Perceived Political Bias of the Federal Reserve*

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Abstract

We conduct a large-scale survey experiment involving a politically representative sample of 5,205 U.S. consumers to study how perceptions of the Federal Reserve's (Fed) political stance shape macroeconomic expectations and institutional trust. The public is sharply divided regarding the Fed's perceived partisan leaning: in April 2024, most Republican-leaning consumers believe the Fed favors Democrats, whereas most Democrat-leaning consumers perceive it as favoring Republicans. Consumers who view the Fed as politically aligned with their own party (1) exhibit more optimistic views of current and future economic conditions and higher levels of trust in the Fed, (2) are more willing to pay for and actively engage with Fed communications, and (3) place greater weight on Fed announcements when updating their inflation expectations. These effects are amplified by strong in-group favoritism. Additionally, when presented with a scenario of a Trump presidency, respondents overwhelmingly anticipate the Fed aligning with Republicans, resulting in increased trust among Republican-leaning consumers but significantly reduced trust among Democrats. Although overall public trust remains stable, these findings highlight potential challenges to the Fed's perceived political neutrality and independence under the new administration. To gauge the aggregate implications of our findings, we calibrate a simple model to our survey estimates and show that eliminating polarization reduces welfare losses arising from unanchored beliefs by about one-third.

JEL classification: D83, D84, D72, E7, E31
Keywords: Central Bank Communication, Political Polarization, Trust, Expectation

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1 Introduction

In recent decades, a broad consensus has emerged among economists and monetary policymakers that central bank independence fosters desirable macroeconomic outcomes and financial stability.[1] When monetary policymakers are subject to short-term political influence, they may face pressure to excessively stimulate the economy or use the printing press to finance government deficits, undermining their credibility in controlling inflation, resulting in higher average inflation and a less efficient allocation of resources.

Economists generally regard the U.S. Federal Reserve (Fed) as a politically independent institution (e.g., Blinder 1999). Several features of the Fed are designed to limit short-term political influence, such as its self-funding through its own earnings, and the long, staggered terms of its Board of Governors members. Despite this broad expert consensus, little is known about how the public perceives the Fed's political independence or potential political bias. Studying these perceptions is crucial, as they affect views on the credibility of the Fed in achieving its dual mandate, and consequently determine the effectiveness of monetary policy.

Significant public misperceptions could arise for at least three reasons. First, the public may have a limited understanding of the Fed's institutional framework and decision-making rationale, leaving them susceptible to misconceptions, such as viewing the Fed as favoring the incumbent administration, businesses, or the wealthy. Second, central banks around the world often face political pressure (Binder 2021). For example, President Trump pressured the Fed to cut interest rates during his previous presidency and recently accused the Fed of favoring Democrats in its rate decisions to influence election outcomes (Burns 2024). Media coverage of such political pressures can significantly shape public perceptions of the bias of the Fed.[2] Third, the recent surge in inflation, the rapid increase in interest rates, and unconventional policies of the past decade have had strong distributional effects, creating winners and losers and potentially fostering perceptions of the political bias of the Fed (e.g. Coibion et al. 2017; Pallotti et al. 2023; Stantcheva 2024).

[1] For references, see, e.g., Kydland and Prescott (1977), Barro and Gordon (1983), Rogoff (1985), Blinder (1999), Bernanke (2010), and Afrouzi et al. (2024).

[2] Relatedly, Bianchi et al. (2023) find that President Trump's tweets criticizing the Fed had an important impact on interest rate expectations, financial markets and the macroeconomy.

Using a survey experiment with a large and politically representative sample of U.S. consumers with more than 5,000 participants, this paper examines public perceptions of the Fed's political bias and how these perceptions influence their macroeconomic expectations and trust in the Fed.[3] Our findings reveal significant public disagreement regarding the Fed's perceived political leanings. Moreover, these perceptions, along with consumers' intergroup preferences, play a critical role in shaping their macroeconomic expectations, trust in the Fed, and how they acquire and process economic information.

A key innovation of this paper is to identify how intergroup preferences among consumers with different political affiliations shape their macroeconomic beliefs. Our survey design introduces a novel measure of intergroup preferences regarding the Fed by asking participants to indicate their perceptions of its political leaning. This feature allows us to determine whether survey participants view the Fed as aligned with their political identity (in-group) or opposed (out-group). Additionally, we quantify the strength of participants' in-group favoritism in a political context using an other-other allocation game (e.g., Tajfel et al. 1971), which captures biases in resource allocation based on political affiliations. These measures provide a foundation for analyzing how intergroup dynamics influence participants' economic expectations and their behavior in acquiring and processing new information.

We find significant heterogeneity in U.S. consumers' perceptions of the Fed's political leanings under the Biden administration in the Spring of 2024. Most Democrat-leaning participants (66%) believe the Fed favors Republicans, whereas most Republican-leaning participants (60%) see it as favoring Democrats. Overall, 63% of the participants see the Fed as an "out-group", whereas 37% as an "in-group". We also document significant gaps in expectations based on intergroup preferences regarding the Fed. On average, those who perceive the Fed as an out-group have a more negative view of current economic conditions, expecting higher inflation, unemployment, and larger increases in interest rates over the next 12 months. The average difference in prior inflation expectations between those who view the Fed as an in-group versus an out-group is 1.8 percentage points even after controlling for partisanship which the previous literature identified as determinant of economic expectations. This perception gap is even more pronounced among

[3] For applications of using survey experiments to study the formation of economic expectations, see references in, e.g., Weber et al. (2022), Haaland et al. (2023), Fuster and Zafar (2023), and Stantcheva (2023).

individuals with strong in-group favoritism and exceeds the partisan difference in inflation expectations between strong Democrats and strong Republicans, which is 1.1 percentage points (Binder et al., 2024).

Previous studies have shown that public trust in the central bank is a crucial determinant of individuals' inflation expectations (see, e.g., Kumar et al. 2015 and Christelis et al. 2020). We find public perceptions of the Fed's political leaning significantly influence trust in the institution. Participants who view the Fed as an in-group report moderately high levels of trust, whereas those who see it as an out-group exhibit significantly lower trust using two complementary measures of trust.[4]

Next, we analyze how participants' political alignment and in-group favoritism influence their willingness to pay for information from various news sources. We randomly assigned participants to a control or treatment group during an information demand stage. The treatment group was endowed with a budget to adjust the likelihood of receiving news from the Fed versus news from left- or right-leaning media outlets, allowing us to measure their willingness to pay for information. Participants who perceive the Fed as an in-group are more inclined to spend money to increase the probability of receiving communication from the Fed and are more likely to receive it. Additionally, participants are more willing to pay to avoid out-group news sources. These effects are amplified among individuals with strong in-group favoritism. In the information processing stage, participants who view the Fed as an in-group are more responsive to news from the Fed in updating their inflation expectations than those who view the Fed as an out-group. Overall, these results highlight how political alignment and group identity influence both the demand for and the processing of economic information.

To interpret these findings and assess their macroeconomic relevance, we develop a simple model in which political alignment shapes trust in the central bank, which in turn determines both the likelihood of receiving and incorporating information from central bank communication. Calibrating this model with to our survey estimates, we find that the welfare loss due to unanchored inflation expectations falls by about one-third when all agents view the Fed as

[4]We demonstrated this pattern using two metrics of trust, one measuring trust in the Fed's ability to manage inflation and unemployment, and the other assessing trust in the Fed's concern for the economic well-being of all Americans. Out-group participants report an average trust score of 3.1 on the first trust metric, measured on a 7-point scale (where 1 indicates no trust at all and 7 represents complete trust), compared to an average score of 4.2 for in-group participants. We observe a similar pattern for the second trust metric.

in-group, compared to the observed polarized distribution.

Finally, our findings carry important implications in light of Trump's re-election as president of the United States. During his campaign, Trump repeatedly threatened to fire Federal Reserve Chairman Jerome Powell if re-elected, raising concerns over the Fed's independence. We incorporated a hypothetical scenario into our April 2024 survey which can offer crucial evidence how a second Trump term affects the perception of the Fed. Specifically, we asked survey participants how they would perceive the Fed under a Trump presidency. Our results show that 84% of consumers would perceive the Fed as aligned with the Republican Party with Trump's re-election. Although the overall proportion of consumers viewing the Fed as an in-group would remain stable, its composition would shift: Democrat-leaning consumers would view the Fed less as an in-group, whereas the opposite holds for Republican-leaning consumers. These findings suggest that Trump's presidency could fundamentally reshape public perceptions of the Fed, potentially exacerbating challenges to its political neutrality and perceived independence.

Overall, consumers' perceived political alignment with the Fed plays a critical role in building public trust and fostering effective communication. Consumers who view the Fed as an in-group institution are more likely to engage with Fed communication. Our study indicates that while overall trust in the Fed may remain stable under a Trump presidency, partisan divisions will deepen – declining among Democrats and rising among Republicans. These shifts highlight the need to reassess the Fed's communication strategy. Without adaptation, previously engaged Democratic audiences may become less receptive, limiting the reach and effectiveness of policy messaging. In Kuang et al. (2025), we show that communication strategies that emphasize the Fed's institutional structure, nonpartisan policy objectives, and recent performance can help mitigate perception biases and foster trust across political groups. These results underscore the importance of adopting strategies to bridge partisan divides and ensuring the Fed's communications resonate effectively with all parts of the public.

Related literature This paper is related to the literature that documents partisan bias in economic expectations and studies its economic implications. Mian et al. (2023) study this bias using data from the Michigan Survey of Consumers, finding that individuals are more optimistic about future economic conditions when aligned with the party in control of the White House,

with large partisan shifts in expectations after the 2008 and 2016 elections, though without significant effects on stated spending plans. Kamdar and Ray (2024) instead find that political polarization has played a significant role in shaping U.S. households' economic expectations and consumption behavior in recent decades. Kempf and Tsoutsoura (2024) review the empirical literature that studies how political polarization affects financial decisions and Cassidy and Kempf (2024) document a large increase in partisan corporate speech over the last decade. Coibion et al. (2020) investigate U.S. consumer expectations before the 2020 U.S. presidential election outcome as well as their economic expectations, revealing that most consumers were very confident in the victory of the candidate aligned with their political affiliation, and this confidence correlated with more optimistic economic forecasts. Binder et al. (2024) explore inflation expectations during the COVID-19 era, finding that Democrats' expectations remained anchored, whereas Republicans were more sensitive to shocks such as CPI releases and energy prices. This partial de-anchoring of inflation expectations among Republicans had broader implications for actual inflation outcomes. Finally, Binetti et al. (2024) study the public's perceived causes and consequences of inflation and find that Republicans are more likely to attribute inflation to government policies and foresee broader negative outcomes, whereas Democrats anticipate greater effects on inequality.

Our paper differs from and contributes to this literature in several ways. First, no previous work studies the public's perceptions of the Fed's political leanings. Whereas U.S. presidents have clear political affiliations, experts generally view the Fed as politically independent. Interestingly, we find significant heterogeneity in public perceptions' of the Fed's political stance. Additionally, we find that elections may significantly shift how consumers view and trust the Fed. Second, we explore how consumers who perceive the Fed as part of their 'in-group' versus an 'out-group' show stark differences in their macroeconomic expectations and in how they acquire and process Fed communication. This behavior extends beyond partisan lines, as both Democrats and Republicans can perceive the Fed as either an in-group or out-group at any given point in time.

This paper also contributes to the literature on central bank communication with the general public.[5] Coibion et al. (2022) examine how different forms of communication influence inflation

[5]For a recent review, see Blinder et al. (2024).

expectations in a randomized controlled trial (RCT). When U.S. consumers learn about the Federal Reserve's inflation target or read a Federal Open Market Committee (FOMC) statement, the impact on inflation expectations is about twice as large as when they only read a news article about an FOMC meeting. D'Acunto et al. (2022) provide experimental evidence that diverse policy committees are more effective in engaging different segments of the population and influencing their macroeconomic expectations. D'Acunto et al. (2021) show in an RCT embedded in a survey that central bank communication about the aims of policy measures is more powerful in shifting expectations, especially of those with the most negative priors, compared to discussing the actual policy measures. Binder et al. (2023) examine the effects of verbal and non-verbal communication about interest rate hikes on U.S. consumers' house price expectations and their subjective models for forecasting house prices. Recent work also highlights the role of cognitive frictions, subjective models, and narratives in shaping how individuals process various policy communications and form expectations (Cavallo et al., 2017; Andre et al., 2022, 2024; Jain et al., 2024; Hajdini et al., 2024). We contribute to this literature by showing that the effectiveness of central bank communication is crucially influenced by the perceived political bias of the Fed and the intergroup preferences of consumers with different political affiliations.

This paper also relates to studies on the role of social or group identity in shaping economic and other human behavior, see e.g., Tajfel et al. (1971), Akerlof and Kranton (2000). Charness and Chen (2020) provide a recent review of this literature. Additionally, a few recent papers explore the relationship between group identity and belief formation. For instance, Bauer et al. (2024) study how consumers with different political affiliations acquire and process information from news media with different political leanings to form beliefs. Similarly, Faia et al. (2024) study how the news source affects information acquisition among U.S. consumers with different political affiliations. We add to this literature by focusing on the perceived political bias of the Fed and on issues of central bank independence and credibility.

2 Model

We extend the standard Barro-Gordon model (Barro and Gordon, 1983) by incorporating heterogeneity in public trust toward the central bank (CB), shaped by political alignment. Trust affects both the probability of processing CB communication and the extent to which individuals update their expectations based on it. The model informs our survey design and provides testable predictions on how polarization affects macroeconomic expectations and the effectiveness of Fed communication.

2.1 Partisan alignment and trust

A continuum of economic agents $i \in [0,1]$ exists in the model. Each agent i is characterized by a political identity $A_{i,t} \in \{-1,+1\}$, with -1 denoting left-leaning (e.g., Democratic) and $+1$ right-leaning (e.g., Republican). Agents also hold a belief about the political leaning of the CB, $P_{i,t} \in \{-1,+1\}$, with an analogous interpretation.

Assumption 1. *An agent's trust in the central bank is shaped by the alignment between their own political identity and their perception of the central bank's political leaning.*

We formalize the assumption as follows. An agent i views the CB as an *in-group* institution if $P_{i,t} = A_{i,t}$ and an *out-group* if $P_{i,t} \neq A_{i,t}$. Let μ^O denote the share of agents who perceive the CB as an out-group institution. The share of in-group agents is then $1-\mu^O$. Let $T_{i,t}$ denote agent i's level of trust in the CB, which we model as:

$$T_{i,t} = \delta - \theta |P_{i,t} - A_{i,t}|, \tag{2.1}$$

where δ is the baseline level of trust and $\theta > 0$ captures the sensitivity to perceived misalignment. Thus, if the agent views the CB as an in-group, the trust level, $T_{I,t} = \delta$, is higher than if the agent perceives the CB as an out-group, $T_{O,t} = \delta - 2\theta$.

2.2 Expectation formation

We assume the CB communicates its inflation target π^* to the public and uses it as the primary anchor for expectations. Recent evidence from Jacome et al. (2025) underscores the central role of inflation expectations in guiding policy decisions under inflation targeting regimes.

In our setting, an agent's responsiveness to this communication depends on their trust in the CB. Let $\phi_{i,t}$ denote the probability agent i receives CB communication and $\psi_{i,t}$ denote the weight the agent places on CB communication upon receiving it,

$$\begin{aligned} \phi_{i,t} &= f(T_{i,t}), \\ \psi_{i,t} &= g(T_{i,t}), \end{aligned} \tag{2.2}$$

where $f(\cdot)$ and $g(\cdot)$ are both increasing functions of trust, $T_{i,t}$, with range $(0,1)$. Given their higher trust in the CB, in-group agents are more likely to receive its communication ($\phi_{I,t} > \phi_{O,t}$) and, conditioning on receiving it, place greater weight on the signal when updating their expectations ($\psi_{I,t} > \psi_{O,t}$) than out-group agents.

Let $\pi^e_{i,t}$ denote agent i's prior inflation expectation before CB communication. The agent's inflation expectation after the CB communicates its inflation target π^* becomes

$$\mathbb{E}_{i,t}[\pi_t] = \phi_{i,t}\left[\psi_{i,t}\pi^* + (1-\psi_{i,t})\pi^e_{i,t}\right] + (1-\phi_{i,t})\pi^e_{i,t}. \tag{2.3}$$

The average inflation expectation across all agents is

$$\overline{\mathbb{E}}_t[\pi_t] = (1-\mu^O)\mathbb{E}_{I,t}[\pi_t] + \mu^O\mathbb{E}_{O,t}[\pi_t]. \tag{2.4}$$

2.3 Implications for the central bank

An expectations-augmented Phillips curve governs the macroeconomic environment,

$$\pi_t - \overline{\mathbb{E}}_t[\pi_t] = \kappa(y_t - y^n) + \epsilon_t, \tag{2.5}$$

where y_t and y^n are the actual and natural levels of output at time t. π_t and $\overline{\mathbb{E}}_t[\pi_t]$ are the actual inflation rate and the average inflation expectations, respectively. $\kappa > 0$ is the slope of the Phillips curve. $\epsilon_t \sim N(0, \sigma^2)$ is a cost-push shock.

