

Partisan Trust in the Federal Reserve

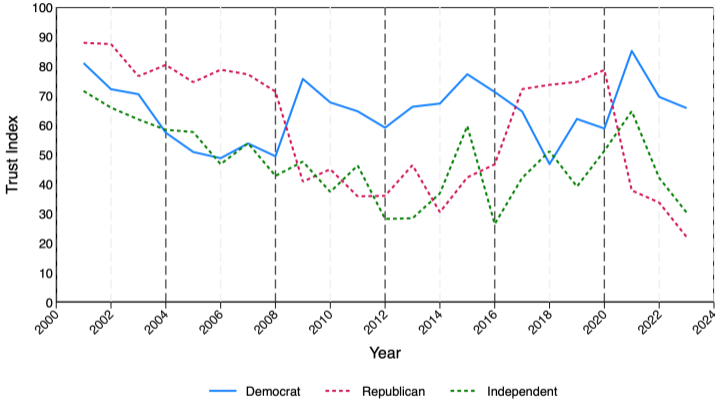
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The Partisan Gap in Trust in the Fed Chair



Gallup Poll data. Shows the percent of respondents who answered “A great deal” or “Fair amount” when questioned about how much confidence they have in the Federal Reserve Chair.

Why Might Partisanship Affect Trust? And Why Does it Matter?

- Trust in economic institutions in general may correspond to trust in the administration.
- Politicians and/or the media might criticize the Fed particularly when the party they support does not hold the presidency.
- Consumers may believe that the President influences monetary policy.
 - May lack knowledge about *de jure* central bank independence.
 - May have doubts about *de facto* central bank independence.
- Potentially troubling sign for central bank credibility.
- Potentially explains partisan gap in inflation expectations.

The Partisan Gap in Inflation Expectations

- Striking partisan gap in inflation expectations, especially in recent years
- One of the defining features of expectations in the COVID era (Binder, Kamdar, and Ryngaert 2024)

- Document partisanship in central bank trust using pre-existing surveys (Gallup Poll and Michigan Survey).
 - Higher trust when preferred party holds presidency.
 - Independents often the least trusting.
 - Partisan effects larger in recent years.
 - Partisan effects larger than other demographic effects.
 - But controlling for central bank trust only slightly moderates the partisan gap in inflation expectations.
- New survey to collect more recent and detailed evidence.
 - To be conducted before and after Presidential inauguration.
 - RCT with treatments about central bank governance and independence.

Pre-Existing Surveys

- Gallup Monthly Poll and Michigan Survey of Consumers both occasionally ask questions about partisanship, central bank trust, and inflation expectations.
- We categorize respondents as Republicans if they report that they are Republican or lean closer to the Republican Party, and analogously for Democrats. All others are Independent.
- Wording of trust and expectations questions varies across surveys.

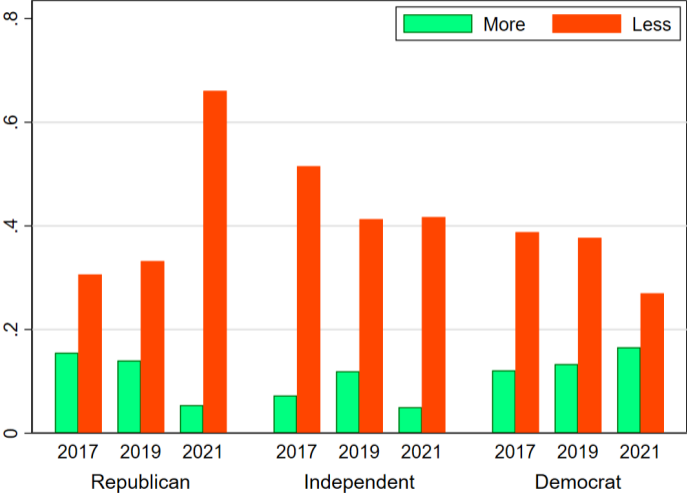
Michigan Survey

| | |
|---|--|
| Political Affiliation | |
| Generally speaking, do you usually think of yourself as a Republican, a Democrat, an Independent, or what? If Independent: Do you think of yourself as closer to the Republican Party or to the Democratic Party?" | Monthly since 2017 |
| Fed Trust | |
| Compared with five years ago, do you have a lot more confidence now, a little more confidence now, a little less confidence now, a lot less confidence now, or has your confidence in The Federal Reserve System remained about the same? | Nov. and Dec. 2017 Sep. and Oct. 2019 Sep. and Oct. 2021 |
| Inflation and Unemployment Expectations | |
| During the next 12 months, do you think that prices in general will go up, or go down, or stay where they are now? How about people out of work during the coming 12 months — do you think that there will be more unemployment than now, about the same, or less? | Monthly Monthly |

