

Central Bank Communication with the Polarized Public^{*}

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Abstract

This paper examines the impact of political polarization on public trust in the Fed and its influence on macroeconomic expectations. Using a large-scale survey experiment which we fielded on President Trump's 2025 inauguration day, we study how households form beliefs about the Fed regarding its political leaning, independence, and trustworthiness. Political alignment significantly shapes perceptions: individuals who view the Fed as not politically aligned report lower independence of and trust in the Fed. Communication on institutional structure and policy objectives effectively mitigates perception biases, reinforcing the Fed's credibility and enhancing its policy effectiveness.

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1 Introduction

Public trust in central banks is fundamental to the effectiveness of monetary policy (Blinder, 2000; Ehrmann, 2024). The Federal Reserve, as the central bank of the United States, is designed to operate independently of short-term political pressures to ensure economic and price stability. However, its perceived neutrality has come under increasing scrutiny in a polarized political landscape. With President Trump's return to office, political pressures on the Fed have intensified, exemplified by demands such as calls for immediate interest rate cuts. These developments raise important questions about public perceptions of the Fed's independence, the role of partisanship in shaping trust, and how these perceptions influence macroeconomic expectations. Given the Fed's pivotal role in managing inflation and employment, understanding the perception biases of the Fed is crucial for designing effective central bank communication strategies. This paper investigates how political polarization affects public trust in the Fed, how individuals process its communications, and whether targeted messaging can mitigate perception biases and enhance the effectiveness of monetary policy.

To explore these issues, we conducted a large-scale survey experiment with more than 5,600 U.S. participants on the day of President Trump's 2025 inauguration. Our study introduces a new, multi-dimensional measure of perceived Federal Reserve independence and embeds a randomized controlled trial (RCT) in a survey to evaluate the impact of different communication strategies. Participants received information treatments – framed as Fed communication interventions – in a randomized fashion designed to inform respondents of the Fed's institutional structure, policy objectives, and recent performance in achieving its objectives. We assess the extent to which strategic messaging can enhance trust in the Fed and strengthen the public's reaction to its communications.

We find political alignment influences perceptions of the Fed's independence and credibility. Individuals who perceive the Fed as an “in-group” institution – aligned with their own political stance – consistently attribute higher independence scores, whereas those viewing the Fed as

an “out-group” rate it as significantly less independent. Moreover, greater perceived independence and trust in the Fed are associated with lower inflation expectations, a reduced perceived inflation target, and lower uncertainty about inflation and unemployment. These results suggest partisan biases in trust and credibility not only distort beliefs about the Fed itself but also shape individuals’ broader macroeconomic expectations. Perceived political alignment of the Fed shapes expectations over and above political leaning.

Crucially, we demonstrate that targeted Fed communication interventions can mitigate perception biases on multiple fronts. Providing information about the Fed’s institutional structure, its nonpartisan objectives, and its policy track record significantly increases trust in the institution and reduces perceptions of political bias. Notably, these interventions also prompt individuals to place greater weight on official Fed communications when updating their macroeconomic expectations. Our results underscore the importance of strategic central bank communication in politically polarized environments, offering insights into how the Fed can maintain credibility and enhance the effectiveness of monetary policy.

A growing literature documents partisan biases in economic expectations, with individuals more optimistic when their preferred party holds power (Mian, Sufi and Khoshkhoh, 2023; Coibion, Gorodnichenko and Weber, 2020; Kamdar and Ray, 2024). These biases are closely tied to broader trends in political polarization, documented both across countries (Boxell, Gentzkow and Shapiro, 2024) and in the United States (Gentzkow, 2016), suggesting that partisanship can significantly influence how people interpret economic signals. Recent findings further indicate that partisan gaps in inflation expectations have widened in the post-COVID era (Binder, Kamdar and Ryngaert, 2024). We add to this line of work by investigating whether trust in the Federal Reserve mediates these partisan differences and how they affect individuals’ responses to information from the Fed.

Trust in central banks is central to shaping the economic outlook of the public and ensuring effective monetary policy (Christelis, Georgarakos, Jappelli and van Rooij, 2020). Existing work emphasizes central bank communication as a tool for managing inflation expectations, its

success hinges on public trust in the institution's credibility (Coibion, Gorodnichenko and Weber, 2022; D'Acunto, Fuster and Weber, 2022; Blinder, Ehrmann, de Haan and Jansen, 2024). Building on our earlier work (Kuang, Weber and Xie, 2024), which documents partisan variations in trust in the Fed, this paper examines whether targeted Fed communication can reduce those differences using an information provision experiment embedded in a survey.¹

In concurrent work, Binder, Couture and Smit (2025) also document partisan differences in trust in the Fed. Our study takes a distinct approach by analyzing the role of in-group and out-group perceptions in shaping belief formation, in addition to respondents' own political affiliations. By implementing a large-scale survey experiment with targeted Fed communication interventions, we test whether strategic messaging can reshape in-group perceptions and improve trust among those who see the Fed as an out-group institution. Our findings offer new insights into how central banks can navigate politically polarized environments to maintain credibility and ensure effective policy transmission.

2 Survey design and data

In this section, we discuss the experimental design and present some descriptive statistics of our sample. We report the full questionnaires in the Online Appendix.

2.1 Experimental design

This survey consists of a main survey (Part 1) and a short follow-up survey (Part 2). The main survey begins by collecting respondents' demographic information and political affiliations (e.g., Democrat, Republican, or Independent). We further classify respondents based on the strength of their party identification or, if Independent, which party they feel closer to. Next, we assess their perceptions of the Federal Reserve's political leaning, categorizing responses by whether they believe the Fed favors one of the major parties or is politically neutral. Finally, respondents

¹See Haaland, Roth and Wohlfart (2023) for a recent review of the fast growing literature on designing and running information provision experiments across fields in economics.

report their level of trust in the institution.

We assess the perceptions of the Federal Reserve’s independence across multiple dimensions by asking participants to rate their agreement with the following statements, presented in randomized order: (1) “The Federal Reserve’s legal foundation strongly protects it from political interference,” reflecting *quasi-constitutional* independence; (2) “The Federal Reserve sets key policies, such as interest rates, without needing approval from government officials,” highlighting *institutional* independence; (3) “Appointments to the Federal Reserve’s leadership positions are made based on expertise and qualifications rather than political loyalty,” addressing *personal* independence; (4) “The Federal Reserve controls its own budget and resources, limiting the government’s ability to influence its actions,” ensuring *financial and economic* independence; and (5) “The Federal Reserve will not tolerate higher inflation rates in order to help reduce the real value of the U.S. government’s debt,” addressing concerns about potential *debt monetization*. These statements capture the *four pillars* of central bank independence [Haldane \(2020\)](#) emphasizes, while also measuring attitudes toward inflationary policies.

We then elicit participants’ perceptions and forecasts of inflation, unemployment, interest rates, and their perceived inflation target. To assess perceived uncertainty about inflation and unemployment, we use a scenario-based approach following the structure developed by [Altig, Barrero, Bloom, Davis, Meyer and Parker \(2022\)](#). To simplify the question for households, we restrict the set of scenarios to three instead of five, similar to the design in [Coibion, Georgarakos, Gorodnichenko, Kenny and Weber \(2024\)](#). Additionally, we include an attention check before proceeding with the survey.

Next, we randomly assign participants to either a control group that does not receive any additional information or one of three treatment groups. These treatments provide information on the Federal Reserve’s institutional structure, objectives, and recent performance.² Moving forward, we refer to these treatments as *Fed communication interventions*. The treatments are as follows:

²[McMahon and Rholes \(2022\)](#) motivate the latter treatment showing that forecast performance shapes trust in the central bank.

1. The Board of Governors is the governing body of the Federal Reserve System. Its members are nominated by the President and confirmed by the Senate. Each member is appointed for a 14-year term, ensuring that their services span across multiple presidential administrations. This helps insulate them from short-term political pressures.
All Board members serve on the Federal Open Market Committee (FOMC). The FOMC consists of a diverse group of members, including both Republicans and Democrats, and is responsible for setting monetary policy.
2. The Federal Reserve's core objectives—maximizing employment and keeping prices stable—are nonpartisan goals aimed at benefiting everyone, rather than any political party. By striving to get as many people as possible employed, the Fed supports individuals, families, and communities that have often been left behind. At the same time, by keeping inflation low and predictable, the Fed helps consumers and businesses plan ahead with confidence. Together, these efforts foster a stronger, more inclusive economy that serves the interests of all Americans.
3. One of the Federal Reserve's goals is to keep prices stable. Inflation started heating up during the pandemic and from the summer of 2021. It reached a high level of 9% in the summer of 2022. In response, the Federal Reserve took swift and aggressive action, implementing its fastest series of interest rate hikes in over a decade. This approach helped bring inflation down to about 3%.

The first treatment provides information on the institutional background of the Federal Reserve, including the appointment structure of Federal Reserve Board governors and the political affiliations of FOMC committee members. The second treatment presents the Fed's nonpartisan objectives, emphasizing its dual mandate of maximum employment and price stability, as well as the inclusive nature of its policy goals. The third treatment highlights the Fed's performance during the post-COVID recovery, detailing its actions to manage inflation. This treatment is accompanied by a figure illustrating the trajectory of inflation and the Federal Funds rate over

the past five years.