The CB minimizes the standard quadratic loss function:

$$L_t = (\pi_t - \pi^*)^2 + \lambda(y_t - y^n)^2, \tag{2.6}$$

where $\lambda > 0$ is the weight it assigns to stabilizing output gaps relative to inflation.

The CB chooses inflation to minimize its loss function, considering the average inflation expectation of the public. Solving the CB's optimization problem yields the equilibrium inflation rate:

$$\pi_t = \pi^* + \frac{\lambda}{\lambda + \kappa^2}\left(\overline{\mathbb{E}}_t[\pi_t] - \pi^*\right) + \frac{\lambda}{\lambda + \kappa^2}\epsilon_t. \tag{2.7}$$

Inflation depends on the gap between average inflation expectations and the inflation target. According to equations (2.3) and (2.4), this gap is a function of the share of out-group agents μ_O, agents' priors $\pi^e_{i,t}$, and their responsiveness to CB communication $(\phi_{i,t}, \psi_{i,t})$. In general, if out-group agents have larger deviation in prior inflation expectations and lower receptiveness to CB communication, polarization (higher μ_O) increases the gap between the average inflation expectations $\overline{\mathbb{E}}_t[\pi_t]$ and the inflation target π^*, raising the CB's loss.

2.4 Testable implications

This framework yields several empirically testable implications, which guide our survey design and analysis.

Implication 1. *In-group and out-group agents exhibit persistent gaps in inflation expectations.*

Implication 2. *Agents who perceive the CB as aligned with their own political identity are more willing to receive CB communications.*

Implication 3. *In-group agents assign higher weights to CB signals, resulting in stronger expectation updating compared to out-group agents.*

These implications provide the conceptual link between the model and our empirical strategy.

We designed the survey to capture variation in political identity, perceived alignment, trust, and expectation formation to directly test these channels.

3 Survey design and data

In this section, we discuss the experimental design and some descriptive statistics of our sample. The Online Appendix contains the full questionnaire.

3.1 Experimental design

The survey starts by asking participants about their sources of economic information and their knowledge of monetary policy-making. Next, we elicit participants' political leaning, specifically whether they identify as Democrat, Republican, Independent, or none of the above. If participants identify as Democrats or Republicans, they are further asked if they consider themselves strong or moderate in their affiliation. Those who identify as Independents or none of the above are asked whether they lean more toward the Democratic or Republican Party.

We measure in-group favoritism in a political context, following the literature by using an other-other allocation game (e.g. Tajfel et al. 1971). Specifically, participants are asked to allocate a fixed sum of money ($6) under three scenarios: a group of two Democrats, a group of two Republicans, and a mixed group with one Democrat and one Republican. The allocation in the politically mixed group allows us to measure the extent to which participants favor an in-group member over an out-group member, controlling for variations in allocation within the politically aligned group. These scenarios help reveal participants' preferences for fairness or equality in contexts independent of political tension or group conflict.

Next, we ask participants about their perception of the political leaning of the Fed, specifically whether they believe it leans toward the Democratic Party, the Republican Party, or no political party. If participants perceive that the Fed leans toward either the Democratic Party or the Republican Party, they are further asked whether they believe this leaning is strong or moderate. Those who responded with 'no political party' or 'none of the above' were subsequently asked whether they consider the Fed to be closer to the Democratic Party or the Republican Party. An open-ended question followed, inviting participants to explain the reasoning behind their

perceived political leaning of the Fed.

To test Assumption 1 of our model, that trust in the Fed is shaped by perceived political alignment, we elicit participants' trust in the Fed using two metrics: trust in its ability to manage inflation and unemployment (trust in ability) and trust in its concern for the economic well-being of all Americans (trust in well-being) following D'Acunto et al. (2022). Additionally, we elicit participants' perceptions and forecasts of inflation, unemployment, interest rates, and their perceived inflation target. We also incorporated an attention checker before the survey continued.

Subsequently, the information demand and information provision stages occur. We randomly assign participants to either the control or treatment group. Those in the treatment group first take part in an information demand stage, in which they can adjust the probability of receiving identical news articles but from two different sources at a cost. Next, they enter the information processing stage, receiving a news article based on the probabilities they had set. In contrast, participants in the control group directly move to the information processing stage, in which they receive a news article without information about its source. Hence, all survey participants receive identical information, which allows us to focus on the role of the perceived bias of the Fed for information processing. Next, we provide a detailed description of both stages.

In the information demand stage, participants in the treatment group play a game related to information acquisition. Each participant faces a choice between two articles about the U.S. economy: one from a news agency (randomly assigned as either left-leaning or right-leaning media with a 50% chance) and the other from the Fed. To test Implication 2 of the model, we measure their willingness to pay for information from the Fed compared to information from a media outlet. By default, each article has a 50% chance of being selected. Each participant is endowed with a $2 budget to adjust the probability of receiving any of the articles, with a cost of $1 for every 10 percentage points change. Any unused portion of the budget is paid out to participants at the end of the experiment. Participants are informed that an article would be selected based on the probabilities they set and that they would be asked to forecast the unemployment rate, inflation, and interest rates after reading it. This forecasting exercise is incentivized, with participants having a chance to win $10 based on the accuracy of their predictions. For each forecast within 1% of an expert prediction, participants will receive an

additional 10% chance of winning the reward.

In the subsequent information processing stage, all participants were presented with a news article containing identical information about economic conditions. For the treatment group, the probability of receiving news from a specific source was determined by their choices during the information demand stage. These participants saw the article with the logo of a news agency (CNN or Fox News) or the Fed. In contrast, the control group received the identical article but without any logo or indication of its source. For example, participants who received news curated from CNN were shown the following text:

> "Please read the following news curated from CNN.
>
> Recent economic indicators show robust expansion with strong job gains and low unemployment. Inflation has eased from last year but was slightly elevated to 3.2% in February. The Federal Reserve aims to sustain employment maximally and stabilize inflation at 2% over time. To support these objectives, the Fed has decided to keep the federal funds rate between 5.25 and 5.50 percent, continuing its cautious approach to rate adjustments and its commitment to reducing its securities holdings, all in an effort to steer inflation back to the 2% target."

By controlling for textual and stylistic differences in news reporting, this experimental design isolates the effect of the identity of the information source on participants' receptiveness to new information about the Fed.

The news piece was generated by ChatGPT using a politically neutral tone, drawing on information from the latest FOMC announcement and news reports. Participants in the treatment group are shown identical articles, accompanied by a logo from either CNN, Fox News, or the Federal Reserve.[6]

After reading the provided information, participants are asked if they have heard the news before and to evaluate its political leaning and reliability. To test Implication 3 of the model, we then examine how participants update their expectations regarding inflation, unemployment, and interest rates after receiving this information.

[6]This experimental design and content of the survey experiment were approved by the University of Birmingham Ethics Review Committee in March 2024.

In anticipation of the November 2024 presidential election, we also presented participants with the following hypothetical scenario:

> The next US presidential election will take place in November this year. Consider the scenario that Democrats lose the presidency, and Donald Trump gets elected as the US president in the next election. We would like to know your view on the US Federal Reserve after Donald Trump gets elected as the U.S. president.

Based on this hypothetical scenario, we ask participants to share their perceptions of the political leaning of the Fed and their trust in the Fed regarding its management of inflation and unemployment, as well as its concern for the economic well-being of all Americans.

The final section of the survey collects information about individual backgrounds, including geographic location, income, employment status, homeownership, education, age, and gender.

3.2 Sample composition

The survey was in the field between April 21 and May 2, 2024, with 5,205 participants recruited through Prolific.[7] The average response time was 13 minutes.

Table A.1 presents the demographic characteristics of the full sample, and separately for the control and the treatment groups. Approximately 21% of participants are randomly assigned to the control group. Our sample is politically representative of the U.S. population, consisting of 30.9% who identify as Democrats, 28.2% as Republicans, and 39.7% as Independents. Additionally, 60.7% of participants are homeowners, consistent with the 60.7% reported in the 2019 American Community Survey. Our sample is also representative in terms of gender and age distribution. The final column displays the p-values from a one-way Analysis of Variance (ANOVA) test, indicating that the observable characteristics of participants are similar across both the control and treatment groups.

[7] Prolific is a UK-based platform for online subject recruitment explicitly designed for survey research. Many economists have recently recruited respondents from Prolific (e.g., Saccardo and Serra-Garcia 2023; Exley and Kessler 2022) to study the behaviors of the general public. Prolific requires paying a minimum wage to survey respondents, and we pay our respondents above this threshold value. The respondents can exit the survey at any time.

4 The role of intergroup preference for belief gaps

In this section, we analyze how individuals' perceptions of the Fed's political leanings, levels of trust in the Fed, and in-group favoritism influence their beliefs. First, we examine the variation in perceptions of the Fed's political bias and trust across different political affiliations. Next, we explore how these beliefs differ across various demographic groups. Lastly, we document a novel heterogeneity in inflation expectations, emphasizing differences based on whether households view the Fed as part of their in-group or out-group.

4.1 Perceived leaning of the Fed, trust, and in-group favoritism

To our knowledge, this paper is the first to analyze U.S. consumers' perceptions of the Federal Reserve's political leanings. We find significant heterogeneity in these perceptions. About 21% of respondents believe the Fed leans toward the Democratic Party, whereas 15% think it favors the Republican Party; the remaining respondents view the Fed as politically neutral. Among those who perceive the Fed as neutral, roughly half consider it closer to the Democratic Party, whereas the other half see it as closer to the Republican Party. We classify the Fed as an *in-group* institution when participants' political affiliations align with their perceptions of the Fed's stance, and as an *out-group* institution when they do not.[8]

The top panel of Figure 1 illustrates how participants' views of the Fed's political stance vary according to their own political affiliations, revealing significant heterogeneity in these perceptions. Notably, most Democrat-leaning participants (66%) perceive the Fed as leaning toward the Republican Party, whereas a majority of Republican-leaning participants (60%) believe the Fed leans toward the Democratic Party. Overall, 63% of participants perceive the Fed as an out-group institution (i.e., $\mu_O = 0.63$).

To delve deeper into these polarized perceptions, the survey includes an open-ended ques-

[8]We use two definitions to classify in-group and out-group based on respondents' perceptions of the Fed's political leaning. The *Exclusive Definition* categorizes all respondents as either in-group or out-group, requiring them to explicitly state which party they believe the Fed is closer to. In contrast, the *Inclusive Definition* allows those who view the Fed as neutral to be classified as independent, belonging to neither group. For the remainder of the paper, we will use the Exclusive Definition unless otherwise specified.

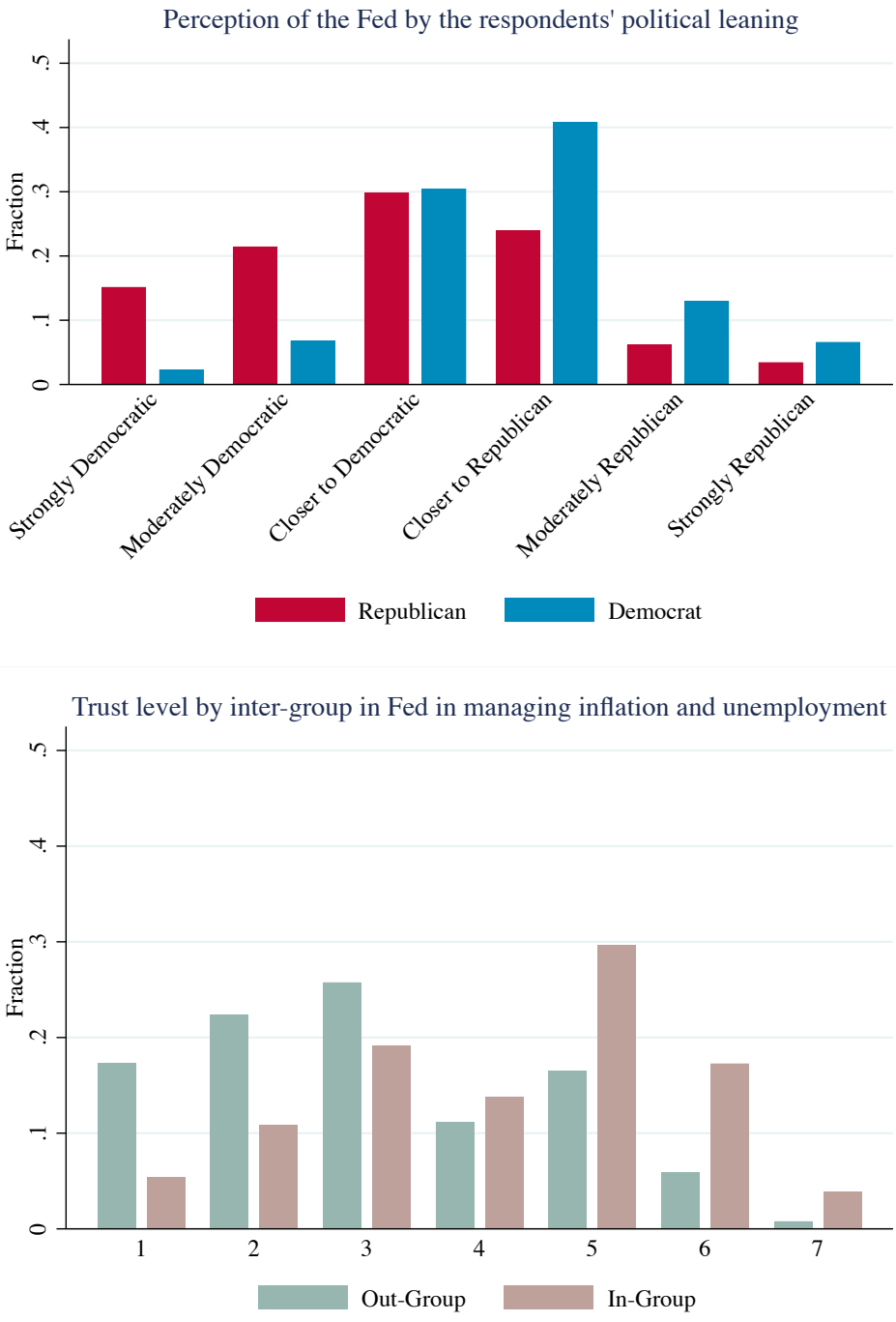


Figure 1: PERCEPTION AND TRUST OF THE FED

Notes: The top panel of this figure plots the distribution of respondents' perceptions of the Fed's political leaning, categorized by their own political affiliation. The blue bars represent Democrat-leaning respondents, while the red bars represent Republican-leaning respondents. The bottom panel plots the distribution of trust levels in the Fed's ability to manage inflation and unemployment, with Out-Group respondents shown in green and In-Group respondents in brown.

tion to explore the reasoning behind their views on the Fed's political bias.[9] Using a state-of-the-art natural language processing (NLP) method, we categorize responses into five distinct groups: (1) *Administration or Appointment*, focusing on the Fed's alignment with the incumbent administration or appointing president; (2) *Favors Business or the Wealthy*, emphasizing policies perceived as benefiting affluent groups or corporations; (3) *Internal Political Bias*, reflecting beliefs about the Fed's intrinsic ideological alignment with a political party; (4) *Economic Policy or Conditions*, linking monetary policies or economic outcomes to political agendas; and (5) *Unclear Reasoning or Forced Choice*. Appendix B provides further details on the classification process.