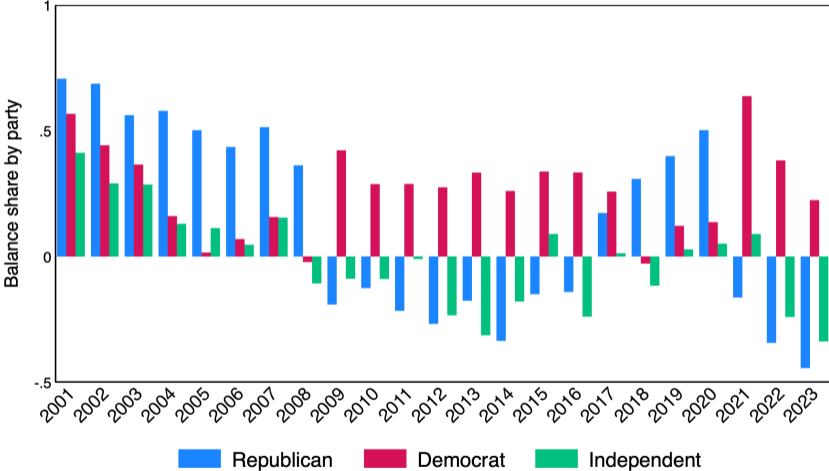
Gallup Poll April Questions

| Fed Trust | |
|--|-----------------|
| Please tell me how much confidence you have in Federal Reserve Chairman Jerome Powell (Janet Yellen/Ben Bernanke/Alan Greenspan) to do or to recommend the right thing for the economy – a great deal, a fair amount, only a little, or almost none. | 2001-2023 |
| Inflation and Unemployment Expectations | |
| Over the next six months, do you think that inflation will go up a lot, go up a little, remain the same, go down a little, (or) go down a lot? | 2002-2005, 2014 |
| Over the next six months, do you think that unemployment will go up a lot, go up a little, remain the same, go down a little, (or) go down a lot? | 2002-2005, 2014 |
| Other Economic Expectations | |
| Right now, do you think that economic conditions in this country, as a whole, are getting better or getting worse? | 2001-2023 |
| Right now, do you think that your financial situation as a whole is getting better or getting worse? | 2001, 2003-2023 |

Trust in Fed by Year and Party (MSC)



Trust in Fed Balance Statistic (Gallup)



Share who report having trust minus share who report not having trust.

Partisan Gap in Trust

$$Trust_{i,t} = \alpha_0 + \alpha_1 PresidentParty_{i,t} + \alpha_2 OppositionParty_{i,t} + \delta \mathbf{X}_{i,t} + \epsilon_{i,t}$$

- $PresidentParty_{i,t}$: respondent shares party with the president
- $OppositionParty_{i,t}$: respondent is opposite party as president
- Omitted category is independents
- $\mathbf{X}_{i,t}$: other demographic variables
- $Trust_{i,t}$: either dummy variable (linear probability model) or ordered variable (ordered probit model)

Partisan Gap in Trust (MSC)

| | (1) | (2) | (3) | (4) | (5) | (6) |
|-----------------|--------------------|--------------------|----------------------|----------------------|--------------------|--------------------|
| | More | More | Less | Less | oprobit | oprobit |
| PresidentParty | 0.063*** (4.17) | 0.063*** (4.15) | -0.147*** (-5.83) | -0.148*** (-5.83) | 0.406*** (6.82) | 0.409*** (6.85) |
| OppositionParty | 0.018 (1.23) | 0.017 (1.18) | 0.022 (0.87) | 0.022 (0.88) | 0.039 (0.65) | 0.037 (0.61) |
| Male | 0.032*** (2.92) | 0.031*** (2.85) | 0.004 (0.22) | 0.005 (0.29) | 0.028 (0.76) | 0.023 (0.63) |
| HighIncome | 0.026** (2.06) | 0.026** (2.00) | -0.065*** (-3.47) | -0.065*** (-3.45) | 0.165*** (3.97) | 0.163*** (3.91) |
| N | 3614 | 3614 | 3614 | 3614 | 3553 | 3553 |

Notes: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. Robust SEs in parentheses. Coefficients for age, college, and low income not shown to save space. Columns (2), (4), and (6) include time fixed effects.

Partisan Gap in Trust (Gallup)

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

Notes: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. Robust SEs in parentheses.