All participants, including those from the control, subsequently read a news article from the Fed about the U.S. economy. Prior to showing the article, we informed survey participants that they would subsequently participate in an incentivized forecasting exercise. They were then presented with an article based on the Fed's latest FOMC statement which read as follows:

The economy is growing steadily, with the job market cooling slightly—unemployment is a bit higher but still low—and inflation showing signs of moving toward 2% but not fully there yet. To help support the goals of maximum employment and stable inflation, the Fed lowered its target interest rate range by 0.25 percentage points, to between 4.25% and 4.50%. Going forward, the Fed plans to keep a close eye on incoming data about jobs, inflation, and other factors that might affect the outlook, and it stands ready to adjust its policies if new risks emerge. They will also continue trimming their holdings of government and mortgage-backed securities to help manage overall financial conditions.

Finally, we re-elicited participants' macroeconomic expectations to examine how they updated their expectations after receiving the information.

We designed a brief follow-up survey to assess the effects of the information treatments on participants' perceptions of the Fed's political leaning, independence, and trust in the institution. We also elicited whether participants sought additional information about the Fed in between surveys. We elicited the perceptions and expectations in a follow-up survey to reduce concern about demand effects (Haaland et al., 2023).

2.2 Sample composition

The main survey was conducted on President Trump's inauguration day (January 20, 2025), with over 5,600 participants recruited through Prolific with a median response time of 14 minutes. We excluded responses from individuals who completed the survey in less than 4 minutes or more

than 50 minutes, corresponding to the bottom and top 1% of completion times (Schnorpfel, Weber and Hackethal, 2024). The final sample consisted of 5,532 respondents. One week later, we re-contacted respondents for a follow-up survey, achieving a response rate of approximately 70%.

Table A.1 presents the demographic characteristics of the full sample, and separately for the control and treatment groups. Our sampling strategy aimed to match the joint distribution of political affiliation, age group, and gender to ensure representativeness of the U.S. population. Specifically, our sample includes 31.6% Democrats, 30.0% Republicans, and 37.3% Independents. The final column reports the p-values from a one-way Analysis of Variance (ANOVA) test, confirming that observable participant characteristics are similar across the control and treatment groups.

Next, we examine respondents' perceptions of the Federal Reserve's political leaning. In our survey, approximately 17% of respondents perceive the Fed as leaning toward the Democratic Party, 25% toward the Republican Party, and the remainder as politically neutral. We observe a noticeable post-inauguration perception shift toward perceiving the Fed as Republican-leaning compared to April 2024, when only 15% held this view (Kuang et al., 2024).

To determine whether the Fed is seen as an in-group or out-group institution, we classify respondents as Democrats or Republicans by assigning Independents to the party they feel closer to. If a respondent perceives the Fed as aligned with their own party, we categorize it as an *in-group* institution; if they view the Fed as favoring the opposite party, we label it an *out-group* institution; and if they see the Fed as nonpartisan, we classify it as *politically neutral*. Overall, 12% of respondents consider the Fed as an in-group institution, 31% an out-group, and 57% politically neutral.³

³Figure A.1 illustrates how participants' views of the Fed's political stance vary according to their own political affiliations.

3 Perceived Independence of the Federal Reserve

In this section, we first examine the factors that influence trust in the Fed and perceptions of its independence, focusing on the role of partisanship and political alignment with the Fed. We then analyze how these perceptions relate to expectations regarding short- and long-term inflation rates, the perceived inflation target, and expected volatility in inflation and unemployment.

3.1 Determinants of Perceived Independence

We begin by examining respondents' perceptions of the Federal Reserve's independence across several dimensions. Figure 1 illustrates perceptions of the Federal Reserve's independence across five key dimensions: Quasi-Constitutional, Institutional, Personal, Financial and Economic, and No Tolerance for Debt Monetization. Each dimension is rated on a 1 to 5 scale, with higher values indicating stronger perceived independence. In the left panel, respondents are categorized by political affiliation (Independent, Democrat, or Republican). Independents consistently report lower independence scores across all dimensions, whereas Democrats and Republicans generally perceive higher levels, with only modest variation. Notably, we find no substantial differences in perceived independence between Democrats and Republicans on any dimension.

In the right panel of Figure 1, we compare respondents who perceive the Fed as an in-group, out-group, or politically neutral entity. The most striking result is that those who view the Fed as an out-group institution consistently assign the lowest independence ratings. Across most dimensions, respondents who view the Fed as an in-group institution provide the highest independence scores, followed by those who see the Fed as politically neutral. A notable exception occurs in the category of Institutional Independence, for which politically neutral respondents assign higher ratings than those who view the Fed as an in-group. This pattern suggests that perceptions of political neutrality are primarily associated with Institutional Independence. Overall, these findings highlight how perceived political alignment plays a crucial role in shaping public views of the Fed's independence and suggest that increasing the share of individuals who

view the Fed as neutral rather than as an outgroup would increase the perceived independence of the Fed.

To further investigate how political alignment shapes both trust in the Federal Reserve and perceptions of its independence, we estimate a series of ordered probit regressions. These regressions link political affiliation and in-group/out-group identification to two measures of *Trust in Fed* and five dimensions of *Perceived Independence*. We report results in Appendix Table A.2. Following D'Acunto et al. (2022) and Kuang et al. (2024), we assess trust using a 1–7 scale, asking participants how much confidence they have in the Fed's ability to manage inflation and unemployment (*trust in ability*) and in its concern for the economic well-being of all Americans (*trust in well-being*). In the regression analysis, Independents and those who perceive the Fed as politically neutral serve as the baseline group.

A few key patterns emerge from Columns (1) and (2). First, individuals who perceive the Fed as a political out-group (in-group) report lower (higher) trust in its ability to manage inflation and unemployment as well as in its commitment to Americans' economic well-being. In other words, associating the Fed with the opposing party amplifies skepticism about its ability to fulfill its dual mandate and its concern for the public. Second, both Democrats and Republicans express higher trust in the Fed—based on the two trust measures—compared to Independents. This pattern suggests that partisan identifiers, regardless of which party they support, tend to have greater confidence in the Fed's policy competence and overall economic stewardship than those who do not affiliate with either major party. It highlights the distinct role of political alignment relative to pure political leaning.

Turning to the five dimensions of perceived independence (Columns 3–7), the Fed performs markedly worse in the eyes of out-group respondents, who systematically rate its autonomy lower. Interestingly, the in-group indicator yields a mix of positive and negative coefficients. Specifically, it is positive and statistically significant for Personal (Column 5) and No Tolerance for Debt Monetization (Column 7), negative or close to zero for Quasi-Constitutional (Column 3), Institutional (Column 4) and Financial and Economic (Column 6). Table A.3 shows that

Republicans who see the Fed as aligned with their party large drive the negative in-group effects. In that subgroup, perceiving the Fed as an in-group goes hand in hand with lower *Institutional* and *Financial and Economic* independence, likely reflecting an expectation that the Fed could be pulled closer to the Trump administration’s policy aims. From their perspective, this diminished autonomy may not be viewed negatively if it delivers outcomes they favor – hence lower perceived independence becomes acceptable or even desirable.

By contrast, among Democrat-leaning individuals, those who see the Fed as an in-group assign *higher* ratings on nearly every dimension of independence except for *Institutional*. Table A.3 reveals that Democrats who view the Fed as aligned with their party hold consistently more favorable assessments of its autonomy, suggesting they view shared policy perspectives as compatible with a robust and independently-minded Fed.

Overall, these findings reinforce our earlier graphical analysis: political alignment – whether through direct party affiliation or subjective perceptions of in-group/out-group status – plays an important role in how much trust people place in the Fed and how independent they believe it to be. While partisan identifiers typically express more faith in the Fed’s mission and concern for the public, that confidence diminishes sharply if they perceive the Fed as an out-group. These results underscore how partisan perceptions can complicate the Fed’s pursuit of broad-based credibility, suggesting that central bank communication strategies must account for the ways in which political identity shapes public trust and views of independence.

3.2 Perceived Independence and Macroeconomic Expectations

Table A.4 provides descriptive statistics on respondents’ prior expectations of inflation, unemployment, and interest rates, separately by political affiliation and by whether the Fed is perceived as an in-group or out-group. On average, Democrats report higher expected inflation than Republicans, whereas those who perceive the Fed as an in-group institution anticipate higher short-run inflation and unemployment. However, these simple means exhibit large standard deviations, indicating substantial heterogeneity and possibly the presence of outliers.