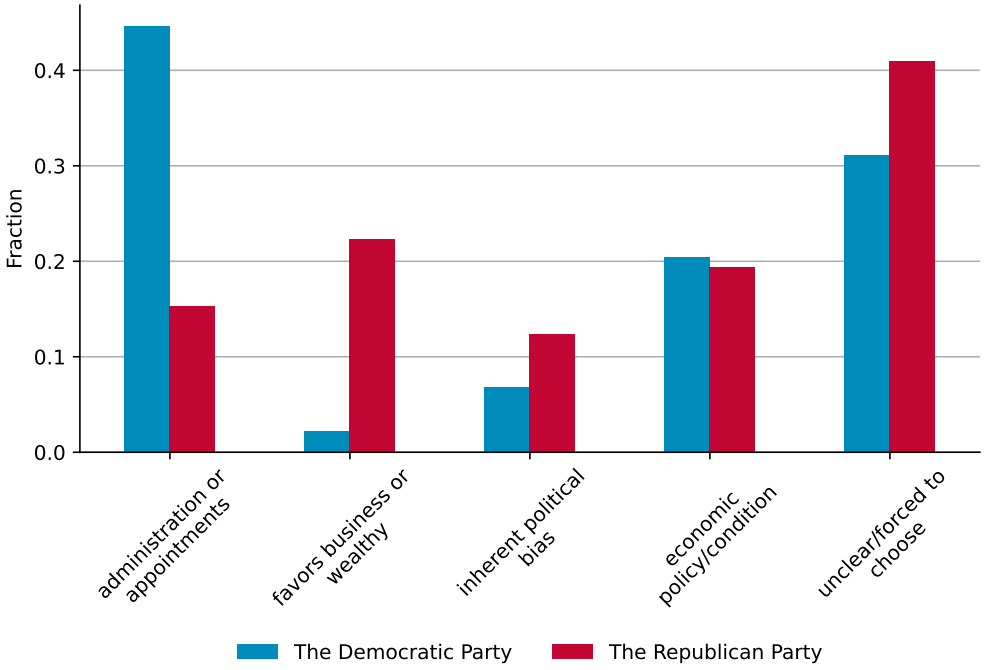


Figure 2: CLASSIFICATION OF REASONS FOR PERCEIVED POLITICAL LEANINGS OF THE FED

Notes: This figure illustrates the distribution of reasons respondents provided for their perceptions of the Federal Reserve's political leaning. The blue bars represent the fraction of reasons given by those who perceive the Fed as leaning toward the Democratic Party, whereas the red bars indicate the fraction of reasons given by those who believe the Fed leans toward the Republican Party.

Figure 2 illustrates the categorized reasons, revealing distinct partisan patterns in participants' perceptions of the Fed's political leaning. Among those who believe the Fed leans toward the

[9] Haaland et al. (2023) review the use of open-ended survey questions in economics, highlighting their effectiveness in uncovering nuanced reasoning, mental models, and attention allocation.

Democratic Party, over 40% attribute this perception to "administration or appointments". In contrast, over 20% of respondents who perceive the Fed as leaning toward the Republican Party cite "favors business or wealthy" as the basis for their reasoning. Interestingly, a similar proportion of respondents in both groups (about 20%) attribute their perceptions to "economic policy or conditions", reflecting a shared focus on economic factors despite differing partisan perspectives.

Trust in the Fed also varies significantly across political lines. The average level of trust in the Fed's ability to manage inflation and unemployment effectively is relatively modest, scoring 3.2 on a scale from 1 to 7 (where 1 represents no trust at all and 7 indicates complete trust). Trust in the Fed's concern for the economic well-being of all Americans is slightly higher, averaging 3.5.[10] A clear political divide emerges, with Democrats showing greater trust in the Fed compared to Republicans in the Spring of 2024. Specifically, Democrats have an average trust score of 3.4 for the Fed's economic management and 3.8 for its concern for Americans' well-being. In contrast, Republicans report lower levels of trust, with average scores of 3.0 and 3.1 for these metrics, respectively.

The bottom panel of Figure 1 illustrates how inter-group perceptions influence trust in the Fed's ability to manage inflation and unemployment. Consistent with Assumption 1 of our model, participants who perceive the Fed as an in-group institution report higher levels of trust compared to survey respondents who view it as an out-group institution. This gap is evident across both trust metrics: out-group participants have an average trust score of 3.1, compared to 4.2 for in-group participants. We observe a similar pattern in participants' trust in the Fed's concern for the economic well-being of all Americans, see Appendix Figure A.1.

Next, we measure respondents' in-group favoritism using outcomes from the other-other allocation game. Appendix Figure A.2 shows the average allocation of Democrat- and Republican-leaning respondents. When choosing between two Democrats or two Republicans, both Republican and Democrat respondents tend to allocate the endowed funds equally. However, when faced with allocating funds between individuals of different political affiliations, a clear pattern of in-group favoritism emerges. On average, Republicans allocate \$4.32 to a fellow Republican and \$1.68 to a Democrat, whereas Democrats allocate \$4.58 to a fellow Democrat and \$1.42 to a

[10] These two metrics of trust exhibit a strong positive correlation, with a correlation coefficient of 0.84.

Republican.

To quantify individual-level in-group favoritism, we first calculate the absolute differences in fund allocation when participants choose between two individuals of the same political affiliation (e.g., two Republicans for Republican participants or two Democrats for Democrats). Next, we determine the difference in allocation to in-group versus out-group members (Republicans allocating to Republicans minus Democrats, and vice versa for Democrats). The in-group favoritism measure is then obtained by subtracting the absolute within-group difference from the in-group versus out-group allocation difference. We categorize in-group favoritism as *strong* when this measure exceeds its median value of 2.

4.2 Belief gaps

Table 1 provides a consolidated overview of pre-treatment expectations and perceptions, separately by treatment status, political affiliation, intergroup preferences, and knowledge of the FOMC. The mean inflation expectations and perceived long-term inflation targets are 3.63% and 4.72%, respectively and no statistically significant differences between the control and treatment groups are present.

Consistent with the literature (e.g., Coibion et al. 2020, Binder et al. 2024), we find a partisan divide in expectations and perceptions. Republican-leaning participants tend to have more negative views of economic conditions, expecting higher inflation, unemployment, and interest rates compared to Democrat-leaning participants. For instance, Republican-leaning participants perceive past 12-month inflation and unemployment rates as 7.35% and 9.90%, versus 5.80% and 8.60% for Democrat-leaning participants. Republican-leaning participants also perceive a higher inflation target (5.14%) than Democrat-leaning participants (4.39%), and Democrat-leaning participants demonstrate less disagreement in their expectations.

More importantly, we document belief gaps based on participants' perceptions of the Fed as either an in-group or out-group institution, consistent with Implication 1 of our model. A majority (63%) view the Fed as an out-group, with these individuals tending to hold more pessimistic views on economic conditions, expecting higher inflation, unemployment, and

Table 1: DESCRIPTIVE STATISTICS OF PRIOR EXPECTATIONS

	Inflation			Unemployment		Δ Interest rate
	past 12-months	12-month ahead	long-term target	current rate	12-month ahead	12-month ahead
	(1)	(2)	(3)	(4)	(5)	(6)
Total	6.49 (7.62)	3.63 (3.68)	4.72 (6.85)	9.18 (8.98)	9.94 (9.68)	1.50 (4.74)
Group assignment						
Control Group	6.60 (7.60)	3.68 (3.79)	4.92 (7.33)	9.62 (9.59)	10.02 (9.57)	1.60 (4.58)
Treatment Group	6.46 (7.63)	3.62 (3.65)	4.67 (6.72)	9.06 (8.81)	9.92 (9.71)	1.47 (4.78)
View of the Fed						
Out-Group	6.72 (7.73)	3.97 (3.75)	4.53 (6.43)	9.38 (9.01)	10.31 (9.86)	1.59 (4.63)
In-Group	6.10 (7.42)	3.05 (3.49)	5.05 (7.51)	8.82 (8.92)	9.30 (9.34)	1.35 (4.92)
Political Affiliation						
Republican	7.35 (8.17)	4.13 (4.06)	5.14 (7.49)	9.90 (9.39)	10.93 (10.24)	1.81 (5.17)
Democrat	5.80 (7.08)	3.23 (3.29)	4.39 (6.28)	8.60 (8.60)	9.15 (9.14)	1.25 (4.35)
FOMC						
Not Knowing	7.40 (9.25)	3.67 (4.20)	6.73 (9.21)	11.77 (10.50)	12.79 (11.32)	2.34 (5.61)
Knowing FOMC	6.01 (6.56)	3.61 (3.38)	3.67 (4.89)	7.81 (7.74)	8.45 (8.33)	1.06 (4.14)

Notes: This table provides a summary of pre-treatment expectations, segmented by treatment status, political affiliation, intergroup preferences, and awareness of the FOMC. Columns (1) through (6) display the mean (standard deviation) for inflation over the past 12 months, inflation expected 12 months ahead, long-term inflation targets, current unemployment rates, unemployment expected 12 months ahead, and expected changes in interest rates over the next 12 months, respectively.

interest rate hikes over the next 12 months.[11]

Finally, we also observe belief gaps related to participants' awareness of the FOMC. Most participants (66%) are aware that the FOMC sets policy interest rates. Those with this knowledge generally view economic conditions more positively, expect lower unemployment, and foresee smaller interest rate hikes, although their inflation expectations are similar to those unaware of the FOMC. Significantly less disagreement is also present among participants who are knowledgeable about the FOMC.

4.3 The role of intergroup preferences and in-group favoritism

We further examine the role of intergroup preferences in shaping respondents' inflation expectations. In this analysis, we focus on the Inclusive Definition, which provides a more nuanced classification of individuals' views on the Fed. Columns (1) - (3) of Table 2 show that individuals who view the Fed as an in-group institution have inflation expectations that are 0.8 - 0.9 percentage points lower, whereas those who see the Fed as an out-group have inflation expectations that are 0.9 - 1.1 percentage points higher, compared to those who view the Fed as independent. Overall, the difference in average prior inflation expectations between those who perceive the Fed as an in-group versus an out-group institution amounts to 2.0 percentage points, which is substantially larger than the partisan difference in inflation expectations between strong Democrats and strong Republicans of 1.1 percentage points (see Table A.2). This gap persists even after controlling for political affiliation and other demographics, suggesting that intergroup preferences shape inflation expectations beyond political leanings and demographic characteristics.[12]

Furthermore, the degree of in-group favoritism further amplifies the impact of viewing the Fed as an out-group institution on prior inflation expectations. Individuals who perceive the Fed as an out-group and exhibit strong in-group favoritism have the highest prior inflation expectations, which are 0.7 percentage points higher than those who also view the Fed as an out-group but display weaker or no in-group favoritism (see Columns (4) - (6) of Table 2). In

[11] Column (2) of Table 1 shows that 12-month ahead inflation expectations are 3.97 percent for out-group respondents (π^e_O) and and 3.05 percent for in-group respondents (π^e_I). The following section provides a more detailed analysis of the gaps in inflation expectations and the role of in-group favoritism.

[12] Our results remain robust even after controlling for state fixed effects.

Table 2: HETEROGENEITIES BY VIEW OF THE FED AND IN-GROUP FAVORITISM

	Pre-Treatment inflation expectations					
	(1)	(2)	(3)	(4)	(5)	(6)
View Fed as In-Group	-0.852***	-0.840***	-0.897***	-0.823***	-0.764***	-0.798***
	(0.164)	(0.165)	(0.164)	(0.206)	(0.207)	(0.205)
View Fed as Out-Group	1.163***	1.101***	0.916***	0.779***	0.677***	0.532***
	(0.107)	(0.108)	(0.110)	(0.151)	(0.152)	(0.152)
Strong in-group favoritism				0.138	0.206*	0.423***
				(0.118)	(0.119)	(0.120)
Strong in-group favoritism × View Fed as in-group				-0.053	-0.178	-0.195
				(0.339)	(0.339)	(0.337)
Strong in-group favoritism × View Fed as out-group				0.722***	0.774***	0.644***
				(0.214)	(0.215)	(0.213)
Constant	3.351***	3.547***	2.957***	3.287***	3.570***	2.795***
	(0.059)	(0.463)	(0.472)	(0.079)	(0.464)	(0.474)
Survey Day FE	No	Yes	Yes	No	Yes	Yes
Demographic Controls	No	Yes	Yes	No	Yes	Yes
Political Affiliation Controls	No	No	Yes	No	No	Yes
Observations	5205	5205	5205	5205	5205	5205
R^2	0.032	0.046	0.063	0.037	0.051	0.071

Notes: This table presents the heterogeneity in prior inflation expectations by intergroup preferences regarding the Fed. The dependent variable is pre-treatment inflation expectations. The regressors are the view about the Fed and its interaction with the degree of in-group favoritism. Standard errors are in parentheses. All estimates are based on the Huber-robust estimator. ***, **, * denote statistical significance at 1, 5, and 10 percent levels.

contrast, for individuals who view the Fed as an in-group institution, prior inflation expectations remain relatively stable regardless of the strength of their in-group favoritism.

Finally, Table A.3 in the Appendix shows that inflation expectations decrease as trust in the Fed increases, based on two different trust metrics. On average, consumers with the highest level of trust in the Fed have inflation expectations that are 2.1 percentage points lower than those with the lowest level of trust.

5 Information demand

This section examines participants' information acquisition, focusing on how political alignment and in-group favoritism influence their choices between news sources. We analyze participants' willingness-to-pay in adjusting the probability of receiving news from CNN, Fox News, or the Fed, and explore how in-group and out-group dynamics affect these decisions.

During the information demand stage, participants in the treatment group can adjust the probability of receiving news from the Fed or a news agency. It costs them \$1 to change the probability by 10 percentage points. On average, participants spend 67 cents on information acquisition out of a budget of \$2. Consequently, the proportion of participants in the treatment group receiving news from CNN, Fox News, or the Federal Reserve are 23%, 23%, and 54%, respectively.

We define a news source as *in-group* (*out-group*) if its political leaning matches (opposes) that of the participants. Participants choosing between an in-group news source and the Fed spent an average of 60 cents (top left panel of Figure 3) and had about a 52.2% probability of receiving news from the Fed (top right panel). In contrast, those choosing between an out-group news source and the Fed spent more, about 73 cents (top left panel), and had a higher probability – about 55.8% – of receiving news from the Fed (top right panel). These patterns suggest participants are more willing to spend money to avoid information from out-group news sources, increasing their likelihood of selecting news from the Fed. Specifically, those choosing between an in-group news source and the Fed had a 3.6 percentage point lower probability of receiving news from the Fed (columns (1) and (2) of Table A.4) and spent about 13 cents less (columns (1) and (2) of Table A.5) compared to those choosing between an out-group news

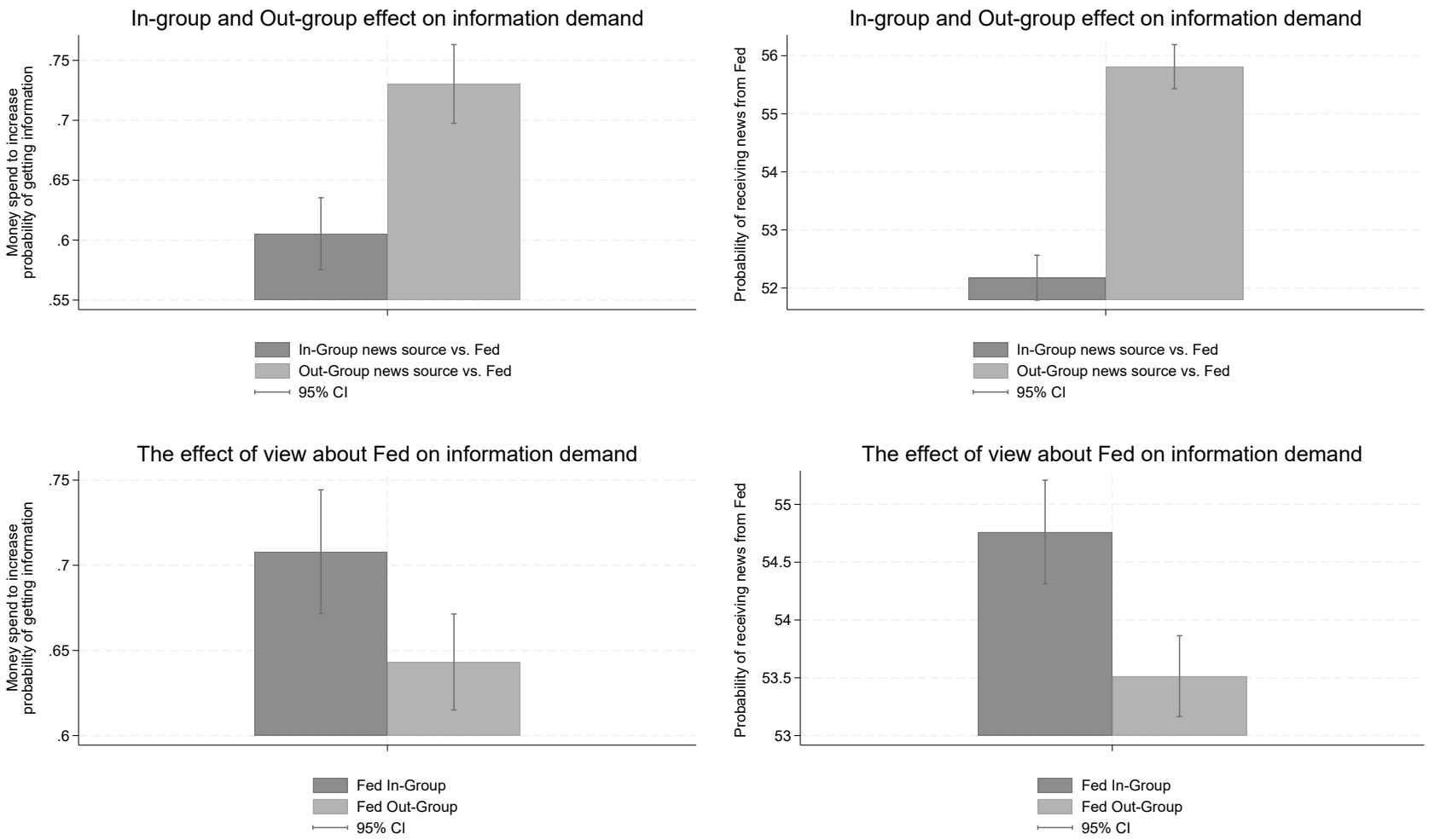


Figure 3: HETEROGENEITY IN INFORMATION ACQUISITION

Notes: This figure reports the money spent on information acquisition (left column) and the probability of receiving news from the Fed (right column).

source and the Fed.

