)	(0.010)	(0.015)
Republican × Political knowledge		0.002		0.024
		(0.021)		(0.020)
Republican × Combined Econ and Quant know.		-0.022		-0.046
		(0.057)		(0.055)
N	734	734	734	734
R2	0.05	0.05	0.08	0.09
R2 Adj.	0.02	0.02	0.06	0.06
F	1.03	0.97	2.82	2.27

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

Heteroskedasticity-robust standard errors shown in parentheses. Each model also includes the following demographic and economic controls: Indicator variables for White, Hispanic, Male, a quadratic polynomial in age, categorical variables for family income groups, ability to pay for a $400 emergency, the presence of a child under 18 in the home, self-described employment status, self-identified stock ownership, self-identified home ownership, and whether the respondent indicates they live in a rural area.

Table 18: Linear probability model: reported forecast is above upper bound of central tendency estimate

	Mean high	Mean high	Median high	Median high
Constant	0.626**	0.529*	0.568*	0.408
	(0.295)	(0.308)	(0.295)	(0.309)
Independent	0.143*	0.120	0.181**	0.251
	(0.084)	(0.264)	(0.081)	(0.259)
Republican	0.085	0.171	0.154***	0.472***
	(0.057)	(0.197)	(0.056)	(0.182)
Not sure party	-0.199	-0.510	-0.014	-0.076
	(0.208)	(0.445)	(0.264)	(0.579)
Combined economics and quantitative knowledge (0-4)	-0.047*	-0.060*	-0.047*	-0.043
	(0.027)	(0.036)	(0.026)	(0.035)
Political knowledge: Broad (0-10)	-0.013	0.000	-0.011	0.011
	(0.010)	(0.015)	(0.010)	(0.016)
Republican × Political knowledge		-0.014		-0.032
		(0.021)		(0.021)
Republican × Combined Econ and Quant know.		-0.001		-0.045
		(0.056)		(0.054)
N	734	734	734	734
R2	0.05	0.06	0.06	0.07
R2 Adj.	0.02	0.03	0.03	0.04
F	1.20	1.17	1.48	1.41

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

Heteroskedasticity-robust standard errors shown in parentheses. Each model also includes the following demographic and economic controls: Indicator variables for White, Hispanic, Male, a quadratic polynomial in age, categorical variables for family income groups, ability to pay for a $400 emergency, the presence of a child under 18 in the home, self-described employment status, self-identified stock ownership, self-identified home ownership, and whether the respondent indicates they live in a rural area.

The partisan forecast gap based on density forecasts Engelberg et al. (2009) argues that it is preferable to use measures of central tendency elicited from probability densities, rather than point estimates. We have just shown that the two are often substantially different from one another. In Tables 19 and **??** we re-estimate models similar those reported in 7 but using lower and upper bounds on estimates of the mean and median calculated as in Engelberg et al. (2009). Since we lack density nowcasts or long-run forecasts, we continue to use the midpoint of the reported bin, which does create a disconnect in measurement that could affect the results.

Quantitatively, the results are somewhat different than in the main specification. First, the lower bound estimates generally imply that inflation has a negative autocorrelation coefficient, while for the upper bound, the coefficient is positive but smaller than in the main specification. These estimates are economically less sensible than our main results. Qualitatively, the effects of greater quantitative knowledge flips sign relative to the main specification; increasing economic, quantitative, and political knowledge all push towards larger differences between partisans. Finally, for marginal effects (not shown), differences are generally insignificant at the 95% level (although for the upper bound, they become significant at the 90% level for high levels of political knowledge. Overall, the statistical case for the interaction between partisanship and knowledge is weaker, but qualitatively, the result that higher political knowledge appears to drive the partisan forecasting gap still holds, at least for the point estimate.

Table 19: Inflation forecasts: Lower bound of central tendency

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Constant	-12.879	-10.581	-12.531	-9.714	-12.274	-9.428	-11.834	-8.465
	(8.531)	(8.046)	(8.134)	(7.136)	(10.207)	(9.626)	(9.701)	(8.584)
Independent	-0.779	-3.259	-0.792	-4.607	-1.358	-5.971	-1.374	-7.606
	(1.927)	(5.321)	(1.947)	(5.615)	(2.265)	(6.404)	(2.293)	(6.992)
Republican	-0.055	-1.499	-0.074	-1.032	-0.426	-3.022	-0.450	-2.778
	(1.165)	(4.168)	(1.165)	(4.267)	(1.547)	(5.316)	(1.551)	(5.468)
Not sure party	3.728	3.227	3.604	2.292	3.736**	4.023	3.579*	4.030
	(2.547)	(6.136)	(2.516)	(6.261)	(1.900)	(5.264)	(1.898)	(6.035)
Economics knowledge (0-2)			1.526	1.541			1.515	0.905
			(0.941)	(1.142)			(1.050)	(1.252)
Quantitative Knowledge (0-2)			0.729	1.373			0.508	1.099
			(1.026)	(1.084)			(1.203)	(1.176)
Combined economics and quantitative knowledge (0-4)	1.158**	1.483*			1.050*	1.022		
	(0.555)	(0.805)			(0.607)	(0.887)		
Political knowledge: Broad (0-10)	0.113	-0.269	0.116	-0.267	-0.063	-0.386	-0.059	-0.377
	(0.178)	(0.298)	(0.179)	(0.295)	(0.179)	(0.315)	(0.179)	(0.312)
Republican × Political knowledge		0.364		0.334		0.251		0.222
		(0.360)		(0.361)		(0.383)		(0.384)
Republican × Economics knowledge				-1.334				-0.038
				(1.744)				(2.064)
Republican × Quantiative knowledge				0.863				0.852
				(1.650)				(1.862)
Republican × Combined Econ and Quant know.		-0.301				0.367		
		(1.046)				(1.233)		
N	734	734	734	734	734	734	734	734
R2	0.14	0.15	0.14	0.17	0.12	0.13	0.12	0.15
R2 Adj.	0.11	0.12	0.11	0.13	0.10	0.10	0.10	0.11
F	1.85	2.11	1.77	2.09	1.50	1.79	1.43	1.55

* p ¡ 0.1, ** p ¡ 0.05, *** p ¡ 0.01

Dependent variable is lower bound of mean (columns (1)-(4)) and median (columns (5) - (8)) based on density forecasts; Heteroskedasticity-robust standard errors shown in parentheses. Each model also includes the following demographic and economic controls: Indicator variables for White, Hispanic, Male, a quadratic polynomial in age, categorical variables for family income groups, ability to pay for a $400 emergency, the presence of a child under 18 in the home, self-described employment status, self-identified stock ownership, self-identified home ownership, and whether the respondent indicates they live in a rural area.

Table 20: Inflation forecasts: Upper bound of central tendency

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Constant	-0.903	1.017	-0.581	1.637	-0.856	1.552	-0.521	2.226
	(6.437)	(6.572)	(6.260)	(6.038)	(6.959)	(7.165)	(6.832)	(6.722)
Independent	0.461	-3.417	0.449	-4.627	0.157	-5.080	0.144	-6.423
	(1.726)	(4.667)	(1.730)	(4.718)	(1.807)	(5.271)	(1.812)	(5.427)
Republican	0.464	-3.174	0.446	-2.844	0.461	-4.378	0.442	-4.254
	(0.954)	(3.883)	(0.954)	(3.902)	(1.076)	(4.469)	(1.073)	(4.496)
Not sure party	2.725	3.135	2.610	3.143	0.982	-2.643	0.862	-2.042
	(2.036)	(4.237)	(2.066)	(4.750)	(2.542)	(5.628)	(2.558)	(6.923)
Economics knowledge (0-2)			0.485	0.387			0.605	-0.133
			(0.773)	(0.902)			(0.882)	(0.984)
Quantitative Knowledge (0-2)			-0.253	-0.354			-0.162	-0.213
			(0.861)	(1.002)			(0.893)	(1.047)
Combined economics and quantitative knowledge (0-4)	0.144	0.057			0.251	-0.150		
	(0.524)	(0.690)			(0.586)	(0.817)		
Political knowledge: Broad (0-10)	-0.100	-0.406*	-0.097	-0.402*	-0.126	-0.398*	-0.123	-0.389*
	(0.170)	(0.234)	(0.170)	(0.232)	(0.172)	(0.232)	(0.172)	(0.231)
Republican × Political knowledge		0.418		0.391		0.373		0.350
		(0.302)		(0.303)		(0.329)		(0.329)
Republican × Economics knowledge				-0.659				0.614
				(1.492)				(1.705)
Republican × Quantiative knowledge				1.523				1.285
				(1.631)				(1.665)
Republican × Combined Econ and Quant know.		0.356				0.910		
		(1.018)				(1.148)		
N	734	734	734	734	734	734	734	734
R2	0.14	0.15	0.15	0.17	0.13	0.13	0.13	0.15
R2 Adj.	0.12	0.12	0.12	0.13	0.10	0.10	0.10	0.11
F	2.70	2.55	2.58	2.64	2.17	2.15	2.06	2.03

* p ¡ 0.1, ** p ¡ 0.05, *** p ¡ 0.01

Dependent variable is upper bound of mean (columns (1)-(4)) and median (columns (5) - (8)) based on density forecasts; Heteroskedasticity-robust standard errors shown in parentheses. Each model also includes the following demographic and economic controls: Indicator variables for White, Hispanic, Male, a quadratic polynomial in age, categorical variables for family income groups, ability to pay for a $400 emergency, the presence of a child under 18 in the home, self-described employment status, self-identified stock ownership, self-identified home ownership, and whether the respondent indicates they live in a rural area.

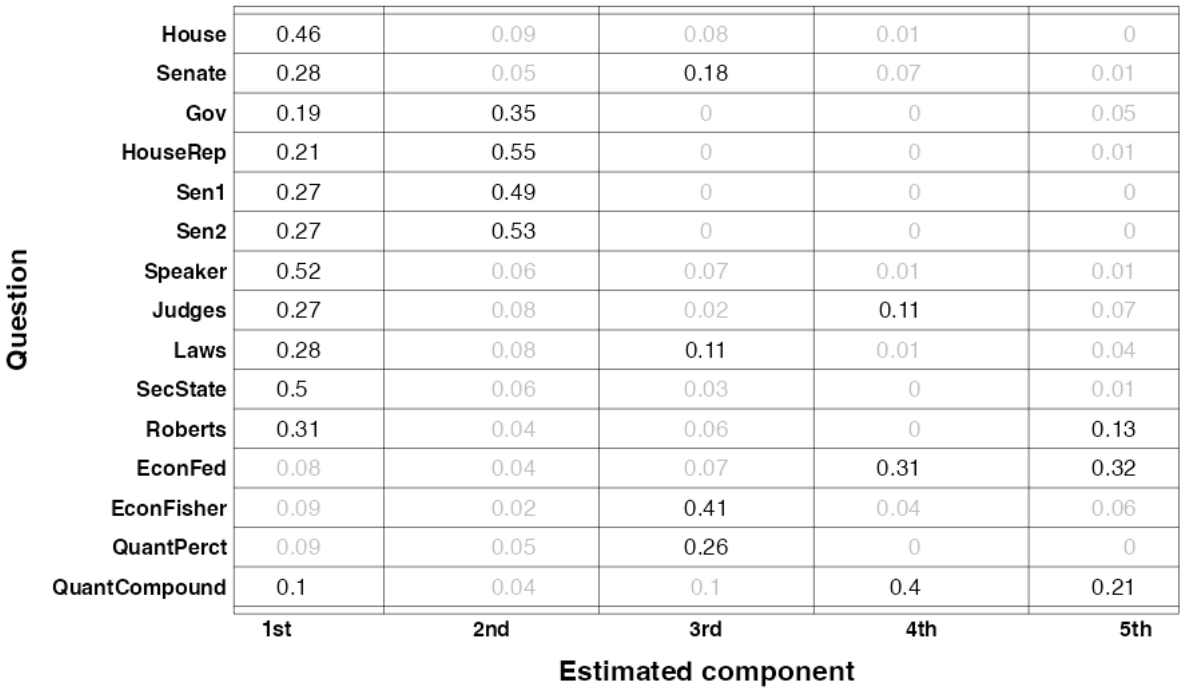


Figure 15: Squared cosine of each question with respect to the first five estimated components estimated through MCA for all of the knowledge questions (political, economic and quantitative). Higher numbers indicate that a particular factor better represents answers to that question, with 1 indicating responses are perfectly represented by the factor (Lê et al. (2008)).