To examine the relationship between public perceptions of the central bank and their macroeconomic expectations, we construct two individual-level indices: *Fed Independence*, calculated as the average of five independence-related metrics, and *Trust in Fed*, derived from the average of two trust-related variables. These indices comprehensively capture individuals' perceptions of the Fed's autonomy and credibility. To quantify the effects of perceived independence and trust in the Fed on individual expectations, we estimate the following regression:

$$Y_i = \beta_1 \times \text{Fed Independence} + \beta_2 \times \text{Trust in Fed} + \beta_3 \times I\{i \in \text{Democrats}\} + \beta_4 \times I\{i \in \text{Republican}\} + \beta_5 \times I\{i \in \text{Outgroup}\} + \beta_6 \times I\{i \in \text{Ingroup}\} + \Gamma X_i + \epsilon_i, \quad (3.1)$$

where Y_i represents expectations regarding short- and long-term inflation, the perceived inflation target, and expected inflation and unemployment volatility, respectively. In addition to *Fed Independence* and *Trust in Fed*, we include dummy variables for party affiliation (Democrat or Republican) and whether the respondent perceives the Fed as an in-group or out-group institution. The baseline group comprises Independents and those who view the Fed as politically neutral. The regression also controls for individual demographics, including education, employment status, and age, among other factors. To systematically remove outliers and influential observations, we employ Huber-robust regressions (Coibion et al., 2022, 2024).

Table 1 presents the estimation results of Equation (3.1). The findings indicate a strong correlation between respondents' perceptions of the Fed and their macroeconomic expectations. Specifically, the coefficient on *Fed Independence* is negative and statistically significant across nearly all outcome variables. These results suggest that those who perceive the Fed as more autonomous from external influence tend to expect lower inflation (Columns 2 - 4) and exhibit less uncertainty about future inflation and unemployment (Columns 5 and 7). Similarly, the negative coefficient on the interest rate expectations (Column 8) likewise indicates that respondents with higher perceived Fed independence anticipate slightly lower interest rates over the next 12 months, on average.

The coefficients on *Trust in Fed* are negative and statistically significant for both short-

and long-run inflation expectations (Columns 2-3) and near-term unemployment expectations (Column 6). This pattern suggests that confidence in the Fed's policy decisions and intentions is associated with more moderate inflation projections and an improved labor-market outlook. In other words, respondents who trust the Fed tend to expect a more stable economic trajectory, reinforcing the broader role of central bank credibility in shaping expectations.

Turning to political affiliations, the coefficients on Democrat and Republican align with well-documented patterns of partisan bias in macroeconomic expectations (Mian et al., 2023; Binder et al., 2024). Specifically, under the current Republican administration, Democrats exhibit more pessimistic economic outlooks, as reflected in their higher near-term inflation and unemployment expectations (Columns 2, 3, and 6). This finding is consistent with prior research showing that individuals affiliated with the opposition party tend to be more skeptical of current policies and, consequently, anticipate worse macroeconomic outcomes. Conversely, Republicans report comparatively lower short- and long-run inflation forecasts and lower perceived interest rates, suggesting that respondents who share the president's party affiliation generally view the economic trajectory more favorably.

Respondents who view the Fed as an in-group institution report significantly lower perceived inflation for the past 12 months (Column 1), yet they also expect higher short-run inflation (Column 2) and near-term unemployment rate (Column 6), alongside lower five-year inflation (Column 3). A likely explanation for this seemingly contradictory pattern lies in the timing of the survey, conducted shortly after President Trump's inauguration, a period fraught with uncertainty about potential changes in Fed leadership and policy direction. Some respondents may not have fully updated their expectations, as reflected by the moderate shift we observe in perceived Fed leanings. They anticipate that the Fed could become an out-group if Trump's repeated criticisms escalate into more radical appointments or policy interference, thus accounting for heightened near-term inflation and unemployment uncertainty. However, because a presidential administration spans only four years, these respondents might foresee a partial reversion or stabilization within five years, which could rationalize the lower inflation forecasts over that

horizon.

Kuang et al. (2024) finds that those viewing the Fed as an in-group (out-group) tend to have lower (higher) short-term inflation expectations. Compared to April 2024, we observe a relatively moderate change in the perceived political leaning of the Fed but expect a more pronounced shift if future appointments or policy decisions further erode the Fed's autonomy. Under such circumstances, individuals who currently see the Fed as aligning with their political stance might question that alignment, whereas those who previously dismissed it as an outgroup could develop a more favorable view. Taken together, these findings underscore how political developments – especially during leadership transitions – have the potential to quickly reshape perceptions of central banks and, in turn, affect both short- and longer-run economic outlooks.

4 Implications for Central Bank Communication

In this section, we examine how individuals process communication from the Federal Reserve and update their macroeconomic beliefs in response. Specifically, we analyze how our Fed communication interventions shape the perceived reliability of Fed communication and individuals' likelihood to incorporate information from the Fed in their own subjective expectations.

4.1 Perceived Reliability of the News Article

All respondents, regardless of treatment assignment, received the same news article from the Fed. We hypothesized that participants exposed to Fed communication interventions would perceive the article as more reliable and politically neutral than those in the control group. To test this hypothesis, we used a logit regression to measure perceived political neutrality, coding the outcome as 1 if the respondent considered the article politically neutral. Columns (1)–(2) of Table A.5 present the results, indicating that all three treatments (T1, T2, and T3) significantly increase the likelihood that the article is perceived as neutral, with T1 (information on the institutional background) exhibiting the largest coefficients.

We further examined perceived reliability (on a 1–5 scale) using an ordered probit model to capture variations in participants’ confidence in the article’s accuracy and trustworthiness. Columns (3)–(4) of Table A.5 show that all three treatments again had significant positive effects compared to the control condition. Notably, T3 produced the largest coefficient, suggesting that communication highlighting the Fed’s recent performance most strongly boosts participants’ trust in information from the Fed.

4.2 Updating of Macroeconomic Expectations

To analyze how individuals from different treatment groups update their beliefs, we adopt the following specification (Coibion et al., 2022):

$$\begin{aligned} \text{Post}_i = a_0 + b_0 \times \text{Prior}_i + \sum_{j=1}^k a_j \times I\{i \in \text{Treat } j\} \\ + \sum_{j=1}^k b_j \times I\{i \in \text{Treat } j\} \times \text{Prior}_i + \Gamma X_i + \epsilon_i, \end{aligned} \tag{4.1}$$

where i denotes respondent, Prior_i represents the respondent’s prior belief, Post_i refers to the respondent’s posterior belief after reading the news article, and $I\{i \in \text{Treat } j\}$ is an indicator variable if respondent i is in treatment group j . The coefficients $\{a_j\}_{j \neq 0}$ and $\{b_j\}_{j \neq 0}$ measure the effect of the treatment relative to the control group, captured by a_0 and b_0 . We employ Huber-robust regressions to systematically control for outliers.⁴ Since the treatment assignment is randomized, the inclusion of additional demographic controls X_i has minimal impact on coefficient estimation.

This specification aligns with a Bayesian learning framework in which agents integrate new information with prior beliefs. The posterior belief is a weighted combination of prior views and the received signal. Given the observed heterogeneity in initial beliefs about inflation and the Fed, the average treatment effects may not fully capture the extent of belief adjustment.

⁴The tuning parameter is set to its default value of 7 for inflation and interest rate expectations, whereas we use a value of 8 for unemployment expectations to account for its one-sided heavy-tail distribution. Appendix B provides further details on the rationale behind these parameter choices.

Instead, this approach estimates the weight placed on prior beliefs, which inversely indicates how informative respondents perceive the new information.⁵

For respondents in the treatment groups, the coefficient on prior beliefs, represented by $b_0 + b_j$, should lie between 0 and 1. A value of 1 suggests complete anchoring to prior beliefs, whereas a value of 0 indicates full adoption of the new information. We allow this slope coefficient to vary across treatment groups to determine how individuals process different information treatments. The coefficients b_j capture differential responses to information sources among treatment groups.

Given that all respondents were presented with the same Fed news article, we examine whether those in the treatment group – who received additional Fed communication interventions before reading the article – react differently to the news than those in the control group. Our hypothesis posits that respondents in the treatment group will assign a lower weight to prior beliefs (negative b_j) relative to the control group who did not receive any information. The size of b_j therefore reflects the effectiveness of each intervention.

The estimation results in Table 2 generally support this hypothesis. When respondents receive information about the Federal Reserve’s institutional background (T1), objectives (T2), or recent performance (T3), they become more inclined to incorporate news from the Fed. Columns (1)–(4) summarize the impacts on inflation expectations. In the short run, the interaction coefficients are statistically insignificant, suggesting that respondents’ immediate inflation outlook is only marginally influenced by the interventions. One possible explanation is that the news article states inflation is merely “showing signs of moving toward 2%,” making respondents less inclined to expect a rapid near-term shift. Additionally, a 0.25 percentage point rate cut may seem too modest to significantly impact price levels in the short term, as daily price fluctuations often depend on factors beyond the Fed’s immediate influence.

In contrast, beliefs shift markedly for longer-run inflation expectations in Columns (3)–(4),

⁵See Weber, Candia, Afrouzi, Ropele, Lluberas, Frache, Meyer, Kumar, Gorodnichenko, Georgarakos 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.

where the interactions between priors and each treatment (T1, T2, T3) are uniformly negative and significant. This finding indicates that all three interventions successfully induce respondents to place more weight on the news from the Fed. The article explicitly mentions the Fed's 2% long-term target, which may directly influence long-term inflation expectations. Notably, the third intervention, which highlights the Fed's post-COVID performance, yields the largest negative coefficients, suggesting it is the most powerful treatment. Note a mechanical anchoring towards the 2% inflation target cannot rationalize these results because also subjects in the control arm read the identical article.