Partisan Trust Over Time

| | High Confidence | | | oprobit | | |
|-------------------------|-----------------------|---------------------|-----------------------|-----------------------|---------------------|-----------------------|
| | (1) Yr \leq 2008 | (2) 2009 – 2019 | (3) Yr \geq 2020 | (4) Yr \leq 2008 | (5) 2009 – 2019 | (6) Yr \geq 2020 |
| PresidentParty | 0.227*** (0.019) | 0.235*** (0.015) | 0.256*** (0.029) | 0.502*** (0.052) | 0.676*** (0.043) | 0.668*** (0.076) |
| OppositionParty | 0.072*** (0.019) | 0.039*** (0.015) | -0.057** (0.028) | 0.044 (0.052) | 0.023 (0.043) | -0.240*** (0.075) |
| N | 8061 | 11157 | 3921 | 6961 | 9171 | 3548 |
| (pseudo)-R ² | 0.12 | 0.07 | 0.15 | 0.06 | 0.05 | 0.09 |
| Time FEs | Yes | Yes | Yes | Yes | Yes | Yes |

Notes: Gallup data *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. Robust SEs in parentheses.

Partisan Trust Over Time

| | High Confidence | | | oprobit | | |
|-------------------------|-----------------------------|---------------------|-----------------------------|-----------------------------|---------------------|-----------------------------|
| | (1) Yr _≤ 2008 | (2) 2009 – 2019 | (3) Yr _≥ 2020 | (4) Yr _≤ 2008 | (5) 2009 – 2019 | (6) Yr _≥ 2020 |
| PresidentParty | 0.227*** (0.019) | 0.235*** (0.015) | 0.256*** (0.029) | 0.502*** (0.052) | 0.676*** (0.043) | 0.668*** (0.076) |
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| (pseudo)-R ² | 0.12 | 0.07 | 0.15 | 0.06 | 0.05 | 0.09 |
| Time FEs | Yes | Yes | Yes | Yes | Yes | Yes |

Notes: Gallup data *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. Robust SEs in parentheses.

- Michigan Survey also shows larger partisan gap in 2021 than in 2017-19.
- Neither survey shows “Trump tweet” effects (tweets starting July 2018).

Partisan Inflation Expectations

Binder, Kamdar, and Ryngaert estimate:

$$E_{i,t}[\pi] = \beta_0 + \beta_1 \textit{PresidentParty}_{i,t} + \beta_2 \textit{OppositionParty}_{i,t} + \delta \mathbf{X}_{i,t} + \epsilon_{i,t}$$

- *PresidentParty*_{*i,t*}: respondent shares party with the president
- *OppositionParty*_{*i,t*}: respondent is opposite party as president
- $\mathbf{X}_{i,t}$: demographic controls

Partisan Inflation Expectations

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$$E_{i,t}[\pi] = \beta_0 + \beta_1 \textit{PresidentParty}_{i,t} + \beta_2 \textit{OppositionParty}_{i,t} + \delta \mathbf{X}_{i,t} + \epsilon_{i,t}$$

Does controlling for trust moderate the partisan gap?

Partisan Short-Run Inflation Expectations (MSC)

| | (1) | (2) | (3) |
|-----------------|---------------------|---------------------|---------------------|
| | All | 2017-19 | 2021 |
| PresidentParty | -1.38*** (-5.66) | -0.77*** (-3.51) | -2.73*** (-4.63) |
| OppositionParty | 0.92*** (3.63) | 0.64*** (2.90) | 1.44** (2.29) |
| Male | -0.50*** (-3.03) | -0.36** (-2.49) | -1.34*** (-3.31) |
| College | -0.53*** (-3.03) | -0.08 (-0.51) | -1.02** (-2.34) |
| HighIncome | -0.43*** (-2.60) | -0.58*** (-4.06) | -0.12 (-0.29) |
| N | 3298 | 2225 | 1073 |

Notes: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. Robust SEs in parentheses. Coefficients for age and low income not shown to save space. All include time fixed effects.

Partisan Short-Run Inflation Expectations with Controls for Confidence (MSC)

| | (1) | (2) | (3) | (4) | (5) | (6) |
|-----------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | All | 2017-19 | 2021 | All | 2017-19 | 2021 |
| PresidentParty | -1.38*** (-5.66) | -0.77*** (-3.51) | -2.73*** (-4.63) | -1.11*** (-4.69) | -0.71*** (-3.21) | -2.02*** (-3.63) |
| OppositionParty | 0.92*** (3.63) | 0.64*** (2.90) | 1.44** (2.29) | 0.98*** (3.96) | 0.71*** (3.20) | 0.99* (1.65) |
| Little less | | | | -1.38*** (-5.09) | -0.75*** (-3.14) | -1.91*** (-3.30) |
| Same conf. | | | | -1.77*** (-7.23) | -0.62*** (-2.70) | -3.40*** (-6.35) |
| Little more | | | | -2.01*** (-6.65) | -0.71** (-2.55) | -3.85*** (-5.23) |
| Much more | | | | -2.37*** (-5.02) | -1.05*** (-2.96) | -4.25*** (-3.39) |
| N | 3298 | 2225 | 1073 | 3298 | 2225 | 1073 |

Notes: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. Time FEs and demographic controls.