B.3 Additional results: Factor estimates

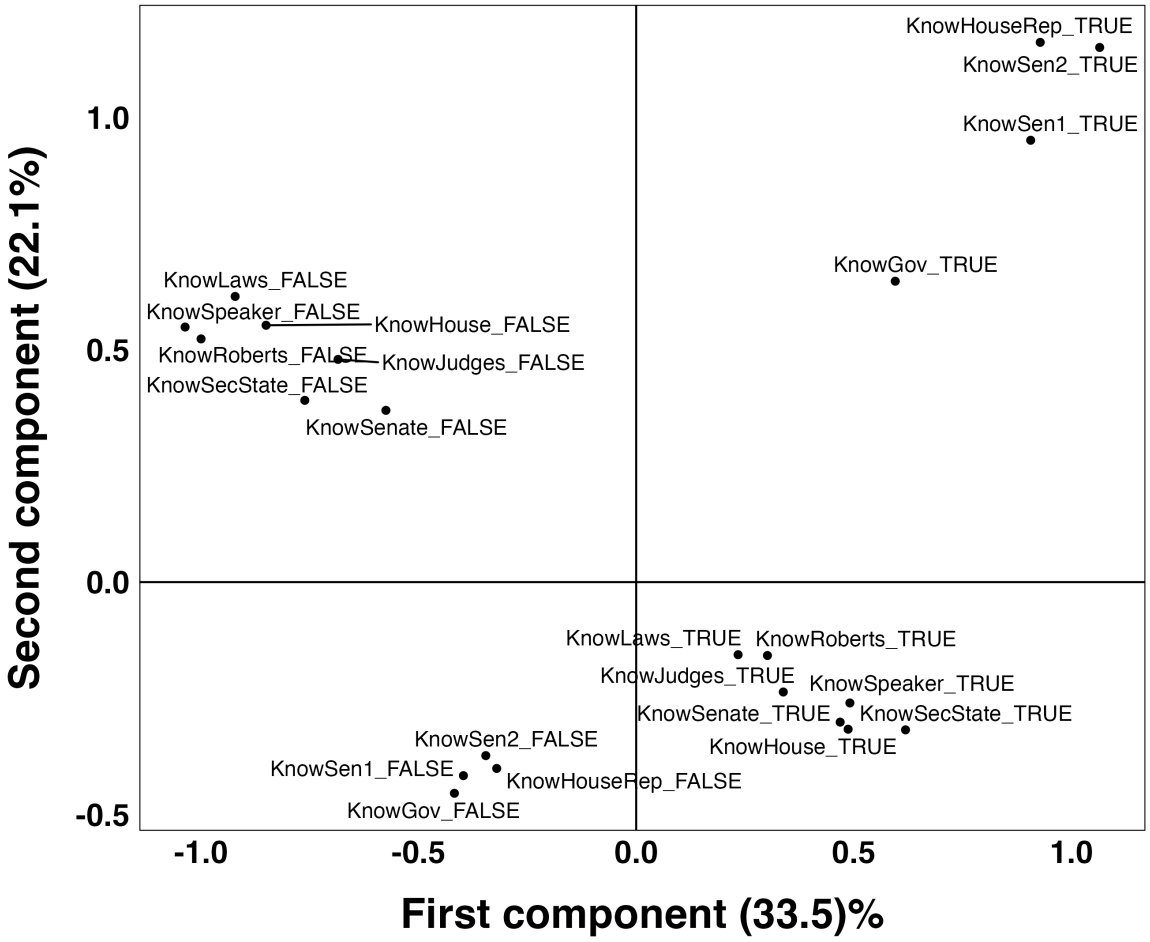


Figure 16: Scatterplot of representation of political knowledge questions questions by first two estimated components. Factors are signed so that a positive number is associated with correct answers and negative with incorrect answers; a "TRUE" label indicates the loading for correct answers and "FALSE" for incorrect. Components estimated by multiple correspondence analysis (MCA) using only the political knowledge questions. Number in parentheses is the amount of variation in answers to knowledge questions explained by that factor.

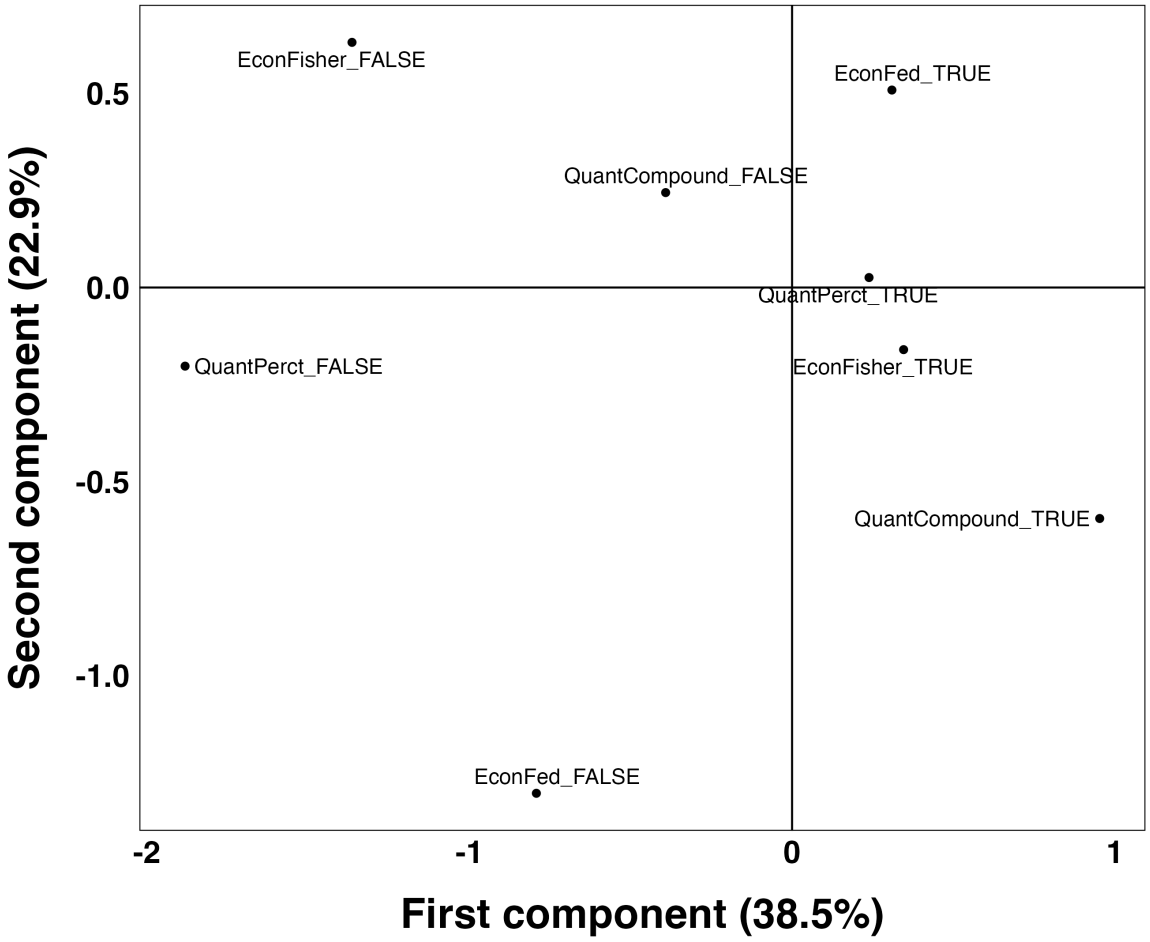


Figure 17: Scatterplot of representation of economic and quantitative knowledge questions questions by first two estimated components. Factors are signed so that a positive number is associated with correct answers and negative with incorrect answers; a "TRUE" label indicates the loading for correct answers and "FALSE" for incorrect. Components estimated by multiple correspondence analysis (MCA) using only the economic and quantitative knowledge questions. Number in parentheses is the amount of variation in answers to knowledge questions explained by that factor.

Table 21: Inflation forecasts, party lean, knowledge: MCA

	1 year forecast	Past year inflation	10 year inflation	Fed Inflation target	1 year inflation
Constant	7.002*	3.847	5.470	3.332	2.931
	(3.983)	(3.563)	(4.154)	(2.629)	(2.161)
Republican	3.811***	3.960***	2.542***	1.619***	1.151**
	(0.719)	(0.680)	(0.726)	(0.540)	(0.478)
Political Know. (1st component)	-0.638	0.232	-0.406	0.767	-0.519
	(1.033)	(1.010)	(1.016)	(0.646)	(0.619)
Political Know. (2nd component)	-1.224	0.279	-1.070	-0.834	-0.793
	(1.195)	(0.976)	(1.176)	(1.035)	(0.579)
Econ/Quant Know. (1st component)	0.244	0.698	0.571	0.244	-0.286
	(0.717)	(0.950)	(0.813)	(0.642)	(0.458)
Econ/Quant Know. (2nd component)	-0.510	-0.017	0.306	-0.201	-0.655
	(0.942)	(1.000)	(0.953)	(0.717)	(0.537)
Republican × Political Know. (1st component)				-0.753	0.516
				(1.048)	(0.769)
Republican × Political Know. (2nd component)				1.090	0.423
				(1.292)	(0.700)
Republican × Econ/Quant Know. (1st component)				-1.111	0.019
				(1.004)	(0.662)
Republican × Econ/Quant Know. (2nd component)				-0.803	0.744
				(1.069)	(0.717)
N	634	634	634	634	634
R2	0.20	0.17	0.12	0.11	0.66
R2 Adj.	0.17	0.13	0.08	0.07	0.65
F	5.29	3.70	2.38	1.46	32.98

* p ¡ 0.1, ** p ¡ 0.05, *** p ¡ 0.01

Heteroskedasticity-robust standard errors shown in parentheses. Partisan categories (Republican, Democrat (excluded)) obtained by consolidating self-identified partisan lean, including "Lean" and "not very strong" Democrats and Republicans as partisans of those respective parties. Those who identified as independents or did not know party affiliation were dropped from this set of regressions. "Components" refers to first two components of all of the political knolwedge questions and economic and quantitative knowledge questions (estimated separately) using mulitple components analysis (MCA). The first and second component of political knowledge explain 55% of the political knowledge responses, (respectively, 33.5%, 22.1%); the first two components of economic and quantitative knowledge questions explains about 61% of variance of the answers to those questions (38.5% and 22.9%, respectively). Each model also includes the following demographic and economic controls: Indicator variables for White, Hispanic, Male, a quadratic polynomial in age, categorical variables for family income groups, ability to pay for a $400 emergency, the presence of a child under 18 in the home, self-described employment status, self-identified stock ownership, self-identified home ownership, and whether the respondent indicates they live in a rural area.