Furthermore, respondents who view the Fed as an in-group institution spent, on average, over 71 cents (bottom left panel of Figure 3) and had a 54.7% probability of receiving news from the Fed (bottom right panel), corresponding to ϕ_I in the model. In contrast, those who view the Fed as an out-group institution spent approximately 64 cents and had a statistically significantly lower probability of 53.5% to receive news from the Fed, corresponding to ϕ_O in the model. Consistent with Implication 2 of our model, participants who view the Fed as an out-group institution have a 1.2 percentage point lower probability of receiving news from the Fed (columns (3) and (4) of Table A.4) and spent approximately 7 cents less (columns (3) and (4) of Table A.5) than their in-group counterparts.

Among participants choosing between news from the in-group source and the Fed, those who view the Fed as an out-group institution have a 1.7 percentage point lower probability of receiving news from the Fed (columns (7) and (8) of Table A.4) but did not pay significantly different amounts (columns (7) and (8) of Table A.5) compared to those who view the Fed as an in-group institution.

Next, we examine the role of in-group favoritism for information acquisition. The top two panels of Figure 4 suggest that when choosing between a news article from an out-group news source and one from the Fed, those who view the Fed as an in-group and exhibit a strong degree of in-group favoritism spend more and have a higher probability of receiving news from the Fed compared to those with weaker or no in-group favoritism. Specifically, the former group spent over 90 cents with a 58% probability of receiving news from the Fed, whereas the latter group spent 66 cents with a 54.6% probability.

In contrast, the bottom two panels of Figure 4 suggest that when choosing between a news article from an in-group news source and one from the Fed, participants who view the Fed as an out-group and display a strong degree of in-group favoritism spend more (though not statistically significant) and have a lower probability of receiving news from the Fed compared to those with weaker or no in-group favoritism. Specifically, the former group spent about 59 cents with a 50.6% probability of receiving news from the Fed, whereas the latter group spent 55 cents with a 52% probability.

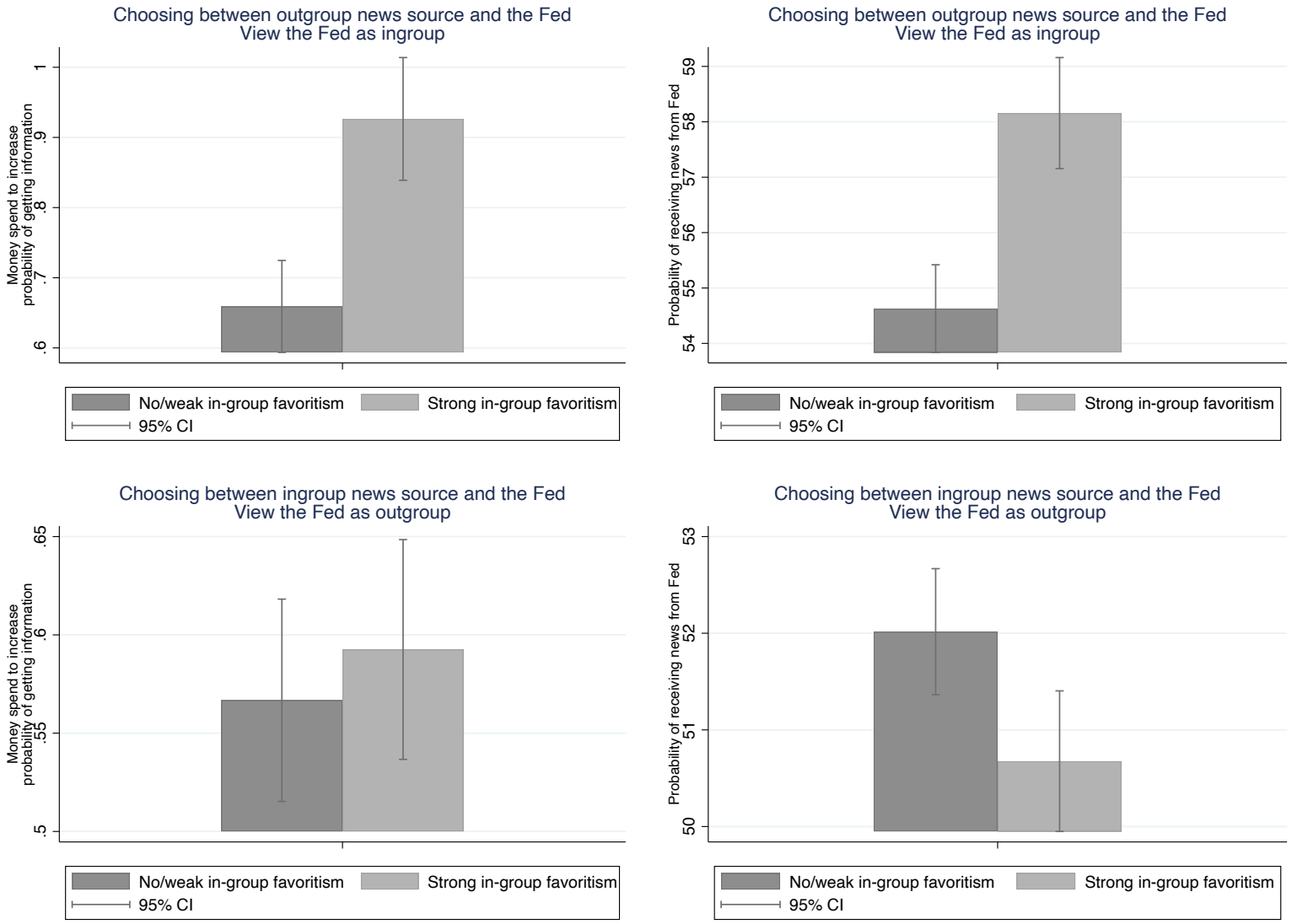


Figure 4: HETEROGENEITY IN INFORMATION ACQUISITION BY STRONG IN-GROUP FAVORITISM

Notes: This figure plots the money spent on information acquisition (left column) and the probability of receiving news from the Fed (right column) based on the strength of in-group favoritism.

6 Information processing

Next, we study the effects of information provision on inflation expectations, with a focus on how the political alignment of the information source influences expectation updating. To this end, we consider the specification following Coibion et al. (2022) and Coibion et al. (2024):

$$\begin{aligned} \text{Post}_i = a_0 + b_0 \times \text{Prior}_i + \sum_{j=1}^{k} a_j \times I\{i \in \text{Treat j}\} \\ + \sum_{j=1}^{k} b_j \times I\{i \in \text{Treat j}\} \times \text{Prior}_i + \Gamma X_i + \epsilon_i, \end{aligned} \tag{6.1}$$

where i denotes respondent, Prior_i denotes the respondent's prior belief, Post_i refers to the respondent's posterior belief after receiving the news article, and $I\{i \in \text{Treat j}\}$ is an indicator variable if respondent i is in treatment group j. We can interpret the coefficients $\{a_j\}_{j\neq 0}$ and $\{b_j\}_{j\neq 0}$ as relative to the baseline, which is the control group and is captured by a_0 and b_0. We use Huber-robust regressions to systematically control for outliers and include additional demographic controls X_i.

This specification is consistent with Bayesian learning, where agents update their beliefs, and allows us to test Implication 3 of our model on heterogeneous belief updating. The posterior is a weighted average of agents' prior knowledge and the new information they receive. Given the heterogeneous inflation perception gaps we observed among respondents, the average treatment effects may not accurately reflect the degree to which agents adjust their beliefs in response to new information. Instead of focusing on average treatment effects, this specification estimates the weight placed on prior beliefs, which is inversely related to how informative agents perceive the new signals.[13] In other words, the more informative the agents find the signals, the less they rely on their prior beliefs when updating their expectations.

For treated households, the coefficient on prior beliefs, measured as $b_0 + b_j$, should generally fall between 0 and 1. A coefficient of 1 suggests that agents disregard the new information entirely and fully anchor to their prior beliefs, whereas a coefficient of 0 indicates that agents fully adopt the new information and disregard their prior beliefs. We allow this slope coefficient to differ

[13] See Weber et al. (2025) for a detailed discussion on how to interpret the coefficients, evidence for the consistency of estimated treatment effects across agents, countries, and periods, and Mackowiak and Wiederholt (2024) for how to interpret the estimated coefficients through the lens of rational-inattention models.

across subgroups within the treatment group, providing insight into how survey participants respond to the signal from various new sources when updating their beliefs. The coefficients b_j allow us to identify the effects of news sources among different groups of respondents.

We begin our analysis by pooling all respondents in the treatment group. Recall that in the control group, participants received an identical article about economic forecasts without any indication of its source. Since the only difference between the treatment groups is the displayed logo of the information source, any treatment effects on expectation updating should arise solely from the displayed news source. Columns (1) - (3) of Table 3 show that control group participants placed a weight of 0.16 - 0.17 on prior information.[14] In comparison, treatment group participants – those receiving news from both left-leaning, right-leaning media, or the Fed – placed 0.037 less weight on prior information. These results hold regardless of whether we include survey day fixed effects and remain robust after controlling for demographic variables, political affiliation, and perceptions of the Fed as an in-group or out-group institution.

Next, we divide the participants in the treatment group into two subgroups: those who received news from the Fed and those who received news from media outlets (either left-leaning or right-leaning). Columns (4) - (6) of Table 3 show that the former group placed 0.034 less weight on the prior, whereas the latter group placed 0.040 less weight, both relative to the control group. Hence, no significant difference in the weight placed on the new information between the two subgroups is present.

Furthermore, we explore the role of intergroup preferences toward the Fed in expectation updating. Table 4 presents the results of expectation revisions for participants who perceive the Fed as either an in-group or out-group institution. In this analysis, we further divide the respondents in the treatment group into three subgroups: those who received news from an in-group news media, those who received news from an out-group news media, and those who received news from the Fed. Among participants who view the Fed as an in-group, those who receive news directly from the Fed place significantly less weight on their prior beliefs (0.065) compared to the control group. However, those receiving news from either an in-group or

[14] A weight of less than 1 for survey participants in the control group even in settings in which agents in the control condition do not receive any information at all is common in these types of randomized information provision experiments and can arise because of a different question formats eliciting prior and posterior expectations, noise in survey data, but also because of mean reversion in expectations.

Table 3: EFFECT OF PRIOR INFLATION EXPECTATIONS ON POSTERIOR INFLATION EXPECTATIONS

	Posterior Inflation Expectations					
	(1)	(2)	(3)	(4)	(5)	(6)
Prior Inflation Expectations	0.168***	0.171***	0.165***	0.168***	0.171***	0.165***
	(0.013)	(0.013)	(0.013)	(0.013)	(0.013)	(0.013)
Prior × Treatment	-0.037**	-0.037**	-0.037**			
	(0.015)	(0.015)	(0.015)			
Treatment	0.036	0.059	0.064			
	(0.078)	(0.079)	(0.078)			
Prior × Received News				-0.034**	-0.033**	-0.034**
				(0.017)	(0.017)	(0.017)
Prior × Received Fed				-0.040**	-0.041**	-0.040**
				(0.016)	(0.016)	(0.016)
Received News				0.070	0.081	0.085
				(0.088)	(0.088)	(0.087)
Received Fed				0.012	0.045	0.049
				(0.085)	(0.085)	(0.085)
Constant	2.309***	2.084***	2.230***	2.307***	2.093***	2.234***
	(0.070)	(0.234)	(0.235)	(0.070)	(0.234)	(0.236)
Survey Day FE	No	Yes	Yes	No	Yes	Yes
Demographic Controls	No	Yes	Yes	No	Yes	Yes
Political Affiliation Controls	No	No	Yes	No	No	Yes
Fed in/out-group Controls	No	No	Yes	No	No	Yes
N	5205	5205	5205	5205	5205	5205
R^2	0.090	0.101	0.102	0.090	0.101	0.102

Notes: This table reports the estimation of equation (6.1). The dependent variable is posterior inflation expectations. All estimates are based on the Huber-robust estimator. Standard errors are in parentheses. ***, **, * denote statistical significance at 1, 5, and 10 percent levels.

Table 4: EFFECT OF PRIOR INFLATION EXPECTATIONS ON POSTERIOR INFLATION EXPECTATIONS BY FED INTER-GROUP PREFERENCES

	Fed In-Group			Fed Out-Group		
	(1)	(2)	(3)	(4)	(5)	(6)
	Posterior	Posterior	Posterior	Posterior	Posterior	Posterior
Prior Inflation Expectations	0.172***	0.168***	0.167***	0.160***	0.163***	0.160***
	(0.0223)	(0.0224)	(0.0225)	(0.0166)	(0.0167)	(0.0167)
Prior × In-group News Source	0.0334	0.0428	0.0427	-0.0659***	-0.0608**	-0.0627**
	(0.0358)	(0.0359)	(0.0360)	(0.0248)	(0.0250)	(0.0250)
Prior × Out-group News Source	-0.0399	-0.0416	-0.0418	-0.0304	-0.0314	-0.0302
	(0.0320)	(0.0321)	(0.0322)	(0.0237)	(0.0239)	(0.0238)
Prior × News from Fed	-0.0630**	-0.0654**	-0.0650**	-0.0211	-0.0215	-0.0214
	(0.0273)	(0.0274)	(0.0274)	(0.0207)	(0.0209)	(0.0208)
In-group News Source	-0.249	-0.242	-0.241	0.207	0.193	0.205
	(0.161)	(0.162)	(0.162)	(0.137)	(0.139)	(0.138)
Out-group News Source	0.0603	0.0698	0.0711	0.109	0.144	0.142
	(0.154)	(0.155)	(0.155)	(0.132)	(0.133)	(0.133)
News from Fed	0.187	0.190	0.190	-0.127	-0.0901	-0.0818
	(0.126)	(0.127)	(0.127)	(0.114)	(0.115)	(0.115)
Constant	2.204***	2.301***	2.310***	2.396***	1.997***	2.085***
	(0.104)	(0.371)	(0.374)	(0.0929)	(0.304)	(0.305)
Survey Day FE	No	Yes	Yes	No	Yes	Yes
Demographic Controls	No	Yes	Yes	No	Yes	Yes
Political Affiliation Controls	No	No	Yes	No	No	Yes
N	1921	1921	1921	3284	3284	3284
R^2	0.093	0.109	0.108	0.088	0.104	0.104

Notes: This table reports the estimation of equation (6.1). The dependent variable is posterior inflation expectations. Columns (1) - (3) are based on the sub-sample of respondents who view the Fed as an in-group institute. Columns (4) - (6) are based on the sub-sample of respondents who view the Fed as an out-group institute. All estimates are based on the Huber-robust estimator. Standard errors are in parentheses. ***, **, * denote statistical significance at 1, 5, and 10 percent levels.

out-group media do not place a significantly different weight on their prior beliefs.

Conversely, participants who perceive the Fed as an out-group do not place significantly different weight on their prior beliefs when receiving news directly from the Fed, compared to the control group. However, those receiving news from an in-group media source place significantly less weight on their prior beliefs (0.0627) relative to the control group.

In summary, consistent with Implication 3 of our model, individuals who perceive the Fed as an in-group place significantly more weight on information directly from the Fed, whereas those who see the Fed as an out-group do not react significantly differently to Fed news compared to the control group who receive identical information but without any logo. Additionally, participants who view the Fed as an out-group assign significantly more weight to news from an in-group source, whereas those who view the Fed as an in-group do not exhibit significant differences when receiving news from either in-group or out-group sources compared to the control group.[15]

In Appendix C, we further examine how participants' familiarity with the FOMC, political affiliation, and in-group favoritism influence expectation updating. Participants familiar with the FOMC place less weight on prior information when receiving news from the Fed, regardless of whether they view the Fed as in-group or out-group, whereas this effect is absent among those unfamiliar with the FOMC. Political alignment also plays a role: Republicans, especially those with strong in-group favoritism, reduce the weight placed on prior information based on their perception of the Fed. In contrast, Democrats' expectation updating is only marginally influenced by in-group or out-group perceptions, regardless of the strength of their favoritism. These results suggest that political alignment and in-group perceptions significantly shape expectation revisions, particularly among Republicans.