A similar pattern emerges for interest rate expectations (Columns 5–6). Each of the three interventions (T1, T2, T3) exhibits a negative interaction coefficient on prior beliefs, suggesting that respondents exposed to any form of Fed communication place greater weight on the news article. Notably, the interaction term for T3 has the largest magnitude, indicating that emphasizing recent Fed performance is particularly effective in shaping interest rate expectations.

Finally, Columns (7)–(8) examine unemployment expectations. These results align with our earlier findings: the interaction terms for T1, T2, and T3 are generally negative. The interaction coefficient for T3 remains the most significant, while T1 has a smaller, marginally significant effect, and the interaction terms for T2 are not significant. A possible reason for the weaker effects on unemployment is that the news article and broader Fed commentary primarily focused on inflation, with T3 in particular emphasizing the Fed's role in managing price stability rather than labor market outcomes. As a result, respondents may perceive unemployment as influenced by structural or local factors beyond the Fed's immediate control, reducing the perceived relevance of monetary policy communications to labor market expectations.

Overall, these findings support our central hypothesis. When exposed to Fed communication interventions, respondents place greater weight on the news article, suggesting increased receptiveness to Fed messaging. Among the three treatments, the third intervention—highlighting the Fed's post-COVID performance—is the most effective, indicating that concrete evidence of the Fed's recent policy actions and outcomes is particularly persuasive.

5 Mitigating Perception Biases: Political Neutrality, Trust, and Independence

The follow-up survey, conducted seven days after the information treatment, was designed to assess the persistence of treatment effects while minimizing concerns of experimenter demand effects (de Quidt, Haushofer and Roth, 2018). By introducing a gap between the intervention and the follow-up, we reduce the possibility that respondents' answers are influenced by immediate cues or expectations about the study's purpose. This approach helps ensure that any changes in perceptions, trust, or perceived independence are genuine reflections of shifting attitudes rather than transient responses to perceived researcher expectations.

First, we examine the effects of our Fed communication interventions on the perceived political leaning of the Fed. We first generate a binary variable that takes the value 1 when a respondent indicates that the Fed is politically neutral in the follow-up survey. We then estimate logit models using this binary outcome and treatment dummies as regressors. Columns (1) and (2) of Table 3 show that all three interventions significantly increase the probability of perceiving the Fed as neutral, with T1 (institutional background) having the largest coefficients. These effects suggest that providing information on the Fed's appointment structure, mandate, or recent performance can meaningfully bolster the Fed's nonpartisan image.

Second, to evaluate the effects on the trust in the Fed, we created binary indicators by comparing follow-up responses to baseline levels, where we assign a value of 1 when the post-treatment trust score exceeds the pre-treatment score. Turning to Columns (3)–(6), we see that the treatments have mixed effects depending on which aspect of trust is measured. For trust in the Fed's ability to manage inflation and unemployment (Columns 3–4), none of the coefficients on treatment indicators reach conventional significance levels, suggesting no clear impact. In contrast, for trust in the Fed's commitment to the economic well-being of all Americans (Columns 5–6), T1 and T2 show statistically significant and positive effects. Hence, communicating either the institutional background (T1) or the Fed's dual mandate and inclusive policy goals (T2)

notably raises the likelihood of improved trust in the well-being dimension.

Lastly, we assessed perceptions of the Fed’s independence by computing the average independence score in the follow-up and comparing it to the pre-treatment average. We then generate a binary indicator that equals 1 if the follow-up score is higher and estimate logit models with treatment dummies. We see in columns (7)–(8) that T2 stands out – we find a highly significant boost in the probability that respondents perceive the Fed as more independent after seeing information on its nonpartisan objectives. T1 and T3, on the other hand, do not exhibit statistically discernible effects on this outcome.

Overall, we find that different messages emphasize different aspects of the Fed’s public image. Information on the Fed’s institutional setup and its dual mandate is particularly effective in cultivating a perception of political neutrality and reinforcing trust in the Fed’s commitment to the public’s well-being. The Fed’s record in taming inflation also moves the needle on neutrality, in addition to improving respondents’ propensity to receive communication from the Fed, but does less for perceptions of independence.

6 Conclusion

Our study demonstrates that political polarization significantly influences public trust in the Federal Reserve and, consequently, shapes macroeconomic expectations. Using a large-scale survey experiment conducted concurrently with President Trump’s inauguration, we find that perceptions of the Fed’s independence are driven not only by political affiliation but also by whether individuals view the Fed as an in-group or an out-group institution. This result underscores that central bank credibility is deeply intertwined with partisan identity, rather than solely reflecting objective institutional qualities.

We document that individuals who perceive the Fed as an in-group attribute greater independence and trust to the institution, whereas those who see it as an out-group are markedly more skeptical. These biased perceptions are not benign: higher perceived independence and

trust correlate with lower inflation expectations, more moderate estimates of the inflation target, and reduced uncertainty about future economic conditions.

Importantly, our research reveals that targeted communication strategies can mitigate these biases. Interventions emphasizing the institutional structure of the Fed, non-partisan objectives, and recent performance significantly enhance public trust and reduce perceptions of political bias. Respondents exposed to these interventions are more inclined to weigh official Fed communications when updating their macroeconomic expectations. Overall, strategic messaging can effectively reinforce the central bank's non-partisan stance and improve the effectiveness of communication.

In sum, while central bank independence remains a fundamental pillar of monetary policy, public perceptions of that independence are heavily colored by political partisanship. For the Fed and other central banks, actively managing communication is essential to maintain credibility and to ensure effective policy transmission in a politically polarized environment. Future research should examine the influence of different framing techniques, media channels, and messenger credibility on public trust in monetary authorities.

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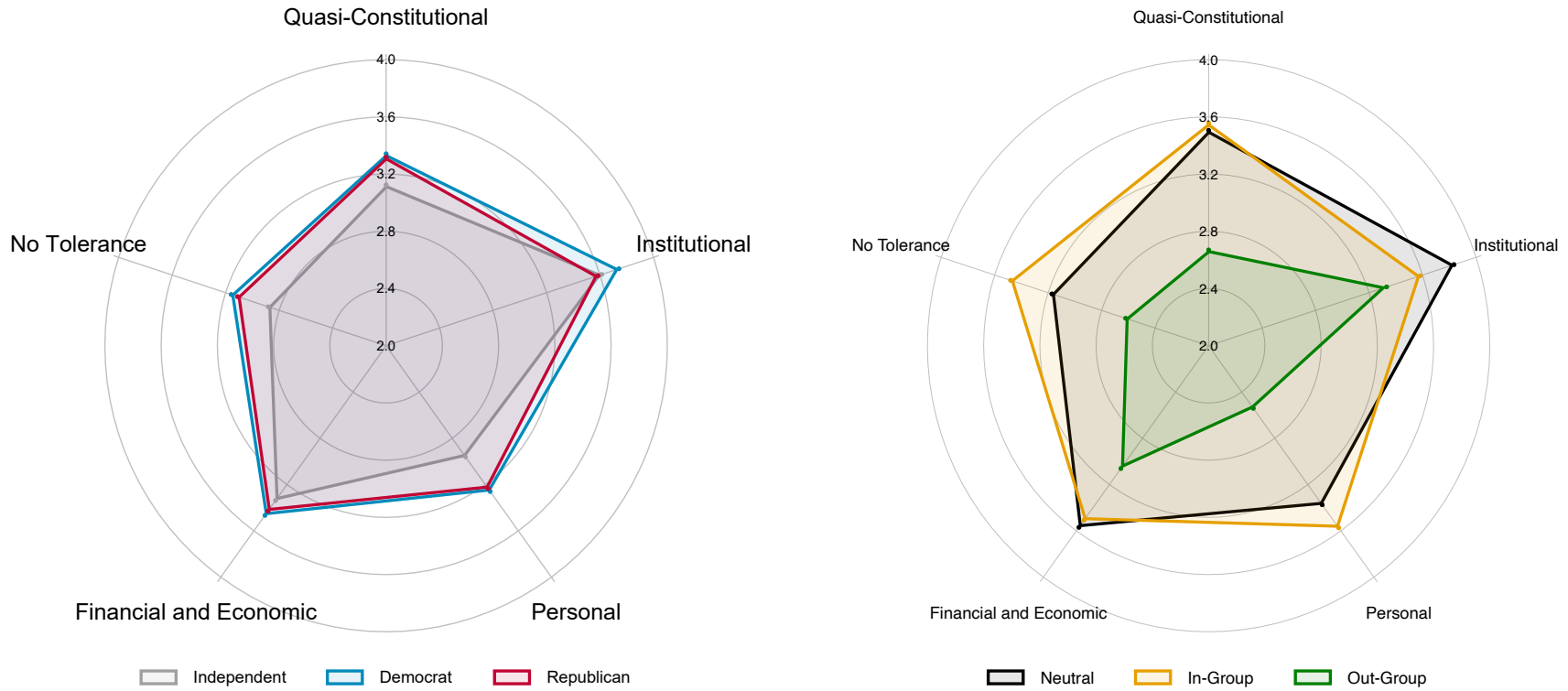