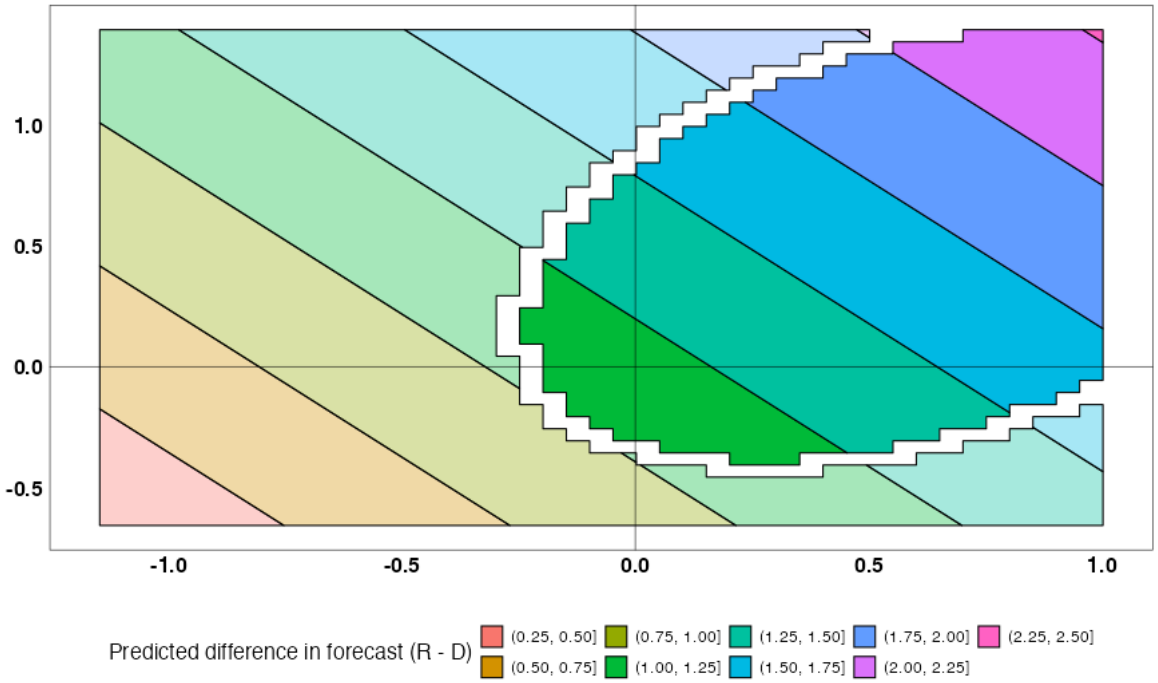


Figure 18: Contour plot of predicted difference in forecasts (Republican - Democrat). Horizontal and vertical coordinates represents different levels of the first two components estimated using political knowledge questions. Components estimated by multiple correspondence analysis (MCA) using only the political knowledge questions. Darker areas indicate significant differences at the 10% level. Marginal effects estimated using last column of **??**.

Table 22: Inflation forecasts, party lean, and economic/quant knowledge factor estimates

	1 year forecast	Past year inflation	10 year inflation	Fed Inflation target	1 year inflation
Constant	7.574**	3.761	5.942	2.245	3.300
	(3.576)	(3.687)	(3.671)	(2.699)	(2.429)
Republican	3.781**	4.808***	3.279*	2.259	0.463
	(1.790)	(1.815)	(1.843)	(1.417)	(1.055)
Political knowledge: Broad (0-10)	-0.157	0.049	-0.097	0.139	-0.125
	(0.193)	(0.193)	(0.192)	(0.122)	(0.119)
Republican × Political knowledge	-0.016	-0.135	-0.136	-0.125	0.100
	(0.239)	(0.247)	(0.248)	(0.193)	(0.150)
1st component	0.470	0.692	0.813	0.383	-0.177
	(0.666)	(0.923)	(0.742)	(0.609)	(0.464)
2nd component	-0.403	-0.026	0.408	-0.135	-0.597
	(0.978)	(0.999)	(0.994)	(0.740)	(0.542)
Republican × 1st component	-1.696*	-1.744	-2.108*	-1.328	-0.036
	(1.028)	(1.198)	(1.206)	(0.968)	(0.645)
Republican × 2nd component	-0.259	-0.161	-1.712	-0.879	0.648
	(1.288)	(1.244)	(1.333)	(1.085)	(0.723)
N	634	634	634	634	634
R2	0.20	0.16	0.11	0.10	0.66
R2 Adj.	0.17	0.13	0.07	0.07	0.65
F	5.57	3.90	2.35	1.59	36.07

* p ¡ 0.1, ** p ¡ 0.05, *** p ¡ 0.01

Heteroskedasticity-robust standard errors shown in parentheses. Partisan categories (Republican, Democrat (excluded), Independent) obtained by consolidating self-identified partisan lean, including "Lean" and "not very strong" Democrats and Republicans as partisans of those respective parties. Those who identified as independents or did not know party affiliation were dropped from this set of regressions. "1st component" and "2nd component" refers to the first two components of the set of quantitative and economics knowledge questions, estimated using mulitple components analysis (MCA). Each model also includes the following demographic and economic controls: Indicator variables for White, Hispanic, Male, a quadratic polynomial in age, categorical variables for family income groups, ability to pay for a $400 emergency, the presence of a child under 18 in the home, self-described employment status, self-identified stock ownership, self-identified home ownership, and whether the respondent indicates they live in a rural area.

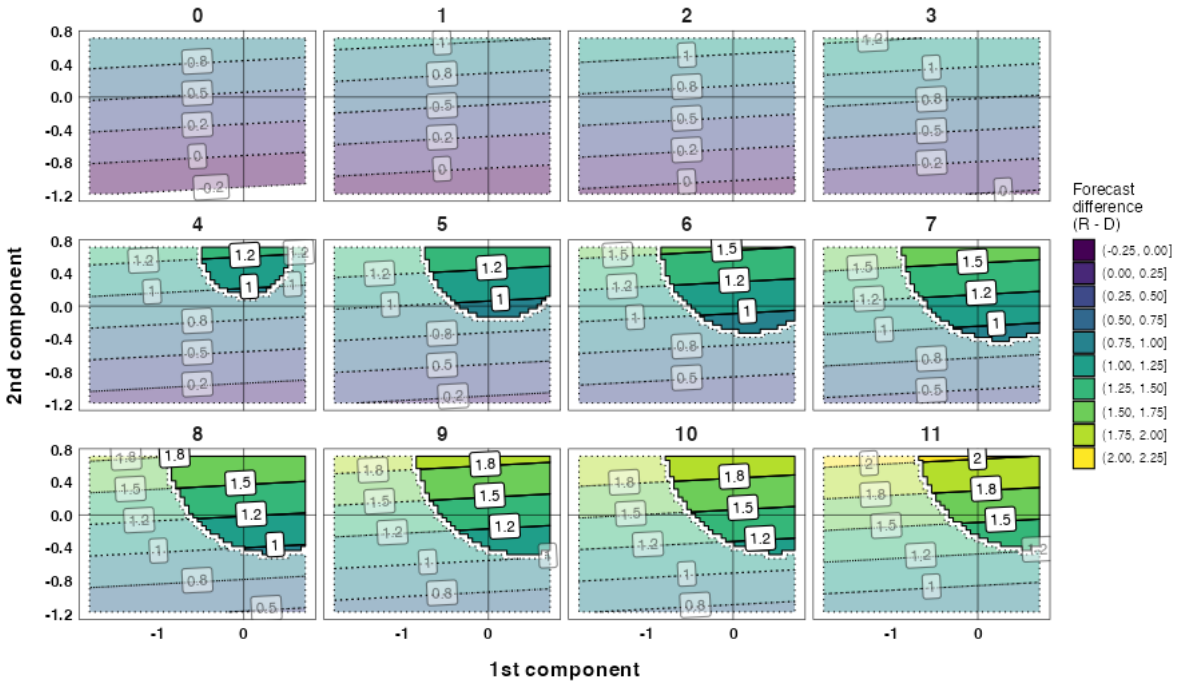


Figure 19: Contour plot of predicted difference in forecasts (Republican - Democrat) at different levels of political knowledge score. Horizontal axis represents different levels of the first component estimated economic and quantitative knowledge questions. Components estimated by multiple correspondence analysis (MCA) using only the economic and quantitative knowledge questions. Darker areas indicate significant differences at the 10% level. Marginal effects estimated using last column of 22.

B.4 Additional results: Differences in forecasting parameters

Throughout, we have imposed that partisans share common coefficients on past and long term inflation; in the sense of equation (1), we are assuming that the weight on long-term inflation ω and the perceived autocorrelation coefficient in the underlying process ρ do not vary systematically with partisan identity. Since forecasters may misperceive forecasting parameters in general (Ryngaert (2025)) we may be concerned that some of what we attribute to differences in the intercept for Republicans and Democrats (or differences in the marginal effects of knowledge) is actually capturing differences in forecasting coefficients.

Although we do not have enough information to verify whether individual forecasters have the correct forecasting rule, we also lack any (statical) evidence that Democrats and Republicans have different coefficients on past inflation or long-run inflation. When we allow for differences in those coefficients across parties (Table 23)., the point estimates are different, but the differences are insignificant. Additionally, the key patterns – large differences in intercepts and the contributions of economic, quantitative, and political knowledge to disagreement – are unchanged. Of course, we cannot rule out that there is a difference in the forecasting rules of agents using these results; we simply do not have evidence that the difference in forecasting rules is systematically partisan in our cross-section.

