When Talk Isn't Cheap: Inflation Expectations Across the Political Cycle*

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PRELIMINARY.

Abstract

Survey evidence shows large partisan gaps in inflation expectations, but it is unclear whether these reflect true beliefs or cheap talk. We study this in a two-wave experiment around the 2024 U.S. presidential election that randomizes accuracy incentives in an SCE-style survey. Under flat fees, partisan gaps are large, reverse with political control, and expectations exhibit weak anchoring. Incentives reduce the Democrat–Republican distributional gap by about 70 percent, narrow within-party dispersion, lead to better-anchored expectations, and substantially attenuate partisan differences in updating to identical FOMC signals. Residual polarization is concentrated among pessimists and non co-partisan respondents. Most disagreement appears attributable to cheap talk. Overall, most partisan disagreement in inflation expectations reflects cheap talk, while the remaining divide is consistent with sentiment-driven motivated beliefs.

JEL classifications: E7, E31, C83, D84
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1 Introduction

Political affiliation shapes inflation expectations, economic sentiment and decisions, and institutional trust (Coibion et al. 2020, Gillitzer et al. 2021, Mian et al. 2023, Binder et al. 2024, McCartney et al. 2024, Binder et al. 2025a). To rationalize the political bias, particularly for inflation expectations, the literature offers a few explanations: stereotyping and diagnostic expectations Bordalo et al. (2016), rational inattention, and partially disjoint information sets that reflect politically-motivated signal selection that reinforces prior beliefs and partisan narratives (Rabin and Schrag 1999, Gentzkow and Shapiro 2006, 2011, Nimark and Sundaresan 2019). Still, none of these theories can fully explain the phenomenon (Kamdar and Ray 2022). One simple yet overlooked explanation for this partisan puzzle is cheap talk, whereby survey respondents do not reveal their beliefs truthfully due to the absence of consequences (Manski 2004). If respondents can costlessly express partisan identity through survey answers, then partisan inflation expectations may reflect cheap talk rather than true differences in beliefs.

Using a large-scale multiwave experiment spanning the 2024 U.S. presidential election, we show that introducing marginal incentives into an otherwise standard macroeconomic survey reduces the partisan gap in the distribution of household inflation expectations by roughly 70 percent. Incentives lead to better-anchored expectations and forecasts that more closely align with professional benchmarks, indicating that a substantial share of partisan disagreement in standard surveys reflects costless expressive or strategic reporting when accuracy is not rewarded (i.e. cheap talk).

We distinguish between three mechanisms that could generate partisan gaps in inflation expectations. Cheap talk reflects costless expressive reporting in low-stakes surveys: respondents report beliefs they do not hold to signal partisan identity. This should vanish under accuracy incentives. Differential information exposure reflects heterogeneous priors from selective consumption of partisan news sources, generating genuine belief differences that persist under incentives but should not affect how partisans weight identical new information. Motivated reasoning reflects identity-driven bias in information processing itself, leading partisans to interpret or weight the same information differently even when trying to be accurate.[1] Our experimental design combines incentive variation with randomized information provision, allowing us to isolate the contribution of each mechanism across the distribution of household inflation expectations.

To establish these results, we design an experiment, outlined in Section 2, and conduct two

[1] This is because those beliefs themselves provide psychological or identity-based utility (e.g., Kunda 1990, Bénabou and Tirole 2002).

survey waves before and after the 2024 U.S. presidential election. The design replicates the elicitation structure of the New York Fed's Survey of Consumer Expectations (SCE), combining prior point forecasts, an information treatment based on Federal Open Market Committee (FOMC) projections, and posterior density forecasts. Participants are randomly assigned to one of four treatments – *Flat*, *Prior*, *Post*, or *Both* – that vary whether priors and/or posteriors are incentivized through accuracy-based payments. This setup allows us to measure baseline expectations, responsiveness to information, and the moderating role of incentives. Wave 2 expands the design with new modules on political identity, institutional trust, spending, and numeracy, enabling us to examine how incentives interact with partisanship across a major political transition.

We first show that our survey replicates common findings on political identity from the literature in treatments that withhold marginal incentives. Under a Republican president, Republicans report higher trust in the government, while Democrats remain more trusting of the Fed – a trust that rises with institutional knowledge across both parties. Economic sentiment is also strongly conditioned by political control: Democrats' sentiment fell sharply with the shift from a Democratic to a Republican presidency, whereas Republicans' sentiment increased. The reverse pattern holds for reported expectations of future financial well-being. During the same political transition, inflation expectations of Democrats rose from 1.72% to 11.62%, while they fell for Republicans from 6.02% to -2.12%. Across the political cycle, the resulting partisan gap in inflation expectations is large, statistically significant, and robust to the inclusion of a standard set of demographic controls, and to alternative specifications of political identity at the individual level.[2]

In Section 3, we investigate whether partisan differences in reported inflation expectations reflect differences in underlying beliefs or costless expressive reporting. We document three main findings. First, the sensitivity of reported expectations to incentives differs across political parties and varies asymmetrically over the political cycle. Second, introducing incentives reduces the partisan gap in the distribution of expected inflation by approximately 70 percent; under incentives, differences in mean expectations across parties are no longer statistically significant, but meaningful distributional differences remain. Third, incentivized expectations are significantly more anchored. Taken together, these results suggest that much of the partisan disagreement observed in standard surveys reflects incentive-sensitive reporting behavior, while the remaining disagreement arises from motivated belief distortions that persist even when accuracy is rewarded.

Section 4 then studies whether the remaining disagreement reflects heterogeneity in how

[2]Our standard set of demographic controls are age, gender, ethnicity, education, income, future economic sentiment, and expected financial well-being.

households incorporate a common signal. Using an information-provision RCT that holds fixed the source and value of new information (FOMC projections), we show that standard unincentivized designs would imply partisan asymmetries in learning from the Fed, but that these asymmetries collapse under incentives – and do so through a reduction in Democrats' updating rather than an increase in Republicans'. Residual heterogeneity instead loads on political alignment with the party in power and is concentrated among respondents with pessimistic economic outlooks, providing a mechanism for the remaining polarization in incentivized expectations. We corroborate this pattern in the New York Fed's SCE: using survey experience as an observational proxy for incentives (Drobot et al. 2025b), partisan convergence is concentrated among economically optimistic respondents, highlighting the central role of economic sentiment in belief polarization.

Section 5 concludes.

Literature This paper contributes to a fairly young but quickly growing literature on political bias in macroeconomic beliefs.

This literature has documented the persistent rise in political polarization and even animosity in the U.S. (Fasching et al. 2024) that extends beyond elections: The political bias in inflation expectation is well-documented, where the level and anchoring of inflation expectations depends on individuals' political affiliation and the party in power (Bartels 2002, Gillitzer et al. 2021, Mian et al. 2023, DiGiuseppe et al. 2025).[3] Partisan divides extend to both causes and consequences of inflation: Republicans more often blame government spending and foresee broad economic harms (growth, dollar value, resource allocation, firms, trust, prestige), while Democrats more often blame corporate greed and emphasize inequality effect (Binetti et al. 2024, Stantcheva 2024).

Alesina et al. (2020) show that partisanship even affects the perceptions of facts about social mobility, inequality, or immigration. What happens to views on facts under incentives? Peterson and Iyengar (2021) assess the impact of incentivizing questions on politicized topics (e.g., climate change, firearm sales and unemployment) for correctness and find that incentives reduce the partisan divide by one third.[4] They attribute the unincentivized inflated divides in factual information to 'partisan cheerleading', or cheap talk, where responses signal loyalty or identity rather than genuine beliefs. An open question that remains is how accuracy-based incentives would impact the observed partisan gap in inflation expectations. Similarly, our finding of this gap closing with incentives suggests that the political bias in

[3]Interestingly, Kay et al. (2025) find a partisan gap in GDP forecasts even among professional forecasters, who may be considered closest to being fully informed and rational, but no such gap for inflation expectations.

[4]The full list of topics comprise climate change, the Cohen plea, firearm sales, immigrant crime, the Obama wiretap, voter fraud in the 2016 presidential election, and unemployment.

inflation expectations is due to cheap talk.

A related literature finds that political affiliation shapes economic sentiment: individuals tend to be more optimistic about the economy under their preferred candidate and more pessimistic under the opponent's (Coibion et al. 2020, Mian et al. 2023). This partisan sentiment, in turn, affects spending decisions (Gerber and Huber 2009, Benhabib and Spiegel 2019, Kamdar and Ray 2022). Our findings extend this work by showing that economic pessimism drives belief polarization beyond cheap talk.

Hajdini et al. (2025) show that divergences across survey-based measures of consumer inflation expectations partly reflect differences in question wording, aggregation methods, and respondents' political affiliation. Our results speak to this last channel: to the extent that partisan differences in expectations reflect expressive responding rather than genuine belief disagreement, incentivization may reduce one source of cross-survey divergence.

A few related studies exist on partisan belief formation and information processing. Binder et al. (2024) demonstrate partisan differences in how inflation expectations respond to economic shocks using an event-study framework estimated using the Michigan Survey of Consumers (MSC). They find that Republicans' inflation expectations became unanchored and reactive and that this translated into regional inflation differences. This aligns with our finding that when respondents' party is in power, their short-run inflation expectations are more anchored. Additionally, in such cases, Republicans respond more strongly to information from the Fed, which can be linked to higher reported credibility of the Fed, and further ensures anchoring of inflation expectations. Kuang et al. (2024) study the effectiveness of central bank communication and find ingroup favoritism for individuals that perceive the Fed as politically aligned with the current President. Such individuals put significantly more weight on Fed communications when updating their inflation expectations. Similarly, Kahan (2015) theorizes that political identity can distort information processing in belief formation and leaves open the question of whether such distortions are malleable when beliefs carry financial stakes. Our findings directly address this gap: we show that modest marginal incentives substantially reduce partisan divergence in inflation expectations, particularly for respondents whose party is out of power. This suggests that politically motivated reasoning is, at least in part, incentive-elastic.

2 Experimental Design

We build directly on the experimental framework developed in Drobot et al. (2025a), which shows that marginal incentives for belief accuracy substantially reduce inflation forecast

errors and disagreement, mitigate demographic biases, and generate differences in estimated learning from information. Our current paper extends that design to examine how such incentive structures interact with political bias in beliefs, particularly across a major shift in political power.

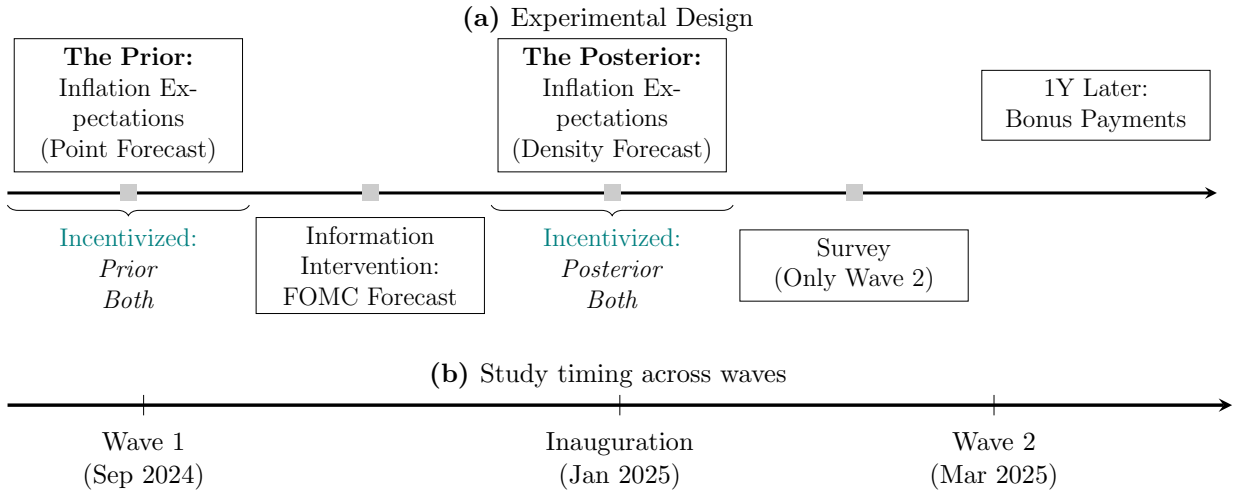
To do this, we fielded two survey waves – Wave 1 in mid-September 2024, roughly two months before the U.S. presidential election, and Wave 2 in late March 2025, about two months after the presidential inauguration. This timing allows us to study belief formation before and after a salient political transition. Importantly, we retained about half of the original sample, enabling within-subject analysis across waves. The remainder of the Wave 2 sample, discussed below, consisted of new participants, maintaining balanced treatment groups. This design allows us to study political bias in economic beliefs across the political cycle, and whether and how marginal incentives moderate political bias in belief formation.[5]

Both survey waves closely followed the inflation expectations elicitation structure of the New York Fed's Survey of Consumer Expectations (SCE) (Armantier et al. 2024, 2017, Bruine de Bruin et al. 2010). Participants first provided a point forecast for one-year-ahead inflation (their "prior"; see Figure A-11), then viewed a brief information summary based on the Federal Open Market Committee's (FOMC) most recent projections – including median forecasts and uncertainty ranges for 2024 and 2025 (Figure A-14) – and finally submitted a probabilistic density forecast (their "posterior"; see Figure A-22). This structure allows us to capture both prior beliefs and responsiveness to policy-relevant information. Additionally, we elicited participants' perceptions of past inflation (a non-incentivized point belief about inflation over the previous 12 months) and asked about expected changes in food and gas prices both before and after the information treatment. These auxiliary measures, spaced throughout the survey to reduce anchoring and priming effects, allow us to control for perceived inflation and assess domain-specific learning (Haaland et al. 2023, Stantcheva 2023). To maintain consistency and minimize experimenter demand effects, the survey adopted the SCE's carefully tested language, structure, and response formats. This included a welcoming introduction intended to activate participants' intrinsic motivation (Figure A-2). Figure 1a presents a visual overview of the experiment.

The central innovation in the design, following Drobot et al. (2025a), is the random assignment of participants to one of four incentive treatments: *Flat*, *Prior*, *Post*, or *Both*, summarized in Table 1. The *Flat* condition offered no marginal incentives and serves as our control. In the remaining conditions, participants received performance-based payments tied to the accuracy of either their prior forecast, their posterior forecast, or one of the two

[5]The complete survey is shown in Appendix A6. We used oTree to build the survey interface (Chen et al. 2016) and deployed the survey via Prolific.

Figure 1: Experimental Design: Within-Wave Flow and Study Timing



Notes: Panel (a) shows the within-wave flow. The figure provides a simplified overview of the key steps in our survey (from left to right) as completed by all participants. Below the curly brackets are the two treatments in which inflation expectations were incentivized. In the other treatments, participants still provided their inflation expectations, but without an accuracy-based future payment for these responses. The survey asked questions about spending, and confidence in the Federal Reserve and the U.S. government. The survey was only implemented in Wave 2. Panel (b) shows the calendar timing: Wave 1 precedes the presidential inauguration; Wave 2 follows it.

randomly selected.

Table 1: Overview of Treatments

Treatment	Prior	Posterior
Flat	Unincentivized	Unincentivized
Prior	Incentivized	Unincentivized
Post	Unincentivized	Incentivized
Both	Incentivized	Incentivized

Notes: The table shows the four treatments that differ in incentivizing elicited prior and/or posterior inflation expectations (before and after information provision). Priors are elicited using point forecast questions, while posteriors are elicited using probabilistic bin forecast questions.

All participants received an initial $2 show-up fee and a second payment one year later. In the *Flat* condition, this follow-up payment was a fixed $4. In the incentivized conditions, participants could earn up to $10, depending on the accuracy of their one-year-ahead forecast relative to realized PCE inflation (as reported by the BEA). We calibrated the payment schedule by estimating average absolute forecast errors from historical SCE data and discounting the expected payoff using an annual discount factor of $\beta = 0.8$ from Warner and Pleeter (2001). This design ensures that variation in average earnings does not confound our analysis, isolating the effect of incentive structure from incentive strength.

Wave 2 extended the core elicitation tasks by incorporating new measures designed to study

the interaction between incentives and political identity. Participants completed a detailed post-survey questionnaire that captured a nuanced measure of political identity, granular measures of institutional trust in the government and central bank, self-reported spending behaviors, and cognitive ability via an incentivized Raven's Matrices task. In addition, this wave also implemented behavioral tracking to monitor participant engagement and detect potential external consultation during forecasting.

This expanded design enables us to directly examine whether political identity moderates responsiveness to incentives and information. By leveraging both the cross-sectional and panel structure of the data, we assess whether marginal incentives reduce politically motivated divergence in beliefs and behaviors across the electoral cycle and how this matters for within-subject updating of beliefs across the political cycle.

2.1 Data

This section describes our combined data from Waves 1 and 2 of our survey, summarized in Table 2.

Table 2: Observations by Treatment and Wave

	Wave 1	Wave 2			Waves 1 & 2
Treatment	*New*	*Recalled*	*New*	*Total*	*Total*
Flat	250	145	125	270	520
Prior	250	123	125	247	498
Post	250	120	125	245	495
Both	250	129	125	254	504
Total	1,000	517	500	1,017	**2,017**

Notes: The table shows the number of participants by treatment and wave. *Recalled* participants refers to the subset of participants that completed both waves.

Wave 1 (Sept. 14, 2024): We recruited 1,000 U.S. residents via Prolific (250 per treatment). Prolific provided supplemental information on participants' age, gender, income, and race, which we summarize across treatments and compare to the SCE in in Table A-1 (Appendix A3). Worth noting is that we have a slightly higher share of female participants in *Prior* and *Both*. because women typically report higher inflation expectations than men, this imbalance works *against* the pattern we find (higher expectations in *Flat*). Because of this, we control for in all regressions. The sample size follows the power analysis in Appendix Appendix A5. Except where noted, we winsorize data at the 1% level to mitigate the impact of extreme outliers on our results.

Wave 2 (March 29 and March 31 of 2025): We re-invited Wave 1 participants to join Wave 2 of this experiment, with an approximately 50% retention rate across each treatment.

We then invited additional new participants to the survey in Wave 2 to keep cell sizes comparable to Wave 1. Specifically, we recruited 125 new respondents per treatment on March 30, 2025).[6] The Wave 2 instrument replicates the original tasks and adds the modules described above. We also recorded whether, and for how long respondents, left the pages containing the prior and posterior questions.

Unless noted otherwise, we depict Democrat responses in blue, Republicans in red, and Independents in green.

2.2 Additional Variables

In addition to eliciting expectations, we collected several other measures that might relate to both expectations and political identity. Specifically, we want to be able to understand how incentives interact with political identity, institutional trust, economic sentiment, IQ, and attention to shape inflation expectations. Across both waves we measured backward- and forward-looking economic sentiment and retrospective/prospective financial well-being (five-point scales), and we recorded attention/engagement on key belief pages (whether, and for how long, respondents left the prior/posterior screens). Wave 2 introduced new modules, including Likert-scale batteries on the Federal Reserve and the federal government from which we construct PCA-based credibility indices, as well as a short, incentivized Raven's Progressive Matrices task to proxy fluid reasoning (IQ). We provide details on these variables in the relevant results sections and in Appendix A1.

3 Cheap Talk in Reported Inflation Expectations

Eliciting inflation expectations under marginal incentives allows us to confront politically expressive responding (i.e. "cheap talk") and make reported beliefs more internally consistent and closer to expert benchmarks (Drobot et al. 2025a). We first replicate the well-known partisan differences in inflation expectations under unincentivized elicitation, and then document three findings:

(i) Politically-motivated bias in inflation expectations is incentive-sensitive across parties;

(ii) marginal incentives reduce the Democrat–Republican distributional gap in beliefs by roughly two thirds; and

[6] As in Wave 1, we used weekend to maximized availability for full-time workers.

(iii) incentivized beliefs are more anchored across the political transition, with large reductions in inter-wave revisions for the out-of-power party.

Together, these results suggest that a substantial share of the observed partisan gap in inflation expectations reflects cheap talk that is disciplined by small, accuracy-based payments.

3.1 Inflation Expectations Across the Political Cycle

Without incentives, our survey replicates the standard finding of political bias in inflation expectations (see Panel A in Table 3).[7] Further, we show the direction of bias evolves across the political cycle, with both Democrats and Republicans reporting higher expected inflation whenever the president's political affiliation is misaligned with their own. In wave 1, when Democrats held the presidency, Republicans report on average 7.26% expected inflation compared to 2.14% of Democrats. Conversely, in Wave 2 under a Republican president, Republicans report on average -1.59% expected inflation compared to 14.90% expected inflation, on average, among Democrats. Similar patterns emerge for medians, suggesting this bias does not simply reflect extreme behavior. Similarly, for both Democrats and Republicans, reported within-party disagreement (measured by IQR) is higher whenever the supported party is out of power. This is consistent with survey evidence that is representative of the US population. Interestingly, Independents provide expectations more closely aligned with Republicans than with Democrats in terms of mean and median forecasts, and forecast disagreement.

Table 3: Expected Inflation by Party and Wave, Split by Prior Incentive

	Dem				Rep				Ind			
	N	Mean	Median	IQR	N	Mean	Median	IQR	N	Mean	Median	IQR
Panel A: Pre-Election (Wave 1)												
Unincentivized	188	2.14	2.00	7.00	116	7.26	3.00	8.00	173	8.44	3.00	11.00
Incentivized	206	0.16	1.90	5.00	91	2.37	2.00	7.00	155	3.41	2.50	6.00
Panel B: Post-Election (Wave 2)												
Unincentivized	201	14.90	5.00	12.00	127	-1.59	1.80	8.00	187	4.40	3.50	4.00
Incentivized	212	6.32	4.00	3.00	111	-0.55	2.00	5.00	179	5.48	3.50	4.00

Notes: Point forecasts of one-year-ahead expected inflation collected pre-election (Panel A) and post-election (Panel B). *Unincentivized* refers to treatment groups *Flat* and *Post*, and *incentivized* refers to treatments *Prior* and *Both*. Data are winsorized at the 5th and 95th percentiles within party–wave–treatment cells.

Having established that our survey design captures the partisan bias in inflation expectations under flat-fee incentives, we next examine the effect of introducing accuracy-based marginal

[7] We consider point forecasts of one-year-ahead inflation.

incentives.Panel B of Table 3 reports mean and median inflation expectations, as well as within-party disagreement, by political affiliation and wave. The partisan divergence in mean expectations is markedly reduced: in Wave 2, Democrats' mean falls from 14.90 to 6.32, while Republicans' mean shifts from –1.59 to -0.55. Medians also converge, clustering in the 2–4 percent range across parties. Dispersion also declines sharply, indicating significantly less cross-sectional forecast disagreement within the aggregate survey and within political party. For example, the interquartile range for inflation expectations among Democrats contracts from 12 among flat-incentive participants to 3 among participants facing marginal incentives. Independents exhibit smaller adjustments: their mean expectations remain close to those in the flat-fee treatments, though their interquartile ranges narrow substantially in Wave 1.

These findings suggest that a substantial part of the political bias is cheap talk. In what follows, we examine what is going on in detail.[8]

3.2 Incentives Reduce Bias Across the Political Cycle

To quantify how incentives reshape partisan beliefs, we estimate separate OLS regressions for each party–wave cell:

$$|\pi_i^e| \;=\; \alpha_{p,w} \;+\; \sum \beta_{p,w}^t \, \mathbb{I}\{\text{Treat}_i\} \;+\; \varepsilon_{i,p,w}, \tag{1}$$

where $|\pi_i^e|$ is the absolute value respondent i's point forecast of one-year-ahead inflation (winsorized at the 5th and 95th percentiles, $p \in \{\text{Dem}, \text{Rep}, \text{Ind.}\}$ indexes political identity, and $w \in \{1, 2\}$ indexes the wave.[9] As it reflects the typical approach of collecting inflation expectations, the unincentivized *Flat* treatment serves as our baseline. Coefficients therefore measures the incremental effect of introducing marginal incentives at different survey stages.

We focus on $|\pi_i^e|$ rather than signed expectations for two reasons. First, the Federal Reserve's price stability mandate treats large expected inflation and large expected deflation symmetrically – both represent misanchored beliefs and departures from the 2% target. Second, using signed values would mechanically attenuate treatment effects through cancellation: if incentives reduce partisan bias by pulling forecasts from both directions, positive and negative adjustments would offset in the mean, obscuring results. Absolute values provide a cleaner measure of belief distortion magnitude.

[8] We explore differences in inflation expectations across political identities and waves more deeply in Appendix A2.

[9] Results are qualitatively robust to winsorizing at both the 1% level or at a more extreme 10% level. We show in Table A-5 how winsorizing at differently levels impacts the mean, standard deviation, and extremes of expected and perceived inflation.

Figure 2 presents coefficient estimates with 95% confidence intervals.[10] Three key patterns emerge: First, incentives work – but selectively. The incentivized *Prior* and *Both* treatments

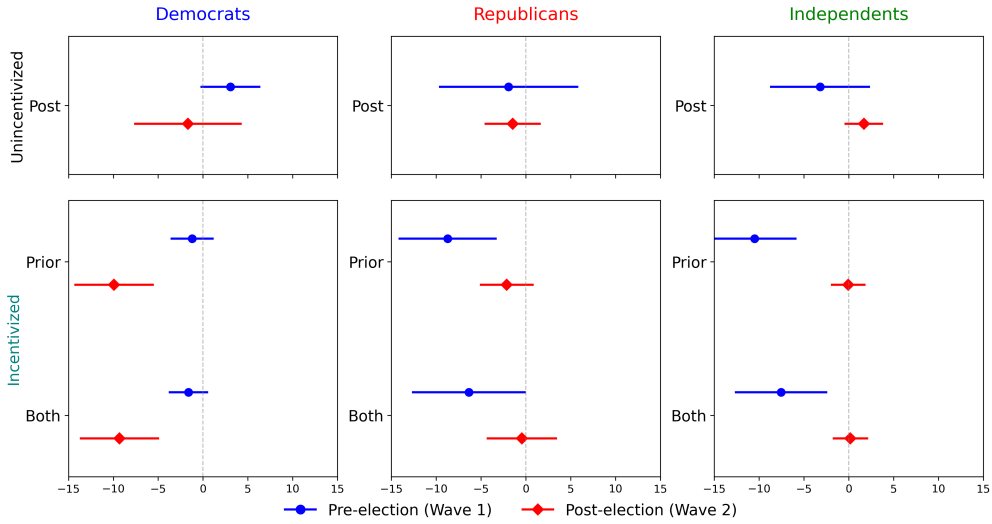


Figure 2: Effects of Marginal Incentives on Inflation Expectations Across the Cycle

Notes: The figure shows coefficient estimates from Equation Equation (1), where the dependent variable is the absolute value of inflation expectations (winsorized at the 5th and 95th percentiles). The reference group is *Flat* (unincentivized). Shown beliefs are also unincentivized for *Post*, while they are incentivized for *Prior* and *Both*. Columns denote political identity: Democrats (blue), Republicans (red), and Independents (green). Point estimates and confidence intervals are shown in blue for Wave 1 (September 2024, pre-election, Democrats in power) and red for Wave 2 (March 2025, post-election, Republicans in power). Error bars show 95% confidence intervals.

consistently reduce the magnitude of inflation expectations relative to the *Flat* baseline, while the unincentivized *Post* treatment mirrors the equally unincentivized baseline. However, treatment effects are asymmetric: they are consistently larger and more significant for the out-of-power party.