Figure 1: PERCEIVED INDEPENDENCE OF THE FEDERAL RESERVE

Notes: This figure plots the perceived independence of the Fed, measured on a 1 to 5 scale, where 1 indicates Strongly Disagree and 5 indicates Strongly Agree. Respondents rated the following statements: (1) "The Federal Reserve's legal foundation strongly protects it from political interference" (Quasi-Constitutional Independence); (2) "The Federal Reserve sets key policies, such as interest rates, without needing approval from government officials" (Institutional Independence); (3) "Appointments to the Federal Reserve's leadership positions are made based on expertise and qualifications rather than political loyalty" (Personal Independence); (4) "The Federal Reserve controls its own budget and resources, limiting the government's ability to influence its actions" (Financial and Economic Independence); and (5) "The Federal Reserve will not tolerate higher inflation rates in order to help reduce the real value of the U.S. government's debt" (No Tolerance). The left panel is categorized by respondents' political affiliations (Independent, Democrat, Republican); the right panel illustrates the perceived independence across these dimensions based on respondents' alignment with the Fed (in-group, out-group, or neutral).

Table 1: EFFECT OF POLITICAL AFFILIATION, INTER-GROUPS, AND TRUST ON PRIOR EXPECTATIONS

	Inflation					Unemployment		Interest
	(1) Past 12-m	(2) 12-m ahead	(3) 5-yr ahead	(4) Target	(5) Uncertainty	(6) 12-m ahead	(7) Uncertainty	(8) 12-m ahead
Fed Independence	0.007 (0.062)	-0.128** (0.050)	-0.178** (0.084)	-0.051* (0.028)	-0.046* (0.024)	-0.201*** (0.074)	-0.159*** (0.035)	-0.115** (0.052)
Trust in Fed	-0.215*** (0.029)	-0.078*** (0.023)	-0.103*** (0.039)	-0.013 (0.013)	-0.006 (0.011)	-0.125*** (0.034)	-0.019 (0.016)	0.006 (0.024)
Democrat	-0.226*** (0.086)	0.194*** (0.069)	0.486*** (0.116)	0.051 (0.039)	0.021 (0.033)	0.281*** (0.103)	0.074 (0.049)	0.555*** (0.073)
Republican	0.153* (0.091)	-0.539*** (0.073)	-0.958*** (0.122)	0.112*** (0.041)	-0.041 (0.035)	-0.379*** (0.108)	0.058 (0.051)	-0.757*** (0.077)
In-Group	-0.452*** (0.118)	0.386*** (0.095)	-0.340** (0.159)	0.199*** (0.053)	0.134*** (0.045)	0.768*** (0.141)	0.244*** (0.067)	0.279*** (0.100)
Out-Group	-0.012 (0.086)	-0.108 (0.069)	-0.262** (0.116)	0.093** (0.039)	0.045 (0.033)	-0.213** (0.103)	-0.021 (0.049)	-0.049 (0.073)
Constant	3.507*** (0.366)	4.893*** (0.296)	4.077*** (0.494)	2.785*** (0.165)	2.076*** (0.140)	7.090*** (0.438)	3.047*** (0.207)	1.981*** (0.310)
Demographic Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>N</i>	5308	5308	5308	5308	5308	5308	5308	5308
<i>R</i> ²	0.031	0.030	0.039	0.011	0.028	0.037	0.052	0.073

Notes: This table reports the estimation results of Equation (3.1). The dependent variables are past-12 month inflation perception (Column 1), 12-month ahead inflation expectation (Column 2), 5-year ahead inflation expectation (Column 3), long-term inflation target (Column 4), inflation uncertainty (Column 5), 12-month ahead unemployment expectation (Column 6), unemployment uncertainty (Column 7), and expectation of change in interest rate over next 12 months (Column 8). Standard errors are in parentheses. All estimates are based on the Huber-robust estimator. ***, **, * denote statistical significance at 1, 5, and 10 percent levels.

Table 2: EFFECT OF PRIOR EXPECTATIONS ON POSTERIOR EXPECTATIONS

	Inflation				Interest Rate		Unemployment	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	12-month ahead		5-year ahead		12-month ahead		12-month ahead	
Prior Expectations	0.006 (0.006)	0.017*** (0.006)	0.144*** (0.007)	0.146*** (0.007)	0.424*** (0.004)	0.415*** (0.004)	0.037*** (0.004)	0.041*** (0.004)
Prior × T1	-0.010 (0.008)	-0.011 (0.008)	-0.029*** (0.009)	-0.030*** (0.009)	-0.056*** (0.006)	-0.050*** (0.006)	-0.008 (0.006)	-0.013** (0.006)
Prior × T2	-0.005 (0.008)	-0.013 (0.008)	-0.016 (0.010)	-0.025** (0.010)	-0.065*** (0.006)	-0.062*** (0.006)	0.003 (0.005)	-0.001 (0.005)
Prior × T3	-0.002 (0.008)	-0.008 (0.008)	-0.035*** (0.010)	-0.044*** (0.010)	-0.070*** (0.006)	-0.063*** (0.006)	-0.011* (0.006)	-0.013** (0.006)
T1	0.023 (0.087)	0.030 (0.089)	0.108 (0.107)	0.099 (0.105)	0.006 (0.047)	0.018 (0.047)	0.019 (0.089)	0.050 (0.087)
T2	-0.009 (0.088)	0.054 (0.090)	0.134 (0.108)	0.207* (0.106)	-0.026 (0.047)	-0.005 (0.047)	-0.007 (0.088)	0.019 (0.087)
T3	0.067 (0.089)	0.082 (0.091)	0.195* (0.107)	0.238** (0.105)	-0.078* (0.047)	-0.057 (0.047)	0.198** (0.090)	0.202** (0.088)
Constant	2.367*** (0.062)	2.503*** (0.240)	2.021*** (0.076)	2.715*** (0.314)	-0.054 (0.033)	0.508*** (0.149)	4.126*** (0.063)	3.499*** (0.214)
Demographic Controls	No	Yes	No	Yes	No	Yes	No	Yes
Political Affiliation + In-Group	No	Yes	No	Yes	No	Yes	No	Yes
Survey Day FE	No	Yes	No	Yes	No	Yes	No	Yes
<i>N</i>	5532	5308	5515	5294	5532	5308	5532	5308
<i>R</i> ²	0.001	0.069	0.192	0.254	0.853	0.855	0.049	0.075

Notes: This table reports the estimation results of Equation (4.1). The dependent variables are posterior 12-month ahead (Columns 1-2) and 5-year ahead (Columns 3-4) inflation expectations, posterior 12-month ahead interest rate change expectations (Columns 5-6), and posterior 12-month ahead unemployment rate expectations (Columns 7-8). Standard errors are in parentheses. All estimates are based on the Huber-robust estimator. ***, **, * denote statistical significance at 1, 5, and 10 percent levels.

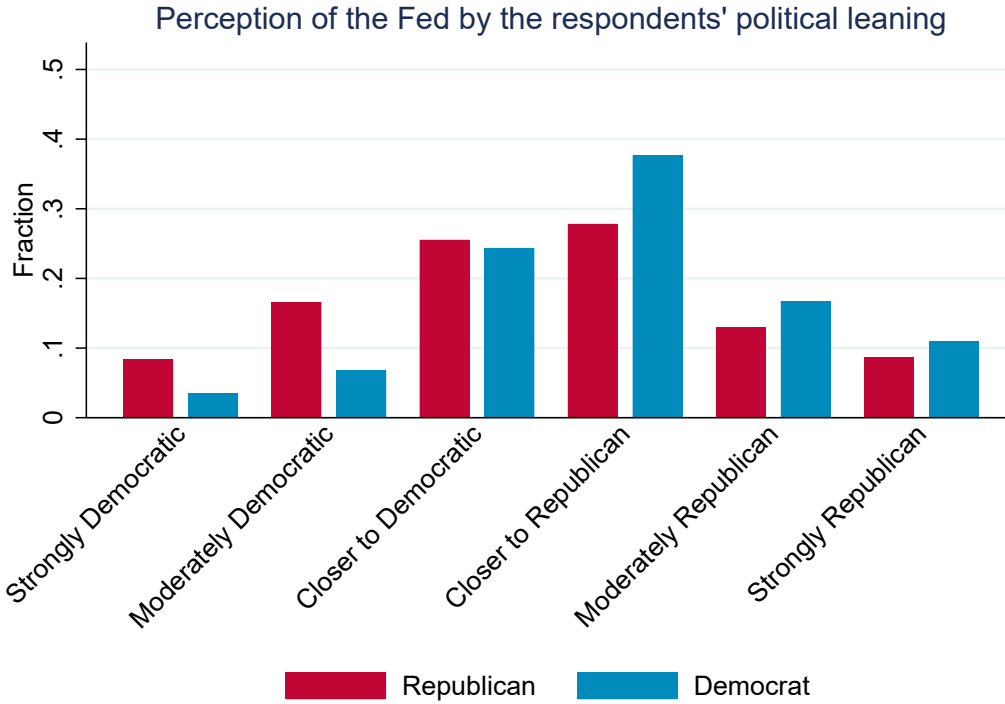
Table 3: EFFECTS OF TREATMENT ON FED'S PERCEIVED POLITICAL LEANING, TRUST IN FED, AND INDEPENDENCE