B.5 Additional results: Ideology

Table 23: Inflation forecasts and party lean: differences in forecasts across parties

	(1)	(2)	(3)	(4)
Constant	1.426	1.858	3.020	3.389
	(1.937)	(2.133)	(2.408)	(2.622)
Inflation (past 12 months)	0.382***	0.385***	0.447***	0.447***
	(0.097)	(0.098)	(0.110)	(0.110)
Inflation forecast (10 years)	0.446***	0.445***	0.417***	0.416***
	(0.086)	(0.088)	(0.097)	(0.097)
Independent	0.601		0.392	
	(1.003)		(2.278)	
Republican	1.233**	1.240**	1.372	1.379
	(0.587)	(0.583)	(1.662)	(1.662)
Not sure party	1.006		-1.879	
	(2.024)		(3.078)	
Economics knowledge (0-2)			0.171	0.196
			(0.430)	(0.432)
Quantitative Knowledge (0-2)			-0.390	-0.357
			(0.374)	(0.382)
Political knowledge: Broad (0-11)			-0.146	-0.150
			(0.120)	(0.119)
Inflation (past 12 months) × Republican	-0.122	-0.128	-0.182	-0.183
	(0.133)	(0.132)	(0.143)	(0.143)
Inflation (next 10 years) × Republican	0.059	0.058	0.123	0.121
	(0.148)	(0.150)	(0.150)	(0.151)
Republican × Political knowledge			0.114	0.126
			(0.154)	(0.153)
Republican × Economics knowledge			-0.804	-0.824
			(0.612)	(0.615)
Republican × Quantiative knowledge			0.590	0.551
			(0.557)	(0.561)
N	902	769	734	634
R2	0.64	0.62	0.70	0.67
R2 Adj.	0.63	0.61	0.68	0.66
Partisan subsample	No	Yes	No	Yes
F	23.17	21.39	29.86	31.26

* p ¡ 0.1, ** p ¡ 0.05, *** p ¡ 0.01

Heteroskedasticity-robust standard errors shown in parentheses. Sample restricted to Democrats and Republicans only. Partisan categories (Republican, Democrat (excluded)) obtained by consolidating self-identified partisan lean, including "Lean" and "not very strong" Democrats and Republicans as partisans of those respective parties; "Not sure party" indicates the respondent answered "Not sure" or "Don't know" about which party they leaned towards. Each model also includes the following demographic and economic controls: Indicator variables for White, Hispanic, Male, a quadratic polynomial in age, categorical variables for family income groups, ability to pay for a $400 emergency, the presence of a child under 18 in the home, self-described

Variable	Estimate	Std. Error
Constant	3.963	(2.979)
Inflation (past 12 months)	0.402***	(0.063)
Inflation forecast (10 years)	0.508***	(0.070)
Economics knowledge (0-2)	-0.602	(0.683)
Quantitative Knowledge (0-2)	-0.420	(0.720)
Political knowledge: Broad (0-11)	-0.121	(0.176)
Liberal	-2.858	(2.534)
Moderate	-0.885	(2.318)
Conservative	-1.297	(2.397)
Very conservative	0.359	(2.682)
Lib. × Political Knowledge	-0.223	(0.288)
Mod. × Political Knowledge	0.129	(0.200)
Cons. × Political Knowledge	0.119	(0.217)
V. cons × Political Knowledge	-0.046	(0.239)
Lib. × Econ Knowledge	2.451**	(1.018)
Mod. × Econ Knowledge	0.099	(0.819)
Cons. × Econ Knowledge	0.228	(0.852)
Very cons. × Econ Knowledge	-0.399	(1.262)
Lib. × Quant Knowledge	0.119	(0.813)
Mod. × Quant Knowledge	0.581	(0.833)
Cons. × Quant Knowledge	0.636	(0.844)
V. cons × Quant Knowledge	0.823	(1.173)
N	710	
R2	0.69	
R2 Adj.	0.67	
F	34.32	

Table 24: Inflation expectations, knowledge, and ideology. $*p < 0.1, **p < 0.05, ***p < 0.01$. Heteroskedasticity-robust standard errors shown in parentheses. Ideological categories self-described by respondents, with Very Liberal as the excluded category. Each model also includes demographic and economic controls.

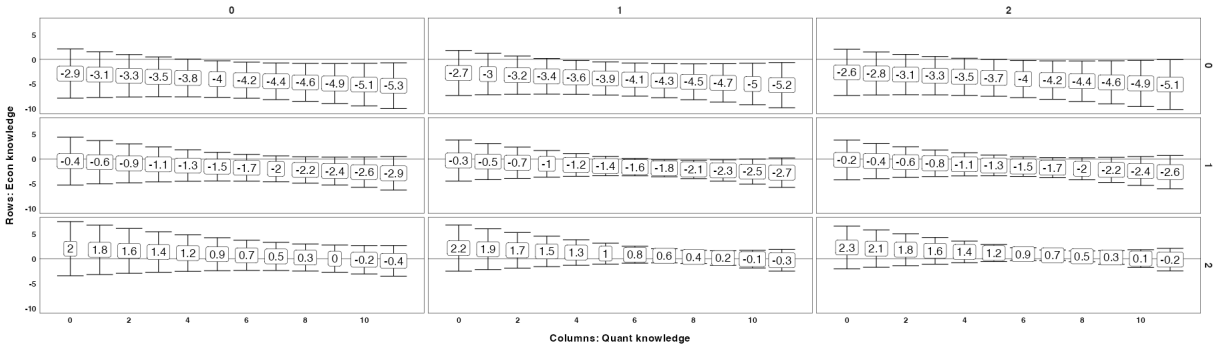


Figure 20: Predicted differences in forecasts of liberal versus very liberal respondents at different levels of economic knowledge, quantitative knowledge, and political knowledge. Within a column, quantitative knowledge score is held fixed; within a row, economic knowledge score is held fixed. Estimated marginal effects calculated using column (2) of 24. 90% confidence intervals calculated using the delta method.

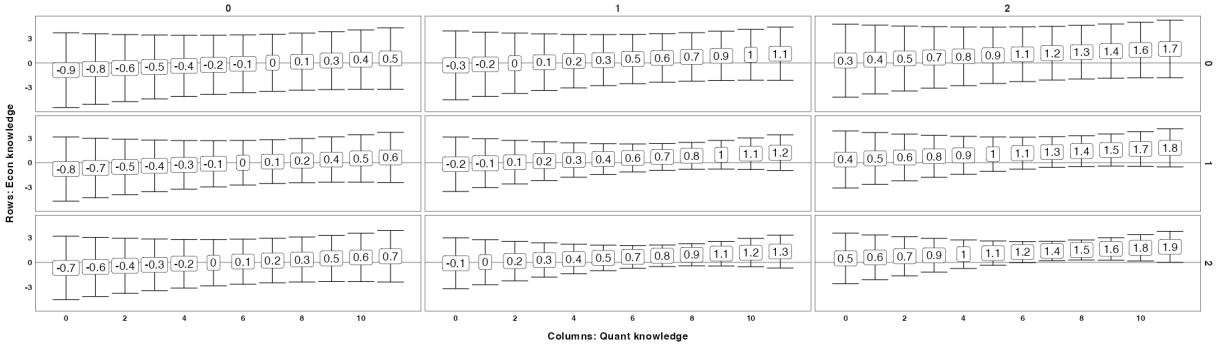


Figure 21: Predicted differences in forecasts of moderate versus very liberal respondents at different levels of economic knowledge, quantitative knowledge, and political knowledge. Within a column, quantitative knowledge score is held fixed; within a row, economic knowledge score is held fixed. Estimated marginal effects calculated using column (2) of Table 24. 95% confidence intervals calculated using the delta method.

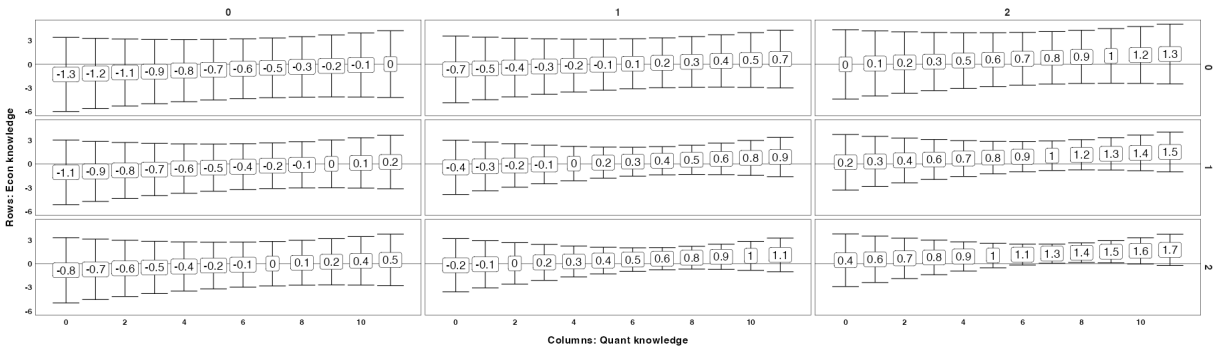


Figure 22: Predicted differences in forecasts of conservative versus very liberal respondents at different levels of economic knowledge, quantitative knowledge, and political knowledge. Within a column, quantitative knowledge score is held fixed; within a row, economic knowledge score is held fixed. Estimated marginal effects calculated using column (2) of 24. 95% confidence intervals calculated using the delta method.

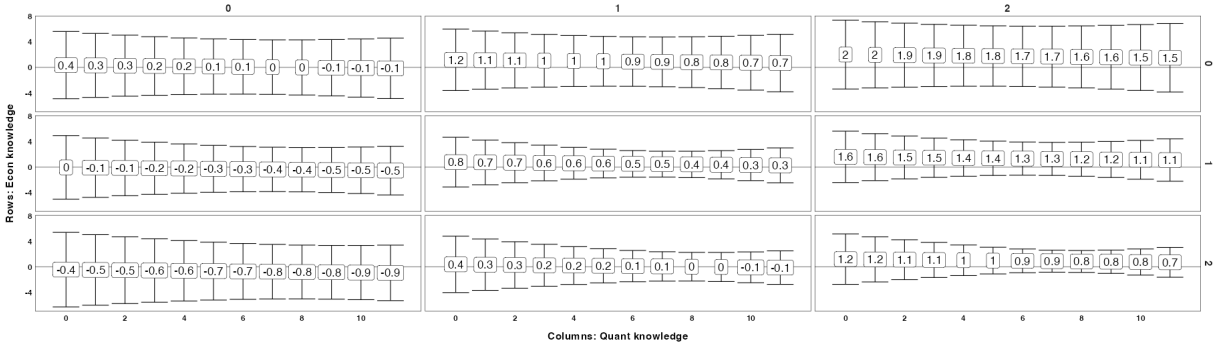


Figure 23: Predicted differences in forecasts of very conservative versus very liberal respondents at different levels of economic knowledge, quantitative knowledge, and political knowledge. Within a column, quantitative knowledge score is held fixed; within a row, economic knowledge score is held fixed. Estimated marginal effects calculated using column (2) of 24. 95% confidence calculated using the delta method.