Second, effects flip with political control. In Wave 1 (Democratic presidency), Republicans and Independents respond strongly to incentives in both *Prior* and *Both* treatments, reducing forecast extremity by 6–9 percentage points. Democrats show minimal response. In Wave 2 (Republican presidency), this pattern reverses completely. Democrats now exhibit the strongest treatment effects, reducing their forecasts by approximately 9 percentage points in both *Prior* and *Both* treatments – roughly three times their Wave 1 response. Republicans and Independents show small, statistically insignificant effects. Critically, the task and incentive scheme are identical across waves; only political control changes.

Third, Independents track Republicans, not the out-party. This pattern complements recent evidence by Binder et al. (2024), who show that Independents' inflation expectations

[10] We replicate this result in Appendix Appendix A3 using 1% and 10% winsorization. Results are qualitatively identical.

typically fall between those of Republicans and Democrats, often tracking the out-party. In contrast, across both waves of our experiment, Independents' responsiveness to accuracy incentives consistently mirrors that of Republicans, irrespective of which party holds power. This alignment suggests that Independents are not merely shifting with the partisan cycle. One interpretation is that, lacking strong partisan anchors, Independents are more sensitive to incentives that discipline belief distortions. Another is that Independents share deeper ideological or affective affinities with Republicans on core economic issues, which shape both their expectations and responsiveness to incentives.

These results demonstrate that marginal accuracy incentives influence belief formation selectively: they are most effective precisely when beliefs are most likely to be politically motivated. The clean reversal of treatment effects across the political cycle – where each party's responsiveness to incentives increases when they transition from in-power to out-of-power status – provides strong evidence that partisan identity shapes reported inflation expectations, and that accuracy incentives alter the perceived cost-benefit tradeoff of reporting partisan beliefs.

This pattern is inconsistent with purely informational or ideologically fixed belief formation. If partisan gaps reflected only differential information access or permanent ideological priors, treatment effects should remain constant across waves or depend on individual characteristics rather than shifting systematically with political control. Instead, the wave-contingent pattern indicates that respondents adjust their beliefs when accuracy becomes more costly to ignore – and this adjustment is largest when partisan motivations are strongest.

To formalize these patterns, we next estimate a pooled specification that directly tests whether out-of-power status amplifies treatment effects. We then quantify the magnitude of bias reduction by examining how incentives reshape the entire distribution of beliefs across party lines.

To more formally confirm these results, we estimate the following:

$$|\pi_i^e| \;=\; \alpha + \beta_1 \,\mathbb{I}\{\text{Out}_i\} + \sum_t \Big(\beta_{2,t} + \beta_{3,t}\,\mathbb{I}\{\text{OutOfPower}_i\}\Big)\,\mathbb{I}\{\text{Treat}_i = t\} + \gamma X_i' + \varepsilon_i. \quad (2)$$

where the dependent variable is the absolute value of respondent i's winsorized point forecast, $t \in \{Prior, Post, Both\}$ and *Flat* is captured in α. $\mathbb{I}\{\text{Out}_i\}$ indicates that the respondent's party is out of power in that wave. Our coefficient of interest is $\beta_{3,t}$, which captures the interaction of incentives and out-of-power status. We also estimate Equation (2) using signed forecasts. Results are qualitatively identical. You can find these results in Table A-10, located in Appendix A3.

Table 4: Effect of Marginal Incentives on Absolute Inflation Forecasts

	(1)	(2)	(3)	(4)	(5)
Out (β_1)	2.856*	2.760*	2.896**	7.440***	5.481***
	(1.509)	(1.449)	(1.448)	(1.729)	(1.476)
Post (β_2)	−0.759	−0.039	−0.007	1.914*	0.158
	(1.516)	(1.474)	(1.471)	(1.152)	(1.032)
Both	−2.821**	−3.408**	−3.283**	−1.782*	−2.413**
	(1.419)	(1.401)	(1.397)	(0.937)	(0.991)
Prior	−3.538***	−4.125***	−3.984***	−1.953**	−3.500***
	(1.346)	(1.325)	(1.321)	(0.907)	(0.949)
Post × Out (β_3)	−0.280	−1.390	−1.451	−3.905	−2.383
	(2.032)	(1.955)	(1.956)	(2.571)	(1.999)
Both × Out	−2.804	−2.736	−2.941*	−6.996***	−5.838***
	(1.784)	(1.739)	(1.740)	(1.997)	(1.701)
Prior × Out	−3.464**	−3.851**	−3.987**	−8.005***	−6.590***
	(1.690)	(1.633)	(1.631)	(1.922)	(1.589)
N	2,017	2,009	2,009	1,249	2,009
R^2	0.038	0.093	0.095	0.097	0.103
Controls	No	Yes	Yes	Yes	Yes
Wave FE	No	Yes	Yes	Yes	Yes
Perceptions	No	No	Yes	No	No
Independents	Out	Out	Out	Excluded	w/ Republicans

Notes: This table reports estimates of equation (Equation (2)). Dependent variable is the absolute value of winsorized inflation forecasts. *Flat* is the omitted treatment. $\mathbb{I}\{\text{Out}\}$ indicates respondents whose party is out of power. Interaction terms capture differential treatment effects for out-of-power respondents. Columns (1)–(3) add controls; columns (4)–(5) vary the definition of out-of-power status. Robust standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Column (1) reports the specification without controls. Column (2) adds a standard set of covariates, X_i: an economic sentiment index, gender, education, income, age, an indicator for ethnicity, an indicator for whether an individual invests, wave fixed effects, and an indicator for whether an individual expected inflation or deflation.

Column (3) includes an additional control for perceived price changes: $|\pi_i^p|$.[11] This addresses any potential concerns that contemporaneous price *perceptions* may both affect forecast magnitudes and be indirectly affected by treatment (e.g., if incentives spill over to perceptions).[12]

Finally, columns (4) and (5) explore the robustness of our results to our definition of Out. In column (4) we drop Independents from our sample and define the out-of-power (in-power) party in Wave 1 as Republicans (Democrats) and in Wave 2 as Democrats (Republicans). In column (5), we consider a definition of Out where we alsways assume that Republicans and Independents share the same power status relative to the presidency.

Across specifications, the estimates indicate that marginal incentives reduce the extremity of reported forecasts, out-of-power status increases the extremity of forecasts, and the out-of-power respondents respond more strongly to incentives than in-power respondents. Considering alternative specifications for Out shows that the treatment effect is fundamentally about partisan differences between Democrats and Republicans. In column (4), we compare only Democrats and Republicans, which effectively doubles coefficients on $Both \times Out$ and $Prior \times Out$, with both coefficients becoming highly significant ($p < .01$). Further, we show that pooling Independents with Republicans (column (5) of Table 4), relative to results in columns (1) - (3), again strengthens the incentive effect. This makes sense given that their response patterns to information look more Republican than Democratic.[13]

3.3 How much bias do incentives eliminate?

The preceding analysis shows that marginal incentives reduce cheap talk bias in the magnitude of expected price changes generally, and more strongly so among out-of-power respondents. We now ask: *how much* partisan bias is eliminated by the introduction of marginal incentives? To answer this question, we quantify the extent to which marginal incentives collapse the partisan gap in inflation expectations. Specifically, we compare the full dis-

[11] We measure perceived inflation over the prior twelve month period while collecting priors in each wave of our experiment.

[12] For example, Drobot et al. (2025b) shows that incentivizing short-term inflation forecasts can spillover to long-term inflation expectations, while Drobot et al. (2025a) show that the average perceived inflation error among respondents responds to marginal incentives when incentiving forward-looking expectations.

[13] We replicate all specifications in Table 4 using both more (10% level) and less (1% level) stringent winsorization thresholds. Our results are generally robust, with coefficients of interest remaining identical in sign, very similar in magnitude, and almost always statistically significant.

tributions of inflation expectations (both signed and in absolute value) for Democrats and Republicans under flat-fee versus marginal incentives. (Figure 3).

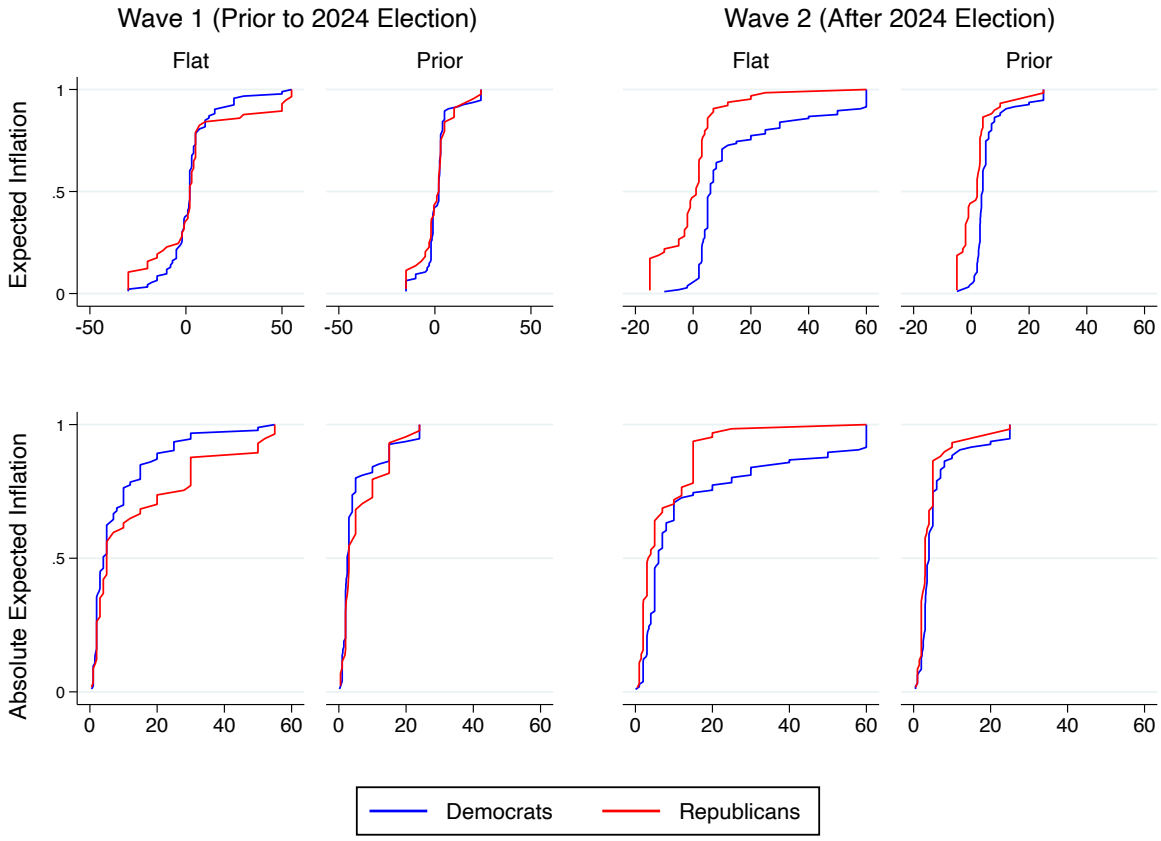


Figure 3: Distributions of Inflation Expectations: Incentives Affect Out-of-Power Parties

Notes: The figure shows the cumulative distribution functions (CDFs) of inflation expectations (top row) and expected price volatility (bottom row), plotted for Democrats and Republicans under unincentivized (*Flat* on the left) and incentivized conditions (*Prior* on the right). Distributions are shown separately by wave. Expectations are winsorized at the 5th and 95th percentile within each treatment-wave cell.

To formally measure the extent to which accuracy-based incentives lead to belief convergence across political parties, we implement the Wasserstein distance test, also known as the Earth Mover's Distance (EMD). The EMD captures the minimal amount of "belief mass" that must be reallocated to transform one distribution into another. It reflects both differences in central tendency and shape and is defined for cumulative distribution functions (CDFs) F and G as:

$$W_1(F, G) = \int_{-\infty}^{\infty} |F(x) - G(x)| \, dx. \tag{3}$$

Here, $W_1(F, G)$ represents the area between the two CDFs – a natural and interpretable metric of distributional distance.

In our application, we compute this distance between the empirical distributions of expected

inflation (or expected price volatility) for Democrats and Republicans separately within each treatment group and wave. Let $F_{\text{Dem},t,w}(x)$ and $F_{\text{Rep},t,w}(x)$ denote the empirical CDFs of beliefs for Democrats and Republicans, respectively, in treatment $t \in \{\text{Flat}, \text{Prior}\}$ and wave $w \in \{1, 2\}$. We define the between-party distance under treatment t in wave w as:

$$\Delta_t^w = W_1 \left(F_{\text{Dem},t,w},\ F_{\text{Rep},t,w} \right). \tag{4}$$

To assess whether marginal incentives reduce partisan disagreement in expectations, we compute the *within-wave change in distributional distance*:

$$\Delta^w = \Delta^w_{\text{Flat}} - \Delta^w_{\text{Prior}}. \tag{5}$$

A positive value of Δ^w indicates that the empirical distributions of beliefs for Democrats and Republicans are more similar under marginal incentives than under flat incentives in wave w. This provides a direct, non-parametric measure of the extent to which marginal incentives induce partisan convergence in belief formation. We report these results in Table 5.[14]

Table 5: Wasserstein Distance Between Democrat and Republican Beliefs

	Wave 1	**Wave 2**
Expected Inflation ($\mathbb{E}\{\pi\}$)		
Flat	8.647	18.190
Prior	2.203	6.149
Convergence (*Flat* − *Prior*)	**6.444** (74.52%)	**12.041** (66.20%)
Permutation Test (p-value)	= .006	< .001
Absolute Expected Inflation ($\lvert\mathbb{E}\{\pi\}\rvert$)		
Flat	8.439	7.783
Prior	1.923	1.645
Convergence (*Flat* − *Prior*)	**6.516** (77.21%)	**6.137** (78.86%)
Permutation Test (p-value)	= .018	< .001

Notes: The table reports Wasserstein distances between Democrat and Republican belief distributions in Wave 1 (September 2024, pre-election) and Wave 2 (March 2025, post-inauguration). "Flat" denotes flat payments and "Prior" denotes prior-based incentives. "Convergence (Flat − Prior)" shows the reduction in distance under prior incentives; percentages in parentheses report the share of baseline polarization eliminated, i.e., $1 - \text{EMD}_{\text{Prior}}/\text{EMD}_{\text{Flat}}$.

Even modest, accuracy-based incentives eliminate the majority of the partisan gap in inflation expectations (top row of Table 5) in a distributional sense. For inflation expectations, the EMD between Democrats and Republicans in Wave 1 (left column of Table 5) falls from 8.65 under flat payments to 2.20 with incentives, eliminating about 75% of partisan bias. The effect is similar in Wave 2 (right column of Table 5), where marginal incentives eliminate

[14] We show that these results are robust to instead comparing in-power vs. out-of-power parties (i.e. including Independents) and to comparing all unincentivized priors (*Flat* and *Post*) to all marginally-incentivized priors (*Prior* and *Both*), in Appendix A4.

roughly 66% of the partisan bias reflected in the distribution of inflation expectations collected in *Flat*. Imposing marginal incentives has a similarly powerful effect when we consider the absolute value of expectations (bottom row of Table 5). In Wave 1, marginal incentives eliminate about 77% of bias in absolute expected inflation changes, while in Wave 2 they eliminate about 79% of the partisan bias.

These results show that marginal incentives do far more than shift conditional means; they collapse roughly two-thirds to three-quarters of the entire distributional gap in inflation beliefs across party lines. The evidence shows that politically motivated inflation expectations can be disciplined through small, targeted accuracy payments, yielding markedly more aligned economic expectations between Democrats and Republicans. Put differently, the majority of political bias present in the distribution of inflation expectations disappears once exhibiting such bias becomes costly.

To assess the statistical significance of the observed convergence effects, we implement a nonparametric permutation test. The null hypothesis is that the distribution of beliefs for each political group is invariant to treatment assignment; that is, any observed difference in partisan convergence between the *Flat* and *Prior* conditions reflects random sampling variation and not the causal effect of marginal incentives. To test this, we hold the observed belief data fixed and repeatedly randomize the treatment assignment across individuals. For each random permutation, we recompute the Wasserstein distance between Democrat and Republican beliefs within each treatment condition and calculate the implied convergence effect (i.e., the difference in distance between *Flat* and *Prior*).

We repeat this process 100,000 times to generate a reference distribution of convergence effects under the null. We then compare the observed convergence effect in the actual data to this null distribution. The p-value is defined as the proportion of permutations in which the simulated convergence effect equals or exceeds the observed one. This approach yields an exact, finite-sample significance test that is robust to distributional assumptions and directly aligned with the nonparametric nature of the Wasserstein distance. We include these p-values in Table 5 and plot the full set of simulated permutation outcomes in Figure A-1.

3.4 Anchoring of Expectations

A core policy concern is whether short-run household inflation expectations are *anchored*: if beliefs are well anchored, they should not swing sharply with political developments that do not reflect fundamentals. We show in this section that what looks like a partisan anchoring gap under standard survey conditions (i.e., in *Flat*) disappears once we introduce marginal incentives. Without incentives, Democrats appear to sharply revise inflation expectations

after the political transition between Waves 1 and 2. Marginal incentives discipline those politically motivated swings, essentially eliminating the entire partisan gap in anchoring.

We operationalize anchoring as the magnitude of *inter-wave revisions* in one-year-ahead inflation forecasts. For panelists observed in both waves, let $\pi_{i,w}$ denote respondent i's point forecast in wave $w \in \{1, 2\}$. Our anchoring object is

$$\Delta\pi_i^e \equiv \left|\pi_{i,w=2}^{\text{Prior}} - \pi_{i,w=1}^{\text{Posterior}}\right|.$$

Using this measure as our outcome of interest, we estimate

$$\Delta\pi_i^e \;=\; \alpha \;+\; \beta_1\,\mathbb{I}\{\text{Out}_i\} \;+\; \beta_2\,\mathbb{I}\{\textit{Both}_i\} \;+\; \beta_3\,\mathbb{I}\{\text{Out}_i\}\times\mathbb{I}\{\textit{Both}_i\} \;+\; X_i'\gamma \;+\; \varepsilon_i, \qquad (6)$$

where $\mathbb{I}\{\text{Out}_i\}$ equals 1 for Democrats (the out-of-power party in Wave 2) and 0 otherwise, and $\mathbb{I}\{\textit{Both}_i\}$ indicates participation in the *Both* treatment. The baseline category is *Flat*. This specification isolates how marginal incentives affect forecast anchoring for in- versus out-party respondents, holding constant participation in both waves.

Table 6 shows that marginal incentives substantially reduce the size of inter-wave revisions for Democrats. In the Democratic baseline, $\beta_2 \approx -1.6$ pp ($p \approx 0.037$): under *Both*, Democrats revise their one-year-ahead inflation forecasts by about 1.6 percentage points less than under flat payments. For Democrats, the interaction term $\beta_3 \approx -5.6$ pp ($p \approx 0.02$) compounds this effect, implying an overall stabilization of roughly 7 pp. For non-Democrats, the net effect is small and statistically indistinguishable from zero. Collapsing to *Out* therefore clarifies the pattern: incentives anchor expectations among out-party respondents, with limited impact on those politically aligned with the incumbent administration.

Note that column (4) of Table 6 repeats this exercise while excluding Independents from our sample, restricting the comparison to Democrats and Republicans only. Estimated effects are quite similar to those in columns (1) - (3) (about -5 pp, $p \approx 0.074$). This confirms that our results are not driven by how Independents are classified, but rather by systematic differences in how the out-of-power party responds to marginal incentives.

Economically, this represents a large stabilization for Democrats – the group exhibiting the largest unincentivized swings across the political transition. In contrast, politically aligned respondents show little change once incentives are introduced, consistent with earlier evidence that their baseline revisions were already more muted and that incentives mainly discipline out-party respondents.

We can also visualize the effect of incentives on expectations anchoring in Figure 4, which

Table 6: Effect of Incentives on Inter-Wave Forecast Revisions

	(1) No controls	(2) Standard controls	(3) + Wave 2 controls	(4) + No Independents
Out (Democrat)	5.48**	5.21**	6.12***	6.57**
	(2.32)	(2.12)	(2.31)	(3.22)
Both	-1.48*	-1.74**	-1.57*	-2.22
	(0.75)	(0.82)	(0.84)	(1.65)
Out × *Both*	-5.77**	-5.58**	-5.79**	-5.22*
	(2.39)	(2.35)	(2.42)	(2.90)
Constant	4.76***	4.99*	5.47	3.75
	(0.61)	(2.80)	(3.34)	(5.45)
Observations	265	263	263	178
Adj. R^2	0.093	0.147	0.183	0.211
Controls	No	Yes	Yes + W2	Yes + W2

Notes: This table reports estimates of equation (Equation (6)). The dependent variable is the absolute inter-wave revision in one-year-ahead inflation expectations, $|\Delta\pi_i^e| = \left|\pi_{i,2}^{\text{Prior}} - \pi_{i,1}^{\text{Posterior}}\right|$. The omitted category is non-Democrats in *Flat*. *Out* indicates respondents affiliated with the out-of-power party in Wave 2 (Democrats); *Both* denotes the treatment with marginal incentives applied to both components of $|\Delta\pi_i^e|$. Column (4) excludes Independents. Robust standard errors reported in parentheses. $^{*}p < 0.10$, $^{**}p < 0.05$, $^{***}p < 0.01$.

plots the cumulative distributions of $\Delta\pi_i^e$ for the out-party (Democrats) and in-party (non-Democrats) under each incentive condition (*Flat* and *Both*). Imposing marginal incentives substantially reduces the partisan gap in anchoring: the Wasserstein distance (Out-Party vs. In-Party) between these distributions falls from 5.30 in *Flat* to 0.55 in *Both*, a convergence of 4.75 (or about 90%, $p < 0.001$) using the permutation test described in Section 3.3.

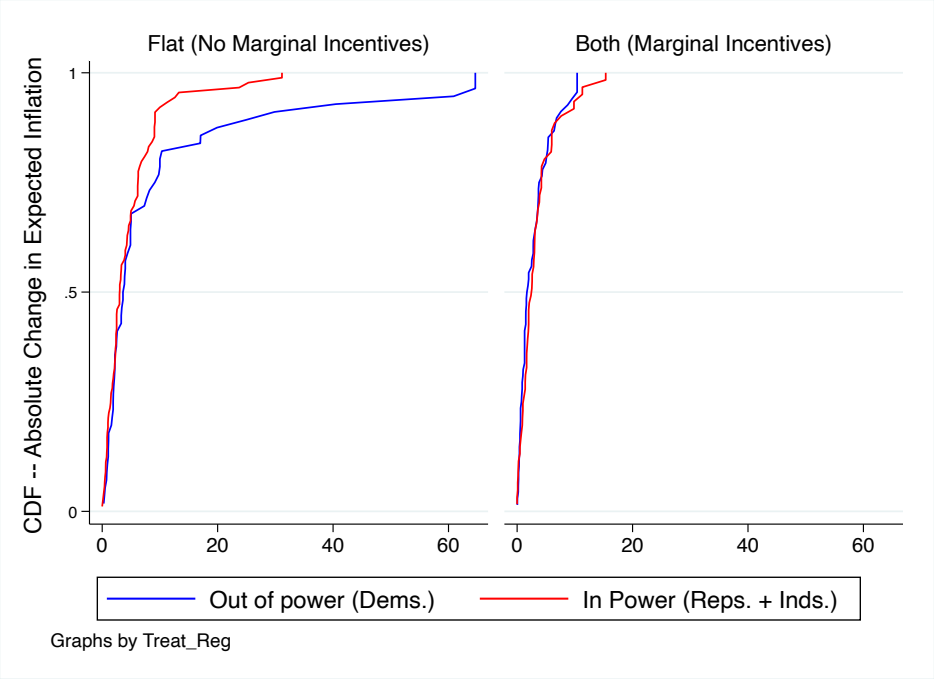


Figure 4: Forecast Revisions

Notes: The figure plots cumulative distributions of inter-wave forecast revisions ($\Delta\pi_i^e$) for the out-of-power party (Democrats, Blue) vs. in-power parties (Red, Republicans + Independents)) and incentive condition (*Flat* (Left) vs. *Both* (Right)).

3.5 Discussion

So far, we have shown that introducing marginal incentives, while holding all other features of the forecasting environment fixed, leads to large and systematic changes in reported inflation expectations. Incentives substantially reduce the magnitude of inflation forecasts, with effects sharply asymmetric across the political cycle, primarily moderating beliefs of respondents whose party is out of power. From a distributional perspective, marginal incentives eliminate roughly 70% of the partisan gap in inflation expectations. Incentives also materially improve the stability of expectations across the political transition, yielding markedly smaller revisions between the two most temporally proximate pre- and post-election forecasts in our panel, consistent with better-anchored expectations.

This pattern is inconsistent with accounts where partisan gaps reflect only differential information or fixed ideological priors. Under such accounts, treatment effects should remain constant across waves or depend on individual characteristics rather than flipping systematically with which party holds the presidency. Instead, we observe that respondents adjust their stated expectations precisely when partisan motivations are strongest – and they do so in response to modest financial incentives. The partisan gap is incentive-elastic because belief formation reflects optimization under constraints: when cheap talk becomes costly,

the gap contracts sharply. The magnitude of this response reveals that roughly two-thirds to three-quarters of observed partisan disagreement in standard surveys reflects cheap talk rather than deeply-held, incentive-invariant beliefs.

At the same time, incentives do not generate full convergence. Even under marginal accuracy rewards, a residual partisan gap remains – approximately 30% of the distributional distance observed under unincentivized elicitation. This raises a natural question: does this remaining disagreement reflect genuine differences in how partisans process information, or does it simply reveal the limit of what small monetary incentives can discipline?

To answer this, we exploit a second experimental feature: randomized exposure to Federal Reserve communications. By holding constant both the signal source and value while varying whether beliefs are incentivized, we can isolate whether political identity systematically shapes how households incorporate identical information into expectations. If the residual gap reflects differential information processing rather than incompletely disciplined cheap talk, we should observe partisan asymmetries in signal adoption that persist even when accuracy is rewarded. Section Section 4 examines this question directly.

4 Political Identity In Expectations Formation

Several non-expressive mechanisms could explain residual differences in the distribution of inflation expectations across partisan groups, including differential information exposure (Nimark and Sundaresan 2019, Binder et al. 2025b) and heterogeneity in institutional trust (Kuang et al. 2024, Binder et al. 2025a).

Our experimental design imposes exposure to the same information exposure, allowing us to study whether and how political identity affects belief formation with and without incentives. We document three key findings. First, under standard unincentivized elicitation, Republicans systematically discount Fed signals relative to Democrats. Second, incentivizing for accuracy eliminates this average gap entirely – Democrats and Republicans weight Fed communications identically when beliefs are incentivized, with convergence occurring through reduced Democratic signal use. Third, this average alignment masks heterogeneity tied to the political cycle: among economic pessimists, supporters of the governing party adopt Fed signals significantly more than opposition supporters, even under incentives.

We show this in-power asymmetry cannot be explained by differential prior precision, which we manipulate experimentally and find affects updating uniformly across parties. Instead, the pattern reflects an interaction between political identity and economic sentiment that we validate using time-matched observational data from the New York Fed's Survey of Consumer

Expectations.

4.1 Incentives Close the Average Gap in Signal Use

To understand how partisanship affects expectations formation, we first measure any partisan differences in learning from information. Our RCT design allows us to estimate the isolated effect of learning from a common signal, holding both its value and source fixed across all participants. Recall that in each wave, participants receive the latest FOMC forecast of inflation between reporting their prior point forecast and their posterior density forecast. This allows us to understand whether political bias leads to systematic differences in signal uptake.