Lastly, in Appendix D we analyze the effects of paying for news on the updating of inflation expectations. We find that participants who did not pay for information spent the most time on news articles and placed significantly more weight on the new information compared to the control group. In contrast, participants who paid for news, whether they received their desired article or not, spent similar time on the news as the control group and did not significantly adjust

[15] Specifically, our estimates suggest that upon receiving news from the Fed, in-group respondents place a weight of $\psi_I = 0.90$ on the central bank's signal. We calculate this number from Column (3) of Table 4, where the weight is computed as $1 - \hat{b}_0^I - \hat{b}_{\text{Fed}}^I = 1 - 0.167 - (-0.065)$. In contrast, out-group respondents place a lower weight of $\psi_O = 0.84$, using estimates from Column (6), calculated as $1 - \hat{b}_0^O - \hat{b}_{\text{Fed}}^O = 1 - 0.160 - (-0.021)$.

their prior beliefs. Overall, a positive relationship between the time spent on the news and the weight placed on it is present.

7 Discussions

In this section, we reflect on the broader implications of our findings. We begin by quantifying the welfare costs of political polarization using the simple model calibrated to our survey estimates. We then explore how these effects may be amplified in a post-election environment, where changes in political leadership further shift public perceptions of the central bank's alignment and credibility.

7.1 Welfare implications

We use our model to quantify how political polarization affects the central bank's ability to anchor inflation expectations. Specifically, we calibrate the central bank's loss function using survey-based estimates of information acquisition and expectation formation. We compare the level of welfare loss under the current, polarized environment to a counterfactual in which all individuals respond to central bank communication as in-group agents.

Recall that the central bank's loss is given by

$$L_t = (\pi_t - \pi^*)^2 + \lambda(y_t - y^n)^2,$$

where the equilibrium inflation rate is determined by agents' expectations. Using equation (2.5), the Phillips curve, and optimal inflation in equation (2.4), we derive that the CB's loss is a function of the gap between inflation expectations and the inflation target,

$$\begin{aligned} L_t &= \frac{\lambda}{\lambda+\kappa^2}\left(\bar{\mathbb{E}}[\pi_t] - \pi^* - \epsilon_t\right)^2 \\ &= \frac{\lambda}{\lambda+\kappa^2}\left[(1-\mu^O)(1-\phi_{I,t}\psi_{I,t})(\pi^e_{I,t} - \pi^*) + \mu^O(1-\phi_{O,t}\psi_{O,t})(\pi^e_{O,t} - \pi^*) - \epsilon_t\right]^2. \end{aligned} \tag{7.1}$$

For tractability, we abstract from cost-push shocks ($\epsilon_t = 0$) and focus on losses resulting from unanchored inflation expectations due polarization. The loss increases with a larger deviation

between inflation expectations and the target and when price rigidity is higher (i.e., smaller κ).

Table 5 summarizes the key empirical inputs for the calibration. Based on our survey, 63% of respondents view the Fed as an out-group institution ($\mu_O = 0.63$). These agents are less likely to receive the Fed communication and place less weight on the signal when they do ($\phi_O = 53.5\%$, $\psi_O = 0.86$) compared to in-group agents ($\phi_I = 54.7\%$, $\psi_I = 0.90$). Their prior inflation expectations are also less anchored: 3.97% versus 3.05% for in-group agents.

Table 5: MODEL CALIBRATION BASED ON SURVEY ESTIMATES

Parameters		In-group (I)	Out-group (O)
μ	share of agents	37%	63%
ϕ	probability of receiving CB communication	54.7%	53.5%
ψ	weight placed on CB signal	0.90	0.86
π^e	prior inflation expectation	3.05	3.97

Given the Fed's inflation target of 2%, we compute the loss under two scenarios: the current polarized environment ($\mu_O = 0.63$) and the counterfactual in which all agents behave like in-group agents ($\mu_O = 0$). Based on our survey estimates, the welfare loss due to unanchored inflation expectations would be lower by about 33% in a hypothetical world in which all agents view the Fed as an in-group compared to the empirically-observed distribution of perceptions. This difference illustrates the welfare cost of polarization through its distortion of belief formation and the resulting weakening of monetary policy transmission.

7.2 Implications of a Trump Presidency

Finally, to examine the impact of Trump's election on public perceptions of the Federal Reserve, we presented participants with a scenario in which Trump wins the presidency. This analysis provides valuable insights into the potential shifts in perceived alignment and trust in the Fed under the new administration. As shown in Figure 5, a large majority (84%) of respondents – both Democrat-leaning and Republican-leaning – would perceive the Fed as favoring the Republican Party. While the overall proportion of participants viewing the Fed as an out-group remains relatively stable at 60%, its internal composition shifts significantly. The proportion of Republican-leaning participants who see the Fed as an out-group declines from 60% to 23%, whereas the proportion of Democrat-leaning participants who perceive the Fed as an out-group

rises from 66% to 89%.[16]

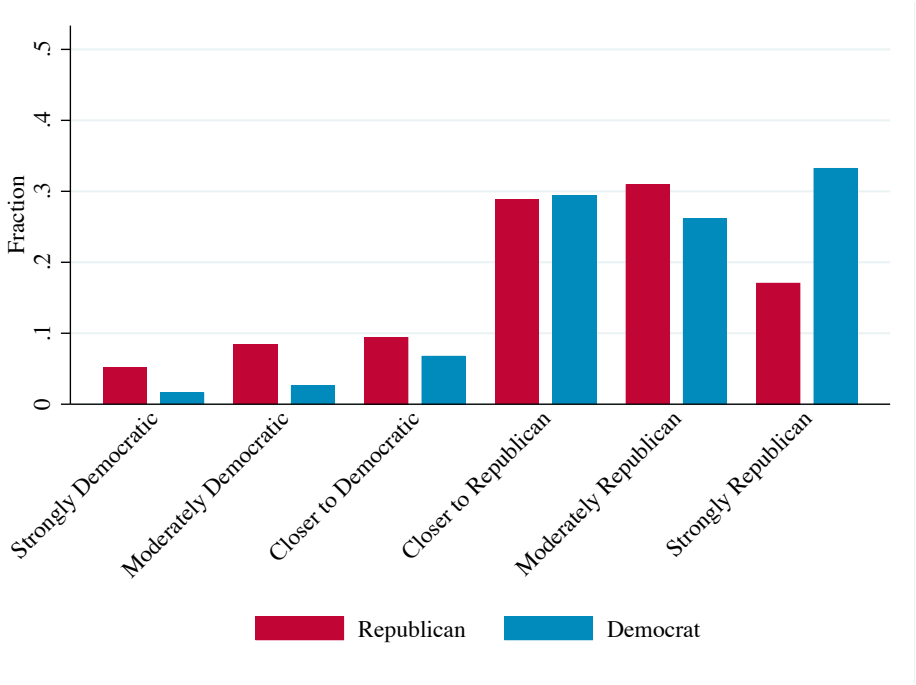


Figure 5: PERCEPTION OF THE FED'S POLITICAL LEANING IF TRUMP IS ELECTED

Notes: This figure plots the distribution of respondents' perceptions of the Fed's political leaning under the hypothetical scenario of Trump being elected. The blue bars represent Democrat-leaning respondents, while the red bars represent Republican-leaning respondents.

Figure 6 illustrates how trust in the Fed changes across political affiliations under this scenario. *Trust in ability* would shift slightly from 3.19 to 3.22 on a scale from 1 to 7 (where 1 represents no trust at all, and 7 indicates complete trust), whereas *trust in well-being* would decrease from 3.49 to 3.43. While the overall level of public trust in the Fed remains largely unchanged, this overall number masks significant partisan divergence. A closer examination reveals a sharp decline in trust among Democrats and a corresponding increase in trust among Republicans. Among Democrats, trust in ability would drop from 3.36 to 2.72, and trust in well-being would fall from 3.77 to 2.93. Conversely, for Republicans, trust in ability would rise from 2.98 to 3.83, and trust in well-being would increase from 3.14 to 4.04.

On Trump's inauguration day, we conducted a new survey to assess post-election shifts in public perceptions of the Fed, as detailed in Kuang et al. (2025). The results show a noticeable increase in the share of respondents who perceive the Fed as favoring the Republican Party

[16] Participants believe the political independence of the U.S. Fed would be significantly undermined. The proportion of participants who view the Fed as politically neutral is expected to drop from 60% to 35%.

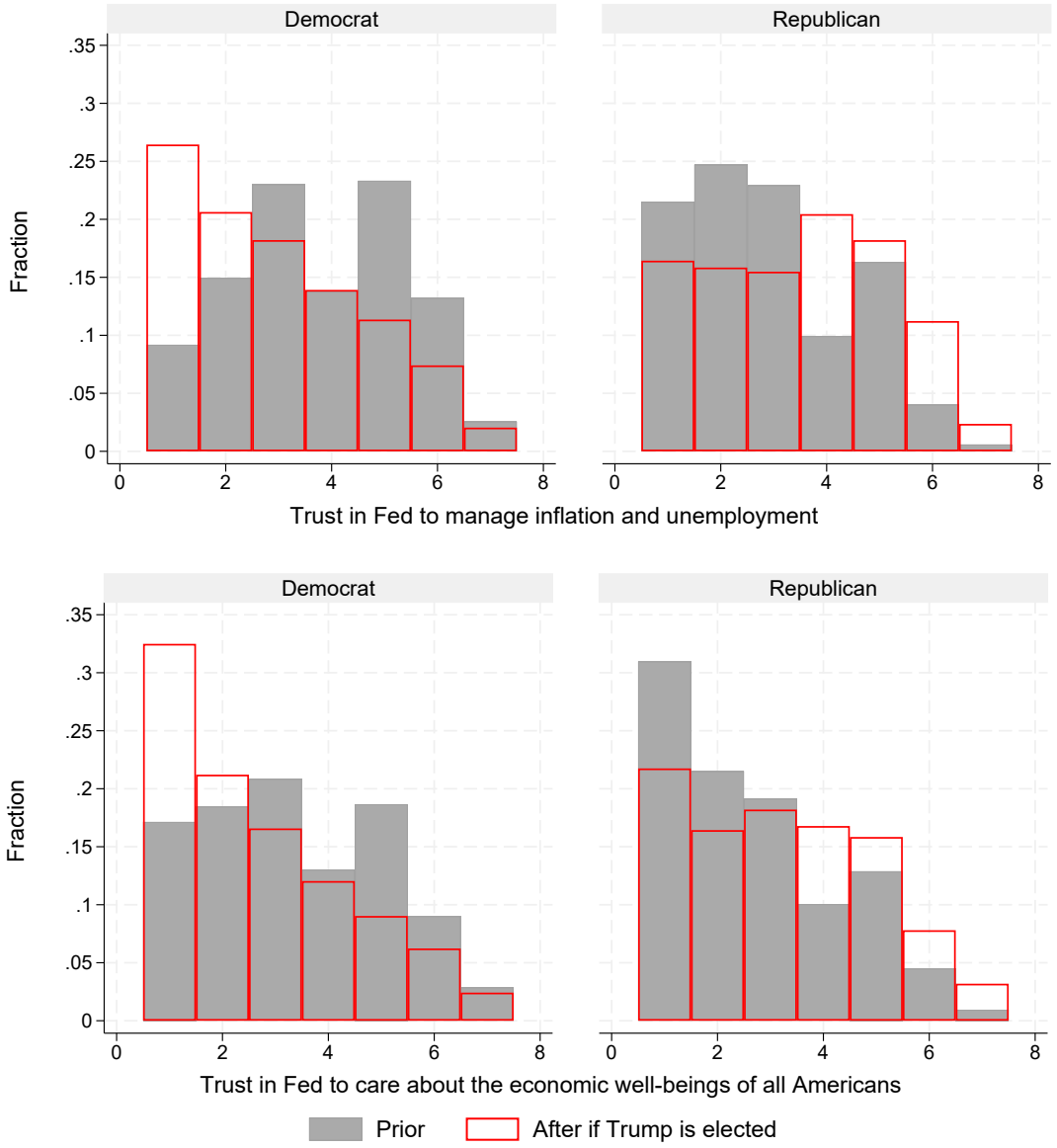


Figure 6: TRUST IN FED: PRE- AND POST-TRUMP IS ELECTED

Notes: This figure plots the distribution of trust in the Fed among Democrat-leaning respondents (left column) and Republican-leaning respondents (right column) before and after Trump is elected. The top and bottom panel plots the trust in the Fed to "manage inflation and unemployment" and "care about the economic well-being of all Americans", respectively.

(58%) compared to April 2024. This immediate shift suggests that public perception of the Fed's political alignment is highly responsive to changes in political leadership, adjusting in real time as new administrations take office.

Our post-inauguration survey further highlights key developments in how perceptions of

the Fed evolved under the Trump administration. Individuals who perceive the Fed as an in-group also view it as more independent. Higher perceived independence, in turn, leads to lower inflation expectations and reduced uncertainty regarding both inflation and unemployment. Conversely, those who see the Fed as an out-group express greater skepticism about economic stability, indicating that trust in the Fed plays a crucial role in shaping economic beliefs.

Additionally, Kuang et al. (2025) shows that strategic communication can effectively mitigate perception biases. Messaging that highlights the Fed's institutional framework and policy objectives has been particularly effective in fostering trust. Our findings highlight how shifts in political leadership can significantly influence public perceptions of the Fed's neutrality and credibility. In this increasingly polarized landscape, the Fed faces the challenge of crafting communication strategies that bridge partisan divides. By proactively addressing these perception gaps with clear, transparent, and nonpartisan messaging, the Fed can reinforce public confidence in its independence and enhance the effectiveness of its monetary policy communication.

8 Conclusion

This paper examines how public perceptions of the Fed's political bias shape macroeconomic expectations and trust in the institution. We find significant disagreement among the public about the Fed's perceived political leanings. These perceptions help us assess whether individuals see the Fed as aligned with their political affiliation (in-group) or opposed to it (out-group). Our findings show that consumers' intergroup preferences play a crucial role in shaping their macroeconomic expectations, trust in the Fed, and how they acquire and process economic information. Using a simple model, our survey-based estimation suggests that eliminating biases from polarization can reduce the welfare loss from unanchored expectations by approximately one-third.

The findings have broad implications for monetary policy. First, while economic experts generally consider the U.S. Fed as politically independent, consumers do not necessarily share this view. Second, a perceived political bias of the Fed is a crucial factor in shaping the credibility of monetary policymakers and influencing macroeconomic expectations, which, in turn, affects the effectiveness of both monetary policy and its communication. Third, political events, such as

presidential elections, may cause a significant shift in how consumers perceive and trust the Fed.

The findings beget further analysis into the sources of the perceived political bias of the Fed. In addition, the heterogeneity in expectations resulting from these perceptions may have significant implications for individual economic decision-making and welfare. Furthermore, it may be possible to develop communication strategies to reduce the number of consumers who perceive the Fed as an out-group. These strategies might involve educating the public on the institution's non-partisan nature, as well as addressing the perception that the Fed is closely aligned with business, money, or wealth.