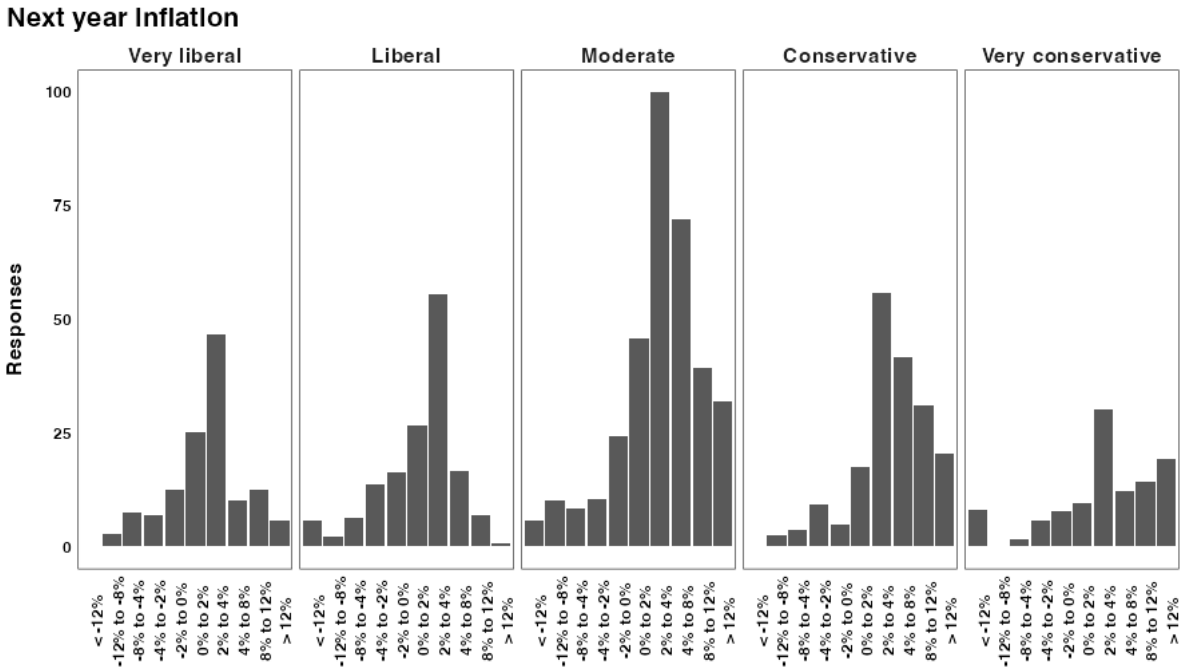


Figure 24: Histogram of 1-year ahead inflation forecasts by self-identified ideology.

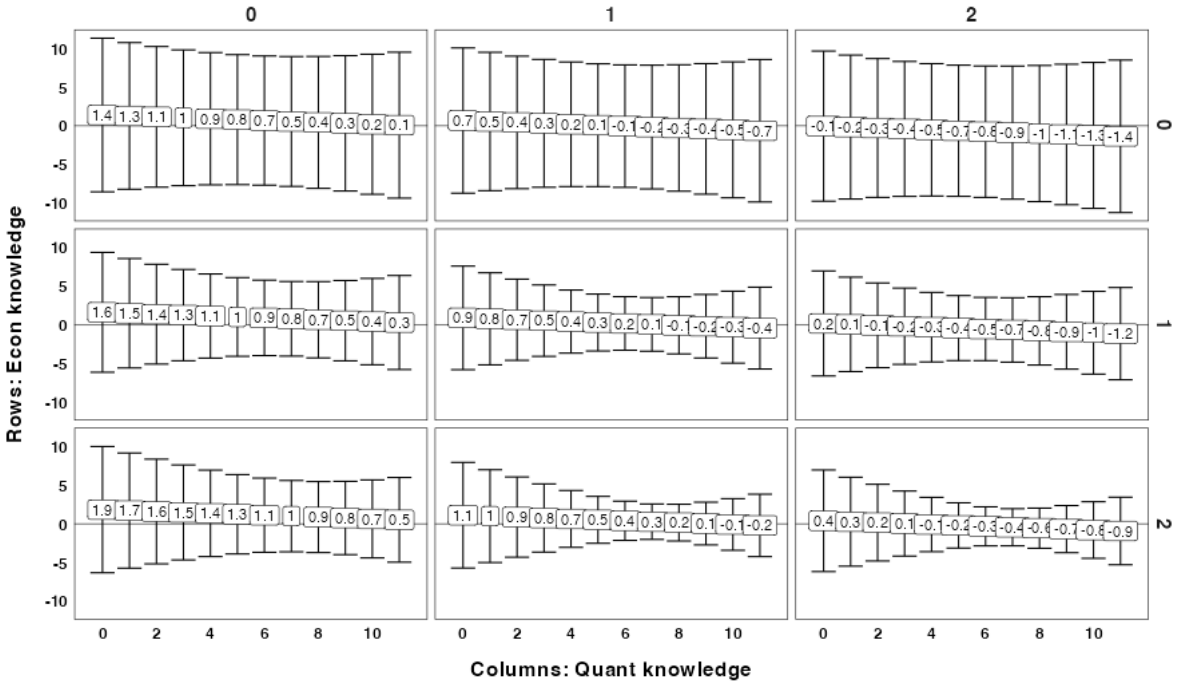


Figure 25: Predicted differences in forecasts of "Not very strong" and "Strong" Democrat respondents at different levels of economic knowledge, quantitative knowledge, and political knowledge. Within a column, quantitative knowledge score is held fixed; within a row, economic knowledge score is held fixed. Estimated marginal effects calculated using column (2) of 25. 95% confidence intervals calculated using the delta method.

B.6 Additional results: Strength of party affiliation

Table 25: Detailed party ID and inflation forecasts

	(1)	(2)
Constant	0.906 (1.847)	2.376 (2.463)
Inflation (past 12 months)	0.358*** (0.063)	0.373*** (0.065)
Inflation forecast (10 years)	0.475*** (0.071)	0.470*** (0.077)
Independent	1.530** (0.609)	1.183 (2.005)
Economics knowledge (0-2)		0.281 (0.517)
Quantitative Knowledge (0-2)		-0.322 (0.516)
Political knowledge: Broad (0-11)		-0.156 (0.144)
Not very strong Democrat	1.231 (0.784)	1.381 (5.088)
Lean Democrat	0.665* (0.398)	1.139 (1.574)
Lean Republican	1.735*** (0.634)	0.877 (2.411)
Not very strong Republican	0.948 (0.648)	1.639 (2.681)
Strong Republican	0.892 (0.553)	1.413 (1.710)
Not V. Strong D × Political Knowledge		-0.120 (0.455)
Lean D × Political Knowledge		0.089 (0.178)
Ind. × Political Knowledge		-0.057 (0.198)
Lean R × Political Knowledge		0.212 (0.199)
Not V. Strong R × Political Knowledge		0.342 (0.264)
Strong R × Political Knowledge		-0.022 (0.215)
Not V. Strong D × Econ Knowledge		0.239 (2.434)
Lean D × Econ Knowledge		-0.735 (0.714)
Ind. × Econ Knowledge		-0.239 (0.943)
Lean R × Econ Knowledge		-0.757 (0.982)
Not V. Strong R × Econ Knowledge		-1.104 (1.160)
Strong R × Econ Knowledge		-0.868 (0.883)
Not V. Strong D × Quant Knowledge		-0.723 (1.472)
Lean D × Quant Knowledge		0.063 (0.663)
Ind. × Quant Knowledge		0.843 (0.840)
Lean R × Quant Knowledge		0.436 (0.908)
Not V. Strong R × Quant Knowledge		-0.315 (0.887)
Strong R × Quant Knowledge		0.926 (0.826)
N	882	724
R2	0.63	0.68
R2 Adj.	0.62	0.66
F	29.32	31.27

Heteroskedasticity-robust standard errors shown in parentheses. Partisan cat-

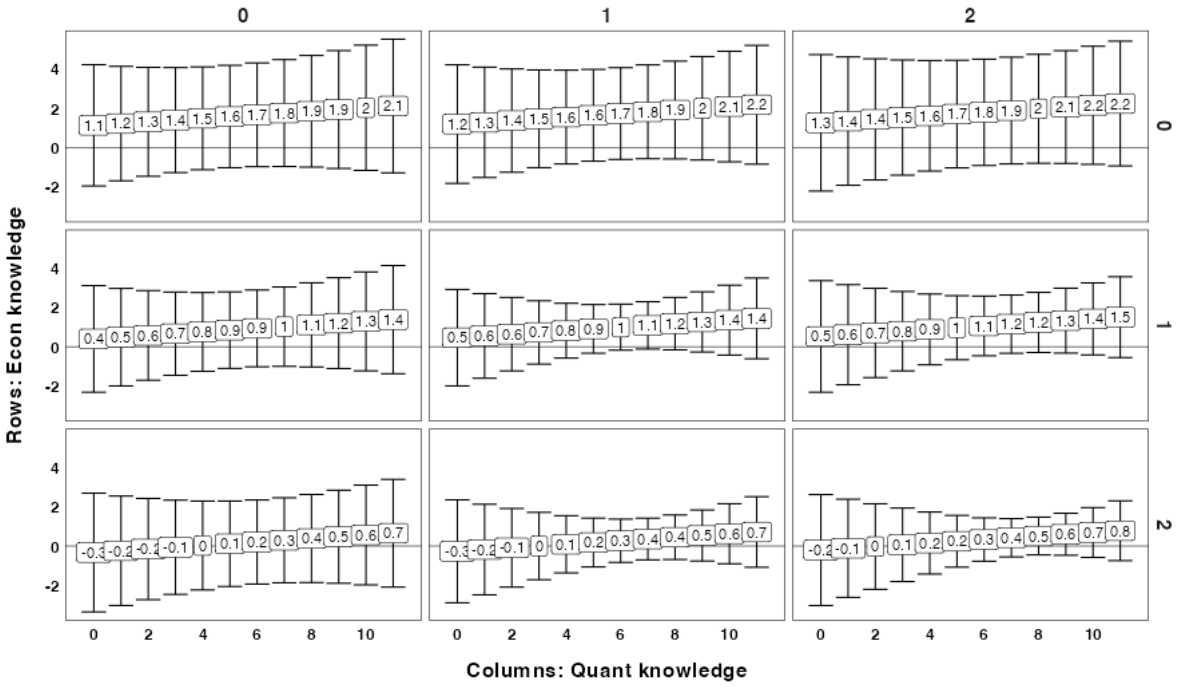


Figure 26: Predicted differences in forecasts of "Lean" and "Strong" Democrat respondents at different levels of economic knowledge, quantitative knowledge, and political knowledge. Within a column, quantitative knowledge score is held fixed; within a row, economic knowledge score is held fixed. Estimated marginal effects calculated using column (2) of 25. 95% confidence intervals calculated using the delta method.