We estimate the following regression to test whether political identity shapes signal uptake:

$$\text{Update}_i = \alpha + \beta_1 \,\text{PercGap}_i + \beta_2 \,\text{Political}_i + \beta_3 \,(\text{PercGap}_i \times \text{Political}_i) + \gamma X_i + \delta_t + \varepsilon_i. \quad (7)$$

where Update_i is the difference between respondent i's posterior and prior one-year-ahead inflation expectation, PercGap_i is the difference between the FOMC's forecast of median PCE inflation in 2026 and respondent i's prior belief, and Political_i is an indicator that equals one for Republican partisanship and zero for Democrat partisanship. The coefficient of interest, β_3, thus captures whether Republicans place systematically different weight on the signal relative to Democrats. X_i is a vector of demographic and attitudinal controls, δ_t are wave fixed effects, and ε_i is an error term.

The results show a clear pattern (see Table 7). In the entirely unincentivized *Flat* condition, which mirrors the standard flat-fee approach common in survey-based information provision experiments, our coefficient of interest, β_3, is large, negative, and significant (see column (1)). This suggests Republicans discount identical signals from the Fed relative to Democrats. Standard unincentivized survey responses would therefore conclude partisan bias in information processing under standard unincentivized elicitation. However, once we introduce marginal incentives, this coefficient shrinks to near zero and becomes statistically insignificant across all three incentive treatments (columns (2)–(4)), indicating that Republicans and Democrats place statistically indistinguishable weight on the FOMC signal when accuracy is rewarded. To isolate the effect of incentivization cleanly, the remainder of this section restricts attention to the *Flat–Both* comparison. This contrast holds the incentive structure symmetric across prior and posterior elicitation, avoiding any confound from partial incentivization.

Incentives could align signal use across political groups either by increasing Republicans'

Table 7: Belief Updating by Incentives

	(1) Flat	(2) Prior	(3) Post	(4) Both	(5) All	(6) Democrats	(7) Republicans
PercGap	0.947***	0.788***	0.954***	0.910***	0.912***	0.960***	0.867***
	(0.012)	(0.018)	(0.010)	(0.018)	(0.008)	(0.011)	(0.014)
Republican	-0.297	0.064	-0.026	-0.112			
	(0.342)	(0.312)	(0.333)	(0.312)			
PercGap × Republican	-0.069***	0.023	-0.005	-0.008			
	(0.018)	(0.029)	(0.016)	(0.025)			
Incentivized (=1)					-0.378*	-0.590**	-0.051
					(0.212)	(0.268)	(0.354)
PercGap × Incentivized					-0.003	-0.045**	0.035
					(0.015)	(0.021)	(0.021)
Constant	2.193**	0.921	1.246	2.358***	2.400***	2.436***	1.826*
	(0.982)	(0.768)	(0.945)	(0.787)	(0.632)	(0.819)	(1.073)
Controls	✓	✓	✓	✓	✓	✓	✓
Observations	289	267	276	304	593	385	208

Notes: Huber robust regression estimates with standard errors in parentheses. Dependent variable is belief updating (posterior minus prior). PercGap is the difference between the signal (2.7%) and the prior belief. Republican is an indicator for Republican party affiliation. Columns (1)–(4) estimate treatment-specific regressions for Democrats and Republicans (political < 2). Columns (5)–(7) compare the fully incentivized (*Both*) vs fully unincentivized (*Flat*) treatments, where *Incentivized* $= 1$ for *Both* and $= 0$ for *Flat*. All specifications include controls for gender, income, age, ethnicity, education, future economic sentiment, expected financial well-being, and wave fixed effects. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

responsiveness, decreasing Democrats', or some combination of both. Columns (5)–(7) of Table 7 show that alignment occurs entirely through the latter channel: incentives significantly reduce both the level and signal-responsiveness of Democrats' updating – as captured by the significant negative coefficients on *Incentivized* and PercGap × *Incentivized* in column (6) – while leaving Republicans' updating statistically unchanged (column (7)). This suggests that Democrats' stronger apparent responsiveness to the Fed signal under standard unincentivized elicitation reflects, at least in part, cheap talk rather than genuine belief revision.

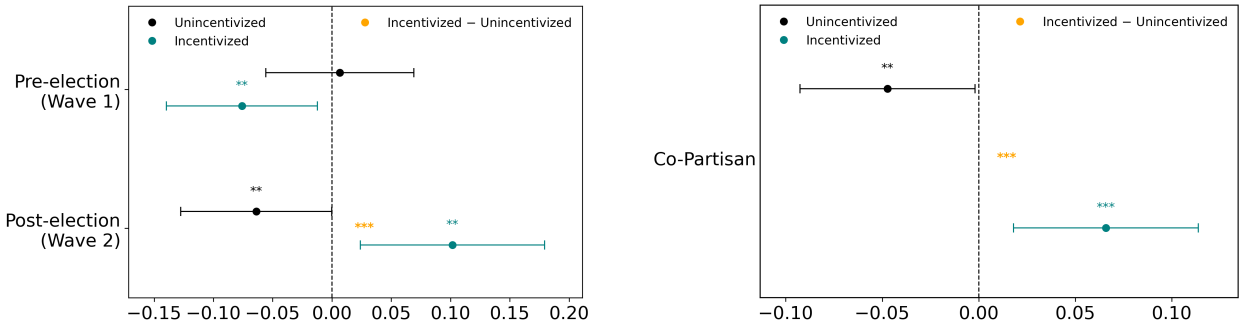
These findings suggest that partisan differences in signal uptake under standard, unincentivized survey designs largely reflect cheap talk rather than genuine differences in information processing. Once accuracy is incentivized, partisan asymmetries in updating vanish: Republicans and Democrats place statistically indistinguishable weight on the FOMC signal. The *Flat* treatment reveals that unincentivized survey environments generate asymmetric updating responses to identical signals – a mechanism consistent with the persistent partisan divergence documented in observational expectations data. Crucially, alignment occurs entirely through a reduction in Democrats' signal use rather than an increase in Republicans', suggesting that cheap talk inflates Democrats' apparent responsiveness to Fed communi-

cations under standard elicitation methods. Having established that incentives eliminate average partisan asymmetries in signal adoption, we turn to examining the sources of residual partisan disagreement in incentivized beliefs.

4.2 Fed Signal Use Varies Across the Political Cycle

Pooling the two waves shows that on average, there is no difference in learning from Fed signals across partisans under incentives. This potentially masks learning effects that are specific to a given party being in power. Given how inflation expectations changed across the political cycle, it is natural to ask whether signal use has also changed. Therefore, we now compare Fed signal adoption by political affiliation separately under a Democrat and a Republic president, respectively.

Splitting waves reveals that under a Democrat president, Fed signal use is not significantly different between Democrats and Republicans with and without incentives. Under a Republican president, the unincentivized sample suggests Republicans to use Fed information relatively less than Democrats, however, this finding *reverses* under incentives. Once expectations are incentivized, Republicans learn relatively more from the Fed signal than Democrats (see Figure 5a and Table A-12). Could it be that it matters which party is in power? Considering central bank independence, it should not. Yet, across the political cycle, individuals whose party is in power learn significantly more from Fed information than those whose party is not in power (see Figure 5b and Table A-12). Interestingly, without incentivizing beliefs, the opposite conclusion would have been drawn (i.e., supporting the party in power leads to lower Fed signal use).



(a) Republicans vs Democrats **(b)** In-Power vs Out-Of-Power Party Supporters

Figure 5: Relative Signal Use

Notes: The left panel of this figure shows the relative signal use of Republicans compared to Democrats when Democrats were in power (Wave 1) and when Republicans were in power (Wave 2). The right panel shows the relative signal use when political affiliation aligns with the party in power across the entire sample. Teal color indicates incentivized treatment group *Both*, black color the unincentivized group *Flat*. Corresponding regressions are shown in Table A-12. Stars: $^{***}p < 0.01$, $^{**}p < 0.05$, $^{*}p < 0.10$.

In addition to highlighting the importance of marginal incentives for identity-based inference in information provision experiments, this suggests that political identity impacts belief formation via signal adoption, extending findings by Wabitsch (2024) who shows that a match in nationality-based identity between central bank messengers and signal receivers results in higher signal adoption.

Which aspects of belief formation does political identity affect to deliver this finding?

Conditional on having received the same signal, how new information is incorporated into beliefs depends on the precision of prior beliefs, and the perceived precision of the signal. Our information intervention design fixes exposure to the signal, the signal value, and the signal source. Therefore, any differences in belief updating can be attributed to prior precision and perceptions of the signal precision – hence, preference- and confidence-driven perceptions about the source of the signal (the FOMC in our case).

4.3 Prior Precision Uniformly Reduces Signal Use

One reason for partisan gaps in updating to identical signals could be differences in the precision of prior beliefs. In a Bayesian framework, more precise priors mechanically receive greater weight and therefore imply attenuated responses to a common signal even absent biased processing. We therefore begin by testing whether measured prior uncertainty differs by party. We proxy prior uncertainty with rounding behavior, which has been used as an indicator of subjective uncertainty and low attention in survey forecasts.[15] We then use incentive timing at the prior elicitation stage to (i) shift prior precision exogenously and (ii) test whether the resulting change in signal use differs by party.

Table 8 summarizes the evidence. Column (1) shows that, across all treatments, party affiliation does not predict the probability of rounding (coef $= -0.010$, SE $= 0.155$, $p = 0.950$). Column (2) shows that, conditional on rounding, party affiliation does not predict the degree of rounding (coef $= 0.067$, SE $= 0.156$, $p = 0.669$), ruling out systematic partisan differences in this precision proxy.

To further show that political affiliation does not impact the response to a shift in prior precision, we exploit a feature in our experimental design that exogenously raises the precision of prior beliefs through incentives. Treatments *Both* and *Post* differ only in whether the prior belief report is incentivized; both arms face identical incentives when reporting post-signal

[15] The intuition is that respondents who are uncertain or exert low effort tend to report focal values (e.g., multiples of 1, 5, or 10), whereas more precise beliefs are reflected in non-focal responses. See, for instance, Binder (2017). We classify a forecast as rounded if it falls on a multiple of 1, 5, or 10 percentage points. For instance, forecasts of 1, 2, or 10 are classified as rounded, while values like 1.5 or 3.2 are not.

beliefs and see the same information. The timing of incentives therefore shifts effort at the prior elicitation stage in isolation, generating exogenous variation in prior precision.

First, columns (3) and (4) validate the experimental manipulation, then columns (5) and (6) show how induced prior precision impact belief updating. Column (3) shows that additionally incentivizing prior elicitation (*Both*) reduces rounding by 13.2 percentage points compared to *Post* (SE = 0.034, $p < 0.001$), consistent with higher prior precision under incentives. Column (4) verifies balance: party affiliation does not predict assignment to *Both* vs. *Post* (coef = -0.050, SE = 0.045, $p = 0.266$).

To show that this manipulation of prior precision affects how common signals are used, column (5) links the higher prior precision to reduced signal use: the sensitivity of updating to the perceived signal gap declines by 0.059 (SE = 0.014, $p < 0.001$). This reduced signal use does not differ across parties (see Column (6)): the triple interaction Both/Post $\times$ PercGap $\times$ Republican is small and statistically indistinguishable from zero (coef = 0.016, SE = 0.028, $p = 0.584$). Thus, prior precision attenuating signal use operates similarly for Democrats and Republicans.

These findings establish three key results. First, prior precision can be shifted experimentally: incentivizing prior elicitation reduces rounding, consistent with greater precision. Second, higher prior precision mechanically reduces signal incorporation, as predicted by Bayesian updating. Third, neither baseline precision (rounding) nor the causal effect of induced precision on signal use differs systematically by party. Together, these results imply that differential prior precision is unlikely to explain partisan gaps in updating. We therefore turn next to heterogeneity in perceived signal precision and credibility.

Table 8: Prior Precision Reduces Signal Use Without Partisan Heterogeneity

	(1) Pr(Rounded)	(2) Rounding Degree	(3) Rounded	(4) Pr(Both vs Post)	(5) Updating	(6) Updating
Panel A. Partisanship, manipulation, and balance						
Republican (vs Democrat)	-0.010	0.067		-0.050		
	(0.155)	(0.156)		(0.045)		
Higher Prior Precision (Both vs Post)			-0.132***			
			(0.034)			
Panel B. Belief updating and partisan heterogeneity						
PercGap					0.957***	0.960***
					(0.007)	(0.009)
Higher Prior Precision					-0.278	-0.213
(Both vs Post)					(0.207)	(0.260)
Both vs Post × PercGap					-0.059***	-0.068***
					(0.014)	(0.020)
Republican × PercGap						-0.006
						(0.015)
Both vs Post × Republican × PercGap						0.016
						(0.028)
Controls	✓	✓	✓	✓	✓	✓
Observations	1,136	882	580	580	580	580

Notes: Column (1) reports logit estimates (robust standard errors) for an indicator equal to 1 if the respondent rounds their prior at all (to at least an integer). Column (2) reports ordered logit estimates (robust standard errors) for the degree of rounding (1, 5, or 10) conditional on rounding. Columns (3)–(4) report OLS estimates with robust standard errors in parentheses. Columns (5)–(6) report Huber regressions with standard errors in parentheses. Columns (3)–(6) restrict the sample to the *Both* and *Post* arms. Column (3) estimates the effect of higher-precision prior elicitation on rounding (a proxy for greater precision). Column (4) tests balance: whether party predicts assignment to *Both* vs. *Post*. Columns (5)–(6) estimate belief updating as a function of the perceived gap between signal and prior (PercGap) and induced prior precision. Column (6) includes the triple interaction to test whether the induced change in signal use differs by party. All specifications include controls for gender, income, age, ethnicity, education, economic sentiment, future financial well-being, and wave fixed effects. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

4.4 Perceived Signal Precision: Optimism and Trust

Since we fix the signal and its source, differences in signal precision should only be due to perceptions. We assess how economic optimism and trust in the Fed impact signal use through perceived signal precision.

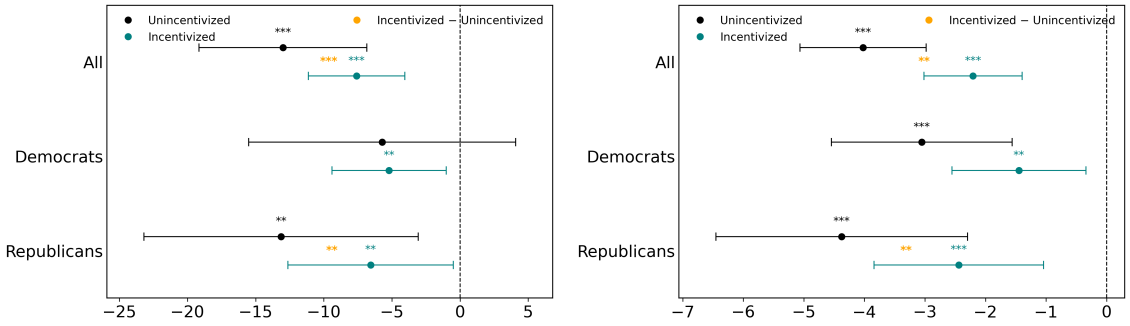
4.4.1 Economic Optimism Impacts Beliefs But Not Belief Updating

Could the remaining partisan differences in belief updating be driven by differences in economic optimism? Existing literature documents that supporters of the party in power hold more optimistic views about future economic conditions (Mian et al. 2023, Coibion et al. 2020), and economic optimism strongly correlates with lower inflation expectations. If optimistic individuals also process new information differently – for instance, by overweighting

signals consistent with their positive outlook – then apparent partisan bias in updating might actually reflect heterogeneity in economic sentiment rather than political motivation per se.

We test this hypothesis by examining whether economic optimism affects belief updating under incentivized elicitation. We measure economic sentiment using self-reported assessments of the near future's state of the U.S. economy. In both survey waves, respondents compare the U.S. economy in one year's time to its current state on a 5-point scale (1 = "Much weaker," 3 = "About the same," 5 = "Much stronger"). We classify respondents with sentiment above 3 as optimistic. Consistent with prior work, reported economic optimism correlates strongly with partisanship: supporting the party in power is associated with a more optimistic outlook. In fact, economic optimism exhibits sharp partisan reversals across the political transition. From Wave 1 (pre-election, September 2024) to Wave 2 (post-inauguration, March 2025), Democrats' economic sentiment falls by approximately 1.6 points while Republicans' rises by approximately 0.9 points (both $p < 0.01$), shown in Table A-2. We further confirm that this pattern holds for within-subject changes, demonstrating that the same individuals' economic assessments flip with the change in political power. This is consistent with Mian et al. (2023) who find supporting the party in power correlates with optimistic views on future economic conditions, and Coibion et al. (2020) who document sharp partisan polarization in expectations about economic outcomes around the 2020 election. Such swings in reported optimism seem important as economic optimism is strongly associated with lower inflation expectations. This raises the question whether optimism, more specifically, the divergence in perceptions of the same macroeconomic environment, also affects how individuals process new information. Existing related literature finds that partisanship shapes reported responses to economic and political news (Farhart and Struby 2025) and that perceived news favorability mediates the link between party identity and inflation expectations (Jeong et al. 2025) – yet all of this evidence relies on unincentivized survey data.

Optimism lowers inflation expectations across parties Figure 6 confirms that economic optimism substantially reduces inflation expectations. Panel A shows this relationship for prior beliefs (before the information intervention), while Panel B shows it persists for posterior beliefs (after receiving the Fed signal). Critically, this relationship holds under incentivized elicitation (teal coefficients), despite falling in strength, indicating that optimism reflects genuine differences in economic outlook rather than cheap talk. The effect is statistically significant and quantitatively similar across Democrats and Republicans.



(a) Prior Beliefs **(b)** Posterior Beliefs

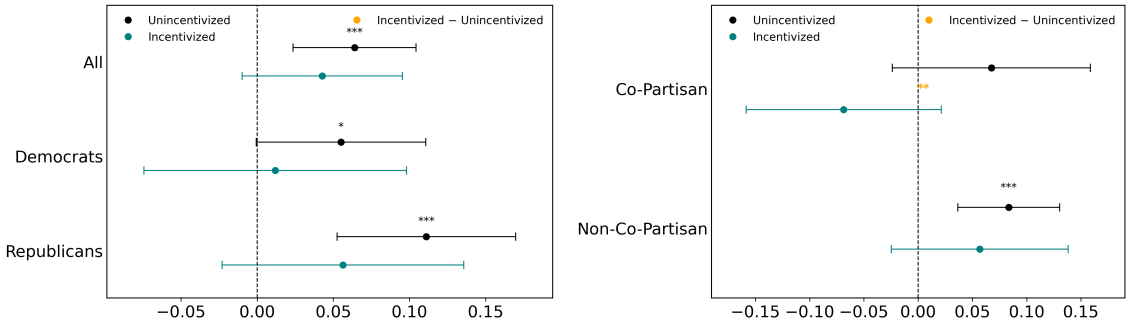
Figure 6: Economic Optimism Lowers Inflation Expectations Across Treatments

Notes: Panels show OLS coefficients (with robust standard errors) from regressions of inflation forecasts on an indicator for economic optimism. Panel (a) reports priors (before the information intervention); Panel (b) reports posteriors (after receiving the Fed signal).*Optimistic* is an indicator variable equal to 1 if a respondent reports positive economic sentiment (> 3). Estimates in incentivized treatments are shown in teal (*Prior* and *Both*); unincentivized treatments in black (*Flat* and *Post*); and orange points show the incentivized-minus-unincentivized difference. All specifications include wave fixed effects and the standard controls, excluding the optimism measure itself. 95% confidence intervals shown. Full regression results in Appendix Table A-13.

Optimism does not affect signal use under incentives The key question is whether optimism not only shifts belief levels but also biases how individuals incorporate new information. Figure 7 shows that without incentives (black coefficients), optimistic respondents use the Fed's signal significantly more than pessimistic respondents, consistent with economic sentiment influencing unincentivized information processing. However, once beliefs are incentivized (teal coefficients), this effect disappears entirely and becomes statistically indistinguishable from zero.

This pattern holds uniformly across political affiliations. Panel A shows the main effect of optimism on signal use across all respondents. Panel B demonstrates that under incentives, optimism does not differentially affect signal use regardless of whether individuals support the party in power or the out-of-power party. The apparent heterogeneity in unincentivized beliefs – where optimism of out-of-power supporters raise signal use while this is not the case for in-power supporters – disappears entirely once accuracy incentives are introduced.

Interpretation: Optimism shifts priors but does not bias Bayesian updating These findings establish that economic optimism operates through two distinct channels. First, optimism significantly lowers inflation expectations at the prior stage – optimistic individuals enter the survey with substantially lower inflation forecasts than pessimistic individuals, and this difference persists even under incentivized elicitation. This suggests that optimism reflects genuine heterogeneity in economic outlook, possibly driven by differential news consumption.



(a) Optimism and Signal Use **(b)** By Party Support

Figure 7: Incentives Eliminate the Effect of Optimism on Belief Updating

Notes: The left panel of this figure shows the relative signal use of optimists by political affiliation, where optimists report positive economic sentiment (> 3). The right panel shows the relative signal use of optimists by support for the the party in power across the entire sample. Teal bars show incentivized treatments (*Prior* and *Both*); black bars show unincentivized treatments (*Flat* and *Post*). Full regression results in Appendix Table A-14. Standard controls included, except for economic sentiment. 95% confidence intervals shown.

Second, and more importantly, optimism does not systematically bias how individuals process new information once incentives are introduced. While unincentivized beliefs show patterns consistent with optimistic individuals being more receptive to the Fed's positive signal, these patterns vanish entirely under accuracy incentives. This indicates that the apparent "optimism bias" in information processing reflects noisy or strategic reporting rather than fundamental differences in how optimistic versus pessimistic individuals weigh evidence.

The distinction between belief levels and belief updating is conceptually important. If optimism biased Bayesian updating, we would expect optimists to systematically overweight signals consistent with their positive outlook, leading to divergent learning trajectories and persistent polarization. Instead, we find that optimists and pessimists follow the same updating rules once incentives align reporting with beliefs. Optimists or pessimists alike are not biased information processors – they simply start with different priors that reflect their genuinely more positive or negative economic assessment.

This interpretation also reconciles why optimism continues to predict lower inflation expectations even under incentives (Figure 6) while not affecting updating (Figure 7). Economic sentiment and inflation expectations are both forward-looking beliefs about economic conditions, so their correlation represents a coherent worldview rather than a processing bias. An optimistic person who believes the economy is improving has good reason to forecast lower inflation, independent of any particular signal. What matters for debiasing is that optimism does not distort how they incorporate news – and under incentives, it does not.

4.4.2 Incentives Eliminate Trust-Based Bias in Fed Signal Use

Beyond economic optimism, institutional trust represents another potential channel through which partisanship could affect perceived signal precision in information processing. Recent work shows that trust in the Federal Reserve is politically polarized (Kuang et al. 2024, Binder et al. 2025a, Ehrmann 2025), and that perceived institutional credibility affects how individuals weight identical signals (Wabitsch 2024). If Democrats and Republicans assign different credibility to Fed communications, this could generate partisan gaps in updating to identical information even under incentives – not because of motivated reasoning per se, but because they genuinely believe the signal has different precision.

We test whether this is the case using measures of institutional trust collected in Wave 2.[16] We construct standardized trust indices from five-item batteries measuring perceived Federal Reserve knowledge, competence, effectiveness, communication clarity, and public interest alignment.[17] We plot distributions of this composite measure in the left panel of Figure 8. Our data reveal large partisan differences in institutional trust (see Figure 8). In our sample, Democrats report higher trust in the Federal Reserve, consistent with other surveys conducted during the period of Wave 2 (e.g., Binder et al. 2025a, Kiley and Cerda 2025). 43.1% of Democrats report trust in the Fed that is below our sample's mean, compared to 49.8% of Republicans.[18] To put partisan differences in Fed trust into perspective, we compare it to a similar credibility measure for the concurrent federal government (right panel of Figure 8), for which we find that unsurprisingly, Republicans report greater trust, and more generally, that these partisan gaps are larger for the federal government than for the Fed. 68.0% of Democrats report trust in the government that is below our sample's mean, compared to only 36.3% of Republicans.

Trust amplifies signal use, but only when incentives are lacking Figure 9 shows that institutional trust significantly amplifies signal adoption in unincentivized beliefs but becomes statistically insignificant once incentives are introduced. Without incentives (black markers), a one standard deviation increase in Fed trust is associated with 3.3 percentage

[16] Trust was not elicited in Wave 1, limiting our analysis to post-inauguration data when Republicans support the party in power. This timing means we cannot fully separate trust from identity alignment with the administration.

[17] Specifically, the five questions covered: (1) self-reported knowledge (i.e., "How much do you know about the Federal Reserve?"), (2) confidence in competence, (3) perceived effectiveness in achieving core objectives (i.e., "How well is the Fed doing at fighting inflation?" and "How well is the federal government responding to crises?"), (4) clarity of communication, and (5) alignment with the public interest. Responses were collected on a five-point Likert scale with endpoints (1) "Strongly disagree" and (5) "Strongly agree," and a midpoint (3) indicating neutrality. Figure A-26 shows the interface of the full survey, and Appendix A1.1.4 provides more details on the credibility measure.

[18] We include Independents here who report the lowest trust in the Fed (55.7% are below the sample mean).

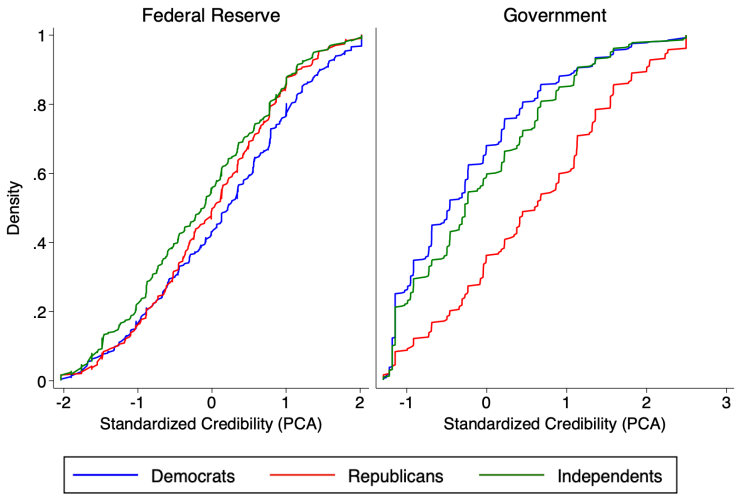


Figure 8: Institutional Trust by Political Affiliation

Notes: The figure plots cumulative distribution functions of standardized institutional trust indices for the Federal Reserve (left panel) and the federal government (right panel). Indices are constructed using principal component analysis of five-item batteries and standardized (mean = 0, SD = 1) across respondents with identified political affiliation. Distributions are shown separately for Democrats (blue), Republicans (red), and Independents (green), using only Wave 2 survey data.

points greater signal uptake in the full sample. This effect is entirely driven by Democrats (coefficient = 0.036, $p < 0.003$), the out-of-power party supporters who still exhibit higher baseline trust in the Fed. For Republicans, the in-power supporters with lower baseline Fed trust, trust does not seem to amplify Fed signal use even without incentives (coefficient = -0.078, $p = 0.116$).

Critically, under incentivized elicitation (teal markers), trust ceases to predict signal adoption for all groups. The interaction coefficients become statistically indistinguishable from zero for Democrats ($p = 0.714$), Republicans ($p = 0.317$), and the pooled sample ($p = 0.105$). Table A-15 presents the corresponding regressions.

Interpretation: Incentives override trust-based information processing These findings establish that partisan differences in institutional trust translate into differential information processing, but only when accuracy incentives are absent. In unincentivized settings, Democrats who trust the Fed more heavily weight its signals, consistent with trust operating through perceived signal precision. The absence of this relationship for Republicans suggests heterogeneity in how trust affects updating, possibly because in-power party supporters already find Fed signals credible regardless of their individual trust levels.