	Political Leaning		Trust				Independence	
	(1)	(2)	(3) Ability	(4) Ability	(5) Well-Being	(6) Well-Being	(7)	(8)
T1	0.254*** (0.091)	0.256*** (0.094)	0.121 (0.098)	0.105 (0.099)	0.188** (0.090)	0.183** (0.091)	0.083 (0.089)	0.065 (0.090)
T2	0.199** (0.091)	0.202** (0.094)	0.032 (0.099)	0.011 (0.100)	0.193** (0.090)	0.192** (0.091)	0.241*** (0.089)	0.234*** (0.090)
T3	0.153* (0.091)	0.147 (0.094)	-0.027 (0.100)	-0.036 (0.101)	0.017 (0.091)	0.021 (0.092)	-0.008 (0.090)	-0.019 (0.091)
Constant	0.145** (0.064)	-0.634** (0.311)	-0.945*** (0.070)	-1.219*** (0.329)	-0.309*** (0.064)	-0.776** (0.303)	-0.069 (0.063)	-0.859*** (0.299)
Demographic Controls	No	Yes	No	Yes	No	Yes	No	Yes
Political Affiliation	No	Yes	No	Yes	No	Yes	No	Yes
Survey Day FE	No	Yes	No	Yes	No	Yes	No	Yes
N	3928	3888	4006	3964	4006	3964	4006	3964
Pseudo R^2	0.002	0.033	0.001	0.004	0.001	0.010	0.002	0.007

Notes: This table reports the estimation results using logit regressions. The dependent variables are dummy variables indicating perceiving the Fed as politically neutral (Columns 1-2), improved trust in ability (Columns 3-4) and well-being (Columns 5-6), and improved perceived independence (Columns 7-8). The regressors of interest are treatment dummies. Robust standard errors are in parentheses. ***, **, * denote statistical significance at 1, 5, and 10 percent levels.

Online Appendix

Appendix A Additional Tables and Figures



Appendix Figure A.1: PERCEPTION AND TRUST OF THE FED

Notes: This figure plots the distribution of respondents' perceptions of the Fed's political leaning, categorized by their own political affiliation (Independents are assigned to the party they feel closer to). The blue bars represent Democrat-leaning respondents, while the red bars represent Republican-leaning respondents. Participants who perceive the Fed leans toward either party are further categorized by whether they believe this leaning is strong or moderate. Those who consider the Fed has "no political party" are further categorized by whether they consider the Fed to be closer to the Democratic Party or the Republican Party.

Appendix Table A.1: SUMMARY STATISTICS OF DEMOGRAPHICS

	Control 1,392 (25.2%)	T1 1,401 (25.3%)	T2 1,391 (25.1%)	T3 1,348 (24.4%)	Total 5,532 (100.0%)	p-value
Gender						
Female	48.8%	52.8%	52.7%	48.8%	50.8%	0.218
Male	50.5%	46.3%	46.2%	50.2%	48.3%	
Other	0.7%	0.9%	1.0%	0.9%	0.9%	
Prefer not to answer	0.0%	0.1%	0.1%	0.1%	0.1%	
Age						
Age (18-34)	30.4%	30.2%	30.7%	30.9%	30.5%	0.176
Age (35-54)	36.4%	32.4%	33.2%	32.0%	33.5%	
Age (55+)	33.3%	37.4%	36.1%	37.0%	35.9%	
College education						
College or higher	60.6%	61.4%	60.0%	61.3%	60.8%	0.875
Less than college	39.4%	38.6%	40.0%	38.7%	39.2%	
Income						
Less than \$49,999	31.8%	32.4%	32.4%	31.7%	32.0%	0.727
\$50,000 to \$99,999	36.4%	33.5%	34.4%	33.9%	34.6%	
\$100,000 or more	31.9%	34.0%	33.2%	34.4%	33.4%	
Employment status						
Working full-time (for someone or self-employed)	54.3%	52.7%	50.8%	52.6%	52.6%	0.696
Working part-time (for someone or self-employed)	19.4%	19.1%	19.4%	19.6%	19.4%	
Not working, but would like to work	7.5%	8.2%	8.6%	7.2%	7.9%	
Not actively looking for work	6.0%	6.4%	7.1%	5.6%	6.3%	
Student, at school or in training	2.9%	3.2%	3.5%	4.4%	3.5%	
Other	9.8%	10.4%	10.6%	10.7%	10.4%	
Home ownership						
Homeowner	61.7%	61.1%	63.5%	63.7%	62.5%	0.396
Not owner	38.3%	38.9%	36.5%	36.3%	37.5%	
Political affiliation						
Democrat	32.7%	32.3%	30.6%	30.7%	31.6%	0.396
Republican	29.3%	29.8%	30.1%	31.0%	30.0%	
Independent	36.4%	36.8%	38.7%	37.4%	37.3%	
None of the above	1.6%	1.1%	0.6%	0.9%	1.0%	

Notes: This table reports demographic distributions of the control group, treatment groups (T1 - T3), and the full sample. The p-value tests the hypothesis that there is no difference in the distribution between the control and treatment groups.

Appendix Table A.2: EFFECT OF IN-GROUP AND POLITICAL AFFILIATION ON TRUST AND INDEPENDENCE ON THE FED

	Trust in Fed		Independence of Fed				
	(1) Ability	(2) Well-Being	(3) Quasi-Constitutional	(4) Institutional	(5) Personal	(6) Financial and Economic	(7) No Tolerance
In-Group	0.322*** (0.049)	0.430*** (0.047)	-0.002 (0.049)	-0.174*** (0.052)	0.111** (0.049)	-0.101** (0.051)	0.290*** (0.050)
Out-Group	-0.876*** (0.035)	-0.790*** (0.034)	-0.856*** (0.036)	-0.471*** (0.034)	-0.815*** (0.035)	-0.531*** (0.034)	-0.546*** (0.034)
Democrat	0.293*** (0.035)	0.230*** (0.035)	0.099*** (0.036)	0.060 (0.037)	0.170*** (0.036)	0.069* (0.036)	0.169*** (0.036)
Republican	0.039 (0.038)	0.166*** (0.038)	0.053 (0.038)	-0.126*** (0.039)	0.126*** (0.038)	0.038 (0.038)	0.055 (0.038)
Demographic Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	5308	5308	5308	5308	5308	5308	5308
Pseudo R^2	0.071	0.065	0.058	0.041	0.055	0.026	0.042

Notes: This table reports the estimation results using ordered probit regressions. The dependent variables are trust in ability (Column 1), trust in well-being (Column 2), perceived independence on the dimension of Quasi-Constitutional (Column 3), Institutional (Column 4), Personal (Column 5), Finance and Economic (Column 6), and No Tolerance of Debt Monetization (Column 7). Robust standard errors are in parentheses. ***, **, * denote statistical significance at 1, 5, and 10 percent levels.

Appendix Table A.3: EFFECT OF IN-GROUP ON INDEPENDENCE ON THE FED BY PARTY AFFILIATION

	Quasi-Constitutional		Institutional		Personal		Financial and Economic		No Tolerance	
	(1) R	(2) D	(3) R	(4) D	(5) R	(6) D	(7) R	(8) D	(9) R	(10) D
In-Group	-0.038 (0.060)	0.168** (0.077)	-0.195*** (0.063)	-0.103 (0.080)	0.107* (0.061)	0.269*** (0.074)	-0.196*** (0.061)	0.143* (0.078)	0.382*** (0.061)	0.287*** (0.080)
Out-Group	-0.842*** (0.053)	-0.880*** (0.048)	-0.240*** (0.049)	-0.653*** (0.047)	-0.837*** (0.051)	-0.818*** (0.047)	-0.480*** (0.051)	-0.569*** (0.046)	-0.565*** (0.050)	-0.523*** (0.046)
Demographic Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	2440	2917	2440	2917	2440	2917	2440	2917	2440	2917
Pseudo R^2	0.055	0.062	0.023	0.060	0.058	0.053	0.022	0.032	0.045	0.039

Notes: This table reports the estimation results using ordered probit regressions. The dependent variables are perceived independence on the dimension of Quasi-Constitutional (Columns 1-2), Institutional (Columns 3-4), Personal (Columns 5-6), Finance and Economic (Columns 7-8), and No Tolerance of Debt Monetization (Columns 9-10). The odd columns use the sub-sample of Republican respondents (including Republican-leaning Independents); the even columns use the sub-sample of Democratic respondents (including Democratic-leaning Independents). Robust standard errors are in parentheses. ***, **, * denote statistical significance at 1, 5, and 10 percent levels.