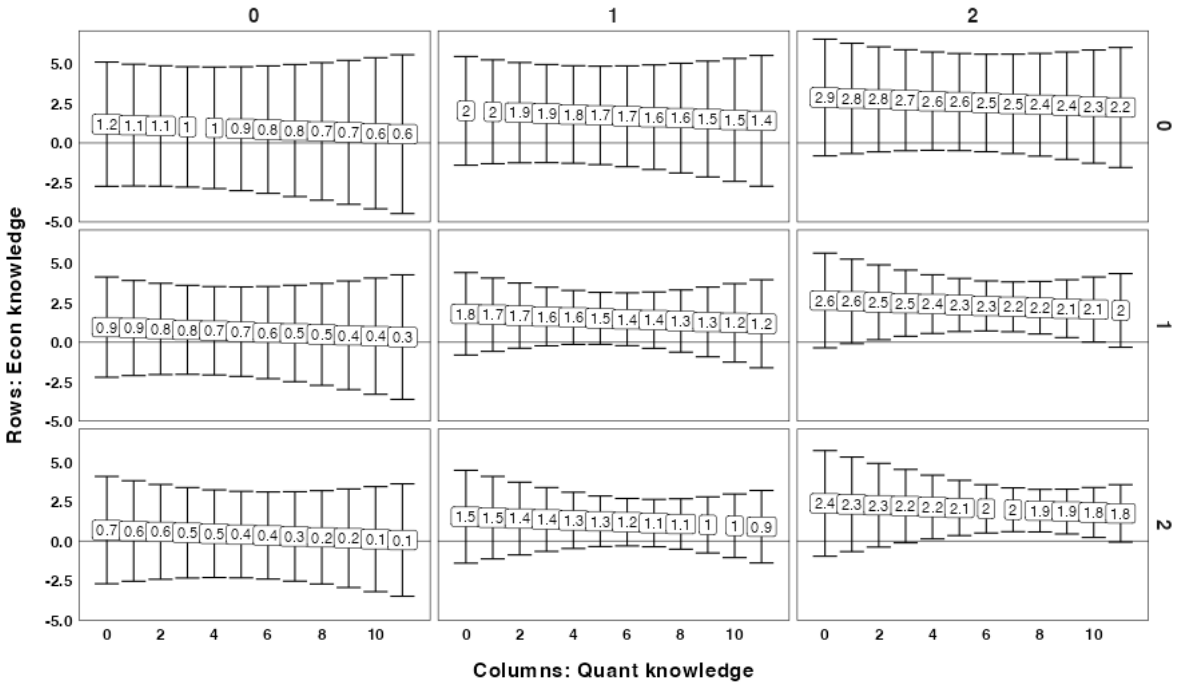


Figure 27: Predicted differences in forecasts of Independents and "Strong" Democrat respondents at different levels of economic knowledge, quantitative knowledge, and political knowledge. Within a column, quantitative knowledge score is held fixed; within a row, economic knowledge score is held fixed. Estimated marginal effects calculated using column (2) of 25. 95% confidence intervals calculated using the delta method.

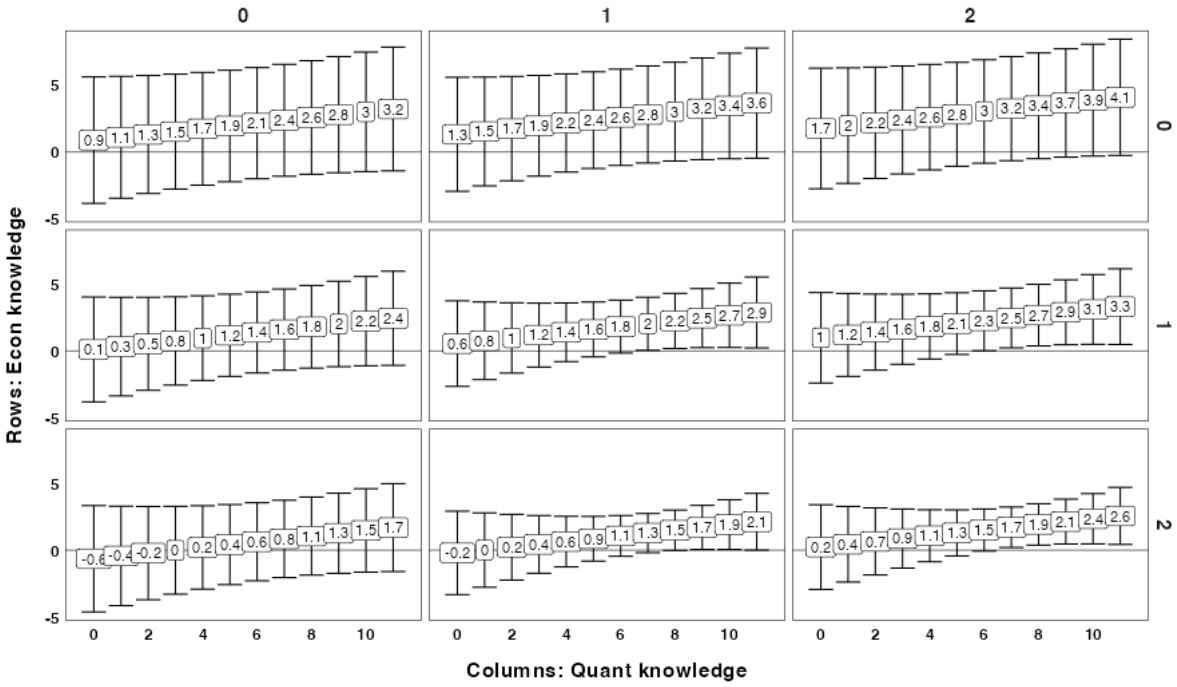


Figure 28: Predicted differences in forecasts of "Lean" Republican and "Strong" Democrat respondents at different levels of economic knowledge, quantitative knowledge, and political knowledge. Within a column, quantitative knowledge score is held fixed; within a row, economic knowledge score is held fixed. Estimated marginal effects calculated using column (2) of 25. 95% confidence intervals calculated using the delta method.

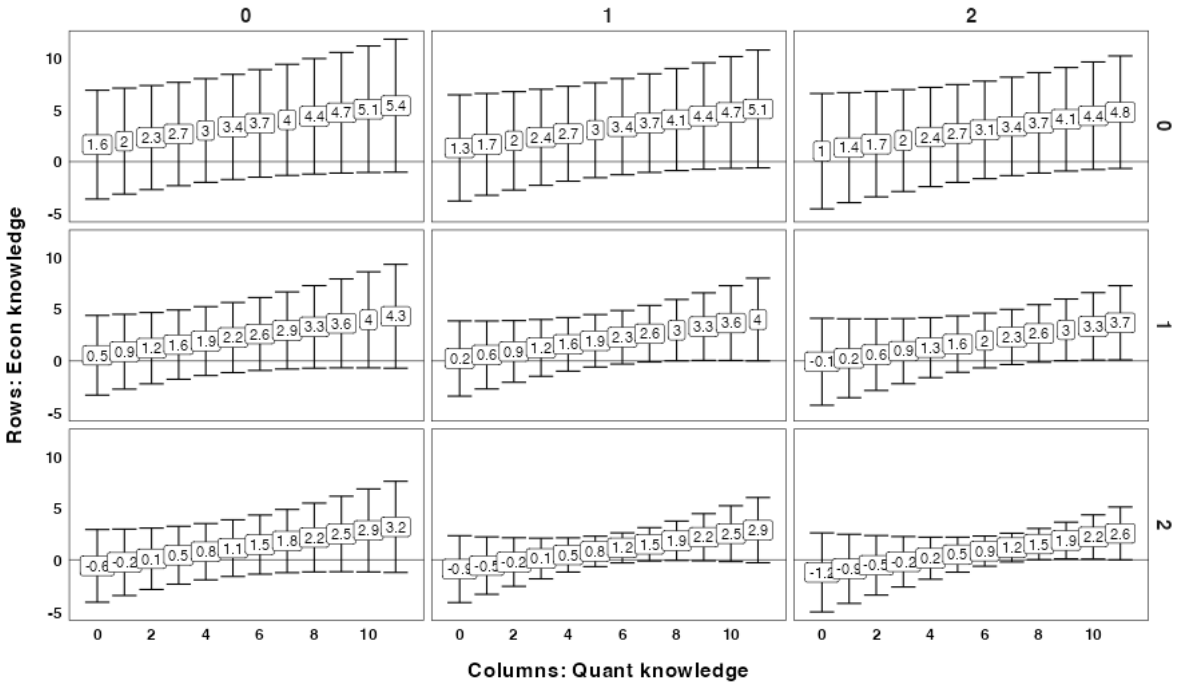


Figure 29: Predicted differences in forecasts of "Not very strong" Republican and "Strong" Democrat respondents at different levels of economic knowledge, quantitative knowledge, and political knowledge. Within a column, quantitative knowledge score is held fixed; within a row, economic knowledge score is held fixed. Estimated marginal effects calculated using column (2) of 25. 95% confidence intervals calculated using the delta method.

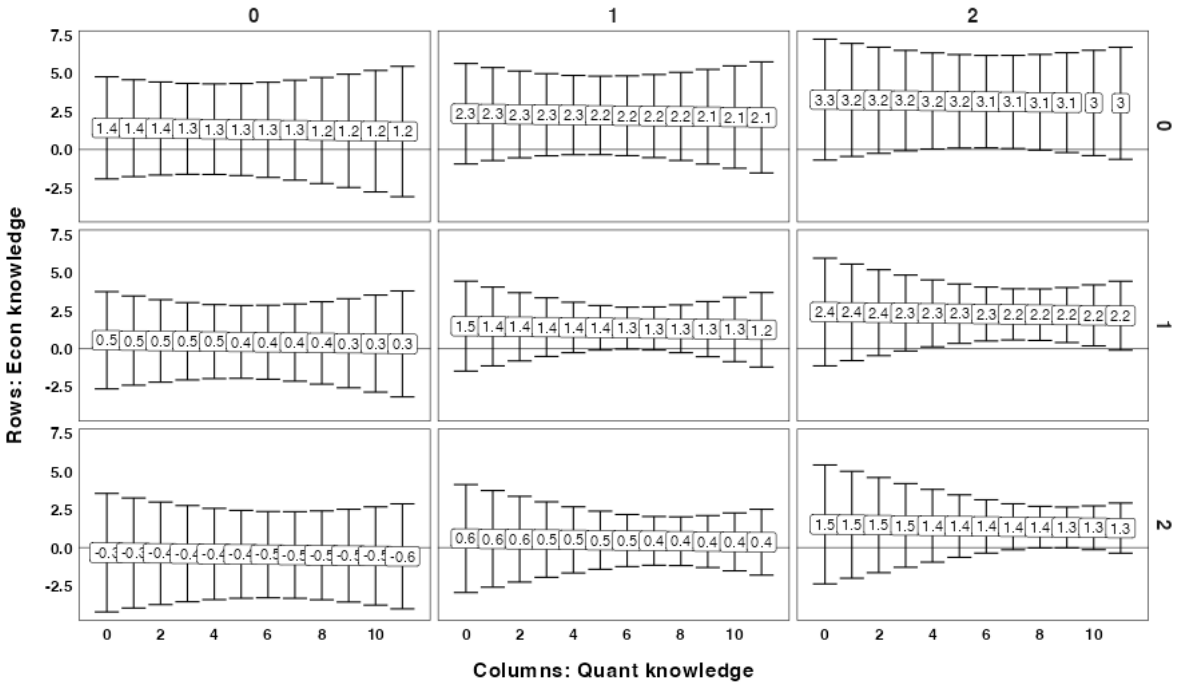


Figure 30: Predicted differences in forecasts of "Not very strong" Republican and "Strong" Democrat respondents at different levels of economic knowledge, quantitative knowledge, and political knowledge. Within a column, quantitative knowledge score is held fixed; within a row, economic knowledge score is held fixed. Estimated marginal effects calculated using column (2) of 25. 95 % confidence intervals calculated using the delta method.