More importantly, incentives shut down trust moderating signal use entirely. This indicates that institutional trust does not fundamentally change how individuals process information from the Fed as long as beliefs are incentivized.

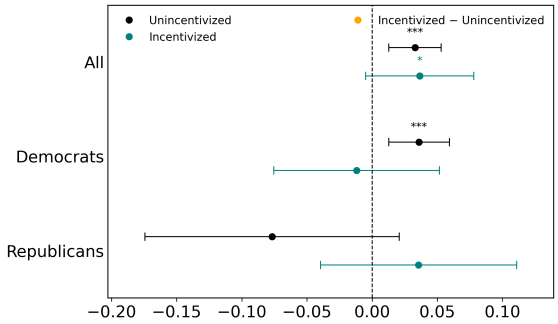


Figure 9: Trust in Fed Shapes Information Use

Notes: The figure shows how trust moderates signal use by political affiliation, where trust is a standardized index (mean = 0, SD = 1) across Democrats and Republicans constructed from principal component analysis of five survey items measuring trust in the Federal Reserve. Teal bars show incentivized treatments (*Prior* and *Both*); black bars show unincentivized treatments (*Flat* and *Post*). Full regression results in Appendix Table A-15. Coefficients are based on robust regressions using Huber/biweight M-estimation. 95% confidence intervals shown. The sample is restricted to Wave 2. Stars: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Three caveats warrant emphasis. First, trust is measured post-treatment, creating potential endogeneity (individuals could report trust that rationalizes their prior signal use, which may occur more under incentives). Second, we only observe trust in Wave 2 when Republicans support the in-power party, which means we do not observe trust across the political cycle. Third, we only indirectly measure perceived signal precision through signal use. Future research with exogenous trust manipulations and direct precision elicitation would strengthen causal interpretation.

4.5 Discussion: How Political Identity Affects Belief Formation

Taken together, what can we say about how political identity influences belief formation when individuals are presented with identical information from a common source? Our information provision interventions highlight that partisan gaps in Fed signal use are largely an artifact of unincentivized settings, in which reported beliefs may reflect cheap talk or identity-driven responses rather than genuine information processing. Once even marginal incentives for accuracy are introduced to prior and posterior beliefs, average signal use becomes statistically identical across Democrats and Republicans, indicating equal capacity to process Fed communications.

However, this average convergence masks important heterogeneity. We document that supporters of the party in power weight Fed signals more heavily than out-of-power supporters under incentivized elicitation – a pattern that is concentrated among individuals who are not optimistic about the near-term economy. This heterogeneous updating helps explain the residual partisan polarization that persists even after incentives compress roughly two-thirds

of the distributional distance between Democrats and Republicans.

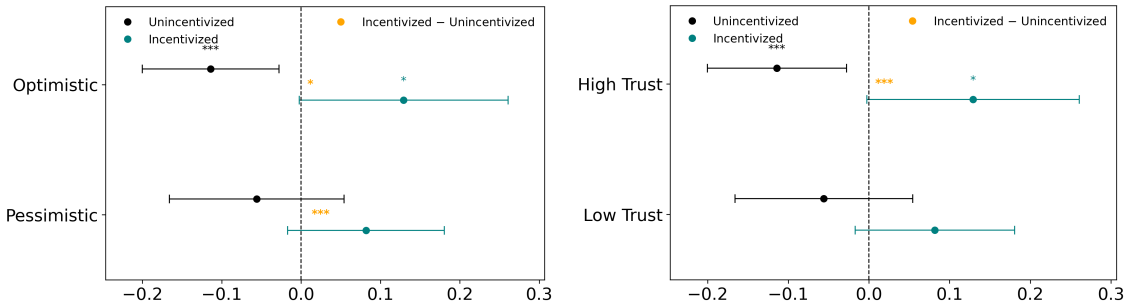
We interpret these findings through a standard belief formation framework in which reported expectations depend on (i) prior beliefs, (ii) the realization of new information, and (iii) the relative weights assigned to priors and signals, governed by their perceived precision. Our experimental design holds fixed both the signal value and its source, allowing us to isolate how political identity interacts with the remaining components of belief formation.

Several candidate mechanisms for the in-power/out-of-power asymmetry in signal use can be evaluated. First, while the distribution of prior beliefs differs systematically across political identities, we show that prior precision does not. Using randomized variation in the timing of incentives, we find that exogenously increasing prior precision lowers signal use in line with Bayesian updating, but does so uniformly across political parties. Differences in subjective confidence about prior beliefs therefore cannot account for the in-power advantage in signal adoption.

Second, economic optimism does not directly affect average signal use under incentives. Although optimism is strongly correlated with the level of inflation expectations and shapes unincentivized responses to favorable signals, it does not systematically moderate average signal use once expectations are incentivized. However, optimism powerfully moderates the in-power effect documented in Section 4.2: Figure 10a shows that the elevated signal use among in-power supporters is concentrated entirely among non-optimists (blue bars, left side). Among non-optimists, in-power supporters weight Fed signals significantly more than out-of-power supporters. By contrast, optimistic in-power party supporters show no significant difference in signal use compared to optimistic out-of-power supporters (blue bars, right side). This concentration of the in-power effect among non-optimists indicates that negative economic sentiment amplifies partisan-driven differences in information processing.

While this depicts correlation rather than causality, this highlights the importance of differential news exposure (Nimark and Sundaresan 2019, Binder et al. 2025b). Partisan media narratives fostering economic pessimism among supporters of the out-of-power party impact how Fed signals are processed, raising polarization and hampering the central bank in aligning expectations.

Third, institutional trust varies sharply by political identity. Post-inauguration, we find that Democrats report higher trust in the Federal Reserve, while Republicans report greater trust in the federal government, with partisan gaps substantially larger for the latter. Higher trust in the Fed is associated with greater signal use in unincentivized settings. However, this relationship disappears entirely under incentives, indicating that trust-based bias in average signal use reflects noisy reporting rather than fundamental differences in informa-



(a) Sample Split By Economic Optimism **(b)** Sample Split By Fed Trust

Figure 10: Relative Signal Use Of In-Power vs Out-Of-Power Party Supporters

Notes: The figure shows interaction coefficients from robust regressions (Huber/biweight M-estimation) of belief updating on (PercGap × Identity Matched), where Identity Matched equals 1 if the respondent supports the party in power. Left: sample is split by economic optimism (economic sentiment > 3 vs. ≤ 3); Panel B splits by Fed trust (standardized index above vs. below sample mean, constructed from principal component analysis of five survey items). Black bars show unincentivized treatments (*Flat* and *Post*); blue bars show incentivized treatments (*Prior* and *Both*). Standard set of demographic and attitudinal controls included. Left panel uses data from both waves; right panel is limited to Wave 2 data when trust measures are available. Full regression specifications in Appendix Table A-16. 95% confidence intervals shown. Stars: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

tion processing. Nevertheless, trust moderates the in-power effect documented in Section Section 4.2: Figure 10b shows that among individuals with composite Fed credibility above the sample mean, the in-power advantage in signal use replicates clearly under incentives (blue bars, left side). For individuals reporting below-average trust, the pattern is directionally similar but noisier (blue bars, right side), likely explained by the smaller sample size (only approximately 15% of respondents fall into the low-trust category). Together with the optimism findings, this suggests that the in-power effect in belief updating operates most strongly among individuals anchored on negative economic assessments, whether measured through self-reported sentiment or lower institutional confidence.

Taken together, these results imply that political identity affects belief formation primarily through its interaction with economic sentiment, rather than through structural differences in subjective uncertainty or perceived signal quality. Average signal processing capacity is identical across political groups once expressive motives are disciplined by incentives. However, whether one's party currently holds political power amplifies information weighting among individuals with negative economic outlooks, generating asymmetric updating that persists even under accuracy incentives.

4.5.1 Evidence from the SCE: Optimism Moderates Polarization

To assess the external validity of our experimental finding that complete distributional convergence under incentives occurs primarily among economic optimists, we replicate the same

core prediction in public microdata from the New York Fed's Survey of Consumer Expectations (SCE).The SCE collects household inflation expectations in a large-scale, nationally-representative rotating panel. We restrict our focus to SCE responses collected from September 2024 onward, which overlaps with both Wave 1 (September 2024, pre-election) and Wave 2 (March 2025, post-inauguration) of our experiment, ensuring temporal comparability between the observational and experimental evidence. To make use of this data, we must establish observational analogs for marginal incentives, measurement of economic optimism, and political identity available in our experimental data.

We study the SCE's one-year-ahead inflation expectation. Our objective is to assess whether partisan-driven distributional divergence arises in the SCE and whether its magnitude varies with optimism and survey experience. To parallel the paper's two distributional objects, we consider (i) signed inflation expectations, π^e, and (ii) their absolute values, $|\pi^e|$. We winsorize within year-month combinations at the 5% level to reduce sensitivity to extreme outliers, consistent with the paper's treatment of the experimental data. We then compare the full *distributions* of expectations between respondents in Republican- versus Democrat-leaning states, partitioning by (a) experience level and (b) optimism using Wasserstein distance tests.

Experience as an analog for marginal incentives:
Kim and Binder (2023) show that repeated participation in the SCE systematically alters inflation expectations and reduces uncertainty, consistent with learning-through-survey effects. Related evidence in Drobot et al. (2025a,b) indicates that survey experience generates patterns similar to those induced by marginal incentives, while McMahon et al. (2026) document that experience significantly reduces satisficing behavior in survey responses, consistent with the effects of marginal incentives in Drobot et al. (2025a).

Taken together, this evidence indicates that learning-through-survey effects in the SCE operate through channels similar to marginal incentives in our experimental setting: repeated participation reduces response noise and inattentive reporting, consistent with greater engagement and information processing. Both experience and marginal incentives reduce upward bias in expectations, lower forecast uncertainty, and decrease the likelihood of satisficing.

Motivated by this evidence, we exploit the panel structure of the SCE and use survey experience as an observational analog to the marginal incentives employed in our experiment. We classify SCE panelists as *inexperienced* if they have participated in four or fewer interviews and as *experienced* if they have participated in five or more interviews.

State-level presidential voting data as an analog for political identity:
Because the SCE microdata does not explicitly encode partisanship at the individual-level,

we proxy a respondent's political identity using state-level political leaning in presidential elections. Specifically, we construct for each state the Republican two-party vote share in the *most recent prior presidential election* and define

$$republican\_state_s \equiv \mathbb{I}\{republican\_share_s > 0.5\},$$

where $republican\_share_s$ is the proportion of Republican votes in the total share of Democratic and Republican votes in state s. For each SCE month, we map respondents to the most recent available presidential-election baseline, and merge the corresponding $republican\_share_s$ onto the SCE using the respondent's state of residence.

A potential concern with state-level proxies is time-variation in political identity for "swing" states. To strengthen interpretability, we restrict the sample to states whose presidential-election outcomes (party winner) were stable over 2012–2024.[19] The remaining states provide a conservative but cleaner proxy for partisan identity.

Composite proxy for economic optimism:
Because the SCE does not contain a direct analog of our Likert-type economic optimism measure, we must construct a reasonably comparable measure of optimism from available questions in the SCE. To do this, we define an "optimism" indicator using two forward-looking SCE measures and classify respondents as optimistic only if both signals point in an "optimistic" direction. First, we define financial optimism as reporting that the household's financial situation one year ahead will be strictly better than at present, excluding the neutral midpoint. Second, we define a complementary outlook proxy based on the respondent's probabilistic belief about the likelihood that inflation one year ahead will be higher than at present. We define as optimistic any individual who thinks it is less likely that inflation will increase than remain constant or decrease. We then define our optimistic indicator as the intersection of these two indicators.

Given these assumptions, we do two things. First, we compute the EMD between red-state and blue-state expectation distributions within each experience–optimism cell. Second, we define a convergence statistic $\Delta\text{EMD} = \text{EMD}_{\text{inexperienced}} - \text{EMD}_{\text{experienced}}$, where positive values indicate that survey experience narrows the partisan distributional gap. To assess statistical significance, we conduct permutation tests under the null hypothesis that (1) distributions of inflation expectations are not significantly different across political identities for each experience–optimisim cell and (2) that tenure assignment is exchangeable. We thus either randomly permute political identity or tenure assignment 10,000 times to generate the

[19] In our implementation, we exclude AZ, FL, GA, IA, MI, NV, OH, PA, and WI, which changed party winner at least once over this period. Results are qualitatively similar under alternative stability definitions, such as excluding only states that changed party winner between 2020 and 2024.

sampling distribution of EMD or ΔEMD.

Results:

Table 9 reports the distributional comparisons. Among optimists, experience produces large and highly significant convergence. For level expectations, the red–blue EMD falls from 2.709 ($p < .01$) among inexperienced, optimistic panelists to 0.756 ($p > .1$) among experienced, optimistic ones, a 72% reduction ($\Delta\text{EMD} = 1.953$, $p < 0.001$). For absolute expectations, the convergence is even more striking: the EMD drops from 2.517 ($p < .01$) to 0.319 ($p > .1$), an 87% reduction ($\Delta\text{EMD} = 2.198$, $p < 0.001$). Experienced optimists in red and blue states hold inflation expectation distributions that are nearly indistinguishable.

Among pessimists, by contrast, experience produces no meaningful convergence. For level expectations, the partisan gap is essentially unchanged between inexperienced and experienced panelists (EMD of 1.510 ($p < .01$) versus 1.591 ($p < .01$); $\Delta\text{EMD} = -0.081$, $p = 0.573$). For absolute expectations, the gap narrows modestly (1.453 ($p < .01$) to 1.161 ($p < .01$)) but the reduction is not statistically significant ($\Delta\text{EMD} = 0.291$, $p = 0.258$). The partisan distributional divide among pessimists persists regardless of how long they have participated in the survey.

These results parallel the experimental findings closely, where introducing marginal incentives moderate the role optimism in belief formation. In the SCE, survey experience plays the same role: it drastically reduces the partisan gap among optimists while leaving pessimists' distributions unaffected. The qualitative pattern matches the experimental evidence closely. Among inexperienced respondents, optimists exhibit larger partisan gaps than pessimists. With experience, however, these gaps collapse among optimists and become economically small, while pessimists' gaps remain essentially unchanged. The fact that initial polarization is stronger among optimists but disappears with experience (and marginal incentives) is difficult to reconcile with a purely pessimism-driven account of partisan divergence. Instead, it suggests that polarization among optimists is less robust than among pessimists.

That two distinct disciplining mechanisms – randomized monetary incentives in a controlled experiment and experience in a nationally representative panel – produce the same asymmetric convergence strengthens the interpretation that economic optimism is a fundamental moderator of partisan polarization in inflation expectations, rather than an artifact of any particular elicitation design.

Table 9: Experience-Driven Convergence in Partisan Inflation Expectations

	Optimists			Pessimists		
	Inexper.	Exper.	Δ	Inexper.	Exper.	Δ
Panel A: Expected Inflation ($\mathbb{E}[\pi_t]$)						
Wasserstein Distance	2.709	0.756	1.953	1.510	1.591	−0.081
Permutation Test (p-value)	(.001)***	(.399)	(.000)***	(.002)***	(.000)***	(.573)
Observations (Dem./Rep.)	341/405	453/585		1,037/972	1,720/1,683	
Panel B: Absolute Expected Inflation ($\lvert\mathbb{E}[\pi]\rvert$)						
Wasserstein Distance	2.517	0.319	2.198	1.453	1.161	0.291
Permutation Test (p-value)	(.000)***	(.773)	(.000)***	(.000)***	(.000)***	(.258)
Observations (Dem./Rep.)	341/405	453/585		1,037/972	1,720/1,683	

Notes: The table reports 1-Wasserstein distances (Earth Mover's Distance) between blue-state and red-state belief distributions among inexperienced (four or fewer interviews) and experienced (five or more interviews) SCE panelists. State partisanship is defined by GOP two-party presidential vote share exceeding 50%. The "Inexper." and "Exper." columns report EMD levels and p-values testing the null that the red–blue distributional gap equals zero; the "Δ" column reports the convergence statistic $\Delta\text{EMD} = \text{EMD}_{\text{inexperienced}} - \text{EMD}_{\text{experienced}}$ and its p-value from a separate permutation test of the null that tenure assignment is exchangeable. Positive Δ indicates that experience narrows the partisan gap. All permutation tests use 10,000 draws. "Optimists" are respondents classified as economically optimistic on both financial and inflation outlook measures; "Pessimists" are the complement. Observations report blue-state/red-state counts in each cell. Data are winsorized at the 5th and 95th percentiles within month. Stars: *** p<0.01, ** p<0.05, * p<0.10.

5 Conclusion

This paper investigates whether the well-documented partisan gap in household inflation expectations reflects genuine differences in beliefs or costless expressive reporting. Using a two-wave experiment spanning the 2024 U.S. presidential election, we randomly assign flat-fee or marginal incentives within an otherwise standard macroeconomic survey and study how these incentives interact with political identity across a major shift in political power.

Our core finding is that marginal incentives reduce the Democrat–Republican distributional gap in inflation expectations by approximately 70%, as measured by an Earth Mover's Distance (EMD) test. This reduction is robust across both waves, survives a battery of controls, and is confirmed by nonparametric permutation tests. Several complementary results reinforce the interpretation that a substantial share of observed partisan forecast disagreement reflects expressive responding rather than deeply held belief differences.

First, the sensitivity of reported inflation expectations to incentives is sharply asymmetric across the political cycle. In each wave, treatment effects are largest for the out-of-power party (i.e. non co-partisan) and reverse cleanly with the change in administration. This pattern is difficult to reconcile with accounts based solely on differential information access or fixed ideological priors. Second, incentives substantially improve the stability of expectations across the political transition. Among panelists observed in both waves, marginal incentives reduce the partisan gap in inter-wave forecast revisions by roughly 90%, as measured by the

EMD between out-party and in-party revision distributions. Third, what appears in unincentivized data as partisan asymmetry in the processing of Federal Reserve communications – with Republicans discounting identical FOMC signals relative to Democrats – disappears entirely once expectations are incentivized. Average signal use becomes statistically indistinguishable across political groups under incentives, suggesting that the capacity to process central bank information does not vary with partisanship.

At the same time, incentives do not generate full convergence. A residual partisan gap persists even under accuracy-based payments, and our analysis points to several factors associated with this remaining disagreement. We find that co-partisanship leads to greater uptake of Fed signals, but the effect is asymmetric and primarily concentrated among individuals who are not optimistic about the near-term economy. Distributional analysis reveals that complete convergence under incentives occurs among economic optimists, whose partisan gaps become statistically indistinguishable from zero, while pessimists retain significant residual polarization. This pattern is corroborated in publicly available microdata from the New York Fed's Survey of Consumer Expectations where survey experience, which we treat as an observational analog to marginal incentives, produces the same asymmetric convergence: large reductions in partisan distributional gaps among optimists, with little change among pessimists.

We also examine two other candidate mechanisms for residual disagreement. Prior precision – the subjective certainty with which respondents hold their initial beliefs – reduces signal uptake in a manner consistent with standard Bayesian updating, but this effect operates identically across political identities, ruling out differential confidence as an explanation for partisan gaps in information processing. Institutional trust in the Federal Reserve, which varies sharply by political affiliation, is associated with greater signal use in unincentivized settings, but this relationship disappears under incentives. These findings suggest that neither differential prior certainty nor trust-based signal discounting can account for the partisan heterogeneity in belief formation that persists under accuracy incentives. Instead, the residual gap appears most closely linked to the interaction of political identity with economic sentiment.

Several important caveats bear emphasis. Our experiment identifies the effect of incentives on *reported* expectations; we cannot directly observe whether the beliefs underlying economic decisions shift accordingly. However, Drobot et al. (2025a,b) demonstrate that the marginal incentives used within our study produce inflation expectations and spending decision more strongly aligned with Euler equation logic, more internal consistency between prior and posterior expectations, less satisficing, and seemingly more effort when providing belief data. The experimental sample is drawn from Prolific and, while broadly comparable to the SCE

on key demographics, is not nationally representative. Trust and several attitudinal measures exist only in Wave 2, limiting our ability to study how these factors evolve across the political cycle. And while we interpret the residual partisan gap as consistent with motivated reasoning, our design establishes that this gap is *associated with* economic pessimism and political identity rather than demonstrating a specific causal mechanism through which motivated beliefs are formed.

These findings carry implications for both measurement and policy. Survey-based measures of inflation expectations are widely used to assess monetary policy credibility, calibrate macroeconomic models, and guide central bank communication. Our results indicate that conventional unincentivized surveys may substantially overstate the degree of political polarization in household beliefs. Restructuring incentives could discipline partisan reporting and yield measures that are more anchored and more closely aligned with professional forecasts. For central banks, this suggests that the apparent partisan resistance to institutional communication may be partly an artifact of how beliefs are elicited, rather than a fundamental obstacle to effective communication. At the same time, the residual gap that survives incentives, particularly among economic pessimists, underscores that some fraction of partisan divergence reflects deeper cognitive or affective processes that incentive redesign alone cannot, nor should, address.

Our results open several avenues for future research. A first question concerns the persistence of incentive effects: does confronting respondents with accuracy-based payments in one survey wave moderate partisan bias in subsequent responses, even without continued incentivization? This is akin to the cumulative, long-lived effect of experience in the SCE survey. If so, this would suggest that incentives do not merely suppress expressive reporting in the moment but may shift how individuals approach belief reporting more broadly. A second avenue is to investigate the optimal structure and magnitude of incentives. While even modest payments produce large reductions in partisan divergence, it remains unclear whether larger stakes, alternative scoring rules, or non-monetary incentives (such as reputational mechanisms) could further compress or fully eliminate the residual gap. This connects to a broader literature on the relationship between incentive magnitude and effort provision (Gneezy and Rustichini 2000). Third, extending similar designs to other politically salient domains, like expectations about climate change, fiscal policy, housing dynamics, etc., would clarify whether the cheap talk phenomenon documented here is specific to inflation or reflects a more general feature of how partisan identity interacts with survey-based belief elicitation. Fourth, the finding that economic pessimism anchors individuals to partisan frames, even under incentives, raises questions about the role of media environments and news consumption patterns in shaping beliefs that prove most resistant to debiasing. Combining incentivized

survey designs with exogenous variation in information environments could help disentangle the contributions of news selection, affective polarization, and motivated reasoning to the formation of persistent partisan priors.

Taken together, our findings suggest that partisan polarization in survey-based inflation expectations is neither as deep nor as immutable as standard surveys imply. A substantial majority of the observed gap reflects expressive reporting that is readily disciplined by small accuracy-based payments. The residual disagreement, while meaningful, is concentrated in identifiable subgroups and appears linked to economic sentiment rather than to immutable partisan identity. These results offer both a methodological corrective for researchers and policymakers who rely on survey expectations and a more nuanced picture of how political identity shapes – and does not shape – household beliefs about the macroeconomy.

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Appendix

A1 Data and Variable Descriptions

Our random sample reflects key demographics of participants in the NY Fed's SCE fairly well (see Table A-1).

Table A-1: Sample Comparisons: Across Groups and SCE

	Flat	Prior	Posterior	Both	Full Sample	SCE Sample
Age						
Under 30	18.8	17.2	17.6	14.4	17.0	11.7
30-39	26.8	26.0	28.4	26.8	27.0	19.0
40-49	25.2	24.0	26.8	24.0	25.0	18.8
50-59	15.2	18.8	14.4	18.0	16.6	20.6
60 or over	14.0	14.0	12.8	16.8	14.4	29.9
Gender						
Female	54.8	65.2	50.8	63.6	58.6	48.1
Male	44.8	34.8	49.2	36.0	41.2	51.9
Prefer not to say	0.4			0.4	0.2	
Income						
Less than $50,000	48.8	43.6	39.2	38.4	42.5	42.8
$50,000-$99,999	30.0	34.0	36.4	39.6	35.0	34.5
$100,000 or more	21.2	22.4	24.4	22.0	22.5	22.7
Race/Ethnicity						
Asian	6.0	7.2	7.6	8.0	7.2	3.5
Black	14.4	13.6	6.4	14.0	12.1	10.4
White	73.2	69.6	73.6	70.8	71.8	81.8
Other	6.4	9.6	12.4	7.2	8.9	4.4

Notes: Each value in the table represents the percentage of the sample belonging to the corresponding category. Survey of Consumer Expectations (SCE) sample values are taken from Armantier et al. (2017).

A1.1 Details of Additional Variables

A1.1.1 Economic Sentiment

Panel A in Table A-2 reports mean economic sentiment by political identity in each wave, along with the average within-subject change for respondents observed in both waves ($n = 517$). Before the election (Wave 1), Democrats reported the highest sentiment (3.15), while Republicans reported the lowest (2.87). After the election (Wave 2), this ranking reverses: Republicans reported the highest sentiment (3.53) and Democrats the lowest (1.74). Within-subject changes reinforce this partisan asymmetry: Democrats' sentiment fell sharply by

about 1.6 points, Republicans' rose by about 0.8 points, and Independents' declined moderately by 0.5 points. All three changes are statistically different from zero ($p < 0.01$).

Table A-2: Economic Sentiment

Panel A: Cross-Sectional Means and Within-Subject Changes				
Political Identity	**Sentiment W1**	**Sentiment W2**	**Δ (W2−W1)**	**N (panel)**
Democrat	3.27	1.76	-1.57^{***}	214
Republican	2.87	3.55	0.89^{***}	110
Independent	2.91	2.34	-0.60^{***}	193
Total panel N				517

Panel B: Pairwise Differences in Within-Subject Change (Δ) by Party				
Comparison	**Diff. in means**	***t*-stat**	***p*-value**	**N (pair)**
Democrat − Republican	−2.46	−15.61	< 0.001	324
Democrat − Independent	−.96	−6.86	< 0.001	407
Republican − Independent	1.49	8.10	< 0.001	301

Notes: Economic sentiment is a five-point Likert scale (3 = "no change"). Wave 1 precedes the 2024 election; Wave 2 follows the 2025 inauguration. Δ is the within-subject change (W2−W1) for panelists only; stars on Δ denote one-sample t-tests against 0: $^{***}p < 0.01$. Panel B reports two-sample t-tests with equal variances for differences in Δ across parties (Diff. = $\text{mean}_i - \text{mean}_j$) with pair-wise sample sizes shown. All p-values in Panel B are two-sided.

Panel B of Table A-2 tests differences in these changes across groups. Democrats' decline is significantly larger than that of either Republicans or Independents, while Republicans' increase is significantly larger than Independents' change. These results indicate substantial partisan divergence in how respondents interpreted the same macroeconomic environment.

A1.1.2 Financial Well-Being

We also elicit *retrospective* (past) and *prospective* (expected) financial well-being in each wave, using the same five-point scale. The past measure is backward-looking and should respond only gradually to political developments, whereas the future measure is forward-looking and thus more susceptible to motivated reasoning.

Table A-3 summarizes both cross-sectional means and within-subject changes. Columns 1–4 show cross-sectional means by wave, while columns 5–6 show average within-subject changes for panelists. Before the election, Democrats reported the most optimistic outlook; after the election, Republicans became the most optimistic while Democrats fell sharply. Panel results confirm this: Democrats' financial well-being declined in both past and future assessments, Republicans' increased on both dimensions, and Independents show no significant change in backward looking financial well-being but are slightly more pessimistic about future financial prospects following the president's inauguration.

These patterns indicate substantial partisan divergence in perceptions of personal finances, with even retrospective assessments shifting in ways consistent with motivated reasoning. This echoes findings in McMahon and Rholes (2023) that recent developments disproportionately can shape perceptions, even when longer-term trends suggest stability.