Appendix Table A.4: DESCRIPTIVE STATISTICS OF PRIOR EXPECTATIONS

Group	Inflation					Unemployment		Interest rate
	Past 12M	12M ahead	5Y ahead	Target	Uncertainty	12M ahead	Uncertainty	12M ahead
Full Sample	5.27 (9.39)	6.55 (9.28)	4.43 (10.24)	5.65 (9.34)	2.82 (4.79)	10.76 (11.66)	3.49 (4.38)	1.55 (7.69)
Political Affiliation								
Independent	5.06 (8.48)	6.21 (8.18)	4.76 (9.55)	4.84 (8.00)	2.52 (4.13)	10.31 (11.22)	3.41 (4.30)	1.33 (6.40)
Democrat	4.46 (8.89)	6.96 (9.17)	5.18 (9.57)	5.49 (9.37)	2.72 (4.73)	10.88 (12.03)	3.39 (4.34)	2.85 (8.07)
Republican	6.33 (10.74)	6.51 (10.40)	3.21 (11.42)	6.76 (10.59)	3.25 (5.53)	11.07 (11.72)	3.66 (4.51)	0.43 (8.53)
In-Group								
Neutral	4.32 (7.30)	5.37 (7.26)	3.82 (8.19)	4.20 (6.87)	2.25 (3.79)	9.14 (10.04)	2.96 (3.86)	0.89 (5.70)
In-Group	6.42 (13.29)	11.47 (14.16)	5.63 (14.62)	11.68 (15.10)	4.82 (6.88)	16.82 (15.01)	5.22 (5.76)	4.42 (13.35)
Out-Group	6.42 (10.38)	6.72 (9.48)	5.00 (11.37)	5.78 (8.89)	3.02 (5.05)	11.20 (12.07)	3.71 (4.44)	1.53 (7.47)

Notes: This table provides the mean and standard deviation (in parentheses) of pre-treatment expectations of the full sample, as well as segmented by political affiliation, and intergroup preference of the Fed. The variables include past 12-month inflation perception (Column 1), 12-month ahead inflation expectation (Column 2), 5-year ahead inflation expectation (Column 3), long-term inflation target (Column 4), inflation uncertainty (Column 5), 12-month ahead unemployment expectation (Column 6), unemployment uncertainty (Column 7), and expectation of change in interest rate over next 12 months (Column 8).

Appendix Table A.5: EFFECTS OF TREATMENT ON POLITICAL LEANING AND RELIABILITY OF THE ARTICLE

	Political Leaning		Reliability	
	(1)	(2)	(3)	(4)
T1	0.278*** (0.076)	0.299*** (0.082)	0.118*** (0.039)	0.111*** (0.040)
T2	0.244*** (0.076)	0.293*** (0.082)	0.098** (0.040)	0.102** (0.041)
T3	0.213*** (0.077)	0.273*** (0.083)	0.175*** (0.040)	0.179*** (0.041)
Demographic Controls	No	Yes	No	Yes
Political Affiliation + In-Group	No	Yes	No	Yes
Survey Day FE	No	Yes	No	Yes
Regression model	Logit		Ordered probit	
Observations	5532	5308	5475	5254
Pseudo R^2	0.002	0.082	0.001	0.027

Notes: This table reports the estimation results on the political leaning and reliability of the news article. Columns (1) - (2) use logit regressions where the dependent variables are dummies indicating whether the article is politically neutral. Columns (3) - (4) use ordered probit regressions where the dependent variables are categorical variables indicating the reliability of the article (-3 being not reliable; +3 being very reliable). Robust standard errors are in parentheses. ***, **, * denote statistical significance at 1, 5, and 10 percent levels.

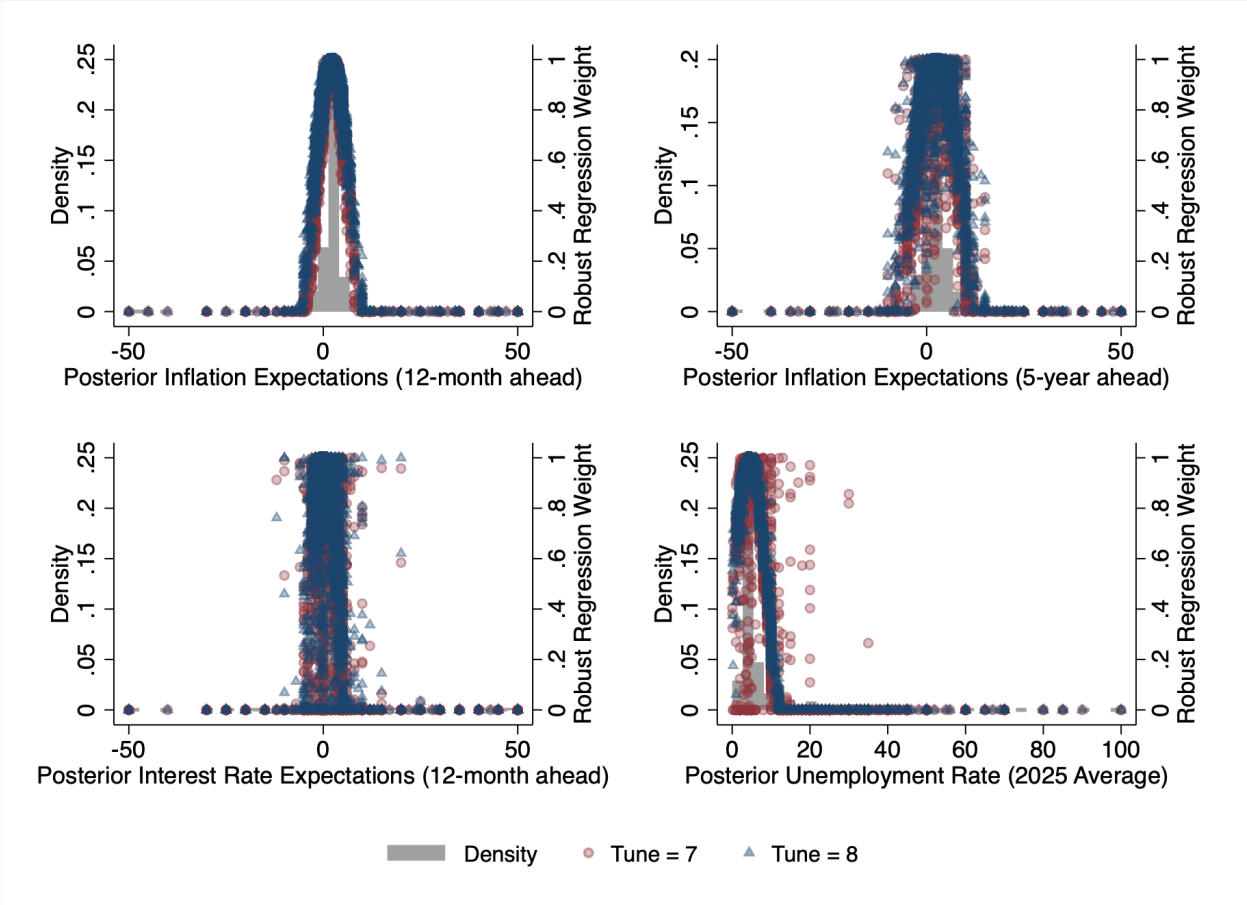
Appendix B Huber regression weights

Figure B.2 displays the distribution on the left y-axis and the corresponding Huber-regression weights on the right y-axis for the four dependent variables of Equation (4.1): 12-month-ahead inflation expectations (top left), 5-year-ahead inflation expectations (top right), 12-month-ahead interest rate expectations (bottom left), and the 2025-average unemployment rate (bottom right). The red circles represent weights computed with a default tuning parameter of 7, while the blue triangles correspond to a slightly larger tuning parameter of 8. The gray density curve indicates the distribution of each dependent variable.⁶

In the unemployment rate panel (bottom right), the larger tuning parameter (tune = 8) produces stable weights close to 1 for most observations around the main density peak and only downweights the more extreme tail values. This balanced approach lessens the risk of incorrectly labeling moderate residuals as outliers. By contrast, using the default tuning parameter of 7 yields an overly aggressive down-weighting pattern in which many non-extreme points receive unduly low weights. The resulting instability in the weight assignments is likely attributable to numerical issues in convergence to a local optimum rather than a global optimum.

Given the skewness and long-tailed structure of the unemployment rate data, a slightly bigger tuning parameter strikes a more appropriate balance between robustness to genuine outliers and retaining efficiency for the bulk of the sample. Therefore, a tuning parameter of 8 is favored in this case, as it ensures that weighting is more deterministic and avoids the excessive fluctuation observed at a tuning parameter of 7. For other variables, both tuning parameters yield similar weights, and therefore similar regression coefficients.

⁶We thank Joshua Shea for the helpful suggestion to use diagnostic plots to identify the proper tuning parameter.