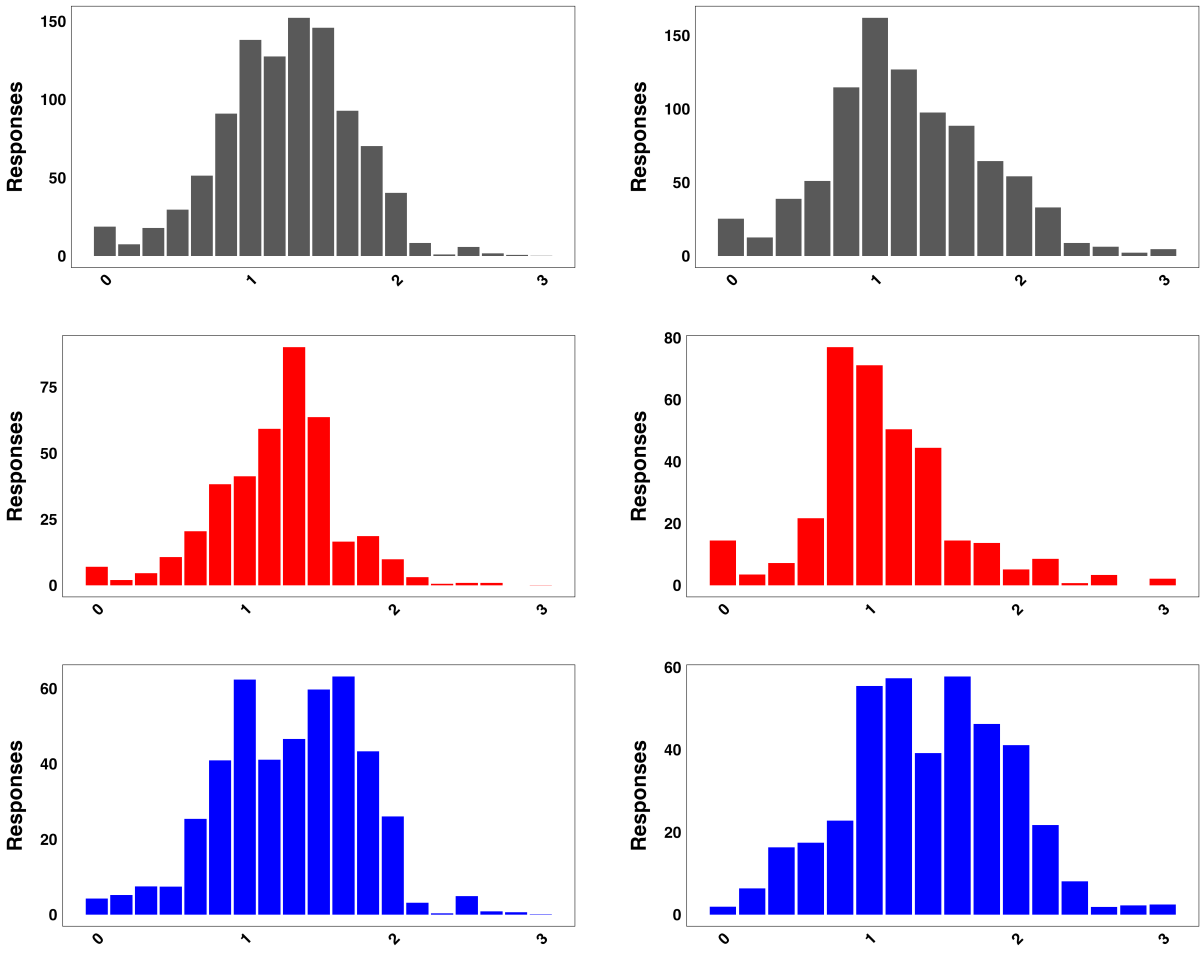


Figure 31: Histogram of average trust score in 2022 CES sample used in Farhart and Struby (2024) (left column) versus 2024 sample (right column). Top row shows the complete sample, middle row for Republican leaning respondents, and bottom row for Democrat-leaning respondents. Responses to trust questions converted to numerical with 0 indicating a response of a group "almost never" being trustworthy, and a 3 indicating "almost always."

B.7 Additional results: Trust

Table 26: Inflation forecasts, party lean, knowledge, trust: interactions

	(1)	(2)
Constant	3.620	3.843
	(2.574)	(2.558)
Republican	0.033	-0.080
	(1.469)	(1.466)
Economics knowledge (0-2)	0.082	
	(0.563)	
Quantitative Knowledge (0-2)	-0.345	
	(0.406)	
Combined economics and quantitative knowledge (0-4)		-0.119
		(0.338)
Political knowledge: Broad (0-10)	-0.175	-0.172
	(0.131)	(0.131)
Republican × Political knowledge	0.197	0.203
	(0.161)	(0.160)
Republican × Economics knowledge	-0.591	
	(0.685)	
Republican × Quantiative knowledge	0.493	
	(0.569)	
Republican × Combined Econ and Quant know.		-0.085
		(0.422)
High trust	-1.565	-1.563
	(1.792)	(1.749)
Republican × High trust	5.517	5.012
	(3.746)	(3.878)
Econ Knowledge × High trust	0.403	
	(0.874)	
Quant Knowledge × High trust	-0.266	
	(1.046)	
Republican × Political Knowledge × High trust	-0.818**	-0.774**
	(0.375)	(0.392)
Republican × Econ Knowledge × High trust	-0.799	
	(2.151)	
Republican × Quant Knowledge × High trust	1.487	
	(2.167)	
N	634	634
R2	0.67	0.67
R2 Adj.	0.65	0.65
F	29.59	33.40

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

Heteroskedasticity-robust standard errors shown in parentheses. Data con-

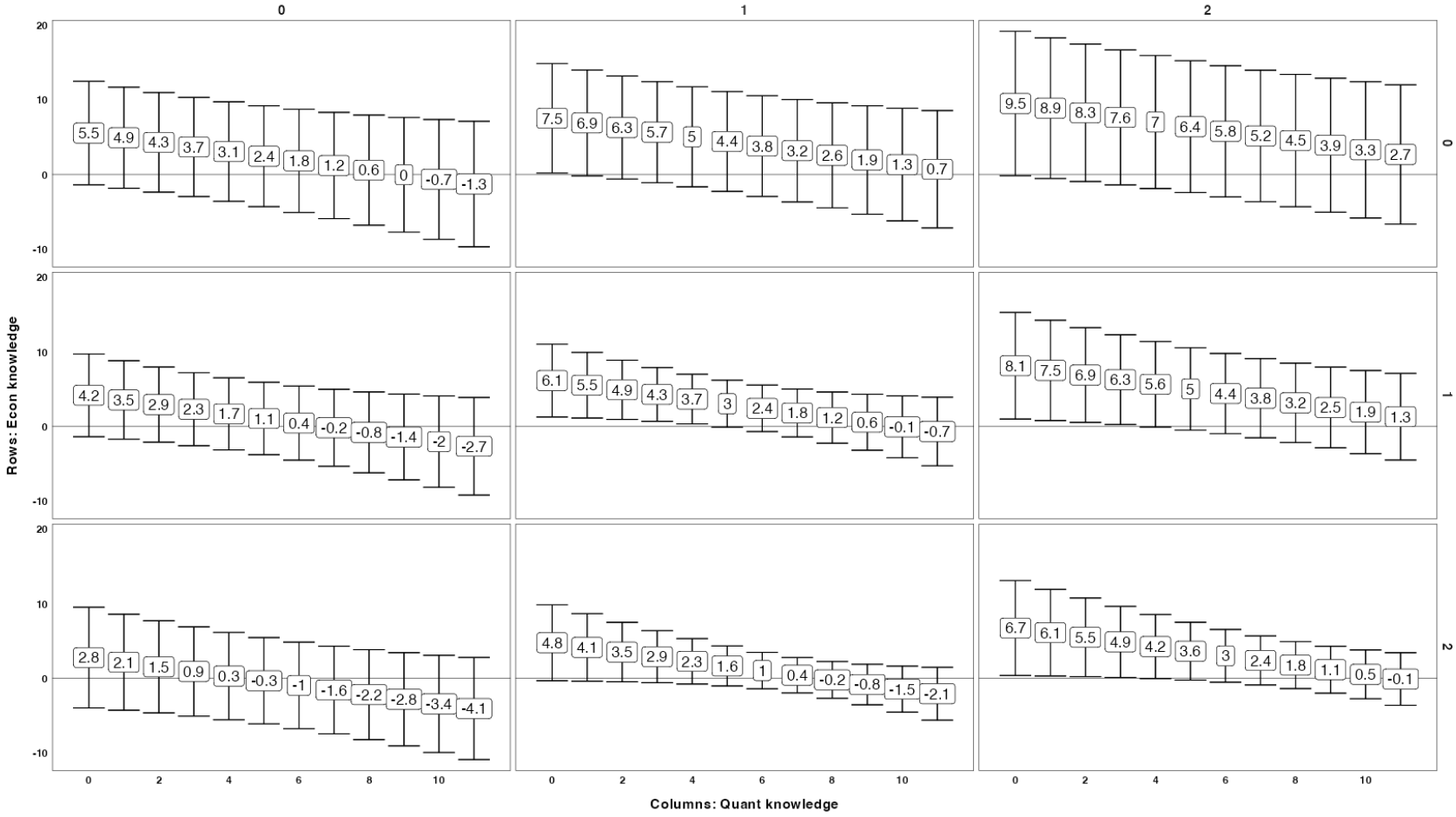


Figure 32: Predicted differences in forecasts of Republican and Democratic respondents respondents at different levels of economic knowledge, quantitative knowledge, and political knowledge. Within a column, quantitative knowledge score is held fixed; within a row, economic knowledge score is held fixed. Estimated marginal effects calculated using column (2) of 26. 95% confidence intervals calculated using the delta method.