Table A-3: Financial Well-being by Political Identity and Survey Wave

Political Identity	Past W1	Future W1	Past W2	Future W2	Δ Past	Δ Future
Democrat	2.85	3.46	2.69	2.72	-0.30^{***}	-0.73^{***}
Republican	2.39	3.12	3.05	3.65	0.55^{***}	0.59^{***}
Independent	2.55	3.20	2.72	2.99	0.078	-0.22^{**}
Panel N (W1 & W2)			Dem = 214,	Rep = 110,	Ind = 193,	Total = 517

Notes: Financial well-being is measured on a five-point Likert scale (higher = better). Within-subject changes (Δ) are significantly different from zero at the 1% level for Democrats and Republicans, but not for Independents. All pairwise cross-party comparisons of Δ are statistically significant at the 1% level.

A1.1.3 Cognitive Ability (IQ): Ravens Progressive Matrices

We include an incentivized ($0.50 per correct answer) three-question Raven's Progressive Matrices test. This provides a simple, scalable, and relatively culture-neutral proxy for fluid intelligence. We refer to this measure as IQ, which ranges from 0 to 3.

Table A-4: Raven's Matrices Performance by Political Identity (IQ)

Panel A: Group Means			
Political Identity	**Mean**	**Std. Dev.**	**N**
Democrat	1.22	0.73	413
Republican	1.03	0.70	238
Independent	1.17	0.72	366
Total	1.15	0.72	1,017
Panel B: Pairwise Differences in Means			
Comparison	**Diff. in Means**	***t*-stat**	***p*-value**
Democrat − Republican	0.19	3.18	0.002
Democrat − Independent	0.04	0.84	0.401
Republican − Independent	−0.14	-2.38	0.017

Notes: IQ is the number of correct responses (0–3) on a three-question Raven's test. Panel A reports means, standard deviations, and sample sizes. Panel B reports pairwise differences in mean scores with t-statistics and p-values from two-sample t-tests.

Table A-4 shows that Democrats perform highest on average (1.22), followed by Independents (1.17), while Republicans score lowest (1.03). Regression estimates confirm that Republicans perform significantly worse than Democrats (-0.19, $p < 0.01$) and Independents (-.14, $p <$

.05), whereas Independents do not differ significantly from Democrats (-0.04, $p = 0.401$). Although group differences are modest, we include IQ as a control in subsequent analyses to account for individual variation in reasoning ability when processing information and responding to incentives.

A1.1.4 Institutional Credibility

In Wave 2, we elicit individuals' perceived credibility of the Federal Reserve and federal government using five questions focused on the following topics: (1) self-reported knowledge (e.g., "How much do you know about the Federal Reserve?"), (2) confidence in competence, (3) perceived effectiveness in achieving core objectives (e.g., "How well is the Fed doing at fighting inflation?" or "How well is the federal government responding to crises?"), (4) clarity of communication, and (5) alignment with the public interest. We collected responses via a five-point response scale where the endpoints equal "strongly disagree" (1) and "much strongly agree" (5); the midpoint (3) indicates neutrality. Values above (below) 3 therefore represent perceived improvement (deterioration). We then extract the first principle component from each grouping of questions via principle component analysis, which we use as a composite measures of perceived credibility for each institution (Figure 8). For both institutions, the first principal component loads positively on all items and captures over 66% of total variation in our response data. Each composite measure is mean zero with unit variance, so that a one-unit increase reflects a one-standard-deviation increase in perceived credibility.

Plotting the raw data in Figure 8 suggests that Democrats express the highest levels of trust in the Federal Reserve, while Independents express the least. This pattern reverses for the federal government: Republicans report substantially higher levels of trust than Independents, who themselves are more trusting than Democrats. Further, political identity seems to have a larger effect of the perceived credibility of the federal government than the Federal Reserve. We provide additional details on institutional credibility and how it relates to political identity in Appendix A1.2.

A1.1.5 Perceived and Expected Inflation: Winsorizing

Table A-5 summarizes expected and perceived inflation using raw data (None), data winsorized at the 1% level (1–99), at the 5% level (5–95), and at the 10% level (10–90).

Table A-5: Expected (π^e) and Perceived (π^p) Inflation by Treatment and Winsorization Rule

	Winsorization	μ	σ	$\underline{\pi}$	$\overline{\pi}$
Panel A: π^e					
Flat	None	6.03	24.83	-100	100
	1–99	6.00	23.93	-95	100
	5–95	6.28	19.12	-75	100
	10–90	6.13	14.56	-20	50
Post	None	7212.59	160353.90	-1000	3567653
	1–99	7.10	21.59	-80	100
	5–95	6.65	16.33	-30	75
	10–90	6.28	13.21	-20	50
Both	None	3.62	17.37	-100	100
	1–99	3.67	16.47	-85	100
	5–95	3.31	10.08	-30	50
	10–90	3.12	5.58	-13	20
Prior	None	4.09	17.25	-55	250
	1–99	3.80	12.87	-55	85
	5–95	3.26	9.22	-30	50
	10–90	3.00	5.35	-13	20
Panel B: π^p					
Flat	None	14.25	24.31	-100	100
	1–99	14.59	23.33	-50	100
	5–95	14.51	21.32	-3	100
	10–90	12.66	16.73	-1	98
Post	None	10.25	181.12	-3454	2000
	1–99	13.30	22.17	-50	100
	5–95	13.10	19.45	-3	98
	10–90	11.70	15.56	-1	98
Both	None	8.96	17.05	-30	110
	1–99	8.92	16.66	-15	100
	5–95	8.29	13.88	-3	75
	10–90	6.63	9.45	-2	58
Prior	None	8.11	25.84	-30	500
	1–99	7.33	13.68	-20	100
	5–95	7.05	11.76	-3	75
	10–90	5.89	8.10	-2	58

Notes: Entries are means, standard deviations, and minimum/maximum values by treatment and winsorization level. Winsorization (when applied) is performed within *prior_incentivized* × *political* × *wave* cells. "None" uses raw data, "1–99" winsorizes at the 1% level, "5–95" at the 5% level, and "10–90" at the 10% level. n=498.

Table A-6: Perceptions of Government and the Federal Reserve (Wave 2)

	Knowledge	Communication	Confidence	Response†	Public interest
Government					
Overall	4.23	2.15	2.23	2.48	2.30
	(0.92)	(1.19)	(1.20)	(1.18)	(1.22)
Democrat	4.31	1.92	1.93	2.27	1.98
	(0.88)	(1.10)	(1.08)	(1.14)	(1.13)
Republican	4.27	2.75	2.95	3.00	3.02
	(0.91)	(1.29)	(1.24)	(1.18)	(1.25)
Independent	4.14	2.04	2.15	2.44	2.24
	(0.96)	(1.09)	(1.13)	(1.14)	(1.12)
Federal Reserve					
Overall	3.61	2.92	2.97	2.78	3.01
	(1.06)	(1.25)	(1.19)	(1.14)	(1.25)
Democrat	3.62	3.06	3.08	2.99	3.18
	(1.04)	(1.29)	(1.21)	(1.17)	(1.27)
Republican	3.69	2.87	3.04	2.68	3.06
	(1.03)	(1.16)	(1.16)	(1.08)	(1.23)
Independent	3.54	2.78	2.80	2.65	2.80
	(1.10)	(1.26)	(1.19)	(1.17)	(1.20)

Notes: The table shows means of answers with standard deviations in parentheses, rounded to two decimals. † For Government, "Response" refers to *crisis response*; for the Federal Reserve it refers to *fight inflation*. All items are rated on a 1–5 Likert scale, where higher values indicate more positive assessments.

A1.2 Institutional Credibility

Table A-6 offers a concise snapshot of how respondents evaluate six distinct facets of institutional performance in Wave 2. Several patterns stand out.

Knowledge is uniformly high. Means for the factual-knowledge item exceed four for the federal government and hover around 3.6 for the Federal Reserve, with remarkably small cross-party dispersion. Respondents therefore feel reasonably well informed about both institutions before forming broader evaluative judgements.

Partisan cleavages are stark, but they differ by institution. Republicans rate the federal government more favourably than either Democrats or Independents on every subjective dimension, whereas Democrats assign the highest marks to the Federal Reserve. This mirror-image pattern is most pronounced for the global "Trust" item (rows 3–4 and 7–8), where the partisan gap exceeds 0.7 Likert points for each institution.

Communication is a universal weak spot. Even the most generous assessments of clarity – Democrats' rating of the Fed (3.06) – sit more than a full point below the corresponding knowledge score, suggesting ample scope for improving messaging.

Effectiveness measures track partisan priors. Confidence in the Fed's ability to fight inflation (column 4, lower panel) is highest among Democrats, consistent with stronger overall Fed trust, while perceived crisis-response competence (column 4, upper panel) is highest among Republicans, dovetailing with their greater trust in the federal government.

Overall, the table underscores that partisan identity at least partially drives heterogeneity in institutional trust.

To further investigate the relationship between knowledge and credibility, we reconstruct composite credibility indices for each institution excluding the knowledge item. Table A-7 presents estimates of the relationship between self-reported knowledge and perceived institutional credibility, separately for the Federal Reserve (columns 1–3) and the federal government (columns 4–6). Each panel progressively adds controls, including a cognitive ability proxy (IQ), income and education indicators, gender, and political identity.

Table A-7: Relationship Between Knowledge and Institutional Credibility

	Federal Reserve Credibility			Government Credibility		
	(1)	(2)	(3)	(4)	(5)	(6)
Knowledge	0.479***	0.462***	0.473***	0.177***	0.172***	0.186***
	(0.026)	(0.026)	(0.027)	(0.034)	(0.034)	(0.034)
IQ		-0.039	-0.051		-0.171***	-0.133***
		(0.037)	(0.039)		(0.043)	(0.043)
$\geq$ Median Income		0.147**	0.153**		0.105	0.043
		(0.071)	(0.071)		(0.080)	(0.077)
$\geq$ Undergrad		0.053	0.039		0.073	0.079
		(0.059)	(0.060)		(0.066)	(0.066)
Male		0.078	0.105*		0.127**	0.060
		(0.055)	(0.058)		(0.062)	(0.063)
Republican			-0.193***			0.788***
			(0.072)			(0.079)
Independent			-0.264***			0.184**
			(0.066)			(0.072)
Constant	-1.729***	-1.713***	-1.606***	-0.750***	-0.643***	-0.949***
	(0.096)	(0.108)	(0.119)	(0.146)	(0.154)	(0.162)
Observations	1017	1017	926	1017	1017	926

Standard errors in parentheses.

Notes: The table shows factors explaining credibility indices for the Federal Reserve and the government respectively. Stars: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Across all specifications, greater self-reported knowledge is strongly associated with higher perceived credibility. In the baseline models without covariates (columns 1 and 4), a one-unit increase in self-reported knowledge corresponds to a 0.48 standard deviation increase in perceived Federal Reserve credibility and a 0.18 standard deviation increase in perceived federal government credibility. These effects remain highly statistically significant and stable

when controlling for demographic characteristics (columns 2 and 5) and when additionally accounting for political affiliation (columns 3 and 6).

While political identity is a strong predictor of credibility perceptions – with Republicans and Independents reporting significantly lower credibility for the Fed and significantly higher credibility for the government relative to Democrats – the positive relationship between knowledge and credibility persists even after adjusting for partisanship. Importantly, the magnitude of the knowledge effect is much larger for perceptions of the Federal Reserve than for the federal government, suggesting that individuals' understanding of specialized economic institutions may play a more substantial role in shaping credibility compared to broader political institutions.

The stability of the knowledge coefficient across specifications implies that increasing public understanding of institutional roles could meaningfully bolster institutional credibility, independent of underlying political biases or demographic factors. These findings highlight the potential value of targeted public education efforts in reinforcing institutional trust, particularly for institutions like the Federal Reserve whose mandates may be less well understood by the general public.

A2 The Partisan Gap in Inflation Expectations Across the Political Cycle

Our primary outcome of interest is one-year-ahead inflation expectations, measured in levels or absolute value. While our survey also elicits expectations about other salient price categories – such as food and gas – we focus on inflation expectations given their central role in monetary policy transmission and individual economic decision-making. Understanding how these expectations vary across political identities and evolve around major political events, such as a presidential election, is a key objective of our analysis.

Table A-8 presents summary statistics for expected inflation, disaggregated by political identity and survey wave. In Wave 1 (September 2024, pre-election), Democrats report substantially lower inflation expectations than both Republicans and Independents. This pattern holds whether we examine means or medians, the latter of which are less sensitive to extreme forecasts that may reflect politically motivated reasoning. The median Democrat forecasts a 2% increase in prices – closely aligned with the Federal Reserve's official inflation target – while the median Republican expects 2.7%, and the median Independent 2.8%. The gap in means is notably larger, indicating right-skewed expectations among non-Democrats and highlighting the degree of polarization in economic beliefs even before the election.

The interquartile range (IQR) offers a complementary view of cross-sectional disagreement within each political group. In Wave 1, the IQR among Democrats is 5.5 percentage points, compared to 8.0 for both Republicans and Independents. This indicates that Democrats' expectations are more tightly clustered around the median, whereas expectations among Republicans and Independents exhibit greater internal dispersion. The broader spread within these groups may reflect greater subjective uncertainty, exposure to divergent informational sources, or more heterogeneous interpretations of economic conditions. These differences in both central tendency and dispersion highlight the relevance of political identity not only for average beliefs, but also for the extent of disagreement within partisan groups. .

Following the election, these patterns shift markedly. In Wave 2 (March 2025, post-inauguration), Democrats report substantially higher inflation expectations than in Wave 1, with a mean forecast of 11.6% and a median of 5.0%. In contrast, the Republican mean falls to –2.1%, with a median of 2.0%, while Independents remain closer to their Wave 1 levels, with a mean of 4.5% and a median of 3.3%. These movements suggest a striking reversal in partisan rankings, with Democrats now reporting the highest average expectations and Republicans the lowest.

As in Wave 1, the interquartile range provides insight into within-group heterogeneity. The IQR for Democrats increases to 7.0 percentage points, indicating greater dispersion in their beliefs following the change in political leadership. Republicans exhibit a somewhat narrower IQR of 6.0, while the IQR for Independents falls to 4.0, suggesting relatively less disagreement within that group. Together, these shifts highlight both the sensitivity of inflation expectations to the broader political environment and the persistent role of partisan identity in shaping the distribution of economic beliefs.

Table A-8: Summary Statistics for Expected Inflation by Party and Survey Wave

	Statistic	Democrats	Republicans	Independents
Wave 1	Mean	1.72	6.02	6.14
	Median	2.00	2.70	2.80
	IQR	5.50	8.00	8.00
Wave 2	Mean	11.62	-2.12	4.53
	Median	5.00	2.00	3.30
	IQR	7.00	6.00	4.00

Notes: The table reports summary statistics for expected inflation (percent) by party identification and survey wave. "Mean" is the average forecast, "Median" is the 50th percentile, and "IQR" is the interquartile range (75th–25th percentile). Wave 1 corresponds to September 2024 (pre-election) and Wave 2 to March 2025 (post-inauguration). Negative means indicate expected deflation.

Table A-9 presents OLS estimates of one-year-ahead inflation expectations regressed on political identity and a sequential set of controls, separately for Wave 1 (September 2024, pre-election) and Wave 2 (March 2025, post-inauguration). The omitted category through-

out is Democratic respondents, so coefficients for Republicans and Independents measure deviations relative to Democrats. Columns (1)–(2) report results for Wave 1, while columns (3)–(6) report results for Wave 2.

Table A-9: Inflation Expectations by Wave and Controls

	Wave 1		**Wave 2**			
	(1)	(2)	(3)	(4)	(5)	(6)
Republican (vs Dem)	4.330***	2.930**	-11.620***	-8.190***	-8.840***	-8.840***
	(1.390)	(1.300)	(1.060)	(1.270)	(1.310)	(1.310)
Independent (vs Dem)	5.030***	3.770***	-5.420***	-4.160***	-4.550***	-4.660***
	(0.980)	(0.970)	(0.880)	(0.910)	(0.950)	(0.950)
Male		-3.030***		-1.000	-0.770	-0.640
		(0.880)		(0.750)	(0.750)	(0.750)
High income		0.200		0.190	0.480	0.550
		(0.970)		(1.000)	(1.010)	(1.010)
Age		-0.030		-0.030	-0.020	-0.030
		(0.030)		(0.030)	(0.030)	(0.030)
$\geq$ Undergrad		-0.410		1.430*	1.490*	1.550*
		(0.900)		(0.840)	(0.840)	(0.830)
Economic sentiment		-4.370***		-1.650***	-1.960***	-1.530***
		(0.560)		(0.450)	(0.480)	(0.440)
Exp. financial well-being		-0.030		-0.440	-0.510	-0.430
		(0.620)		(0.510)	(0.500)	(0.500)
Wave 2 Only Controls						
IQ				-0.350	-0.340	-0.440
				(0.440)	(0.450)	(0.440)
Credibility (Fed)					-1.390***	
					(0.490)	
Credibility (Gvt.)					1.300**	
					(0.590)	
Fed: Ability to Fight Inflation						-1.170***
						(0.360)
N	925	925	926	924	924	924

Standard errors in parentheses.

* $p < .10$, ** $p < .05$, *** $p < .01$

Notes: The table reports OLS estimates of one-year-ahead inflation expectations (percentage points) by party identification and controls. Democrats are the omitted group; coefficients for Republicans and Independents are measured relative to Democrats. Wave 1 corresponds to September 2024 (pre-election) and Wave 2 to March 2025 (post-inauguration). Columns (5)–(6) add Wave-2–specific controls: IQ, institutional trust, and confidence in the Federal Reserve's ability to fight inflation. Robust standard errors are in parentheses.

In Wave 1, column (1) estimates a simple specification including only political identity indicators. Relative to Democrats, Republicans report expected inflation rates 4.33 percentage points (pp) higher, and Independents report expectations 5.03 pp higher; both gaps are statistically significant at the 1% level. Column (2) adds demographic and economic controls, including gender, income, age, education, economic sentiment, and expected financial well-being. Including these controls reduces the estimated gaps, but partisan differences remain statistically significant: Republicans report 2.93 pp higher expected inflation than Democrats, and Independents report 3.77 pp higher expectations. Notably, male respondents

report significantly lower inflation expectations, and more negative economic sentiment is strongly associated with higher expected inflation. Other demographic controls have relatively modest effects.

In Wave 2, partisan patterns reverse sharply. Column (3) replicates the baseline specification including only political identity indicators and shows that Republicans now report expected inflation rates 11.62 pp *lower* than Democrats, and Independents report expectations 5.42 pp lower, both statistically significant at the 1% level. Column (4) adds the same demographic and economic controls as in Wave 1, while Columns (5) and (6) progressively introduce additional Wave 2-only controls: Raven IQ scores, institutional trust indices (for the Federal Reserve and the federal government), and a direct measure of confidence in the Federal Reserve's ability to fight inflation.

Adding these controls attenuates but does not eliminate the partisan gaps. In the fully saturated specification in column (6), Republicans report expected inflation rates 8.84 pp lower and Independents 4.66 pp lower than Democrats. Economic sentiment remains a strong predictor of expected inflation across specifications, with more negative sentiment associated with higher inflation expectations. Higher trust in the Federal Reserve and greater confidence in its ability to combat inflation are associated with lower inflation expectations, though these credibility variables account for only a modest share of the partisan gaps.

Overall, Table A-9 documents both the large magnitude and dynamic reversal of partisan gaps in inflation expectations across the election period. These patterns persist even after controlling for demographics, economic sentiment, cognitive ability, financial well-being, and institutional trust, suggesting that political identity plays a robust and evolving role in shaping economic beliefs.

A3 Other Tables and Figures

Table A-10: Effect of Marginal Incentives on Signed Inflation Forecasts

	(1)	(2)	(3)	(4)	(5)
Out (β_1)	7.698***	4.258***	4.098***	6.287***	5.737***
	(1.716)	(1.426)	(1.427)	(1.750)	(1.447)
Post (β_2)	0.377	0.483	0.445	0.370	0.308
	(1.674)	(1.314)	(1.310)	(0.945)	(0.914)
Both	-1.269	-1.782	-1.929	-1.039	-0.947
	(1.591)	(1.305)	(1.299)	(0.918)	(0.919)
Prior	0.303	-0.504	-0.670	-0.204	-0.466
	(1.593)	(1.314)	(1.309)	(0.930)	(0.930)
Post × Out (β_3)	0.129	-0.568	-0.497	-0.572	-0.534
	(2.188)	(1.789)	(1.788)	(2.363)	(1.863)
Both × Out	-2.239	-2.408	-2.167	-5.282***	-5.157***
	(1.960)	(1.630)	(1.633)	(1.977)	(1.614)
Prior × Out	-4.773**	-4.828***	-4.669***	-7.643***	-6.768***
	(1.947)	(1.612)	(1.612)	(1.962)	(1.578)
N	2,017	2,009	2,009	1,249	2,009
R^2	0.055	0.314	0.317	0.336	0.323
Controls	No	Yes	Yes	Yes	Yes
Wave FE	No	Yes	Yes	Yes	Yes
Perceptions	No	No	Yes	No	No
Independents	Out	Out	Out	Excluded	w/ Republicans

Notes: This table reports estimates of equation (Equation (2)) using signed inflation expectations e_π as the dependent variable. *Flat* is the omitted treatment. $\mathbb{I}\{\text{Out}\}$ indicates respondents whose party is out of power. Interaction terms capture differential treatment effects for out-of-power respondents. Columns (1)–(3) mirror the baseline specifications; column (3) additionally controls for perceived inflation. Columns (4)–(5) vary the definition of out-of-power status. Robust standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Table A-11: Anchoring of Forecasts by Political Identity and Incentives

	Absolute Change (|ΔForecast|)				Signed Change (ΔForecast)			
	(1) Full	(2) Dem	(3) Rep	(7) Pooled	(4) Full	(5) Dem	(6) Rep	(8) Pooled
Treat_Reg = 2	0.523	-2.035	0.914	-0.208	0.302	-2.049	4.020	0.708
	(2.828)	(3.187)	(2.307)	(1.588)	(3.136)	(3.297)	(2.641)	(1.816)
Treat_Reg = 3	-4.293**	-1.695	-2.277	-3.442***	-5.136**	5.036	4.103*	0.445
	(1.858)	(3.084)	(2.135)	(1.294)	(2.212)	(3.566)	(2.176)	(1.514)
Treat_Reg = 4	-4.801**	-2.234	-3.112*	-3.745***	-4.962**	4.465	2.622	0.181
	(2.130)	(3.744)	(1.775)	(1.332)	(2.467)	(4.231)	(2.102)	(1.593)
Raven IQ	-1.856**	-3.268**	-0.564	-1.416**	-0.087	3.482**	-2.419*	-0.645
	(0.923)	(1.419)	(1.155)	(0.590)	(1.031)	(1.649)	(1.260)	(0.678)
College or Higher	-1.382	0.151	0.400	-0.071	-0.767	-0.042	-0.216	-0.720
	(1.758)	(3.095)	(1.909)	(1.109)	(2.015)	(2.933)	(2.041)	(1.280)
Male	-5.452***	-6.159***	-2.120	-4.495***	-4.655**	4.976**	1.532	0.068
	(1.568)	(2.103)	(1.349)	(0.910)	(1.855)	(2.320)	(1.652)	(1.103)
High Income	-1.793	1.105	-1.300	-0.628	-0.549	-2.851	0.228	-0.335
	(1.991)	(3.718)	(1.822)	(1.307)	(2.232)	(3.882)	(2.123)	(1.539)
White	-1.283	-13.340*	-0.041	-1.583	0.699	16.250**	0.760	1.996
	(1.824)	(7.082)	(1.514)	(1.389)	(2.074)	(6.753)	(1.845)	(1.556)
Age 35–54	-1.059	-1.040	-0.398	-0.731	4.525	-1.557	0.466	1.695
	(2.084)	(3.129)	(1.912)	(1.277)	(2.847)	(3.635)	(2.292)	(1.640)
Age 55+	-1.563	-2.172	0.614	-0.473	4.868*	-4.953	-4.610*	-0.851
	(2.197)	(3.698)	(2.165)	(1.490)	(2.925)	(3.906)	(2.496)	(1.820)
Fed PC1 (Std.)	-0.828	0.071	-2.264**	-1.169*	0.099	-1.748	1.147	0.204
	(0.939)	(1.687)	(0.892)	(0.644)	(1.009)	(1.756)	(1.047)	(0.726)
Govt PC1 (Std.)	0.703	-0.744	1.006	0.318	0.442	3.483**	-0.795	0.741
	(1.018)	(1.488)	(1.016)	(0.684)	(1.176)	(1.386)	(1.174)	(0.759)
Change in Sentiment (Δ Sentiment)	-1.941***	2.200*	-0.697	-0.322	-2.476***	-4.559***	-2.748***	-3.113***
	(0.731)	(1.270)	(0.545)	(0.451)	(0.799)	(1.352)	(0.584)	(0.496)
Republican				1.187				-2.814
				(1.493)				(1.830)
Independent				-0.614				-1.687
				(1.051)				(1.224)
Constant	14.700***	28.310***	9.633***	15.040***	2.056	-20.370***	-0.790	-0.690
	(2.853)	(7.935)	(2.971)	(2.244)	(3.810)	(7.743)	(3.425)	(2.737)
Observations	214	108	184	506	214	108	184	506

Standard errors in parentheses.
: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

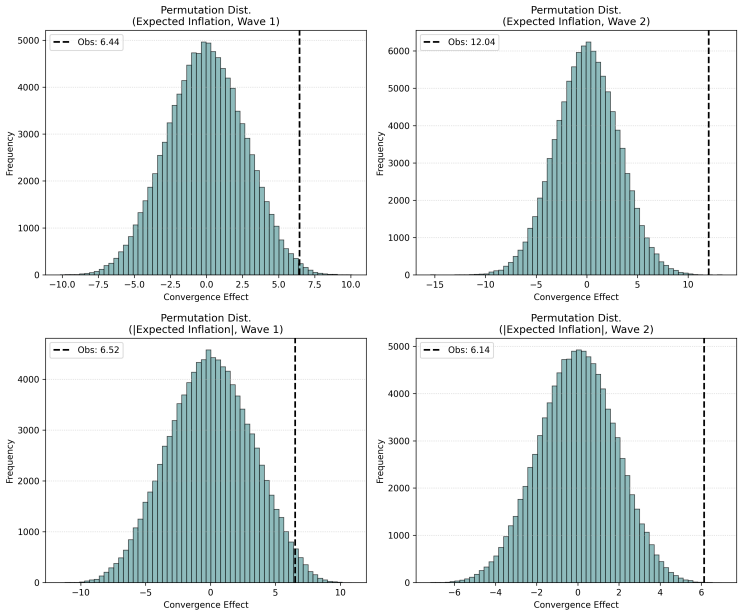
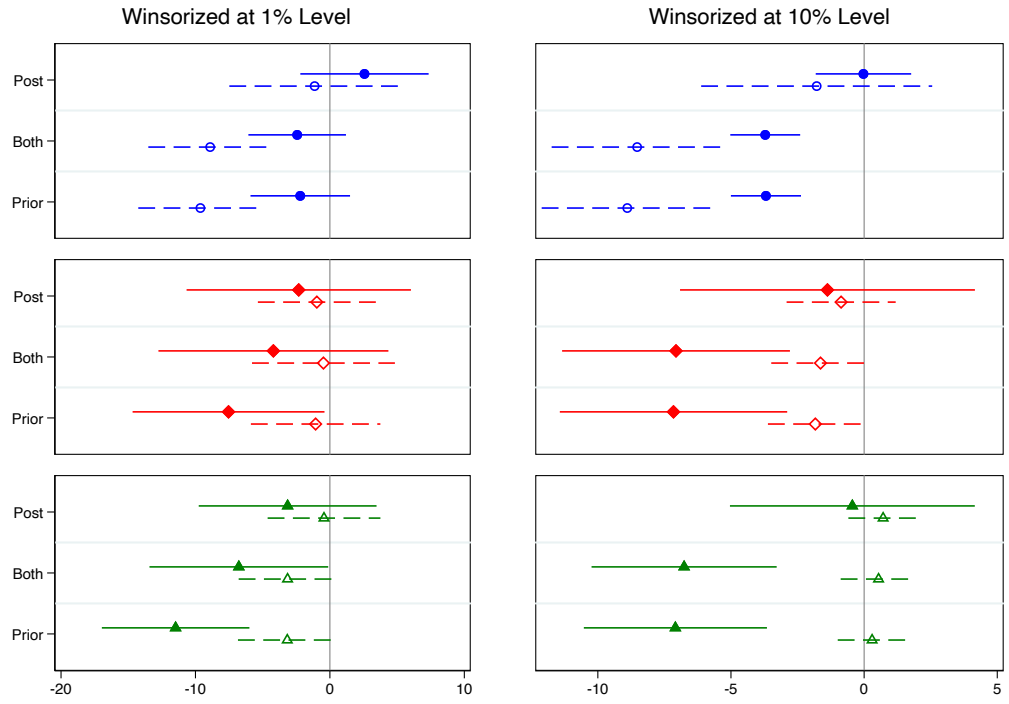


Figure A-1: Permutation Distributions of Partisan Belief Convergence

Notes: Each panel shows the null distribution of convergence effects, defined as the difference in partisan polarization between the *Flat* and *Prior* treatments ($\text{EMD}_{\text{Flat}} - \text{EMD}_{\text{Prior}}$), generated from 100,000 random permutations of treatment assignment. Columns correspond to survey waves (Wave 1: pre-election; Wave 2: post-inauguration), while rows correspond to the outcome measure (top row: expected inflation levels; bottom row: absolute expected inflation). The dashed vertical line in each histogram marks the observed experimental effect from the actual data. The proportion of simulated effects greater than or equal to this observed value corresponds to the permutation p-values reported in Table 5. Positive values indicate that partisan polarization was smaller under *Prior* incentives than under *Flat* payments.