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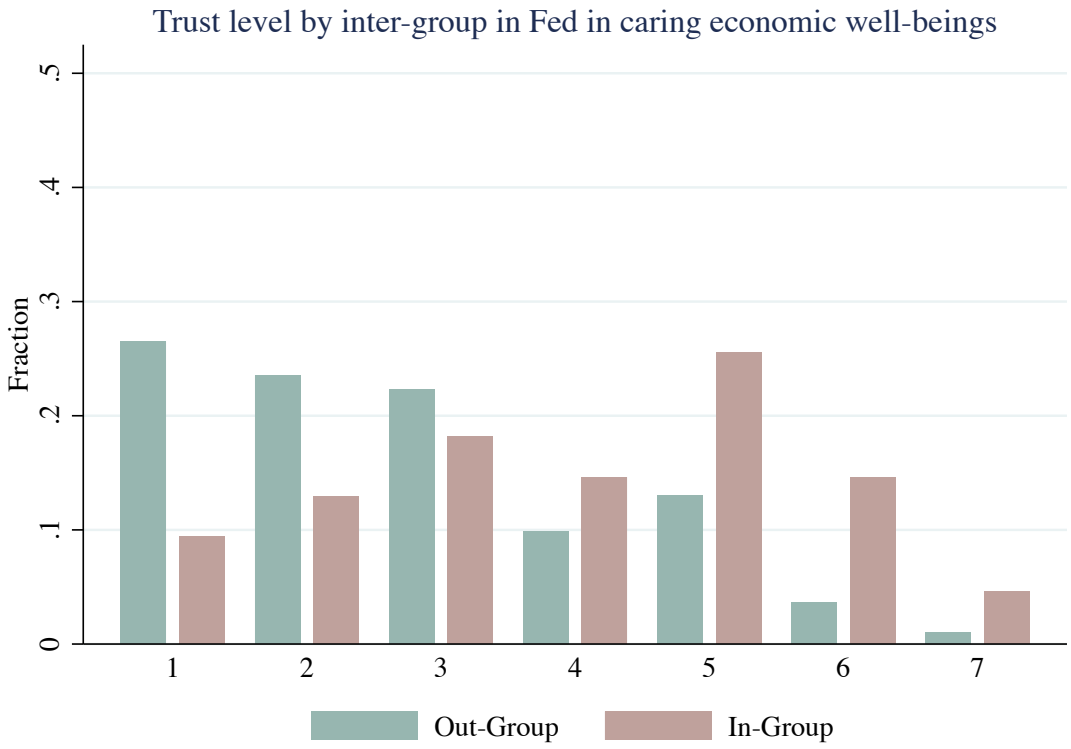
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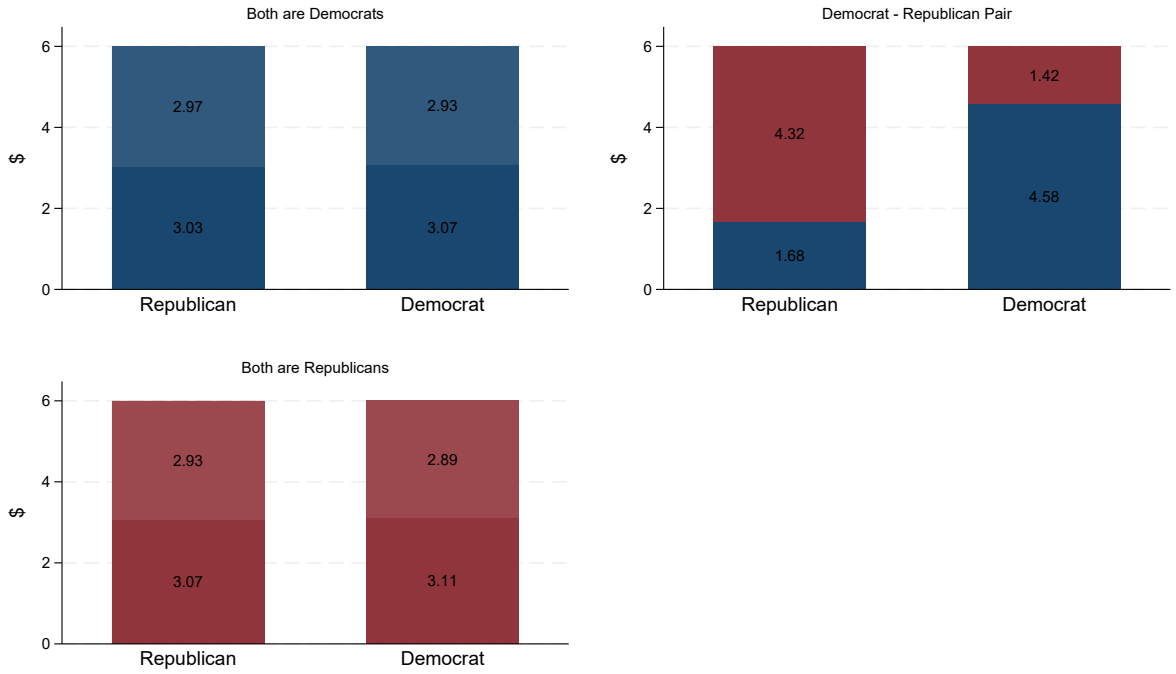
Online Appendix

Appendix A Additional Tables and Figures



Appendix Figure A.1: LEVEL OF TRUST BY VIEWING FED AS IN-GROUP VERSUS OUT-GROUP

Notes: This figure plots the distribution of trust levels in the Fed to care about the economic well-being of all Americans, with Out-Group respondents shown in green and In-Group respondents in brown.



Appendix Figure A.2: OTHER-OTHER ALLOCATION GAME

Notes: This figure plots the average allocation of Democrat- and Republican-leaning respondents in the other-other allocation game.

Appendix Table A.1: SUMMARY STATISTICS OF DEMOGRAPHICS

	Control Group 1,079 (20.7%)	Treatment Group 4,126 (79.3%)	Total 5,205 (100.0%)	p-value
Gender				
Female	48.1%	50.5%	50.0%	0.173
Male	50.2%	47.9%	48.4%	
Other	1.6%	1.2%	1.3%	
Prefer not to answer	0.1%	0.4%	0.3%	
Age				
Age (18-34)	32.3%	32.9%	32.7%	0.629
Age (35-54)	39.9%	38.4%	38.7%	
Age (55+)	27.8%	28.8%	28.6%	
College education				
College or higher	55.3%	57.8%	57.3%	0.151
Less than college	44.7%	42.2%	42.7%	
Income				
Less than $49,999	31.0%	33.5%	32.9%	0.285
$50,000 to $99,999	38.3%	36.5%	36.9%	
$100,000 or more	30.8%	30.0%	30.1%	
Employment status				
Working full-time (for someone or self-employed)	57.3%	54.6%	55.1%	0.145
Working part-time (for someone or self-employed)	15.8%	18.0%	17.6%	
Not working, but would like to work	6.0%	7.5%	7.2%	
Not actively looking for work	7.4%	7.9%	7.8%	
Student, at school or in training	4.4%	3.8%	3.9%	
Other	9.1%	8.2%	8.4%	
Home ownership				
Homeowner	61.7%	60.4%	60.7%	0.427
Not owner	38.3%	39.6%	39.3%	
Political affiliation				
Democrat	30.5%	31.0%	30.9%	0.917
Republican	28.6%	28.1%	28.2%	
Independent	39.9%	39.6%	39.7%	
None of the above	1.0%	1.2%	1.2%	

Appendix Table A.2: HETEROGENEITIES BY POLITICAL SPECTRUM

	Inflation expectations	
	(1)	(2)
Strong Democrat	-1.099***	-0.980***
	(0.136)	(0.142)
Moderate Democrat	-0.816***	-0.753***
	(0.147)	(0.149)
Moderate Republican	0.028	0.110
	(0.135)	(0.137)
Strong Republican	0.036	0.144
	(0.162)	(0.165)
Constant	3.877***	4.011***
	(0.074)	(0.469)
Survey Day FE	No	Yes
Demographic Controls	No	Yes
Observations	5205	5205
R^2	0.018	0.031

Notes: This table reports heterogeneity in prior inflation expectations by political affiliation. The dependent variable is pre-treatment inflation expectations. The regressors are dummies of respondents' political leaning. The baseline group is Independent respondents. All estimates are based on the Huber-robust estimator. Standard errors are in parentheses. ***, **, * denote statistical significance at 1, 5, and 10 percent levels.

Appendix Table A.3: HETEROGENEITIES BY TRUSTING IN FED

	Inflation & unemployment		**Economic well-being**	
	(1)	(2)	(3)	(4)
Trust level=2	-1.301***	-1.351***	-1.091***	-1.160***
	(0.166)	(0.166)	(0.145)	(0.145)
Trust level=3	-2.092***	-2.160***	-1.631***	-1.693***
	(0.158)	(0.158)	(0.142)	(0.143)
Trust level=4	-2.872***	-2.893***	-2.278***	-2.309***
	(0.182)	(0.183)	(0.168)	(0.169)
Trust level=5	-2.962***	-2.996***	-2.584***	-2.611***
	(0.160)	(0.163)	(0.149)	(0.151)
Trust level=6	-3.408***	-3.387***	-2.841***	-2.817***
	(0.191)	(0.195)	(0.193)	(0.197)
Trust level=7	-3.824***	-3.775***	-3.326***	-3.261***
	(0.350)	(0.352)	(0.316)	(0.319)
Constant	5.778***	5.853***	5.197***	5.423***
	(0.127)	(0.463)	(0.101)	(0.459)
Survey Day FE	No	Yes	No	Yes
Demographic Controls	No	Yes	No	Yes
Observations	5199	5199	5201	5201
R^2	0.096	0.107	0.083	0.094

Notes: This table reports heterogeneity in prior inflation expectations by trust levels. The dependent variable is pre-treatment inflation expectations. The regressors are dummies of the level of trust in the Fed. Columns (1) - (2) are based on trust in the Fed to manage inflation and unemployment. Columns (3) - (4) are based on trust in the Fed to care about the economic well-being of all Americans. The baseline group is respondents with a trust level of one. All estimates are based on the Huber-robust estimator. Standard errors are in parentheses. ***, **, * denote statistical significance at 1, 5, and 10 percent levels.

Appendix Table A.4: RELATION OF THE PROBABILITY OF RECEIVING NEWS FROM THE FED WITH RESPONDENT VIEWS

	Probability of receiving news from the Fed							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
In-Group news source vs. Fed	-3.633***	-3.635***			-3.652***	-3.654***	-2.610***	-2.589***
	(0.276)	(0.277)			(0.276)	(0.276)	(0.453)	(0.453)
Viewing Fed as out-group			-1.246***	-1.166***	-1.303***	-1.227***	-0.460	-0.370
			(0.290)	(0.291)	(0.286)	(0.287)	(0.404)	(0.404)
In-group news source vs Fed × Viewing Fed as out-group							-1.657***	-1.693***
							(0.570)	(0.571)
Constant	55.811***	55.680***	54.761***	54.838***	56.639***	56.307***	56.103***	55.678***
	(0.194)	(1.298)	(0.229)	(1.326)	(0.267)	(1.309)	(0.323)	(1.327)
Survey Day FE	No	Yes	No	Yes	No	Yes	No	Yes
Demographic Controls	No	Yes	No	Yes	No	Yes	No	Yes
Observations	4126	4126	4126	4126	4126	4126	4126	4126
R^2	0.040	0.047	0.004	0.010	0.045	0.051	0.047	0.053

Notes: The dependent variable is the probability of receiving news from the Fed. The regressors are a dummy variable indicating facing a choice between the in-group news source and the Fed, a dummy of viewing the Fed as out-group, and their interaction term. and All estimates are based on the Huber-robust estimator. Standard errors are in parentheses. ***, **, * denote statistical significance at 1, 5, and 10 percent levels.

Appendix Table A.5: RELATION OF COST PAID TO ACQUIRE INFORMATION WITH RESPONDENT VIEWS

	Cost paid to acquire information							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
In-Group news source vs. Fed	-0.125***	-0.126***			-0.126***	-0.127***	-0.122***	-0.123***
	(0.023)	(0.023)			(0.023)	(0.023)	(0.037)	(0.037)
Viewing Fed as out-group			-0.065***	-0.067***	-0.067***	-0.069***	-0.064*	-0.065*
			(0.023)	(0.024)	(0.023)	(0.023)	(0.035)	(0.035)
In-group news source vs Fed × Viewing Fed as out-group							-0.006	-0.007
							(0.047)	(0.047)
Constant	0.730***	0.543***	0.708***	0.527***	0.773***	0.578***	0.771***	0.575***
	(0.017)	(0.107)	(0.019)	(0.108)	(0.022)	(0.108)	(0.027)	(0.110)
Survey Day FE	No	Yes	No	Yes	No	Yes	No	Yes
Demographic Controls	No	Yes	No	Yes	No	Yes	No	Yes
Observations	4126	4126	4126	4126	4126	4126	4126	4126
R^2	0.007	0.016	0.002	0.011	0.009	0.018	0.009	0.018

Notes: The dependent variable is the money spent on information acquisition. The regressors are a dummy variable indicating facing a choice between the in-group news source and the Fed, a dummy of viewing the Fed as out-group, and their interaction term. and All estimates are based on the Huber-robust estimator. Standard errors are in parentheses. ***, **, * denote statistical significance at 1, 5, and 10 percent levels.

Appendix B Reasons behind the perceived political leanings of the Fed

Appendix B.1 Text analysis of open-ended survey responses

To classify the open-ended survey responses regarding perceptions of the Federal Reserve's political bias, we employed a natural language processing (NLP) method using the SetFit (Sentence Transformer Fine-tuning) model (Tunstall et al., 2022). SetFit specializes in few-shot classification, making it suitable for our dataset with limited labeled examples.

Data Labeling We began by manually labeling a subset of 300 survey responses to serve as our training dataset. Each response was categorized into one of the following predefined categories based on the reasoning provided:

- **Administration or Appointment:** Responses that base their reasoning on the appointment of Federal Reserve governors or suggest that the Fed aligns with the incumbent administration. This includes mentions of who appointed the governors or beliefs that the Fed's actions reflect the priorities of the appointing officials.
- **Favors Business or the Wealthy:** Responses suggesting that the Federal Reserve's policies disproportionately benefit wealthy individuals or large corporations. This includes beliefs that the Fed prioritizes the interests of the affluent or corporate sector over those of the general population.
- **Internal Political Bias:** Responses reflecting the perception that the Federal Reserve's fundamental principles, institutional philosophies, or internal policies inherently align with the ideology of a specific political party. This is independent of external factors like appointments or current political leadership.
- **Economic Policy or Economic Conditions:** Responses that argue the Federal Reserve sets its monetary policies – such as interest rates – to align with a particular political party's agenda. This category also includes reasoning that current economic conditions (e.g., inflation, unemployment) are outcomes engineered by the Fed to favor a specific party's objectives.
- **Unclear Reasoning or Forced Choice:** Responses that are vague, speculative, or lack a clear rationale for attributing political bias to the Fed. This category also includes respondents who believe the Fed is independent but felt compelled to choose a political leaning due to the survey's structure or question framing.

Model Training with SetFit We chose the SetFit model due to its efficiency in scenarios with minimal training data. The model leverages sentence transformers for text embeddings and fine-tunes them using contrastive learning, enabling effective classification with few examples. The training procedure is as follows:

1. Data Preparation: Labeled responses were split into positive (belonging to the category) and negative (not belonging) examples for each category. This was done for all four categories with clear reasoning. Each response was evaluated independently for each category, allowing for multi-label classification.

2. Fine-tuning with Contrastive Learning: A pre-trained sentence transformer model was fine-tuned using contrastive learning on the labeled examples. This process adjusts the model to produce embeddings that better distinguish between the categories, enhancing its ability to handle limited data.

3. Embedding Generation: The fine-tuned sentence transformer was used to convert the textual responses into numerical embeddings that capture semantic meaning relevant to the categories.

4. Classifier Training: For each category, a logistic regression classifier was trained on the embeddings to predict the presence of that category in new responses.

5. Performance Evaluation: Each category's classifier was evaluated using accuracy metrics on a validation set. All classifiers achieved an accuracy rate of over 90%, indicating that the model reliably captures the reasoning patterns associated with each category.

Results The trained SetFit classifiers were applied to the full dataset of open-ended survey responses. About 65% of respondents provided answers that could be classified into at least one of the clear reasoning categories. A single response may be assigned to multiple categories if it contains reasoning that fits more than one category. However, only about 7% of responses were assigned multiple labels.

Appendix B.2 Examples of reasons

This appendix provides examples of the reasoning behind consumers' perceptions of the Fed's political leaning.

Reasoning behind the Fed favoring Democrats

- The federal reserve currently operates under a democrat president and senate. The party in power has more influence on the reserve.
- The Democrats hold the white house right now. I feel they have some pull over the Fed.
- I thought the Fed leaned toward the Democrats because the current president's party is Democratic party. I think they are leaning moderately because the Fed should not be biased and should not support a party strongly.
- Based on what I've seen they seem to make decisions based on economic conditions (i.e. inflation). I have them favoring Democrats because they are trying to get the economy under control and currently doing that would favor Democrats because they are the part in the White House.

- They will go with whatever party is in charge. I don't know how they make their decisions to change things. I don't see them being one or the other.
- I saw trump fighting interest rate hikes. When he opposes something, it means the government is against him. In my opinion the fed is on dems side.
- When the president is a certain party the feds tend to their advantage. The president gets the feds advantage.
- I was thinking about the interest rates and who its helping the most. It seems its helping every day Americans which is more democrat.

Reasoning behind the Fed favoring Republicans

- I think the fed is mostly concerned with economic conditions. They mainly consider how to help business and keep economic spending in control, but also flowing. With the pro business stance, I put the fed more in the GOP corner.
- Presidents, especially Republican ones, have historically nominated individuals to chair the Federal Reserve who align with their economic philosophies. For instance, Alan Greenspan, Ben Bernanke, and Jerome Powell—all chairs of the Federal Reserve—were appointed by Republican presidents.
- Generally speaking, my perception of anything regarding money matters such as business, etc always seems to be run by very conservative individuals. So I would assume that those types of groups would favor republicans since they're generally run by and compromised by republicans.
- Rich white men control the world. They are republicans.
- generally the fed worries about the economy as a whole and business impacts in particular so since I associate the Republican party with businesses (at least the pre crazy trump republican party) I think of the Fed as more associated with the republicans.
- I feel like Republicans are more the party of business. I also feel like economists are generally conservative and not comfortable with a lot of spending.
- In general, there's a bias towards the Republican party in the financial sector.
- The Federal Reserve represents wealth to me. Therefore, I chose the Republican party because they seem be comprised of mostly wealthier individuals.
- It seems like capitalism is inherently more of a republican ideal instead of democratic. In theory it shouldn't necessarily be that way but in practice it's very much set up to punish poorer people and make more poor people in general.
- Republicans seem more concerned about accumulating wealth. The Fed is responsible for similar interests.
- The fed is now doing things that support big corporations, since prices are high and they are getting record profits now. That is a stance that republican politicians support more.