Partisan Long-Run Inflation Expectations (MSC)

| | (1) | (2) | (3) |
|-----------------|---------------------|---------------------|---------------------|
| | All | 2017-19 | 2021 |
| PresidentParty | -0.83*** (-4.60) | -0.40** (-2.40) | -1.73*** (-4.04) |
| OppositionParty | 0.13 (0.68) | 0.27 (1.55) | -0.18 (-0.41) |
| Male | -0.32*** (-2.79) | -0.36*** (-2.85) | -0.46* (-1.86) |
| College | -0.26** (-2.15) | -0.17 (-1.38) | -0.30 (-1.10) |
| HighIncome | -0.29*** (-2.66) | -0.44*** (-3.87) | 0.01 (0.03) |
| N | 3291 | 2219 | 1072 |

Notes: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. Robust SEs in parentheses. Coefficients for age and low income not shown to save space. All include time fixed effects.

Partisan Long-Run Inflation Expectations with Controls for Confidence (MSC)

| | (1) | (2) | (3) | (4) | (5) | (6) |
|-----------------|---------------------|--------------------|---------------------|---------------------|--------------------|---------------------|
| | All | 2017-19 | 2021 | All | 2017-19 | 2021 |
| PresidentParty | -0.83*** (-4.60) | -0.40** (-2.40) | -1.73*** (-4.04) | -0.72*** (-4.05) | -0.38** (-2.26) | -1.41*** (-3.43) |
| OppositionParty | 0.13 (0.68) | 0.27 (1.55) | -0.18 (-0.41) | 0.15 (0.81) | 0.30* (1.67) | -0.38 (-0.85) |
| Little less | | | | -0.67*** (-3.38) | -0.42** (-2.13) | -0.88** (-2.20) |
| Same conf. | | | | -0.74*** (-4.13) | -0.23 (-1.33) | -1.53*** (-4.02) |
| Little more | | | | -0.85*** (-4.04) | -0.30 (-1.40) | -1.71*** (-3.77) |
| Much more | | | | -1.00*** (-3.58) | -0.64** (-2.36) | -1.41** (-2.15) |
| N | 3291 | 2219 | 1072 | 3291 | 2219 | 1072 |

Notes: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. Time FEs and demographic controls.

Partisan Short-Run Inflation Expectations with Controls for Confidence (Gallup)

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

Notes: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. All include demographic controls.

Partisan Unemployment Expectations (MSC)

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

Notes: Ordered probit with time FEs and demographic controls. Unemployment less=1, same=2, more=3.

- Conducted on Prolific.
- First wave on January 20, 2025 and second shortly after inauguration.
- Around 2500 respondents, all at least 18 years old.
- Prolific aims for a nationally-representative sample in terms of sex, age, political affiliation, and ethnicity.

- Demographics
- Perceptions and expectations about their personal financial situation
- Expectations of inflation, unemployment, and interest rates (FRBNY wording).
- Self-rated familiarity with the Fed, satisfaction with the Fed's COVID response, and satisfaction with the Fed's control of inflation over the past 3 years, all on a scale of 0 to 10.

Information Treatments

- 1** Members of the Board of Governors of the Federal Reserve System are nominated by the President and must then be approved by a majority of the Senate. The most recent Federal Reserve Chair was appointed by President Trump and then re-appointed by President Biden.
- 2** Members of the Board of Governors of the Federal Reserve System are nominated by the President and must then be approved by a majority of the Senate. Recent nominations have been approved on increasingly partisan lines.
- 3** Members of the press have speculated that President Trump might try to replace Federal Reserve Chair Jerome Powell early in his presidency.
- 4** Members of the press have speculated that President Trump might try to replace Federal Reserve Chair Jerome Powell early in his presidency. Powell has stated that he would not resign if President Trump asked him to do so.

- “How much do you trust the Federal Reserve in its ability to stabilize inflation?” 0 (do not trust at all) to 10 (fully trust)
- “Do you believe that the Federal Reserve (Fed) is independent of political interference?” 0 (not at all independent) to 10 (fully independent)
- Density forecasts of inflation
- “How do you expect the election results will influence the level of inflation?” They can choose “increase,” “decrease,” or “no impact,” and can also provide an open-ended explanation of their response in a text box.
- Political affiliation

- Partisan differences in trust in the Fed are not the main driver of partisan differences in economic expectations.
- We welcome input about the survey before we run it!