Note: Confidence intervals at 95% level. Solid markers/lines indicate Wave 1; hollow markers/dashed lines indicate Wave 2.
Democrats (blue circles), Republicans (red diamonds), Independents (green triangles).

Notes: The figure replicates coefficient estimates from Equation (1), displayed in text in Figure 2, under alternative winsorization specifications. The left panel uses 1% winsorization (99th percentile cutoff) and the right panel uses 10% winsorization (90th percentile cutoff). Blue markers indicate Democrats, red Republicans, and green Independents. Solid lines and filled markers represent results from Wave 1 (September 2024, pre-election), while dashed lines and hollow markers correspond to Wave 2 (March 2025, post-election). Results are robust across both specifications. We include 95% confidence intervals surrounding all coefficients.

A3.1 Corresponding Tables For Belief Formation Analysis

Table A-12: Political Affiliation and Signal Use

	Unincentivized		Incentivized		Unincentivized	Incentivized
	Wave 1	Wave 2	Wave 1	Wave 2	All waves	
PercGap	0.853***	0.961***	0.941***	0.840***	0.929***	0.873***
	(0.030)	(0.013)	(0.024)	(0.031)	(0.010)	(0.018)
Republican (=1)	-0.047	-0.381	0.229	-0.512		
	(0.469)	(0.589)	(0.437)	(0.559)		
PercGap × Republican	0.007	-0.076**	-0.064*	0.102**		
	(0.032)	(0.032)	(0.033)	(0.040)		
Co-partisan (=1)					-0.096	-0.307
					(0.355)	(0.321)
PercGap × Co-partisan					-0.047**	0.066***
					(0.023)	(0.024)
Controls	✓	✓	✓	✓	✓	✓
N	151	138	158	146	289	304

Notes: Huber robust regression estimates with standard errors in parentheses. The sample is split by treatment and wave: *Unincentivized* denotes the *Flat* treatment and *Incentivized* denotes the *Both* treatment, each shown for Wave 1, Wave 2, or pooled across waves. *Republican* is an indicator for Republican affiliation; the baseline category is Democrat. *Co-partisan* is an indicator equal to 1 if the respondent's political affiliation aligns with the party of the sitting president (Democrats in Wave 1; Republicans in Wave 2). All specifications include controls for gender, income, age, ethnicity, education, future economic sentiment, expected financial well-being, and wave fixed effects whenever waves are pooled. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Table A-13: Economic Optimism and Inflation Expectations

	Prior Beliefs			Posterior Beliefs		
	All	Democrats	Republicans	All	Democrats	Republicans
Panel A: Unincentivized						
Optimistic (=1)	-12.992***	-5.713	-13.128**	-4.023***	-3.052***	-4.376***
	(3.141)	(4.994)	(5.135)	(0.532)	(0.761)	(1.060)
N	231	139	92	231	139	92
Panel B: Incentivized						
Optimistic (=1)	-7.596***	-5.205**	-6.561**	-2.206***	-1.448**	-2.442***
	(1.807)	(2.137)	(3.099)	(0.413)	(0.565)	(0.714)
N	266	181	85	266	181	85
Controls	✓	✓	✓	✓	✓	✓

Notes: OLS estimates with robust standard errors in parentheses. Dependent variables are prior inflation expectations (before the information intervention) in columns 1–3 and posterior inflation expectations (after receiving the Fed signal) in columns 4–6. *Optimistic* is an indicator variable equal to 1 if a respondent reports positive economic sentiment (> 3). Panel A shows results for unincentivized treatments (*Flat* and *Post*); Panel B shows results for incentivized treatments (*Prior* and *Both*). All specifications include the standard controls (gender, income, age, race, education, expected financial well-being, and wave fixed effects), excluding the optimism measure itself. Stars: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Table A-14: Economic Optimism and Signal Use

	All		Democrats		Republicans		Co-Partisan		Non-Co-Partisan	
	Uninc.	Inc.	Uninc.	Inc.	Uninc.	Inc.	Uninc.	Inc.	Uninc.	Inc.
PercGap	0.901***	0.868***	0.961***	0.895***	0.852***	0.861***	0.794***	0.987***	0.910***	0.849***
	(0.013)	(0.019)	(0.016)	(0.025)	(0.019)	(0.033)	(0.036)	(0.039)	(0.013)	(0.022)
Optimistic (=1)	-2.877***	-0.994***	-2.191***	-0.478	-2.430***	-1.259*	-0.656	-0.662	-3.381***	-1.203*
	(0.446)	(0.374)	(0.655)	(0.542)	(0.637)	(0.661)	(0.686)	(0.533)	(0.742)	(0.628)
PercGap × Optimistic	0.064***	0.043	0.055*	0.012	0.111***	0.056	0.067	-0.069	0.083***	0.057
	(0.021)	(0.027)	(0.028)	(0.044)	(0.030)	(0.040)	(0.047)	(0.046)	(0.024)	(0.042)
Controls	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
N	231	266	139	181	92	85	109	134	122	132

Notes: Huber robust regression estimates with standard errors in brackets. Dependent variable is belief updating (posterior − prior). Columns show results for the full sample (All), split by political affiliation (Democrats, Republicans), and split by party support for the administration. *Uninc.* denotes treatments with unincentivized prior beliefs (*Flat* and *Post*); *Inc.* denotes treatments with incentivized prior beliefs (*Prior* and *Both*). *Optimistic* is an indicator variable equal to 1 if a respondent reports positive economic sentiment (> 3). All specifications include controls for gender, income, age, ethnicity, education, expected financial well-being, and wave fixed effects, but exclude economic sentiment itself. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Table A-15: Fed Trust and Signal Use

	All		Democrats		Republicans	
	Uninc.	Inc.	Uninc.	Inc.	Uninc.	Inc.
PercGap	0.983***	0.910***	1.001***	0.812***	0.923***	0.949***
	(0.012)	(0.020)	(0.014)	(0.032)	(0.038)	(0.034)
Fed Trust	-0.161	0.102	-0.305	-0.149	-0.686	0.648
	(0.246)	(0.220)	(0.370)	(0.281)	(0.545)	(0.522)
PercGap × Fed Trust	0.033***	0.037*	0.036***	-0.012	-0.077	0.036
	(0.010)	(0.021)	(0.012)	(0.032)	(0.050)	(0.038)
Controls	✓	✓	✓	✓	✓	✓
N	138	146	84	97	53	49

Notes: The table reports Huber robust regressions with standard errors in parentheses. Dependent variable is belief updating (posterior − prior). Columns show results for the full sample (All) and split by political affiliation (Democrats, Republicans). *Uninc.* denotes treatments with unincentivized prior beliefs (*Flat* and *Post*); *Inc.* denotes treatments with incentivized prior beliefs (*Prior* and *Both*). *Fed Trust* is a standardized index (mean = 0, SD = 1) constructed via principal component analysis of five Federal Reserve trust items among Democrats and Republicans (excluding independents). Controls include our standard set of controls (gender, income, age, race, education, economic sentiment, and future financial well-being). Sample is restricted to Wave 2. Stars: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Table A-16: Co-Partisanship and Signal Use by Economic Optimism and Fed Trust

	By Economic Optimism				By Fed Trust			
	Optimists		Pessimists		High Trust		Low Trust	
	Uninc.	Inc.	Uninc.	Inc.	Uninc.	Inc.	Uninc.	Inc.
PercGap	0.979***	0.903***	0.910***	0.845***	1.018***	0.816***	0.936***	0.839***
	(0.019)	(0.040)	(0.014)	(0.022)	(0.018)	(0.057)	(0.022)	(0.035)
Co-Partisan (=1)	1.091*	0.063	-1.267*	-0.242	-1.418*	0.177	-0.729	-1.428*
	(0.643)	(0.581)	(0.640)	(0.494)	(0.812)	(0.812)	(1.184)	(0.797)
PercGap × Co-Partisan	-0.094**	0.019	-0.111***	0.152***	-0.114**	0.129*	-0.056	0.082
	(0.036)	(0.046)	(0.039)	(0.041)	(0.044)	(0.067)	(0.056)	(0.050)
Controls	✓	✓	✓	✓	✓	✓	✓	✓
N	106	115	125	151	74	77	64	69

Notes: The table reports Huber robust regressions with standard errors in parentheses. The dependent variable is belief updating (posterior − prior). *Uninc.* denotes treatments with unincentivized prior beliefs (*Flat* and *Post*); *Inc.* denotes treatments with incentivized prior beliefs (*Prior* and *Both*). *Co-Partisan* equals 1 if the respondent's party affiliation aligns with the party of the sitting president. Columns 1–4 split by economic optimism (economic sentiment > 3 vs. ≤ 3); columns 5–8 split by Fed trust (standardized index above vs. below the sample mean). Trust columns use Wave 2 data only. Controls include our standard set of controls (gender, income, age, race, education, and future financial well-being), and wave fixed effects where appropriate; economic sentiment is controlled for in the trust splits but excluded in the optimism splits. Stars: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

A4 Robustness of Bias Elimination

This section replicates results from Section 3.3 where we additionally include data from *Post* and *Both* in our analysis. Rather than comparing *Flat* and *Prior*, we now compare all priors collected without marginal incentives to all priors collected with marginal incentives. We show these results in Table A-17.

Table A-17: Wasserstein Distance Between Democrat and Republican Beliefs

	Wave 1	**Wave 2**
Expected Inflation ($\mathbb{E}\{\pi\}$)		
Unincentivized	6.540	16.490
Incentivized	3.118	6.864
Convergence (*Uninc.* − *Inc.*)	**3.422** (52.32%)	**9.626** (58.37%)
Permutation Test (p-value)	= .062	< .001
Absolute Expected Inflation ($\lvert\mathbb{E}\{\pi\}\rvert$)		
Unincentivized	5.845	7.316
Incentivized	2.522	1.366
Convergence (*Uninc.* − *Inc.*)	**3.323** (56.85%)	**5.950** (81.33%)
Permutation Test (p-value)	= .075	< .001

Notes: The table reports Wasserstein distances between Democrat and Republican belief distributions in Wave 1 (September 2024, pre-election) and Wave 2 (March 2025, post-inauguration). "Unincentivized" pools the Flat and Posterior treatment arms and "Incentivized" pools the Prior and Both treatment arms. "Convergence (Uninc. − Inc.)" shows the reduction in distance under incentivized conditions; percentages in parentheses report the share of baseline polarization eliminated, i.e., $1 - \text{EMD}_{\text{Inc.}}/\text{EMD}_{\text{Uninc.}}$.

These results are qualitative identical and quantitatively very similar to those in Section 3.3.

Additionally, we can include Independents in our analysis, which we show in Table A-18.

A5 Power Analysis

Here we determine the necessary sample size for detecting effects of various magnitudes with a significance level of 0.05 and a power of 0.80. Effect magnitudes are specified in terms of Cohen's d, ranging from 0.2 to 1.0 in increments of 0.1. The effect magnitude(Cohen's d) is calculated as the standardized mean difference between the treatment and control groups. Specifically, Cohen's d is defined as:

$$d = \frac{M_1 - M_2}{SD_{pooled}}$$

where M_1 and M_2 are the means of the treatment and control groups, respectively, and SD_{pooled} is the pooled standard deviation of the two groups. We assume $M_1 = 0$, treating it as the control group.

Table A-18: Convergence in Partisan Inflation Expectations

	Wave 1	Wave 2
Expected Inflation ($\mathbb{E}[\pi_t]$)		
Unincentivized	6.401	16.526
Incentivized	2.779	6.864
Convergence (*Unincentivized* − *Incentivized*)	**3.622** (56.58%)	**9.662** (58.47%)
Permutation Test (p-value)	= .052	< .001
Absolute Expected Inflation ($\lvert\mathbb{E}[\pi]\rvert$)		
Unincentivized	5.770	7.279
Incentivized	2.178	1.366
Convergence (*Unincentivized* − *Incentivized*)	**3.592** (62.25%)	**5.913** (81.23%)
Permutation Test (p-value)	= .058	< .001

Notes: The table reports Wasserstein distances between Democrat and Republican belief distributions in Wave 1 (September 2024, pre-election) and Wave 2 (March 2025, post-inauguration). "Unincentivized" denotes treatments with unincentivized prior beliefs (i.e., *Flat* and *Post*) and "Incentivized" denotes prior-based incentives (i.e., *Prior* and *Both*). "Convergence (Unincentivized − Incentivized)" shows the reduction in distance under prior incentives; percentages in parentheses report the share of baseline polarization eliminated, i.e., $1 - \text{EMD}_{\text{Incentivized}}/\text{EMD}_{\text{Unincentivized}}$. Expectations are winsorized at the 5th and 95th percentile within each party-wave-incentivization cell.

Cohen provided conventional thresholds for interpreting the magnitude of effect sizes:

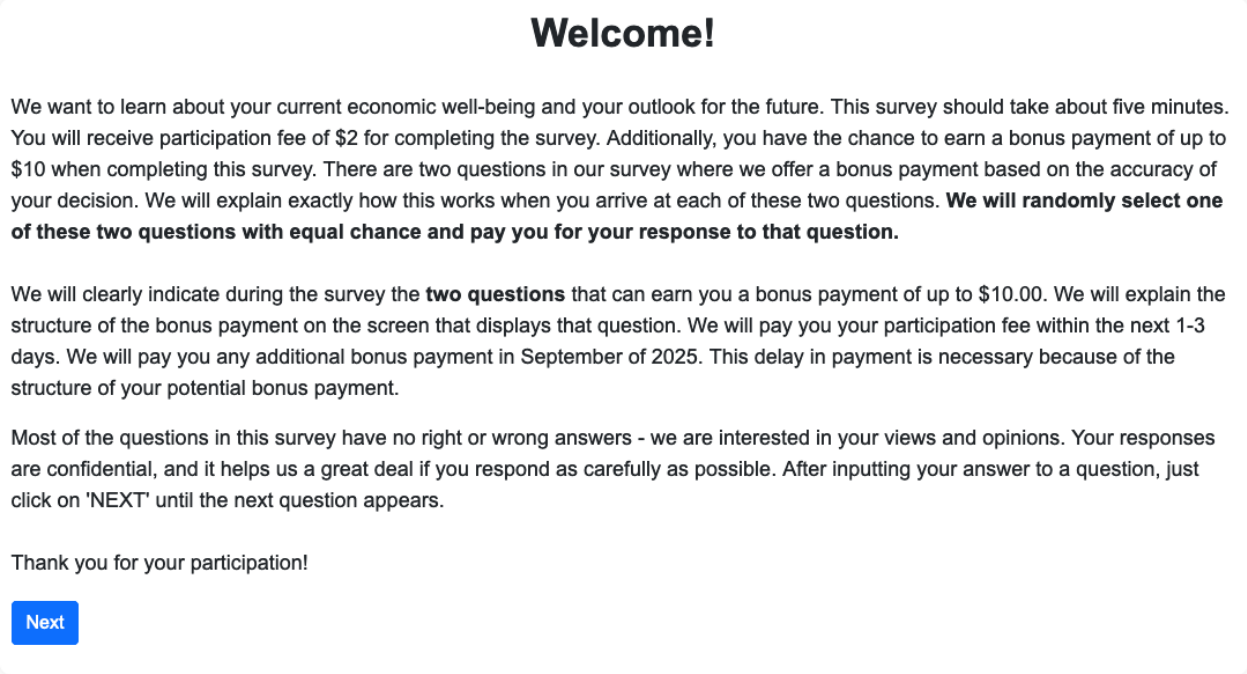
- **Small effect size:** $d = 0.2$
- **Medium effect size:** $d = 0.5$
- **Large effect size:** $d = 0.8$

α	$1-\beta$	**N**	N_C	N_T	Δ	μ_C	μ_T	σ
0.01	0.80	1,172	586	586	0.2	0	0.2	1
0.01	0.80	524	262	262	0.3	0	0.3	1
0.01	0.80	296	148	148	0.4	0	0.4	1
0.01	0.80	192	96	96	0.5	0	0.5	1
0.01	0.80	134	67	67	0.6	0	0.6	1
0.01	0.80	100	50	50	0.7	0	0.7	1
0.01	0.80	78	39	39	0.8	0	0.8	1
0.01	0.80	62	31	31	0.9	0	0.9	1
0.01	0.80	52	26	26	1.0	0	1.0	1
0.05	0.80	788	394	394	0.2	0	0.2	1
0.05	0.80	352	176	176	0.3	0	0.3	1
0.05	0.80	200	100	100	0.4	0	0.4	1
0.05	0.80	128	64	64	0.5	0	0.5	1
0.05	0.80	90	45	45	0.6	0	0.6	1
0.05	0.80	68	34	34	0.7	0	0.7	1
0.05	0.80	52	26	26	0.8	0	0.8	1
0.05	0.80	42	21	21	0.9	0	0.9	1
0.05	0.80	34	17	17	1.0	0	1.0	1
0.10	0.80	620	310	310	0.2	0	0.2	1
0.10	0.80	278	139	139	0.3	0	0.3	1
0.10	0.80	156	78	78	0.4	0	0.4	1
0.10	0.80	102	51	51	0.5	0	0.5	1
0.10	0.80	72	36	36	0.6	0	0.6	1
0.10	0.80	52	26	26	0.7	0	0.7	1
0.10	0.80	42	21	21	0.8	0	0.8	1
0.10	0.80	32	16	16	0.9	0	0.9	1
0.10	0.80	28	14	14	1.0	0	1.0	1

Table A-19: Sample Size Calculation Results Sorted by α and Cohen's D (i.e. μ_T)

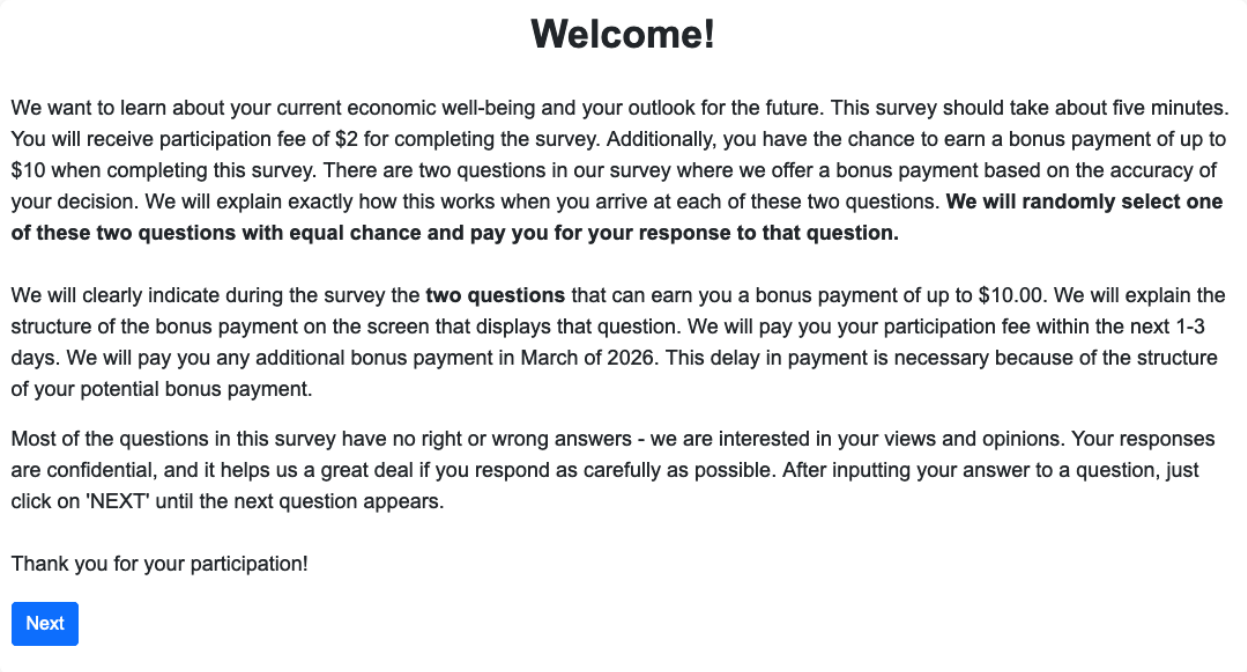
A6 Interface of Experiment

Figure A-2: Welcome (Wave 1)



Notes: This figure shows the welcome page for the *Both* treatment group. Slight variations in wording occur between treatments to reflect the different incentive structures. Screenshots of other treatment groups are available upon request.

Figure A-3: Welcome (Wave 2)



Notes: This figure shows the welcome page for the *Both* treatment group. Slight variations in wording occur between treatments to reflect the different incentive structures. Screenshots of other treatment groups are available upon request.

Figure A-4: General Questions (Wave 1 & 2)

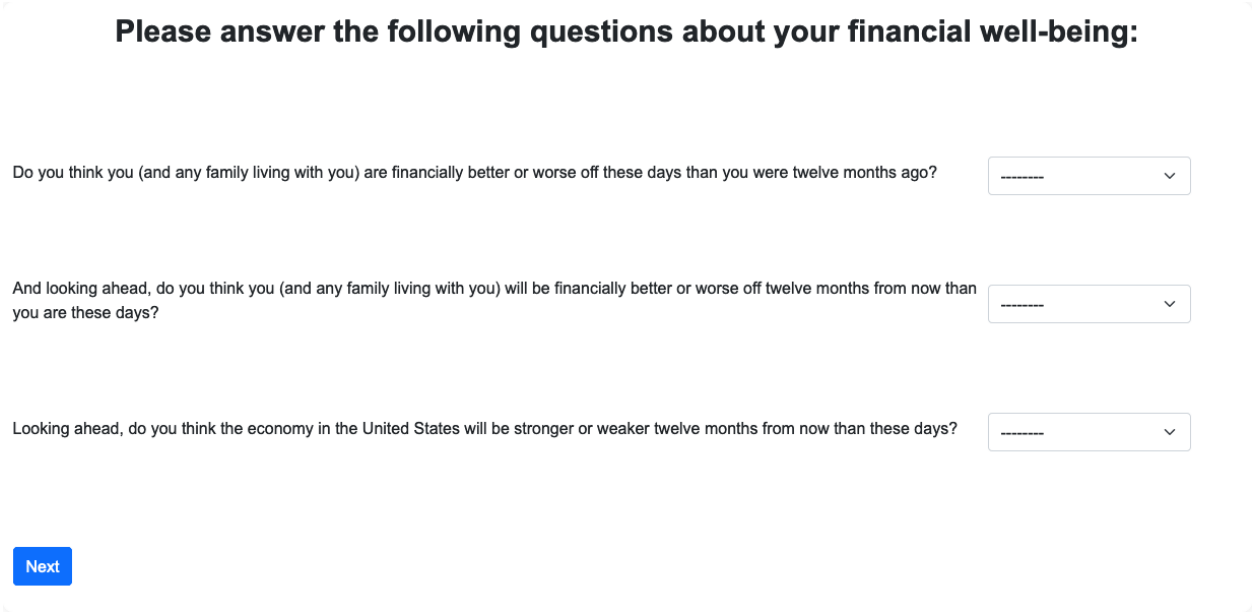


Figure A-5: Explanations (Wave 1 & 2)

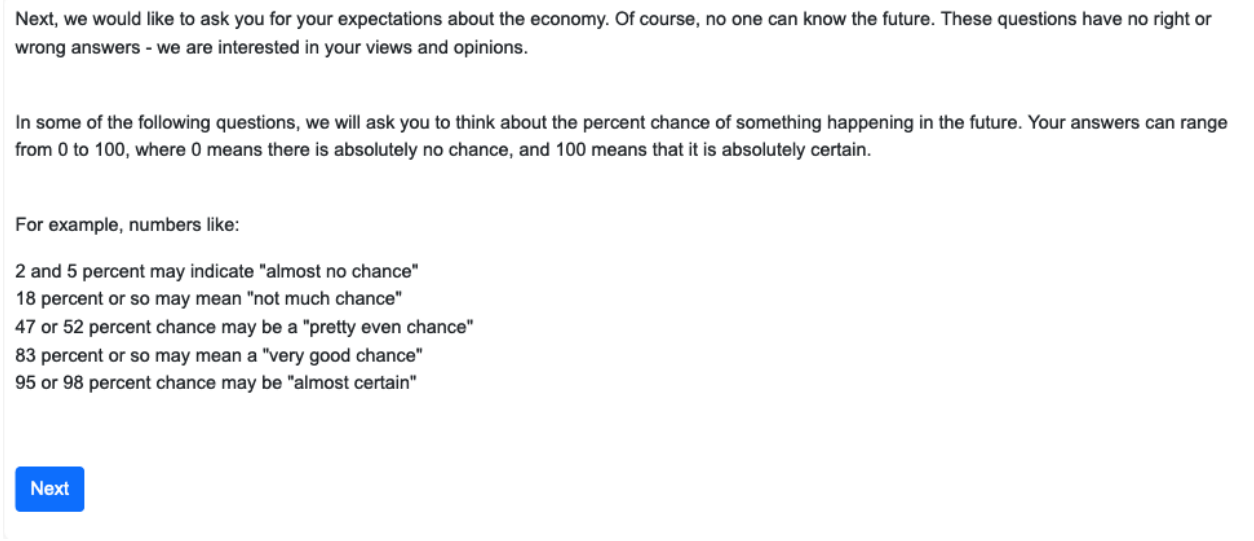


Figure A-6: Inflation Point Forecast (Flat, Wave 1 &2)