Appendix C Heterogeneities in information processing

In this appendix, we explore other heterogeneities in information processing. In these analyses, we divide the treatment group respondents into four subgroups: those who received news from in-group news media, out-group news media, those who received news from the Fed and view the Fed as in-group, and those who received from the Fed but view it as out-group.

Knowing the FOMC or not Table C.6 presents results based on participants' awareness of the FOMC as the monetary policy maker. Among those who are aware, participants who view the Fed as part of their in-group place 0.05 less weight on prior information, and the same applies to those who see the Fed as part of an out-group. Additionally, participants who receive news from an in-group source do not place a statistically significantly different weight on prior information compared to the control group; this is also true for those receiving news from an out-group source. For participants unaware of the FOMC's role, no significant differences in weight on prior information are observed, regardless of their perceptions of the Fed or the source of news.

Political affiliation Table C.7 analyzes expectation revisions across political affiliations. Among Republicans, participants who view the Fed as part of their in-group place 0.055 less weight on prior information, while those who see the Fed as part of an out-group place 0.077 less weight on prior information (column (2)). For Democrats, those viewing the Fed as an in-group place 0.050 less weight on prior information, whereas those who view the Fed as an out-group place 0.040 less weight on prior information.

in-group favoritism Table C.8 suggests that Republican-leaning participants with strong in-group favoritism assign significantly less weight to prior information when they perceive the Fed as an in-group institution compared to when they view the Fed as independent. A similar result occurs if they perceive the Fed as an out-group institution.

For Republican-leaning participants with weak in-group favoritism, the weight placed on prior information does not vary based on their perception of the Fed or the news source.

For Democrat-leaning participants, regardless of the strength of in-group favoritism, their weight on prior information remains unaffected by whether they view the Fed as an in-group or out-group institution or the source of the news.

Appendix Table C.6: EFFECT OF PRIOR INFLATION EXPECTATIONS ON POSTERIOR INFLATION EXPECTATIONS ACROSS KNOWING FOMC SETS THE INTEREST RATE OR NOT

	Knowing FOMC		Not knowing FOMC	
	(1)	(2)	(3)	(4)
	Posterior	Posterior	Posterior	Posterior
Prior Inflation Expectations	0.170***	0.169***	0.159***	0.164***
	(0.014)	(0.014)	(0.026)	(0.026)
Prior × In-group News Source	0.012	0.015	-0.001	-0.005
	(0.020)	(0.020)	(0.035)	(0.035)
Prior × Out-group News Source	-0.013	-0.011	0.019	0.021
	(0.019)	(0.019)	(0.032)	(0.032)
Prior × Fed In-group	-0.052**	-0.050**	-0.026	-0.032
	(0.021)	(0.021)	(0.036)	(0.037)
Prior × Fed Out-group	-0.051***	-0.050***	-0.039	-0.038
	(0.019)	(0.019)	(0.034)	(0.034)
In-group News Source	0.090	0.067	-0.220	-0.229
	(0.098)	(0.099)	(0.191)	(0.191)
Out-group News Source	0.161*	0.144	0.052	0.033
	(0.093)	(0.093)	(0.182)	(0.183)
Fed In-group	-0.093	-0.096	0.018	0.042
	(0.101)	(0.102)	(0.193)	(0.194)
Fed Out-group	0.000	0.027	0.182	0.227
	(0.096)	(0.097)	(0.189)	(0.190)
Constant	2.500***	2.470***	2.003***	1.503***
	(0.074)	(0.250)	(0.143)	(0.500)
Survey Day FE	No	Yes	No	Yes
Demographic Controls	No	Yes	No	Yes
N	3415	3415	1790	1790
R^2	0.105	0.111	0.073	0.090

Notes: This table reports the estimation of equation (6.1). The dependent variable is posterior inflation expectations. Columns (1) - (2) are based on the sub-sample of respondents who know the FOMC sets the interest rate. Columns (3) - (4) are based on the sub-sample of those who did not know. All estimates are based on the Huber-robust estimator. Standard errors are in parentheses. ***, **, * denote statistical significance at 1, 5, and 10 percent levels.

Appendix Table C.7: EFFECT OF PRIOR INFLATION EXPECTATIONS ON POSTERIOR INFLATION EXPECTATIONS ACROSS POLITICAL AFFILIATIONS

	Republicans		**Democrats**	
	(1)	(2)	(3)	(4)
	Posterior	Posterior	Posterior	Posterior
Prior Inflation Expectations	0.168***	0.169***	0.169***	0.178***
	(0.020)	(0.020)	(0.018)	(0.018)
Prior × In-group News Source	0.052*	0.055*	-0.020	-0.017
	(0.028)	(0.028)	(0.024)	(0.025)
Prior × Out-group News Source	0.038	0.042	-0.013	-0.018
	(0.028)	(0.028)	(0.021)	(0.021)
Prior × Fed In-group	-0.057*	-0.055*	-0.037	-0.050**
	(0.031)	(0.031)	(0.024)	(0.024)
Prior × Fed Out-group	-0.073***	-0.077***	-0.036	-0.040*
	(0.027)	(0.027)	(0.023)	(0.023)
In-group News Source	-0.219	-0.250	0.151	0.127
	(0.166)	(0.166)	(0.107)	(0.109)
Out-group News Source	-0.088	-0.100	0.178*	0.174*
	(0.160)	(0.161)	(0.098)	(0.100)
Fed In-group	-0.116	-0.097	0.028	0.071
	(0.169)	(0.169)	(0.109)	(0.111)
Fed Out-group	0.085	0.126	0.113	0.170
	(0.159)	(0.159)	(0.107)	(0.109)
Constant	2.430***	2.005***	2.248***	2.128***
	(0.119)	(0.413)	(0.084)	(0.281)
Survey Day FE	No	Yes	No	Yes
Demographic Controls	No	Yes	No	Yes
N	2315	2315	2890	2890
R^2	0.080	0.091	0.094	0.113

Notes: This table reports the estimation of equation (6.1). The dependent variable is posterior inflation expectations. Columns (1) - (2) are based on the sub-sample of Republic-leaning respondents. Columns (3) - (4) are based on the sub-sample of Democratic-leaning respondents. All estimates are based on the Huber-robust estimator. Standard errors are in parentheses. ***, **, * denote statistical significance at 1, 5, and 10 percent levels.

Appendix Table C.8: Effect of Prior Inflation Expectations on Posterior Inflation Expectations across ingroup favoritism measure

	Republicans (In-group measure < 2)		Republicans (In-group measure ≥ 2)		Democrats (In-group measure < 2)		Democrats (In-group measure ≥ 2)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Posterior	Posterior	Posterior	Posterior	Posterior	Posterior	Posterior	Posterior
Prior Inflation Expectations	0.159***	0.183***	0.168***	0.163***	0.166***	0.165***	0.164***	0.174***
	(0.035)	(0.036)	(0.025)	(0.025)	(0.033)	(0.035)	(0.021)	(0.022)
Prior × In-group News Source	-0.013	0.001	0.128***	0.123***	-0.010	0.030	-0.023	-0.027
	(0.044)	(0.044)	(0.037)	(0.038)	(0.041)	(0.042)	(0.031)	(0.031)
Prior × Out-group News Source	0.050	0.061	0.033	0.038	-0.004	0.008	-0.015	-0.024
	(0.042)	(0.043)	(0.037)	(0.037)	(0.033)	(0.034)	(0.027)	(0.028)
Prior × Fed In-group	0.001	-0.029	-0.132***	-0.132***	-0.044	-0.043	-0.029	-0.044
	(0.052)	(0.053)	(0.040)	(0.040)	(0.042)	(0.043)	(0.029)	(0.030)
Prior × Fed Out-group	-0.035	-0.069	-0.103***	-0.096***	-0.074*	-0.070	-0.014	-0.014
	(0.045)	(0.045)	(0.034)	(0.035)	(0.042)	(0.043)	(0.027)	(0.028)
In-group News Source	0.108	0.051	-0.603***	-0.605***	0.092	-0.039	0.183	0.184
	(0.255)	(0.259)	(0.219)	(0.222)	(0.186)	(0.191)	(0.130)	(0.134)
Out-group News Source	-0.158	-0.215	-0.055	-0.033	0.098	0.070	0.230*	0.252*
	(0.240)	(0.245)	(0.216)	(0.218)	(0.160)	(0.164)	(0.126)	(0.129)
Fed In-group	-0.259	-0.091	0.102	0.080	0.054	0.041	-0.003	0.062
	(0.259)	(0.264)	(0.225)	(0.226)	(0.188)	(0.193)	(0.134)	(0.139)
Fed Out-group	0.015	0.195	0.159	0.109	0.321*	0.369*	-0.018	0.025
	(0.244)	(0.248)	(0.211)	(0.213)	(0.187)	(0.192)	(0.130)	(0.134)
Constant	2.353***	2.122***	2.506***	1.927***	2.186***	2.242***	2.308***	2.129***
	(0.183)	(0.635)	(0.156)	(0.565)	(0.145)	(0.488)	(0.102)	(0.355)
Survey Day FE	No	Yes	No	Yes	No	Yes	No	Yes
Demographic Controls	No	Yes	No	Yes	No	Yes	No	Yes
N	975	975	1340	1340	1045	1045	1845	1845
R^2	0.091	0.111	0.077	0.092	0.074	0.127	0.107	0.119

Notes: This table reports the estimation of equation (6.1). The dependent variable is posterior inflation expectations. Columns (1) - (4) are based on the sub-sample of Republic-leaning respondents. Columns (5) - (8) are based on the sub-sample of Democratic-leaning respondents. An in-group measure of (no) less than 2 indicates respondents (with) without strong in-group favoritism. All estimates are based on the Huber-robust estimator. Standard errors are in parentheses. ***, **, * denote statistical significance at 1, 5, and 10 percent levels.

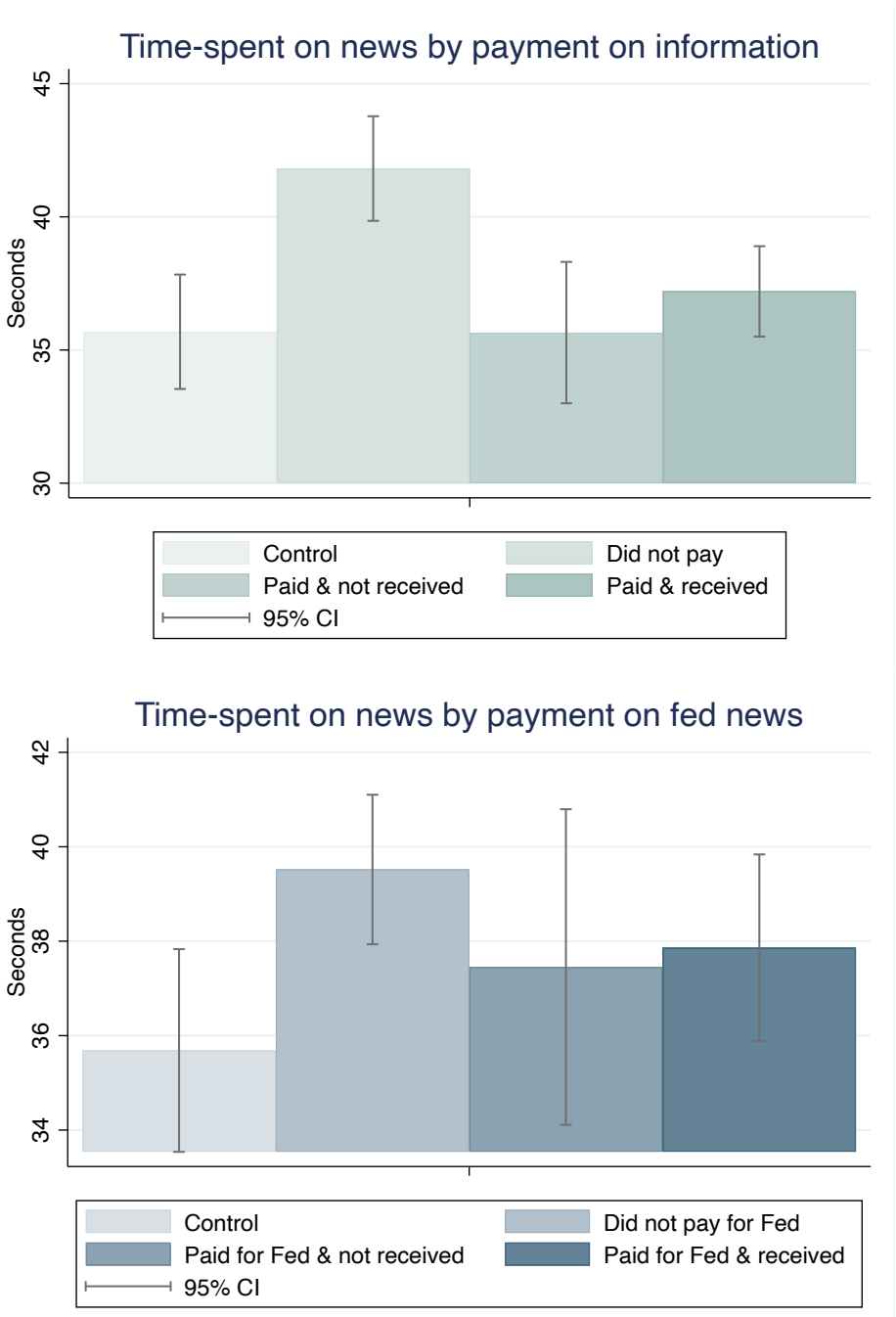
Appendix D Time-spent on news

We analyze the effects of paying for news on inflation expectation updating. The top panel of Figure D.3 shows the time spent on news based on payment for information. Those who did not pay for information spent the most time on the news article, averaging 42 seconds, and placed 0.072 more weight on the article compared to the control group (see Table D.9).

For those who paid and received their desired article, the time spent on the news was not significantly different from the control group, and the same applies to those who paid but did not receive their desired article (see the top panel of Figure D.3). Neither group placed a statistically different weight on their priors compared to the control group (column (1) and (2) of Table D.9).

Those who did not pay for news from the Fed spent the most time on the article (see the bottom panel of Figure D.3), averaging just under 40 seconds, and placed 0.046 more weight on the news compared to the control group.

On average, those who paid for news from the Fed and received it spent about 2 seconds more than the control group, as did those who paid for Fed news but did not receive it (see the right panel of Figure D.3). However, both groups spent less time on the news than those who did not pay for news from the Fed. While both groups placed more weight on the news than the control group, they placed less weight than those who did not pay (see Table D.10).



Appendix Figure D.3: HETEROGENEITY IN TIME-SPENT ON NEWS

Notes: This figure plots the average time spent on reading the news article. The top panel plots the average of the control group, those in the treatment who did not pay for the news source, paid but did not receive from the source desired, and those who paid and received from the source desired. The bottom panel plots the average of the control group, those in the treatment who did not pay for Fed news, paid but did not receive from the Fed, and those who paid and received from the Fed.

Appendix Table D.9: EFFECT OF PAYING FOR NEWS ON POSTERIOR INFLATION EXPECTATIONS

	Posterior Inflation Expectations	
	(1)	(2)
Prior Inflation Expectations	0.167***	0.170***
	(0.013)	(0.013)
Prior × Did not pay	-0.071***	-0.072***
	(0.018)	(0.018)
Prior × Paid & not received	-0.019	-0.018
	(0.019)	(0.019)
Prior × Paid & received	-0.012	-0.012
	(0.017)	(0.017)
Did not pay	0.272***	0.286***
	(0.092)	(0.092)
Paid & not received	-0.117	-0.077
	(0.098)	(0.099)
Paid & received	-0.144	-0.121
	(0.090)	(0.090)
Constant	2.314***	2.083***
	(0.069)	(0.232)
Survey Day FE	No	Yes
Demographic Controls	No	Yes
Observations	5205	5205
R^2	0.098	0.108

Notes: This table reports the estimation of equation (6.1). The dependent variable is posterior inflation expectations. All estimates are based on the Huber-robust estimator. Standard errors are in parentheses. ***, **, * denote statistical significance at 1, 5, and 10 percent levels.