B.8 Additional results: Media consumption

Table 27: Inflation forecasts, TV viewng, and party lean

	(1)	(2)	(3)	(4)
Constant	0.941	1.761	2.398*	3.591
	(1.073)	(2.103)	(1.288)	(2.541)
Inflation (past 12 months)	0.323***	0.332***	0.355***	0.349***
	(0.023)	(0.068)	(0.026)	(0.072)
Inflation forecast (10 years)	0.505***	0.491***	0.502***	0.497***
	(0.024)	(0.077)	(0.025)	(0.082)
Independent	1.874***		1.694	
	(0.428)		(1.190)	
Republican	1.040***	0.997**	0.888	1.038
	(0.322)	(0.504)	(0.876)	(1.493)
Not sure party	-0.086		-0.194	
	(0.613)		(1.796)	
Economics knowledge (0-2)			0.207	0.242
			(0.304)	(0.448)
Quantitative Knowledge (0-2)			-0.482	-0.449
			(0.335)	(0.401)
Political knowledge: Broad (0-11)			-0.156**	-0.132
			(0.076)	(0.124)
Republican × Political knowledge			0.125	0.118
			(0.101)	(0.159)
Republican × Economics knowledge			-0.926**	-0.903
			(0.436)	(0.642)
Republican × Quantiative knowledge			0.765	0.701
			(0.472)	(0.577)
Watched broadcast TV news	0.355	0.387	-0.170	-0.145
	(0.413)	(0.650)	(0.441)	(0.640)
Watched CNN	-1.039**	-1.042	0.089	0.089
	(0.497)	(0.712)	(0.555)	(0.501)
Watched Fox News	1.476**	1.547	1.180	1.265
	(0.676)	(1.460)	(1.056)	(1.060)
Watched MSNBC	-0.040	0.044	-0.272	-0.269
	(0.517)	(0.657)	(0.573)	(0.587)
Republican × Broadcast TV	-0.028	0.019	0.013	0.063
	(0.625)	(0.867)	(0.655)	(0.838)
Republican × Watched CNN	-1.396	-1.329	-0.773	-0.752
	(0.872)	(1.444)	(1.055)	(1.036)
Republican × Watched Fox News	-1.906**	-1.884	-1.632	-1.697
	(0.811)	(1.559)	(1.148)	(1.199)
Republican × Watched MSNBC	0.488	0.399	-0.265	-0.171
	(1.505)	(0.995)	(1.569)	(1.220)
Partisan subsample	No	Yes	No	Yes
N	902	769	734	634
R2	0.64	0.63	0.69	0.67
R2 Adj.	0.63	0.62	0.67	0.65
F		25.83		27.27

* p ¡ 0.1, ** p ¡ 0.05, *** p ¡ 0.01

Heteroskedasticity-robust standard errors shown in parentheses. Partisan categories (Republican, Democrat (excluded)) obtained by consolidating self-identified partisan lean, including "Lean" and "not very strong" Democrats and Republicans as partisans of those respective parties; "Not sure party" indicates the respondent answered "Not sure" or "Don't know" about which party they leaned towards. Each model also includes the following demographic and economic controls: Indicator variables for White, Hispanic, Male, a quadratic polynomial in age, categorical vari-

C Illustrative theory

This appendix illustrates the intuition for a rational Bayesian whose reported forecast may differ from their true forecast, in a static context.

Suppose that an agent attempts to minimize loss by choosing a reported forecast $\widehat{\pi}$. Her loss depends on the difference between her forecast and two targets, the "true" π and a partisan target π^p. For simplicity, we assume that π^p is (possibly) related to π perturbed by noise:

$$\pi^p = \beta\pi + \alpha, \alpha \sim \mathbb{N}(0, \sigma_\alpha^2)$$

Inference of the state Assume that our agent i has the prior belief that inflation is distributed normally: $\pi \sim \mathbb{N}(\mu_i, \sigma^2)$.

She observes two noisy signals: a "private" signal which is about inflation alone

$$\widetilde{\pi} = \pi + e_i, e \sim \mathbb{N}(0, \sigma_e^2) \tag{3}$$

And a "partisan" signal, which is a noisy realization of π^p:

$$\widetilde{\pi^p} = \beta\pi + \alpha + \eta_i, \eta_i \sim \mathbb{N}(0, \sigma_\eta^2) \tag{4}$$

We assume that e, α, η are all independent of one another and of π.

The posterior beliefs of agent i about π and α (from which we can infer her expectation of $\pi^p = \beta\pi + \alpha$) are conditionally bivariate normal

$$\begin{pmatrix} E(\pi|\widetilde{\pi}, \widetilde{\pi^p}) \\ E(\alpha|\widetilde{\pi}, \widetilde{\pi^p}) \end{pmatrix} \sim \mathbb{N}\left((\mathbf{\Sigma}^{-1}\gamma, \mathbf{\Sigma}\right)$$

Where

$$\Sigma^{-1} = \begin{bmatrix} \frac{1}{\sigma_e^2} + \frac{\beta^2}{\sigma_\eta^2} + \frac{1}{\sigma^2} & \frac{\beta^2}{\sigma_\eta^2} \\ \frac{\beta^2}{\sigma_\eta^2} & \frac{1}{\sigma_\eta^2} + \frac{1}{\sigma_\alpha^2} \end{bmatrix}$$

$$\gamma = \begin{bmatrix} \frac{\widetilde{\pi}}{\sigma_e^2} + \frac{\widetilde{\beta\pi^p}}{\sigma_\eta^2} + \frac{\mu}{\sigma^2} & \frac{\widetilde{\pi^p}}{\sigma_\eta^2} \end{bmatrix}'$$

Direct calculation yields expressions for conditional forecasts of both fundamentals:

$$E\left[\pi|\widetilde{\pi}, \widetilde{\pi^p}\right] = \frac{(\widetilde{\pi} \cdot (\sigma^2 \cdot \sigma_\alpha^2 + \sigma^2\sigma_\eta^2) + \beta\widetilde{\pi^p} \cdot (\sigma^2\sigma_e^2) + \mu_i \cdot (\sigma_\alpha^2\sigma_e^2 + \sigma_e^2\sigma_\eta^2)}{\sigma^2(\beta^2\sigma_e^2 + \sigma_\alpha^2 + \sigma_\eta^2) + \sigma_e^2(\sigma_\alpha^2 + \sigma_\eta^2)}$$

$$\begin{aligned} E\left[\pi^p|\widetilde{\pi}, \widetilde{\pi^p}\right] &= \beta E\left[\pi|\widetilde{\pi}, \widetilde{\pi^p}\right] + E\left[\alpha|\widetilde{\pi}, \widetilde{\pi^p}\right] \\ &= \frac{\widetilde{\pi} \cdot (\beta\sigma^2\sigma_\eta^2) + \widetilde{\pi^p} \cdot (\beta^2\sigma^2\sigma_e^2 + \sigma^2\sigma_\alpha^2 + \sigma_\alpha^2\sigma_e^2) + \mu_i \cdot (\beta\sigma_e^2\sigma_\eta^2)}{\sigma^2(\beta^2\sigma_e^2 + \sigma_\alpha^2 + \sigma_\eta^2) + \sigma_e^2(\sigma_\alpha^2 + \sigma_\eta^2)} \end{aligned}$$

Optimal action For simplicity, suppose that the survey respondent has (possibly competing) motives for forecast reporting: accuracy and having a forecast close to the partisan fundamental.

Under a quadratic loss function with relative weight λ on the accuracy motive, her optimal action is:

$$\widehat{\pi}^* = \lambda E\left[\pi|\widetilde{\pi}, \widetilde{\pi^p}\right] + (1-\lambda)E\left[\pi^p|\widetilde{\pi}, \widetilde{\pi^p}\right]$$

Which can also be calculated directly:

$$
\begin{aligned}
\widehat{\pi}^* =& \widetilde{\pi} \times \frac{(\lambda\sigma^2(\sigma_\alpha^2+\sigma_\eta^2)+(1-\lambda)\beta\sigma^2\sigma_\eta^2)}{\beta^2\sigma^2\sigma_e^2+(\sigma_\alpha^2+\sigma_\eta^2)(\sigma^2+\sigma_e^2)} \\
&+ \widetilde{\pi}^p \times \frac{\beta\lambda\sigma^2\sigma_e^2+(1-\lambda)(\sigma_\alpha^2+\sigma_\alpha^2\sigma_e^2+\beta^2\sigma^2\sigma_e^2)}{\beta^2\sigma^2\sigma_e^2+(\sigma_\alpha^2+\sigma_\eta^2)(\sigma^2+\sigma_e^2)} \\
&+ \mu_i \times \frac{(1-\lambda)(\beta\sigma_e^2\sigma_\eta^2)+\lambda\sigma_\alpha^2\sigma_e^2+\lambda\sigma_e^2\sigma_\eta^2)}{\beta^2\sigma^2\sigma_e^2+(\sigma_\alpha^2+\sigma_\eta^2)(\sigma^2+\sigma_e^2)}
\end{aligned}
$$

From these expressions we can straightforwardly sign the effects of changes in the realization of signals and in parameters. For concision, rewrite the above as

$$
\widehat{\pi}^* = w_1\widetilde{\pi} + w_2\widetilde{\pi}^p + w_3\mu_i
$$

Remark (Comparative statics of equilibrium actions with affective motives.)**.** *Assuming that* $\beta > 0$ *and* $\lambda > 0$*.*

1. *A more positive realization of* α *will, all else equal, increase the reported forecast* π^**.*
2. *If the noise in the direct signal increases, the weight on that signal falls and the weight on partisan signals and the prior increases. In other words,* $\frac{w_1}{\partial\sigma_e^2} < 0$*,* $\frac{w_2}{\partial\sigma_e^2} > 0$*,* $\frac{w_3}{\partial\sigma_e^2} > 0$*.*
3. *If the variance of the partisan target or noise in partisan target increases, the weight on the partisan signal falls and the weight on the idiosyncratic signal and prior increases:* $\frac{w_1}{\partial\sigma_\alpha^2} > 0$*,* $\frac{w_2}{\partial\sigma_\alpha^2} < 0$*,* $\frac{w_3}{\partial\sigma_\alpha^2} > 0$ *and* $\frac{w_1}{\partial\sigma_\eta^2} > 0$*,* $\frac{w_2}{\partial\sigma_\eta^2} < 0$*,* $\frac{w_3}{\partial\sigma_\eta^2} > 0$
4. *An increase in* σ^2*, prior uncertainty, decreases the weight on the prior and increases the weight on the signals:* $\frac{w_1}{\partial\sigma^2} > 0$*,* $\frac{w_2}{\partial\sigma^2} > 0$*,* $\frac{w_3}{\partial\sigma^2} < 0$*.*
5. *As* λ *increases, changes in the relative weights depend on relative variances and* β*. For* $\beta \leq 1$*, the weight on the idiosyncratic signal and prior are increasing in* λ*, and the weight on the partisan signal is decreasing. If* $\beta > 1$*, then:*

- $\partial w_1/\partial\lambda < 0$ *if* $\sigma_\alpha^2/\sigma_\eta^2 > (\beta - 1)$ *, and vice-versa.*
- $\partial w_2/\partial\lambda < 0$
- $\partial w_3/\partial\lambda > 0$ *if* $\sigma_\alpha^2/\sigma_\eta^2 > (\beta - 1)$ *, and vice-versa.*

The first four remarked-upon results are restatements of some well-known implications of Bayesian signal extraction and the choice of loss function. The optimal actions in this setting are weighted averages of the prior and the signals observed by agents, where the weights depend on signal precision and the degree of accuracy versus affective motives. Higher realizations of α push up the partisan signal and adjust reported forecasts accordingly. Increasing the variance of one of the signals tends to optimally down weight that signal, and hence increase the weight on other signals, all else equal.

The fifth result shows that the relative strength of the accuracy motive affects relative weights on the signals versus the prior in terms of equilibrium actions, although in a way that depends on the signal-to-noise ratio of the "shock" component of π^p. When λ increases – e.g., respondents care more about accuracy – the weight on the partisan signal declines, in general. Whether that weight is re-allocated to the prior, the idiosyncratic signal, or both, then depends on signal-to-noise ratios of the partisan fundamental.

The flip side is that decreases in λ (e.g, an increased importance of the partisan target in the loss function) will always increase the weight on the partisan signal, all else equal.