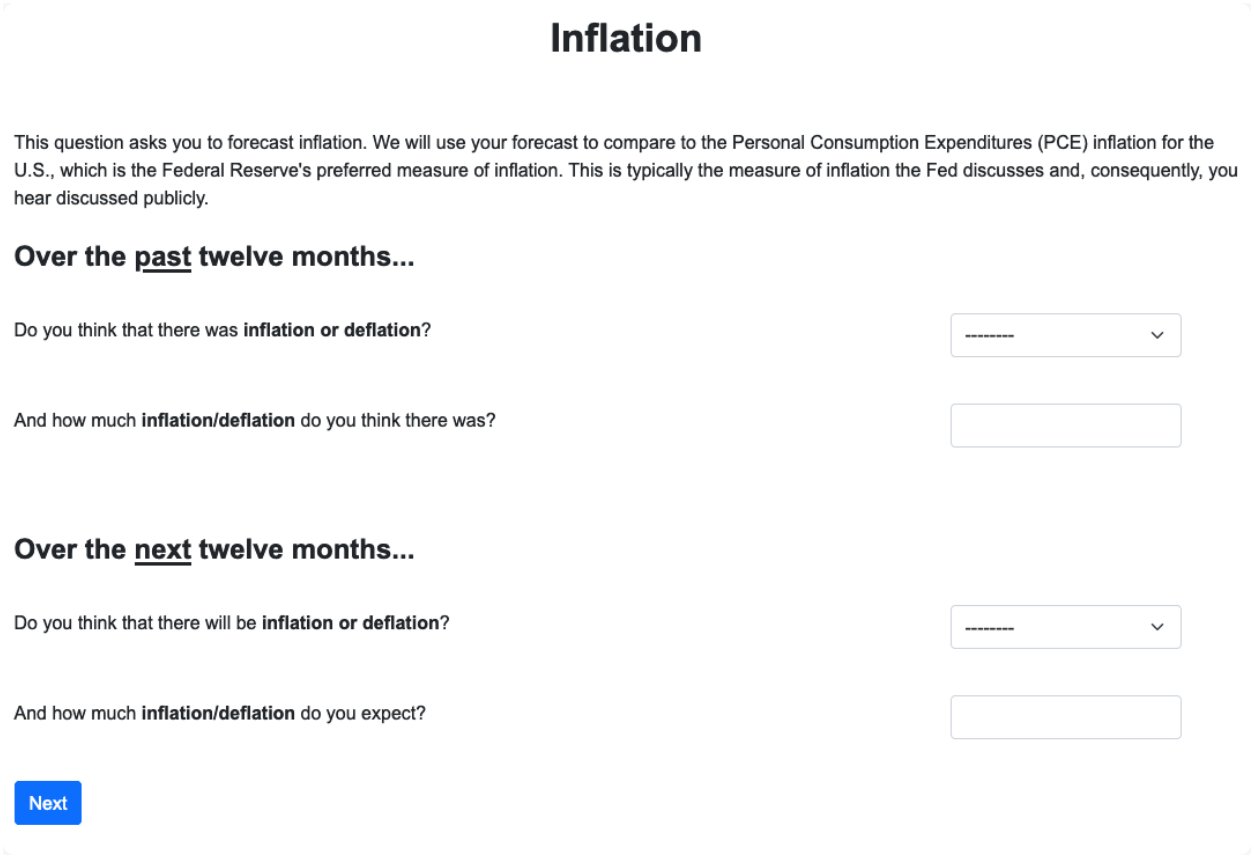


Figure A-7: Inflation Point Forecast (Prior, Wave 1)

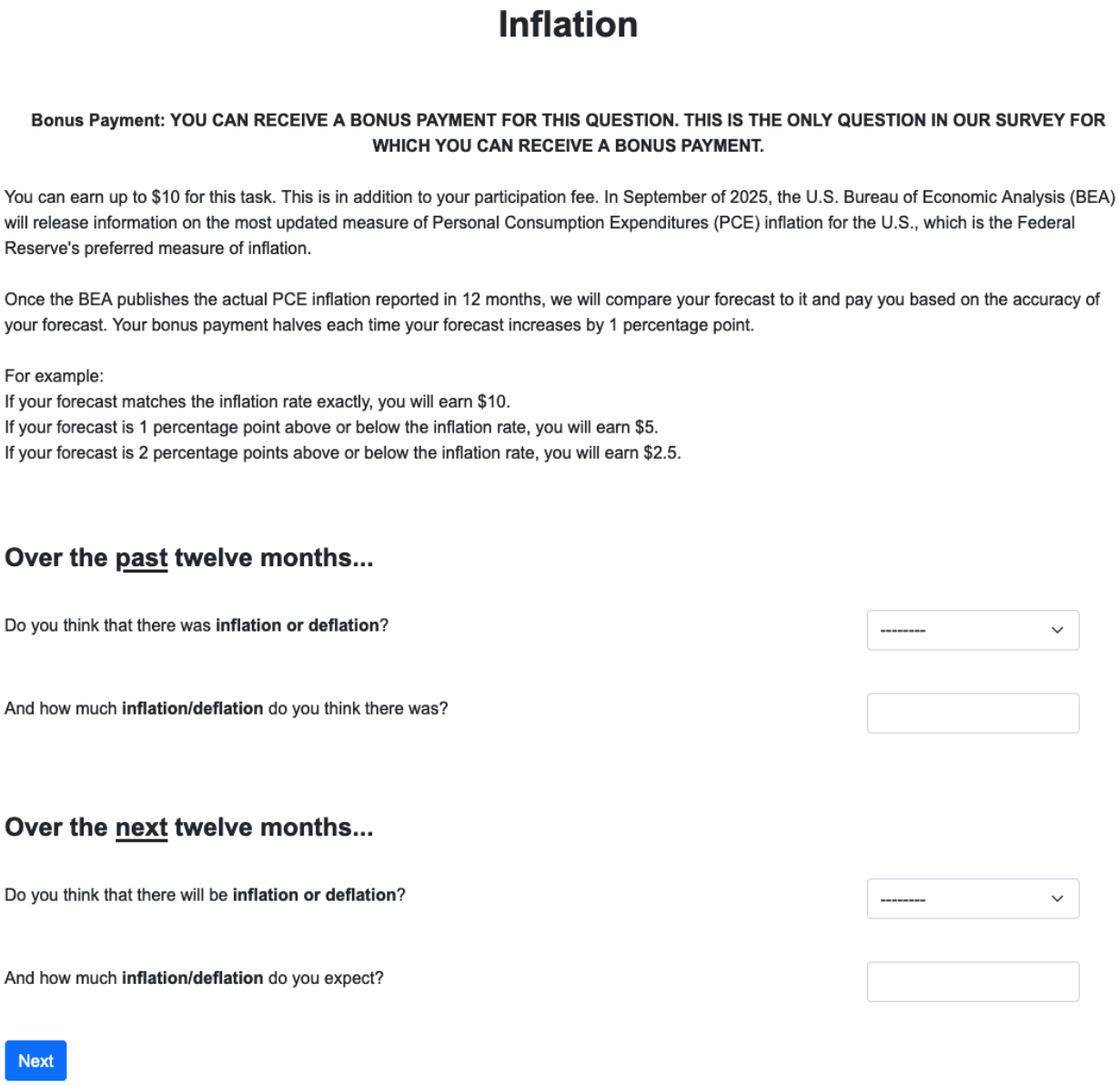


Figure A-8: Inflation Point Forecast (Prior, Wave 2)

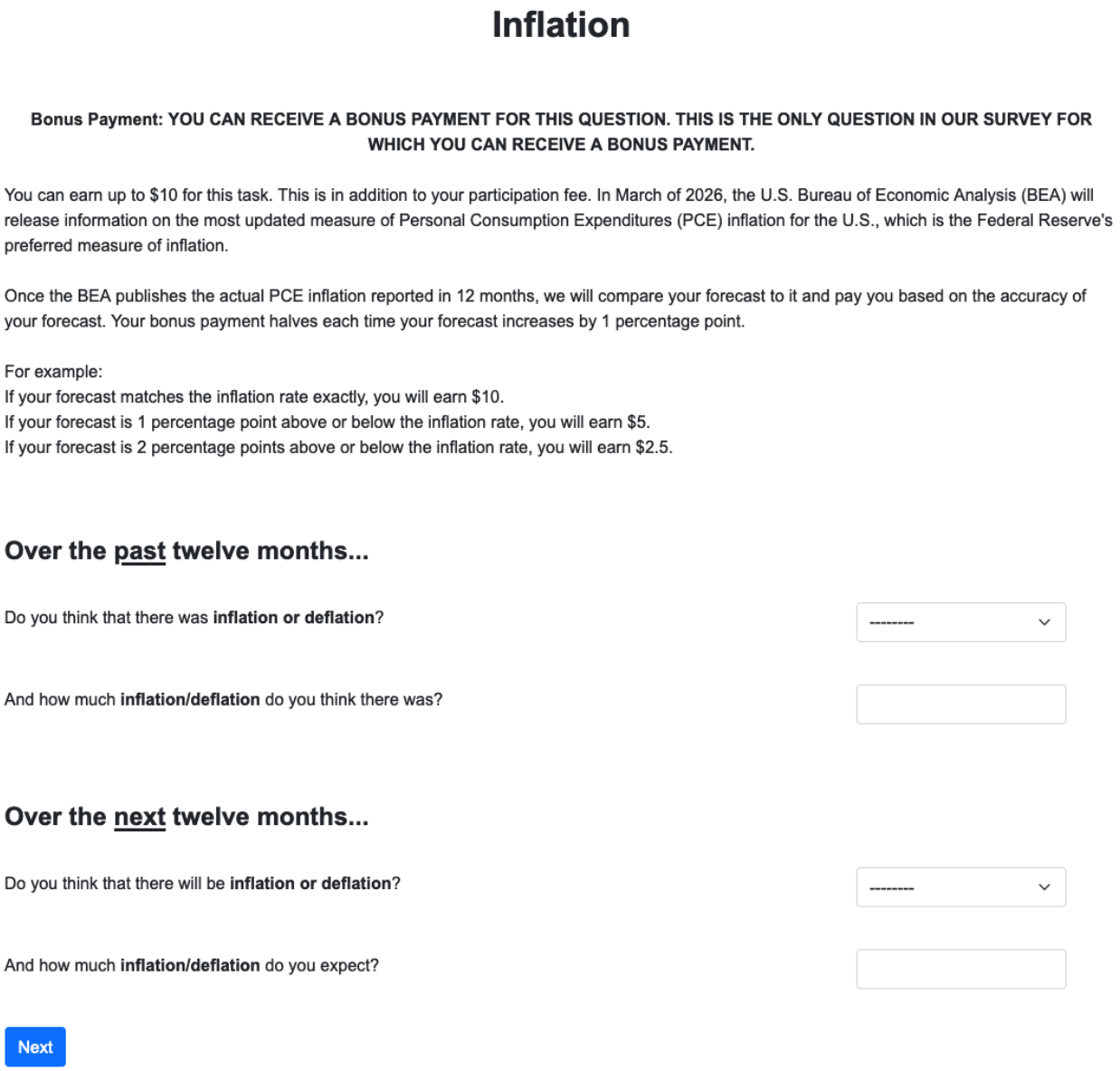


Figure A-9: Inflation Point Forecast (Posterior, Wave 1 & 2)

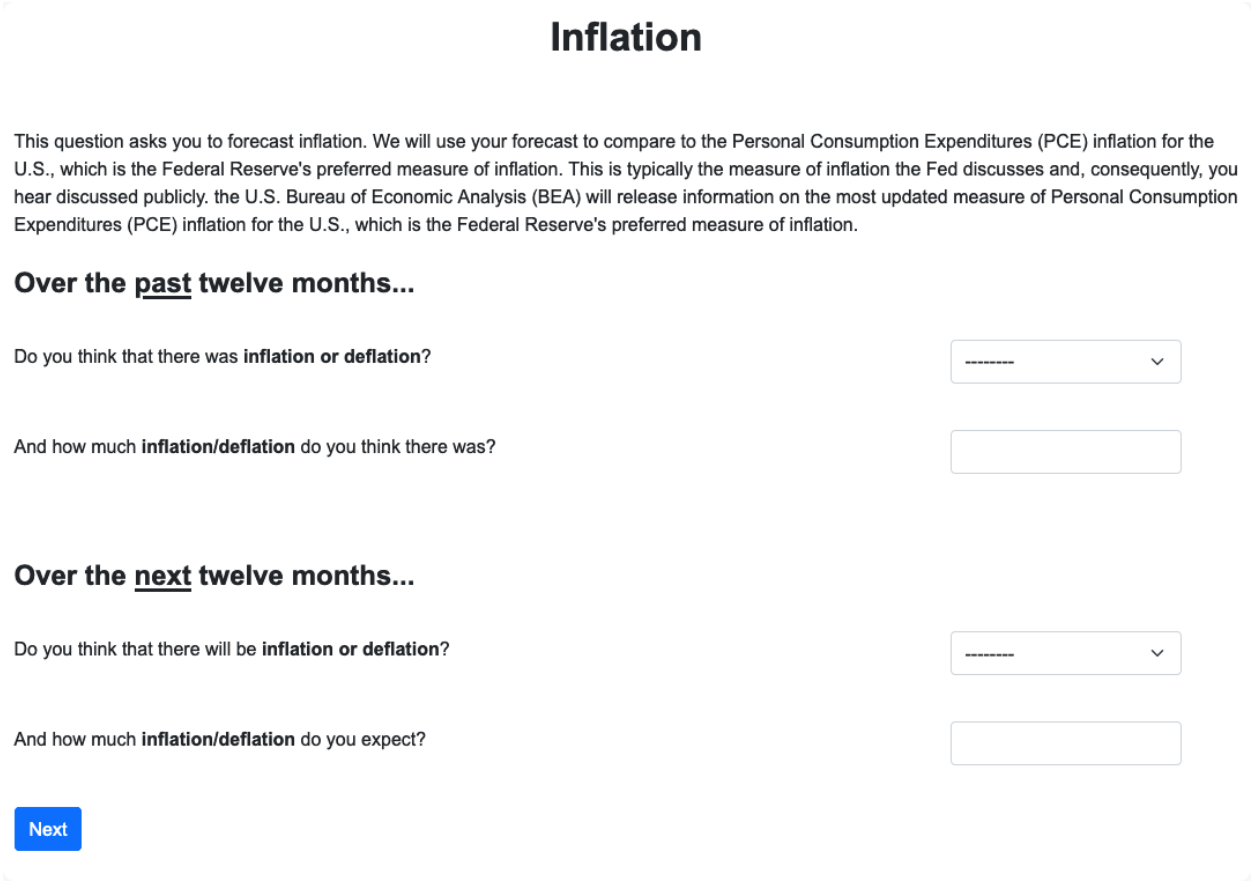


Figure A-10: Inflation Point Forecast (Both, Wave 1)

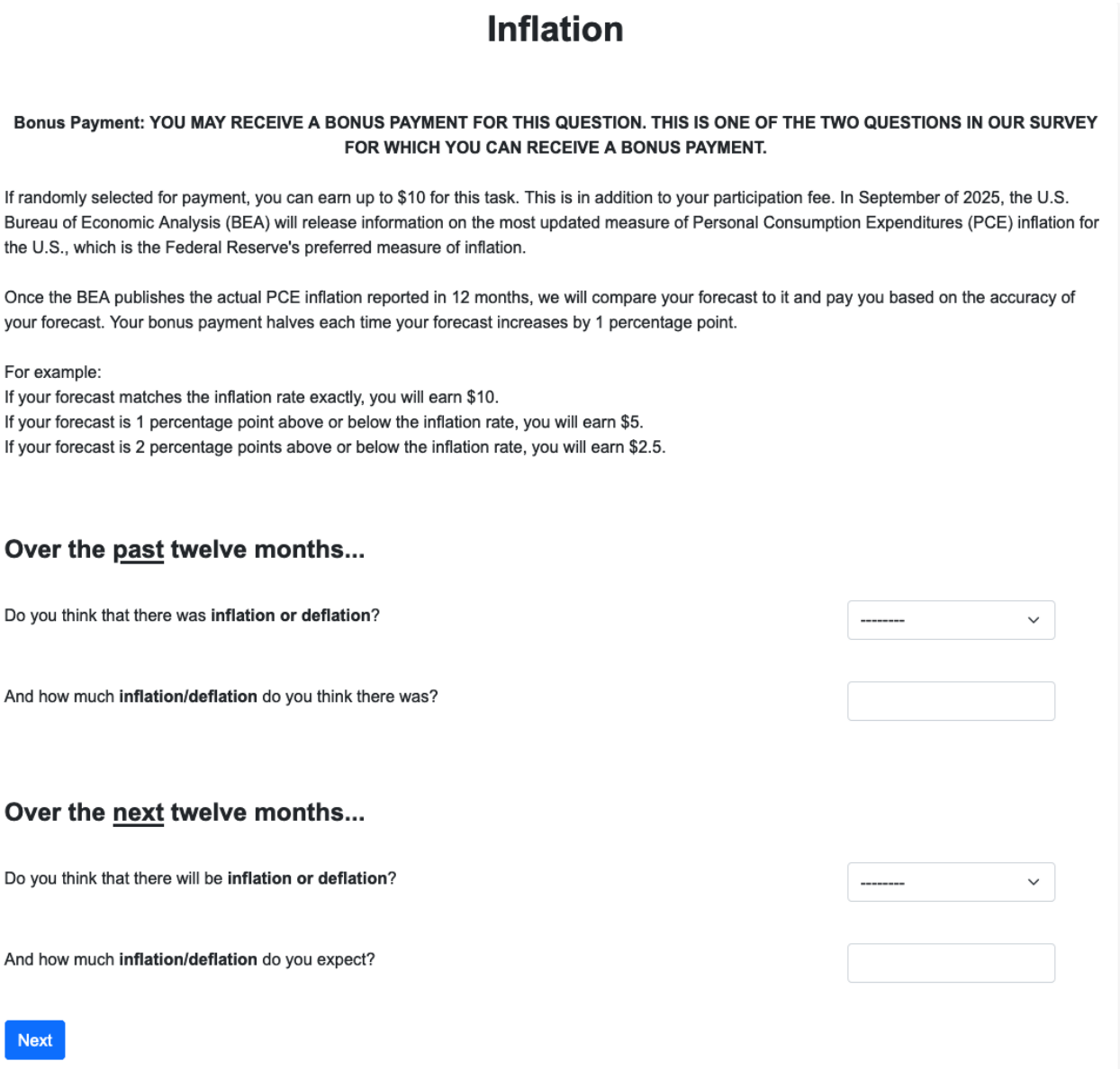


Figure A-11: Inflation Point Forecast (Both, Wave 2)

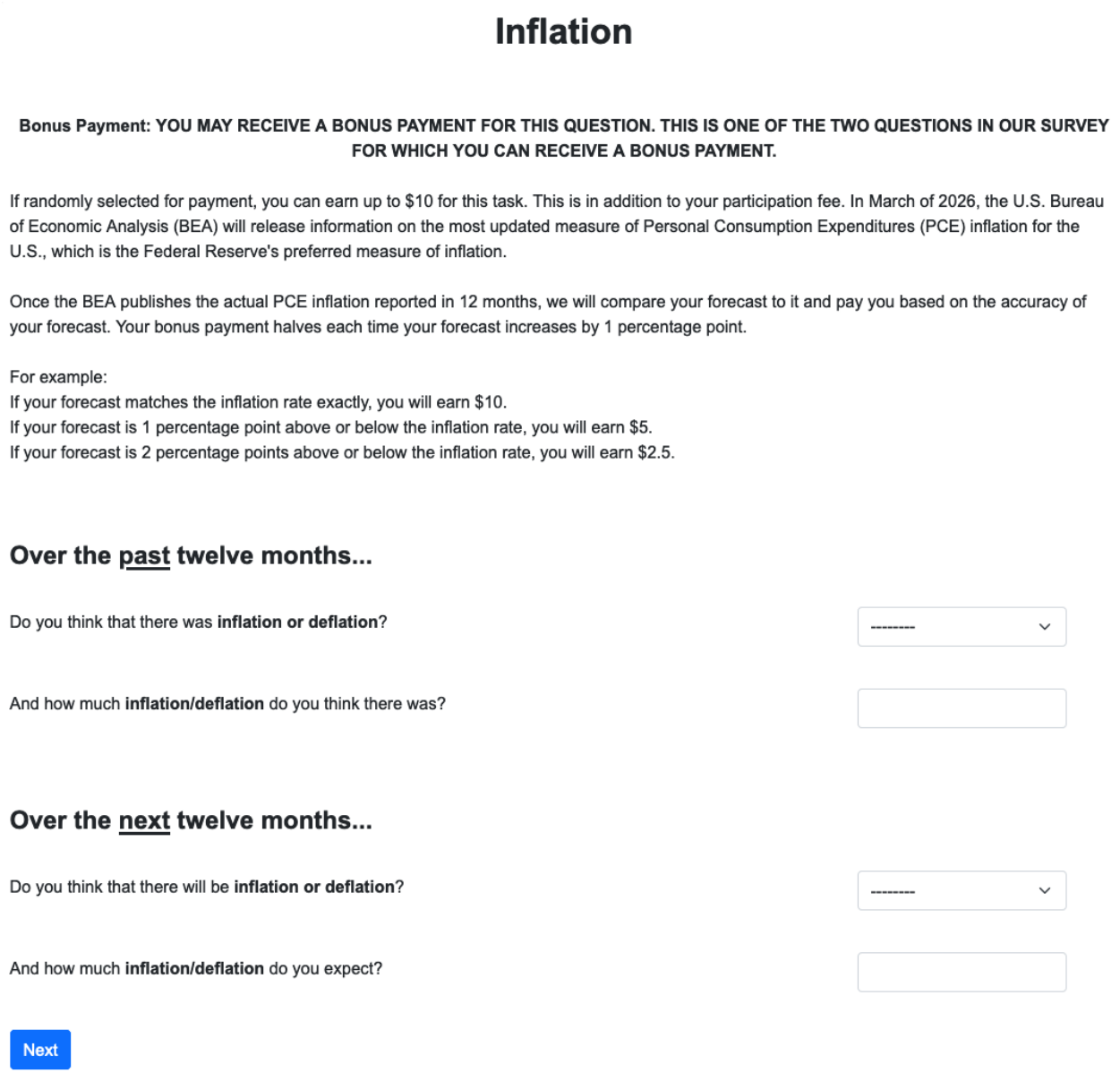


Figure A-12: Food Point Forecast (Wave 1 & Wave 2)

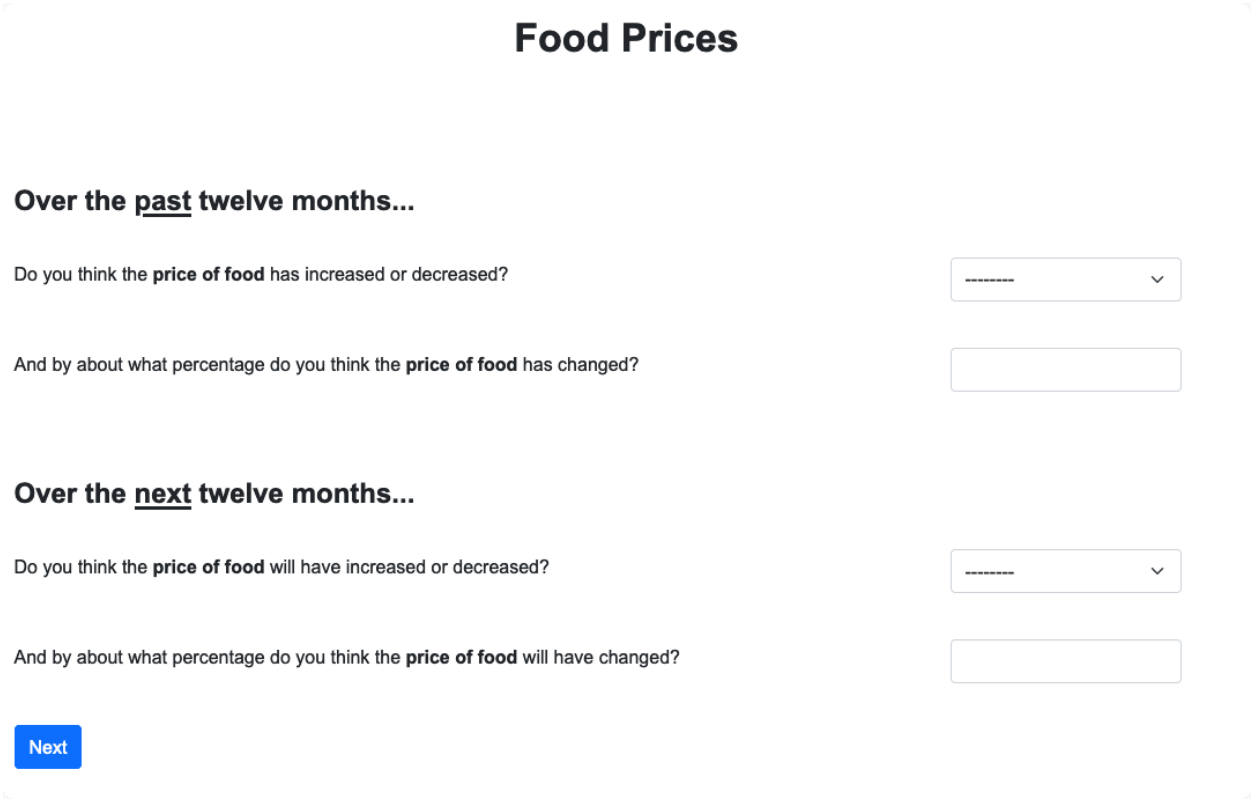


Figure A-13: Gas Point Forecast (Wave 1 & Wave 2)

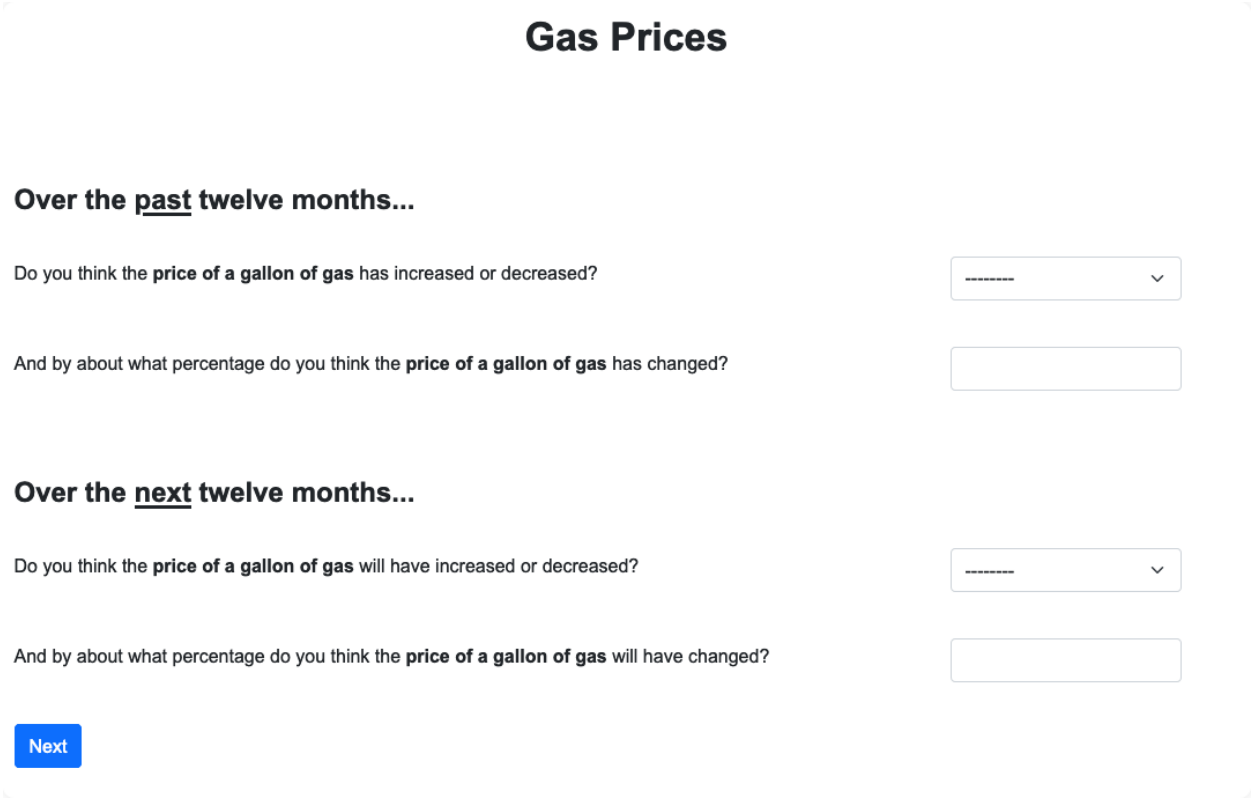


Figure A-14: Information Intervention (Wave 1)

We provide below the most recent official economic forecast data from the Federal Reserve, which is the central bank for the United States. Economic forecasts are very important for the Fed because policymakers there use forecasts to help them make good policy decisions when guiding our economy.