Appendix Figure B.2: HUBER REGRESSION WEIGHTS

Notes: This figure plots the histogram of dependent variables of Equation (4.1) (left y-axis) and the corresponding Huber-robust regression weights (right y-axis) with tuning parameters taking the values 7 (red circles) and 8 (blue triangles). The variables are 12-month-ahead inflation expectations (top left), 5-year-ahead inflation expectations (top right), 12-month-ahead interest rate expectations (bottom left), and the 2025-average unemployment rate (bottom right).

Survey Questionnaire

Part 1 – main survey

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!

Q. Over the past few days, have you participated in any surveys on the following topics? [Yes/No]

[Statement order randomized]

- Shopping preferences or consumer products
- TV, music, or social media usage
- Exercise habits or dietary choices
- Personal finance, banking, or the stock market
- Local community events or political issues
- The Federal Reserve or its interest rate decisions

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

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

Q9. Do you consider yourself a(n):

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

Q9a. (Conditional on choosing option a or b) Are you a strong or moderate Democrat/Republican?

- (a) Strong
- (b) Moderate

Q9b. (Conditional on choosing option c or d) Do you consider yourself closer to the:

- (a) Democratic party
- (b) Republican party

Q10. Who did you vote for during the 2024 presidential election?

- (a) Kamala Harris
- (b) Donald Trump
- (c) None of the above

Q11. 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

Q11a. (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

Q11b. (Conditional on choosing option c or d) Is the Federal Reserve closer to the:

- (a) Democratic party
- (b) Republican party

Q12. What was your main consideration when choosing your answer? Please respond in 2 -3 sentences.

Q13. To what extent do you agree or disagree with each of the following statements about the Federal Reserve?

(1 = “strongly disagree”; 5 = “strong agree”)

- The Federal Reserve’s legal foundation strongly protects it from political interference.
- The Federal Reserve sets key policies, such as interest rates, without needing approval from government officials.
- Appointments to the Federal Reserve’s leadership positions are made based on expertise and qualifications rather than political loyalty.
- The Federal Reserve controls its own budget and resources, limiting the government’s ability to influence its actions.
- The Federal Reserve will not tolerate higher inflation rates in order to help reduce the real value of the U.S. government’s debt.

Q14. 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”)

Q15. 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”)

Q16. 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).

Over the next 12 months, which approximate inflation rate would you assign to each of the following scenarios? If you think there was inflation, please enter a positive number. If you think there will be deflation, please enter a negative number. If you think there will be neither inflation nor deflation, please enter zero.

A LOW inflation rate would be about: _____

A MEDIUM inflation rate would be about: _____

A HIGH inflation rate would be about: _____

Please distribute 100 points to the percentage changes you just entered, to indicate how likely you think it is that each inflation rate will happen. The sum of the points you allocate should total to 100.

LOW: The likelihood of realizing a “LOW” inflation rate would be _____
MEDIUM: The likelihood of realizing a “MEDIUM” inflation rate would be _____
HIGH: The likelihood of realizing a “HIGH” inflation rate would be _____
% Total [TOTAL ANSWERS FROM ABOVE – MUST SUM TO 100%] _____

Q17. 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 []%

Q18. Now we would like you to think about inflation further into the future. What do you think is the inflation rate over the period of Jan 2029 – Jan 2030?

- a. Inflation by []%
- b. Neither inflation nor deflation
- c. Deflation by []%

Q19. 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]

Q20. Over the next 12 months, which approximate unemployment rate would you assign to each of the following scenarios?

A LOW unemployment rate would be about: _____
A MEDIUM unemployment rate would be about: _____
A HIGH unemployment rate would be about: _____

Please distribute 100 points to the percentage changes you just entered, to indicate how likely you think it is that each unemployment rate will happen. The sum of the points you allocate should total to 100.

LOW: The likelihood of realizing a “LOW” unemployment rate would be _____

MEDIUM: The likelihood of realizing a “MEDIUM” unemployment rate would be _____

HIGH: The likelihood of realizing a “HIGH” unemployment rate would be _____

% Total [TOTAL ANSWERS FROM ABOVE – MUST SUM TO 100%] _____

Q21. 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

Q22. 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 2: Information Treatment

T0: Control group [No information]

The rest applies only to the treatment groups

On the next page, we will present you some information about the Federal Reserve. It is important that you read the information carefully. Please note that this information will be shown only once and you will not be able to go back to it.

T1: [Explain the institutional background of the Federal Reserve]

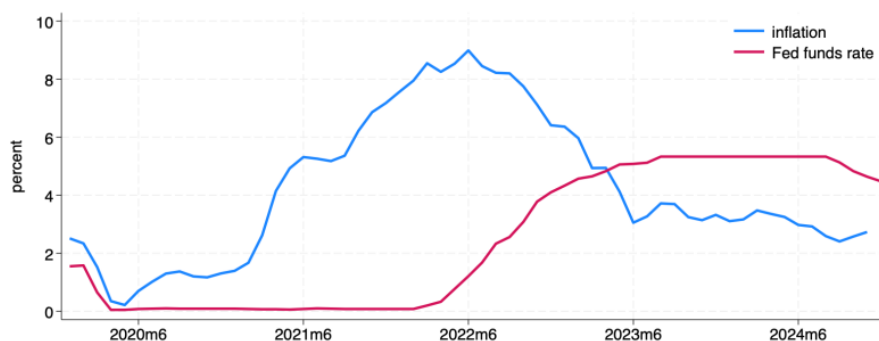
The Board of Governors is the governing body of the Federal Reserve System. Its members are nominated by the President and confirmed by the Senate. Each member is appointed for a 14-year term, ensuring that their services span across multiple presidential administrations. This helps insulate them from short-term political pressures.

All Board members serve on the Federal Open Market Committee (FOMC). The FOMC consists of a diverse group of members, including both Republicans and Democrats, and is responsible for setting monetary policy.

T2: [Communicating the objectives of the Federal Reserve]

The Federal Reserve's core objectives—maximizing employment and keeping prices stable—are nonpartisan goals aimed at benefiting everyone, rather than any political party. By striving to get as many people as possible employed, the Fed supports individuals, families, and communities that have often been left behind. At the same time, by keeping inflation low and predictable, the Fed helps consumers and businesses plan ahead with confidence. Together, these efforts foster a stronger, more inclusive economy that serves the interests of all Americans.

T3: [Communicating the performance of the Federal Reserve]



One of the Federal Reserve's goals is to keep prices stable. Inflation started heating up during the pandemic and from the summer of 2021. It reached a high level of 9% in the summer of 2022. In response, the Federal Reserve took swift and aggressive action, implementing its fastest series of interest rate hikes in over a decade. This approach helped bring inflation down to about 3%.

The message was about (choose one):

[Statement order randomized]

- The Federal Reserve
- The White House
- US economy outlook
- Population growth
- Other _____

Section 3A: Information processing

Instruction screen:

“You are almost done with the survey but before you continue, we will present you a news article about the U.S. economy from the Federal Reserve. 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.”

Reading screen:



The economy is growing steadily, with the job market cooling slightly—unemployment is a bit higher but still low—and inflation showing signs of moving toward 2% but not fully there yet. To help support the goals of maximum employment and stable inflation, the Fed lowered its target interest rate range by 0.25 percentage points, to between 4.25% and 4.50%. Going forward, the Fed plans to keep a close eye on incoming data about jobs, inflation, and other factors that might affect the outlook, and it stands ready to adjust its policies if new risks emerge. They will also continue trimming their holdings of government and mortgage-backed securities to help manage overall financial conditions.

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

Evaluation screen:

- Have you 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 3B. 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.

Q3.1. 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 []%

Q3.1b. Over the next five years, what do you think the average overall rate of inflation/deflation will be in the economy per year?

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 []%

Q3.2. What is your best guess about what the unemployment rate will be in 2025 on average?

Unemployment rate in 2025 on average: _____% [RANGE: 0-100, ONE DECIMAL]

Q3.3. 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

Part 2 – follow up

Q1. In the past week, 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. The Federal Reserve, often referred to as “the Fed”, is the central bank of the United States.

Do you consider the Federal Reserve currently as leaning towards:

- (e) the Democratic Party
- (f) the Republican Party
- (g) no political party
- (h) None of the above

Q2a. (Conditional on choosing option a or b) Do you consider the Federal Reserve currently as leaning towards the Republican/ Democratic Party

- (c) Strongly
- (d) Moderately

Q2b. (Conditional on choosing option c or d) Is the Federal Reserve closer to the:

- (c) Democratic party
- (d) Republican party

Q3. To what extent do you agree or disagree with each of the following statements about the Federal Reserve?

(1 = “strongly disagree”; 5 = “strong agree”)

- The Federal Reserve’s legal foundation strongly protects it from political interference.
- The Federal Reserve sets key policies, such as interest rates, without needing approval from government officials.
- Appointments to the Federal Reserve’s leadership positions are made based on expertise and qualifications rather than political loyalty.

- The Federal Reserve controls its own budget and resources, limiting the government's ability to influence its actions.
- The Federal Reserve will not tolerate higher inflation rates in order to help reduce the real value of the U.S. government's debt.

Q4. 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")

Q5. 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")