Appendix Table D.10: EFFECT OF PAYING FOR NEWS ON POSTERIOR INFLATION EXPECTATIONS

	Posterior Inflation Expectations	
	(1)	(2)
Prior Inflation Expectations	0.167***	0.170***
	(0.013)	(0.013)
Prior × Did not pay for Fed	-0.044***	-0.046***
	(0.016)	(0.016)
Prior × Paid for Fed & not received	-0.029	-0.024
	(0.021)	(0.021)
Prior × Paid for Fed & received	-0.033*	-0.032*
	(0.019)	(0.019)
Did not pay for Fed	0.132	0.160*
	(0.086)	(0.087)
Paid for Fed & not received	-0.034	-0.027
	(0.105)	(0.106)
Paid for Fed & received	-0.098	-0.073
	(0.095)	(0.095)
Constant	2.318***	2.093***
	(0.069)	(0.234)
Survey Day FE	No	Yes
Demographic Controls	No	Yes
Observations	5205	5205
R^2	0.093	0.103

Notes: This table reports the estimation of equation (6.1). The dependent variable is posterior inflation expectations. All estimates are based on the Huber-robust estimator. Standard errors are in parentheses. ***, **, * denote statistical significance at 1, 5, and 10 percent levels.

Survey Questionnaire

In the survey, we ask about your perceptions of the current economic situation and your personal outlook.

No special knowledge is required, and there are no right or wrong answers to the survey. It is important for us that you state your own opinion, not others' opinions, so please do not consult with others or look for external sources of information. Any answer is correct as long as it truly reflects your opinion!

Section 1: Economic conditions, political leaning, and personal finances

Q1. During the last month, have you consulted any of the following sources of information on economics and business conditions in the U.S.? Please select all that apply.

- Official sources (like the webpages of the Government, statistical agencies or the Fed)
- Traditional media (television, radio, newspapers –in print or online)
- Social media (for example, blogs, discussion forums Facebook, Twitter, Instagram, etc.)
- Friends, relatives, and colleagues
- I did not come across any information on economic and business conditions
- Other sources of information (please specify)

Q2. Eight times a year a group of people meets to set the basic level of interest rates in the United States. Who do you think comprises this group?

- The President of the United States and his advisors
- The U.S. Treasury
- The Federal Open Market Committee (part of the Federal Reserve, or Fed)
- The U.S. Senate and House of Representatives
- The CEOs of the largest U.S. banks
- Other
- Don't know

Q3. Do you consider yourself a(n):

(a) Democrat
(b) Republican
(c) Independent
(d) None of the above

Q3a. (Conditional on choosing option a or b) Are you a strong or moderate Democrat/Republican?

(a) Strong
(b) Moderate

Q3b. (Conditional on choosing option c or d) Do you consider yourself closer to the:

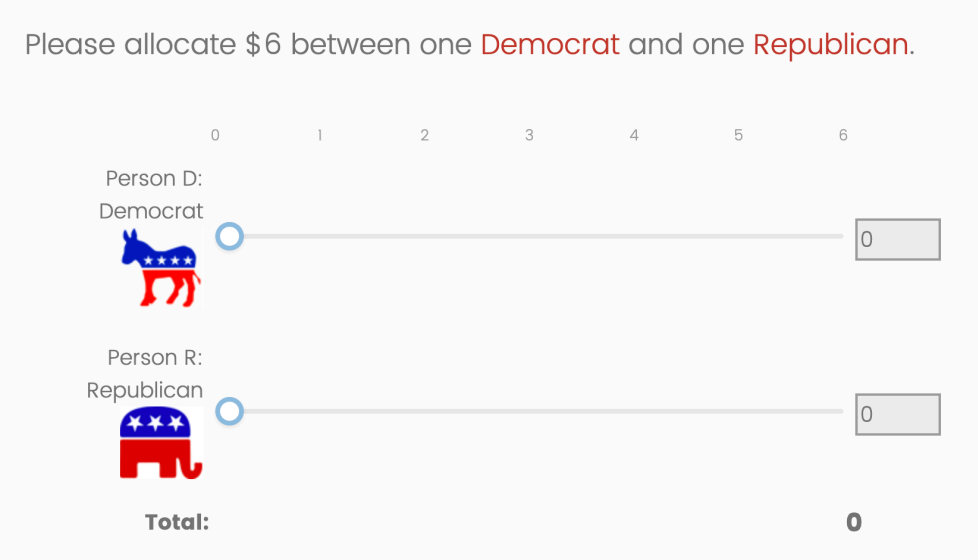
(a) Democratic party
(b) Republican party

Q4. [An other-other allocation game based on political groups.]

Next, you will be asked to make decisions in three scenarios. For each scenario, you will have $6 and you will be asked to allocate this $6 between two persons.

- if both are Democrats;
- if both are Republicans;
- if one is a Democrat, and the other a Republican.

[Decision Screen: Each participant makes three decisions, each involving splitting $6 between two other participants in the amount of ($1, $5), . . ., ($5, $1).]



Q5. The Federal Reserve, often referred to as “the Fed”, is the central bank of the United States. The Fed conducts the nation’s monetary policy by influencing money and credit conditions in the economy in pursuit of full employment and stable prices. The headquarter of the Fed is in Washington, D.C.

Do you consider the Federal Reserve currently as leaning towards:

(a) the Democratic Party
(b) the Republican Party
(c) no political party
(d) None of the above

Q5a. (Conditional on choosing option a or b) Do you consider the Federal Reserve currently as leaning towards the Republican/ Democratic Party

(a) Strongly
(b) Moderately

Q5b. (Conditional on choosing option c or d) Is the Federal Reserve closer to the:

(a) Democratic party
(b) Republican party

Q6. What was your main consideration when choosing your answer? Please respond in 2 -3 sentences.

Q7. How much do you trust the Fed to adequately manage inflation and unemployment?

Slider from 1 to 7 (1 = "no trust at all"; 7 = "completely trust")

Q8. And how much do you trust the Fed to care about the economic well-being of all Americans, including people like yourself?

Slider from 1 to 7 (1 = "no trust at all"; 7 = "completely trust")

Q9. Suppose that you have an emergency expense that costs $400. Based on your current financial situation, how would you pay for this expense? If you would use more than one method to cover this expense, please select all that apply.

- Put it on my credit card and pay it off in full at the next statement
- Put it on my credit card and pay it off over time
- With the money currently in my checking/savings account or with cash
- Using money from a bank loan or line of credit
- By borrowing from a friend or family member
- Using a payday loan, deposit advance, or overdraft
- By selling something
- I wouldn't be able to pay for the expense right now

Q10. We would like to ask you about the rate of inflation/deflation (Note: inflation is the percentage rise in overall prices in the economy, most commonly measured by the Consumer Price Index and deflation corresponds to when prices are falling).

In THIS question, you will be asked about the probability (PERCENT CHANCE) of something happening. The percent chance must be a number between 0 and 100 and the sum of your answers must add up to 100.

What do you think is the percent chance that, over the next 12 months…

	Percentage Chance
the rate of inflation will be 12% or more	_____
the rate of inflation will be between 8% and 12%	_____
the rate of inflation will be between 4% and 8%	_____
the rate of inflation will be between 2% and 4%	_____
the rate of inflation will be between 0% and 2%	_____
the rate of deflation (opposite of inflation) will be between 0% and 2%	_____
the rate of deflation (opposite of inflation) will be between 2% and 4%	_____
the rate of deflation (opposite of inflation) will be between 4% and 8%	_____
the rate of deflation (opposite of inflation) will be between 8% and 12%	_____
the rate of deflation (opposite of inflation) will be 12% or more	_____
% Total [TOTAL ANSWERS FROM ABOVE – MUST SUM TO 100%]	_____

Q11. Over the last 12 months, what do you think the overall rate of inflation/deflation has been in the economy?

Note: If you think there was inflation or deflation, please enter a positive number representing the percentage points of inflation/deflation.

(a) Inflation [ ]%
(b) Neither inflation nor deflation
(c) Deflation [ ]%

Q12. What is your best guess about the annual inflation rate that the Federal Reserve tries to achieve on average over longer time periods?

_____% per year [RANGE: -100-100 allow for up to ONE decimal points]

Q13. What is your best guess about what the current unemployment rate in the U.S. is and what it will be in 12 months?

Current unemployment rate: _____% [RANGE: 0-100, ONE DECIMAL]

Unemployment rate in 12 months: _____% [RANGE: 0-100, ONE DECIMAL]

Q14. Over the next 12 months, I expect the level of interest rates in the U.S. to

Note: Please enter a positive number representing the absolute changes of percentage points in interest rates.

(a) Go up by [ ] percentage points OR
(b) Go down by [ ] percentage points OR
(c) Stay the same as today

Q15. This is a question to check whether you are paying attention and reading the questions carefully. Please select both "strongly disagree" and "strongly agree" to continue. Otherwise, you will leave the survey.

- Strongly agree
- Agree
- Neither strongly agree or disagree
- Disagree
- Strongly disagree

Section 2A: Information demand and processing

Instruction screen:

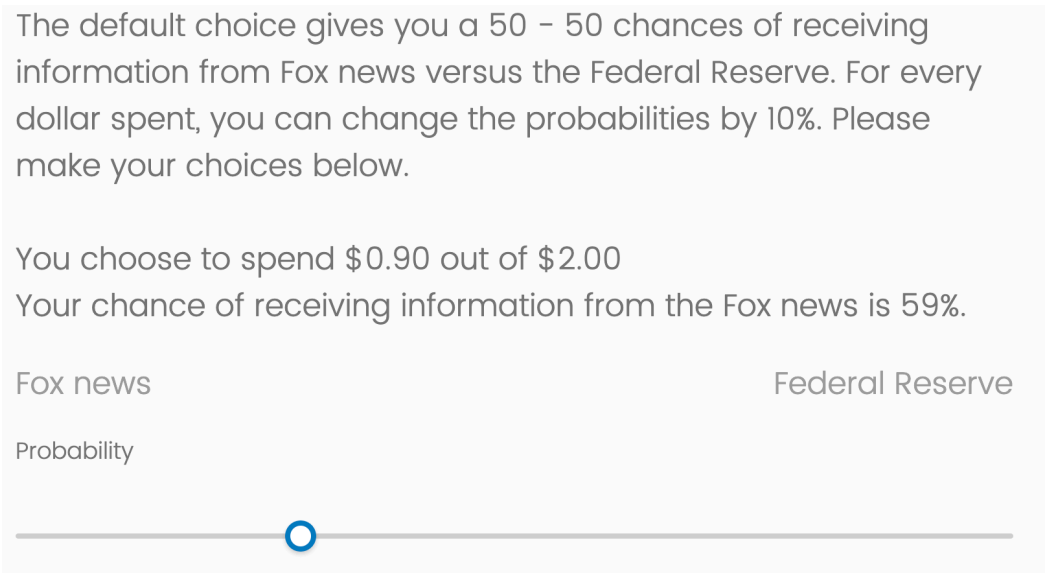
You are almost done with the survey but before you continue, you will have the choice to select from two pieces of articles about the U.S. economy. One article will come from a news agency, and the other will come from the Federal Reserve. Subsequently, we will ask you a few more questions.

The slider indicates the likelihood that you will receive one of the articles. The default probability is 0.5. That is, each article is equally likely to be selected. You have a $2 budget which you can use to change the probabilities. Moving the slider to the left increases the likelihood that the article on the left is chosen, and vice versa. It costs $1 to change the probability by 10 percentage points. The amount of budget you do not spend will be paid out to you at the end of the experiment. An article will be drawn with your chosen probabilities.

After you finish reading the article, you will be asked to forecast the unemployment rate, inflation, and interest rates again. This time, you will be rewarded based on the accuracy of your forecast: you will have a chance of receiving $10. Out of the three forecasts, for every forecast that falls within 1% of an expert forecast, you will have an additional 10% chance of receiving this award.

Decision screen: One of the following pair of news sources will be displayed in random order:

- CNN and Fed
- Fox news and Fed



Participants will be presented a piece of article along a logo of a news agency or the Federal Reserve. The same information (including wording) on the projection of economic conditions will be presented.

Reading screen:







Please read the following news curated from [*source*]

Recent economic indicators show robust expansion with strong job gains and low unemployment. Inflation has eased from last year but was slightly elevated to 3.2% in February. The Federal Reserve aims to sustain employment maximally and stabilize inflation at 2% over time. To support these objectives, the Fed has decided to keep the federal funds rate between 5.25 and 5.50 percent, continuing its cautious approach to rate adjustments and its commitment to reducing its securities holdings, all in effort to steer inflation back to the 2% target.

The content has been modified for readability without changing the essential facts.

Control group

The control group will not go through the information demand stage but will be presented the same piece of article without any news logos.

Instruction screen:

"You are almost done with the survey but before you continue, we will present you a news articles about the U.S. economy. After you finish reading the article, you will be asked to forecast the unemployment rate, inflation, and interest rates again. This time, you will be rewarded based on the accuracy of your forecast: you will have a chance of receiving $10. Out of the three forecasts, for every forecast that falls within 1% of an expert forecast, you will have an additional 10% chance of receiving this award."

[Questions on this page applies to everyone]

Evaluation screen:

- Have your heard of this news before? [Yes/Somewhat/No]
- On a scale of -3 to +3, with negative numbers representing left leaning, positive numbers representing right leaning, and 0 representing neutral, how would you rate this article?
- On a scale of -3 to +3, -3 being not reliable at all and 3 being very reliable, how would you rate the information in this article?

Section 2B. post-treatment expectations

In the next few questions, you will be asked to forecast the unemployment rate, inflation, and interest rates again. This time, you will be rewarded based on the accuracy of your forecast: you will have a chance of receiving $10. Out of the three forecasts, for every forecast that falls within 1% of an expert forecast, you will have an additional 10% chance of receiving this award.

Q15. Over the next 12 months, what do you think the overall rate of inflation/deflation will be in the economy?

Note: If you think there will be inflation or deflation, please enter a positive number representing the percentage points of inflation/deflation.

(a) Inflation [ ]%

(b) Neither inflation nor deflation

(c) Deflation [ ]%

Q16. What is your best guess about what the current unemployment rate in the U.S. is and what it will be in 12 months?

Unemployment rate in 12 months: _____% [RANGE: 0-100, ONE DECIMAL]

Q17. Over the next 12 months, I expect the level of interest rates in the U.S. to

Note: Please enter a positive number representing the absolute changes of percentage points in interest rates.

(a) Go up by [ ] percentage points OR

(b) Go down by [ ] percentage points OR

(c) Stay the same as today

Section 3

We're interested in hearing your thoughts on a hypothetical scenario in the next set of questions. Even if you consider the scenario to be unlikely, please share your view as if the situation materializes.

The next US presidential election will take place in November this year. Consider the scenario that democrats lose the presidency, and Donald Trump gets elected as the US president in the next election. We would like to know your view on the US Federal Reserve after Donald Trump gets elected as the US president.

Q10. After Donald Trump gets elected as US president, would you consider the Federal Reserve as leaning towards

(a) Democrat
(b) Republican
(c) Independent
(d) None of the above

Q11. (Conditional on choosing option a or b) After Donald Trump gets elected as US president, would the Federal Reserve strongly or moderately lean towards Democrat/Republican?

(a) Strong
(b) Moderate

Q12. (Conditional on choosing option c or d) After Donald Trump gets elected as US president, would the Federal Reserve be closer to the:

(a) Democratic party
(b) Republican party

[Display the same trust questions again.]

Section 4: Background

Q1. What is the state of your primary residence?

Q2. How would you describe your present employment situation?

- Working full-time (for someone or self-employed)
- Working part-time (for someone or self-employed)
- Not working, but would like to work
- Not actively looking for work
- Student, at school or in training
- Other (please specify)

Q3. Which of the following best characterizes your household:

- Own our house/apartment without a mortgage
- Own our house/apartment and have a fixed-rate mortgage
- Own our house/apartment and have a variable-rate mortgage
- Rent our house/apartment
- Other

Q4. Which category represents the total combined pre-tax income of all members of your household (including you) during the past 12 months?

- Less than $10,000
- $10,000 to $19,999
- $20,000 to $29,999
- $30,000 to $39,999
- $40,000 to $49,999
- $50,000 to $59,999
- $60,000 to $74,999
- $75,000 to $99,999
- $100,000 to $149,999
- $150,000 to $199,999
- $200,000 or more

Q5. Does your household have total financial investments (excluding housing) worth more than one month of combined household income?

- Yes
- No

Q6. What is your gender?

- Male
- Female

- Other
- Prefer not to answer

Q7. What is your age (dropdown menu)

Q8. What is the highest level of school you have completed, or the highest degree you have received?

- Less than high school
- High school diploma
- Some college but no degree
- Bachelor's Degree or higher