In conjunction with the Federal Open Market Committee (FOMC) meeting held on June 11–12, 2024, meeting participants submitted their projections of the most likely outcomes for inflation for each year from 2024 to 2026 and over the longer run. We have summarized these projections in the following table:

Variable	Median 2024	Range 2024	Median 2025	Range 2025
PCE inflation	2.6	2.5–3.0	2.3	2.2–2.5

Next

Figure A-15: Information Intervention (Wave 2)

We provide below the most recent official economic forecast data from the Federal Reserve, which is the central bank for the United States. Economic forecasts are very important for the Fed because policymakers there use forecasts to help them make good policy decisions when guiding our economy.

In conjunction with the Federal Open Market Committee (FOMC) meeting held on December 17–18, 2024, meeting participants submitted their projections of the most likely outcomes for inflation for each year from 2025 to 2027 and over the longer run. We have summarized these projections in the following table:

Variable	Median 2025	Range 2025	Median 2026	Range 2026
PCE inflation	2.7	2.5–3.4	2.2	2.0–3.1

Next

Figure A-16: Food Bin Forecast (Wave 1 & 2)

Food Prices

Now we would like you to think about the different things that may happen to **food prices** over the **next twelve months**. We realize that this question may take a little more effort.

Below, we will ask you to assign a percent (%) chance that food prices twelve months from now will fall into a certain range. The sum of the numbers you enter should equal 100%. For example, if you think there is a 20% chance that food prices will be 12% or higher, and a 30% chance that it will be between 8% and 12%, you should indicate this by entering the values 20 and 30 into each corresponding field. In this scenario, you would need to allocate the remaining 50%.

In your view, what would you say is the percent chance that, **over the next twelve months**...

the price of food will increase by 12% or higher: ____ %

the price of food will increase by between 8% and 12%: ____ %

the price of food will increase by between 4% and 8%: ____ %

the price of food will increase by between 2% and 4%: ____ %

the price of food will increase by between 0% and 2%: ____ %

the price of food will decrease by between -2% and 0%: ____ %

the price of food will decrease by between -4% and -2%: ____ %

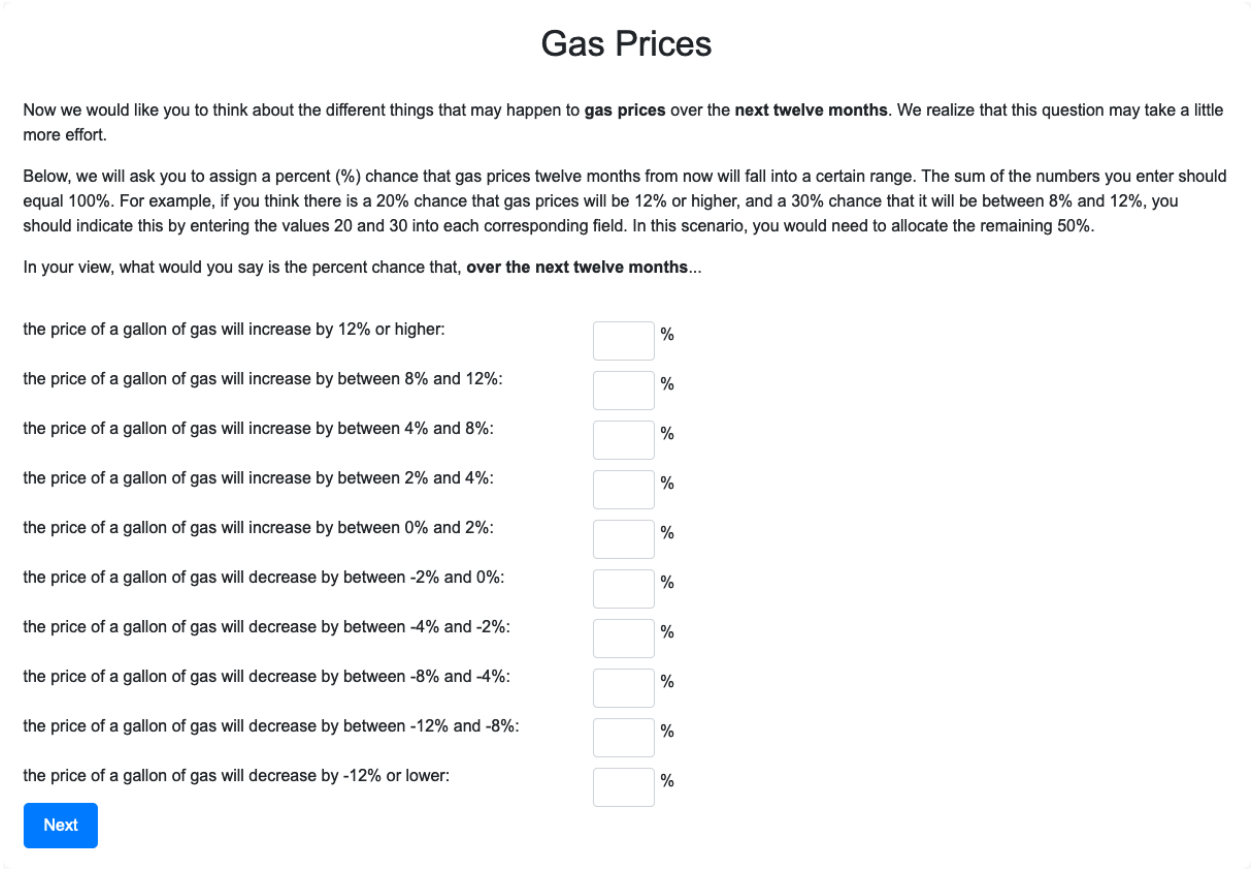
the price of food will decrease by between -8% and -4%: ____ %

the price of food will decrease by between -12% and -8%: ____ %

the price of food will decrease by -12% or lower: ____ %

Next

Figure A-17: Gas Bin Forecast (Wave 1 & 2)



Gas Prices

Now we would like you to think about the different things that may happen to **gas prices** over the **next twelve months**. We realize that this question may take a little more effort.

Below, we will ask you to assign a percent (%) chance that gas prices twelve months from now will fall into a certain range. The sum of the numbers you enter should equal 100%. For example, if you think there is a 20% chance that gas prices will be 12% or higher, and a 30% chance that it will be between 8% and 12%, you should indicate this by entering the values 20 and 30 into each corresponding field. In this scenario, you would need to allocate the remaining 50%.

In your view, what would you say is the percent chance that, **over the next twelve months**...

the price of a gallon of gas will increase by 12% or higher: %

the price of a gallon of gas will increase by between 8% and 12%: %

the price of a gallon of gas will increase by between 4% and 8%: %

the price of a gallon of gas will increase by between 2% and 4%: %

the price of a gallon of gas will increase by between 0% and 2%: %

the price of a gallon of gas will decrease by between -2% and 0%: %

the price of a gallon of gas will decrease by between -4% and -2%: %

the price of a gallon of gas will decrease by between -8% and -4%: %

the price of a gallon of gas will decrease by between -12% and -8%: %

the price of a gallon of gas will decrease by -12% or lower: %

Next

Figure A-18: Inflation Bin Forecast (Flat & Prior, Wave 1 & 2)

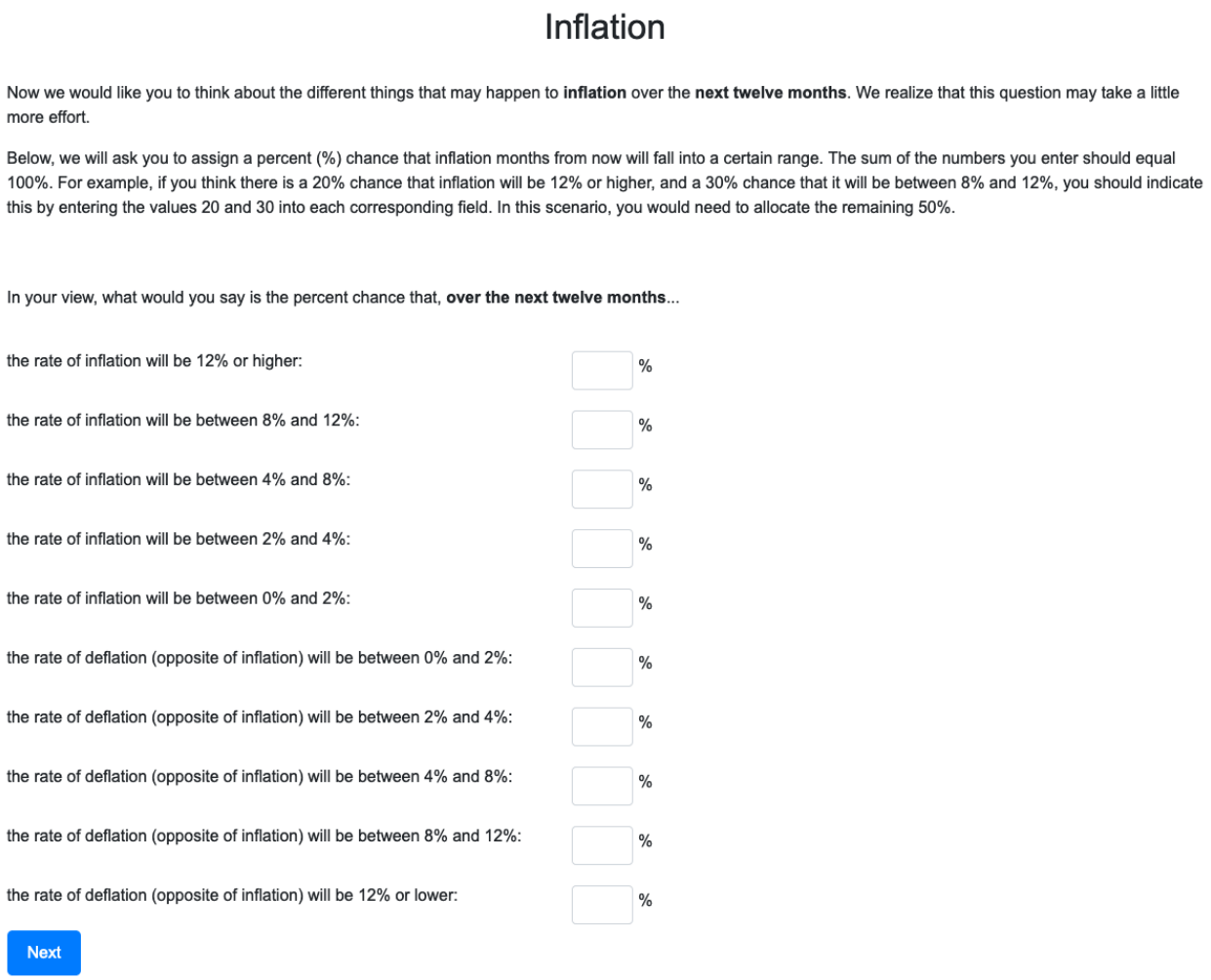


Figure A-19: Inflation Bin Forecast (Posterior, Wave 1)

Inflation

Now we would like you to think about the different things that may happen to **inflation** over the **next twelve months**. We realize that this question may take a little more effort.

Below, we will ask you to assign a percent (%) chance that inflation months from now will fall into a certain range. The sum of the numbers you enter should equal 100%. For example, if you think there is a 20% chance that inflation will be 12% or higher, and a 30% chance that it will be between 8% and 12%, you should indicate this by entering the values 20 and 30 into each corresponding field. In this scenario, you would need to allocate the remaining 50%.

Bonus Payment: YOU CAN RECEIVE A BONUS PAYMENT FOR THIS QUESTION. THIS IS THE ONLY QUESTION IN OUR SURVEY FOR WHICH YOU CAN RECEIVE A BONUS PAYMENT.

You can earn up to $10 for this task. This is in addition to your participation fee. In September of 2025, the U.S. Bureau of Economic Analysis (BEA) will release information on the most updated measure of Personal Consumption Expenditures (PCE) inflation for the U.S., which is the Federal Reserve's preferred measure of inflation. This value of inflation will fall into one of the bins you see here. Your bonus payment will be $10 multiplied by the weight (i.e. % chance) you assigned to that bin. For example:

- If you assign a 10% chance to a bin and the actual inflation falls into that bin, you will earn $10 * 0.10 = $1.00.
- If you assign a 25% chance to a bin and the actual inflation falls into that bin, you will earn $10 * 0.25 = $2.50.
- If you assign a 90% chance to a bin and the actual inflation falls into that bin, you will earn $10 * 0.9 = $9.00.

In your view, what would you say is the percent chance that, **over the next twelve months**...

the rate of inflation will be 12% or higher:	%
the rate of inflation will be between 8% and 12%:	%
the rate of inflation will be between 4% and 8%:	%
the rate of inflation will be between 2% and 4%:	%
the rate of inflation will be between 0% and 2%:	%
the rate of deflation (opposite of inflation) will be between 0% and 2%:	%
the rate of deflation (opposite of inflation) will be between 2% and 4%:	%
the rate of deflation (opposite of inflation) will be between 4% and 8%:	%
the rate of deflation (opposite of inflation) will be between 8% and 12%:	%
the rate of deflation (opposite of inflation) will be 12% or lower:	%

Next

Figure A-20: Inflation Bin Forecast (Posterior, Wave 2)

Inflation

Now we would like you to think about the different things that may happen to **inflation** over the **next twelve months**. We realize that this question may take a little more effort.

Below, we will ask you to assign a percent (%) chance that inflation months from now will fall into a certain range. The sum of the numbers you enter should equal 100%. For example, if you think there is a 20% chance that inflation will be 12% or higher, and a 30% chance that it will be between 8% and 12%, you should indicate this by entering the values 20 and 30 into each corresponding field. In this scenario, you would need to allocate the remaining 50%.

Bonus Payment: YOU CAN RECEIVE A BONUS PAYMENT FOR THIS QUESTION. THIS IS THE ONLY QUESTION IN OUR SURVEY FOR WHICH YOU CAN RECEIVE A BONUS PAYMENT.

You can earn up to $10 for this task. This is in addition to your participation fee. In March of 2026, the U.S. Bureau of Economic Analysis (BEA) will release information on the most updated measure of Personal Consumption Expenditures (PCE) inflation for the U.S., which is the Federal Reserve's preferred measure of inflation. This value of inflation will fall into one of the bins you see here. Your bonus payment will be $10 multiplied by the weight (i.e. % chance) you assigned to that bin. For example:

- If you assign a 10% chance to a bin and the actual inflation falls into that bin, you will earn $10 * 0.10 = $1.00.
- If you assign a 25% chance to a bin and the actual inflation falls into that bin, you will earn $10 * 0.25 = $2.50.
- If you assign a 90% chance to a bin and the actual inflation falls into that bin, you will earn $10 * 0.9 = $9.00.

In your view, what would you say is the percent chance that, **over the next twelve months**...

the rate of inflation will be 12% or higher:	%
the rate of inflation will be between 8% and 12%:	%
the rate of inflation will be between 4% and 8%:	%
the rate of inflation will be between 2% and 4%:	%
the rate of inflation will be between 0% and 2%:	%
the rate of deflation (opposite of inflation) will be between 0% and 2%:	%
the rate of deflation (opposite of inflation) will be between 2% and 4%:	%
the rate of deflation (opposite of inflation) will be between 4% and 8%:	%
the rate of deflation (opposite of inflation) will be between 8% and 12%:	%
the rate of deflation (opposite of inflation) will be 12% or lower:	%

Next

Figure A-21: Inflation Bin Forecast (Both, Wave 1)

Inflation

Now we would like you to think about the different things that may happen to **inflation** over the **next twelve months**. We realize that this question may take a little more effort.

Below, we will ask you to assign a percent (%) chance that inflation months from now will fall into a certain range. The sum of the numbers you enter should equal 100%. For example, if you think there is a 20% chance that inflation will be 12% or higher, and a 30% chance that it will be between 8% and 12%, you should indicate this by entering the values 20 and 30 into each corresponding field. In this scenario, you would need to allocate the remaining 50%.

Bonus Payment: YOU MAY RECEIVE A BONUS PAYMENT FOR THIS QUESTION. THIS IS ONE OF THE TWO QUESTIONS IN OUR SURVEY FOR WHICH YOU CAN RECEIVE A BONUS PAYMENT.

If randomly selected for payment, you can earn up to $10 for this task. This is in addition to your participation fee. In September of 2025, the U.S. Bureau of Economic Analysis (BEA) will release information on the most updated measure of Personal Consumption Expenditures (PCE) inflation for the U.S., which is the Federal Reserve's preferred measure of inflation. This value of inflation will fall into one of the bins you see here. Your bonus payment will be $10 multiplied by the weight (i.e. % chance) you assigned to that bin. For example:

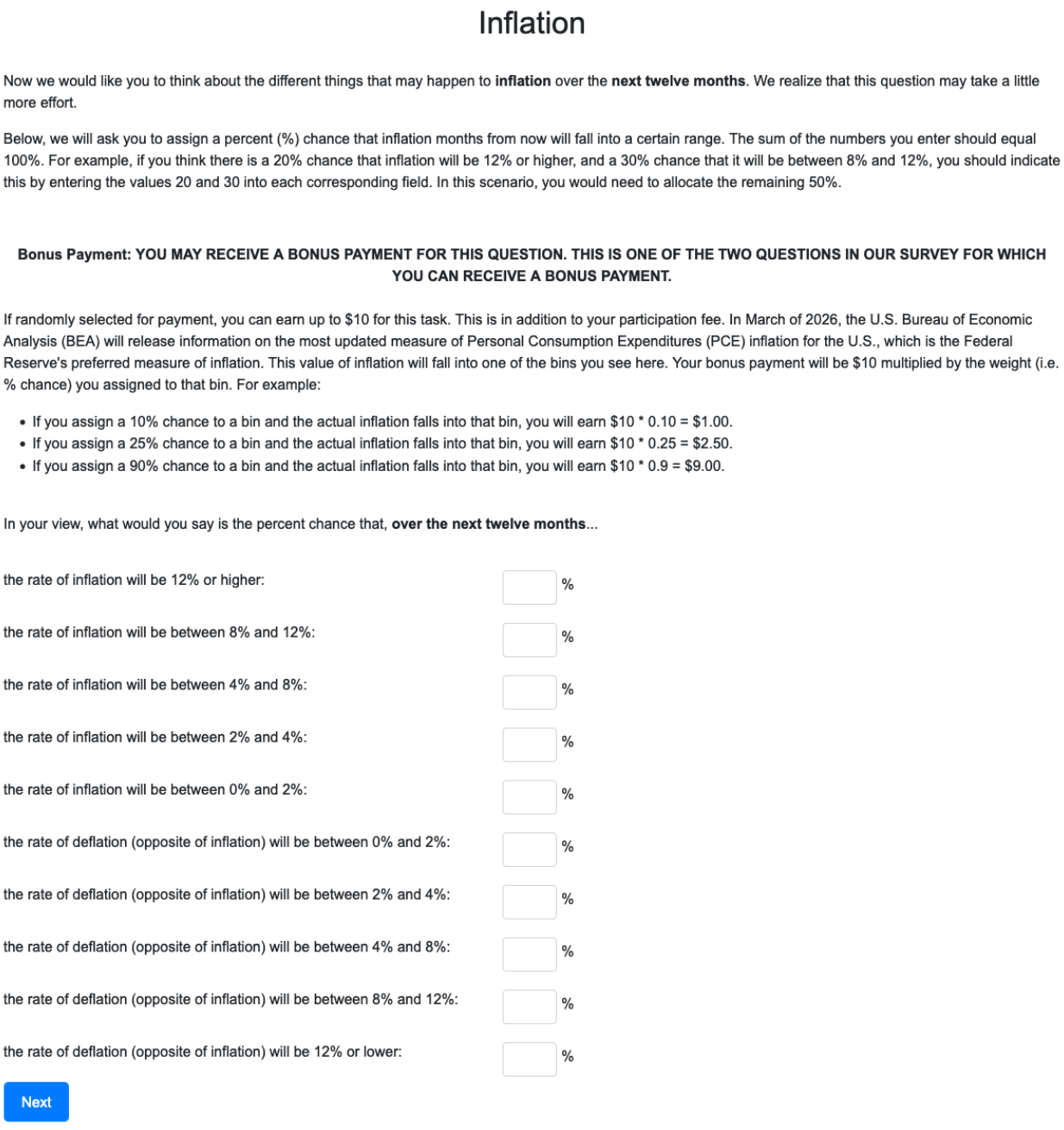
- If you assign a 10% chance to a bin and the actual inflation falls into that bin, you will earn $10 * 0.10 = $1.00.
- If you assign a 25% chance to a bin and the actual inflation falls into that bin, you will earn $10 * 0.25 = $2.50.
- If you assign a 90% chance to a bin and the actual inflation falls into that bin, you will earn $10 * 0.9 = $9.00.

In your view, what would you say is the percent chance that, **over the next twelve months**...

the rate of inflation will be 12% or higher:	%
the rate of inflation will be between 8% and 12%:	%
the rate of inflation will be between 4% and 8%:	%
the rate of inflation will be between 2% and 4%:	%
the rate of inflation will be between 0% and 2%:	%
the rate of deflation (opposite of inflation) will be between 0% and 2%:	%
the rate of deflation (opposite of inflation) will be between 2% and 4%:	%
the rate of deflation (opposite of inflation) will be between 4% and 8%:	%
the rate of deflation (opposite of inflation) will be between 8% and 12%:	%
the rate of deflation (opposite of inflation) will be 12% or lower:	%

Next

Figure A-22: Inflation Bin Forecast (Both, Wave 2)



Inflation

Now we would like you to think about the different things that may happen to **inflation** over the **next twelve months**. We realize that this question may take a little more effort.

Below, we will ask you to assign a percent (%) chance that inflation months from now will fall into a certain range. The sum of the numbers you enter should equal 100%. For example, if you think there is a 20% chance that inflation will be 12% or higher, and a 30% chance that it will be between 8% and 12%, you should indicate this by entering the values 20 and 30 into each corresponding field. In this scenario, you would need to allocate the remaining 50%.

Bonus Payment: YOU MAY RECEIVE A BONUS PAYMENT FOR THIS QUESTION. THIS IS ONE OF THE TWO QUESTIONS IN OUR SURVEY FOR WHICH YOU CAN RECEIVE A BONUS PAYMENT.

If randomly selected for payment, you can earn up to $10 for this task. This is in addition to your participation fee. In March of 2026, the U.S. Bureau of Economic Analysis (BEA) will release information on the most updated measure of Personal Consumption Expenditures (PCE) inflation for the U.S., which is the Federal Reserve's preferred measure of inflation. This value of inflation will fall into one of the bins you see here. Your bonus payment will be $10 multiplied by the weight (i.e. % chance) you assigned to that bin. For example:

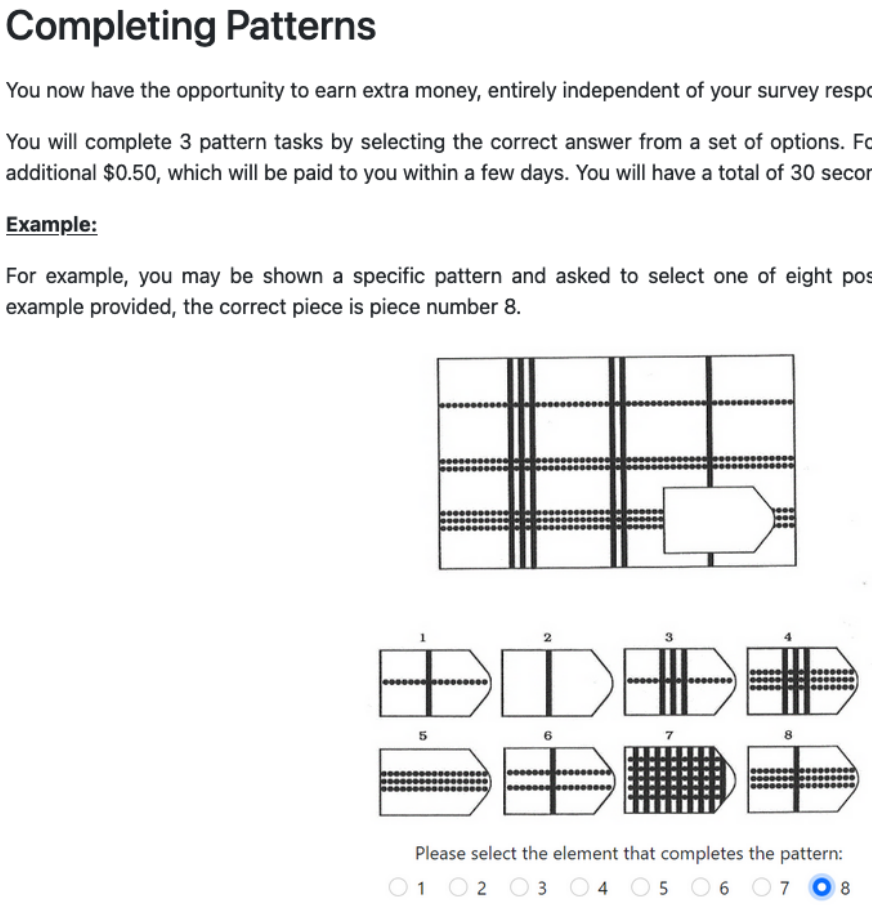
- If you assign a 10% chance to a bin and the actual inflation falls into that bin, you will earn $10 * 0.10 = $1.00.
- If you assign a 25% chance to a bin and the actual inflation falls into that bin, you will earn $10 * 0.25 = $2.50.
- If you assign a 90% chance to a bin and the actual inflation falls into that bin, you will earn $10 * 0.9 = $9.00.

In your view, what would you say is the percent chance that, **over the next twelve months**...

the rate of inflation will be 12% or higher:	%
the rate of inflation will be between 8% and 12%:	%
the rate of inflation will be between 4% and 8%:	%
the rate of inflation will be between 2% and 4%:	%
the rate of inflation will be between 0% and 2%:	%
the rate of deflation (opposite of inflation) will be between 0% and 2%:	%
the rate of deflation (opposite of inflation) will be between 2% and 4%:	%
the rate of deflation (opposite of inflation) will be between 4% and 8%:	%
the rate of deflation (opposite of inflation) will be between 8% and 12%:	%
the rate of deflation (opposite of inflation) will be 12% or lower:	%

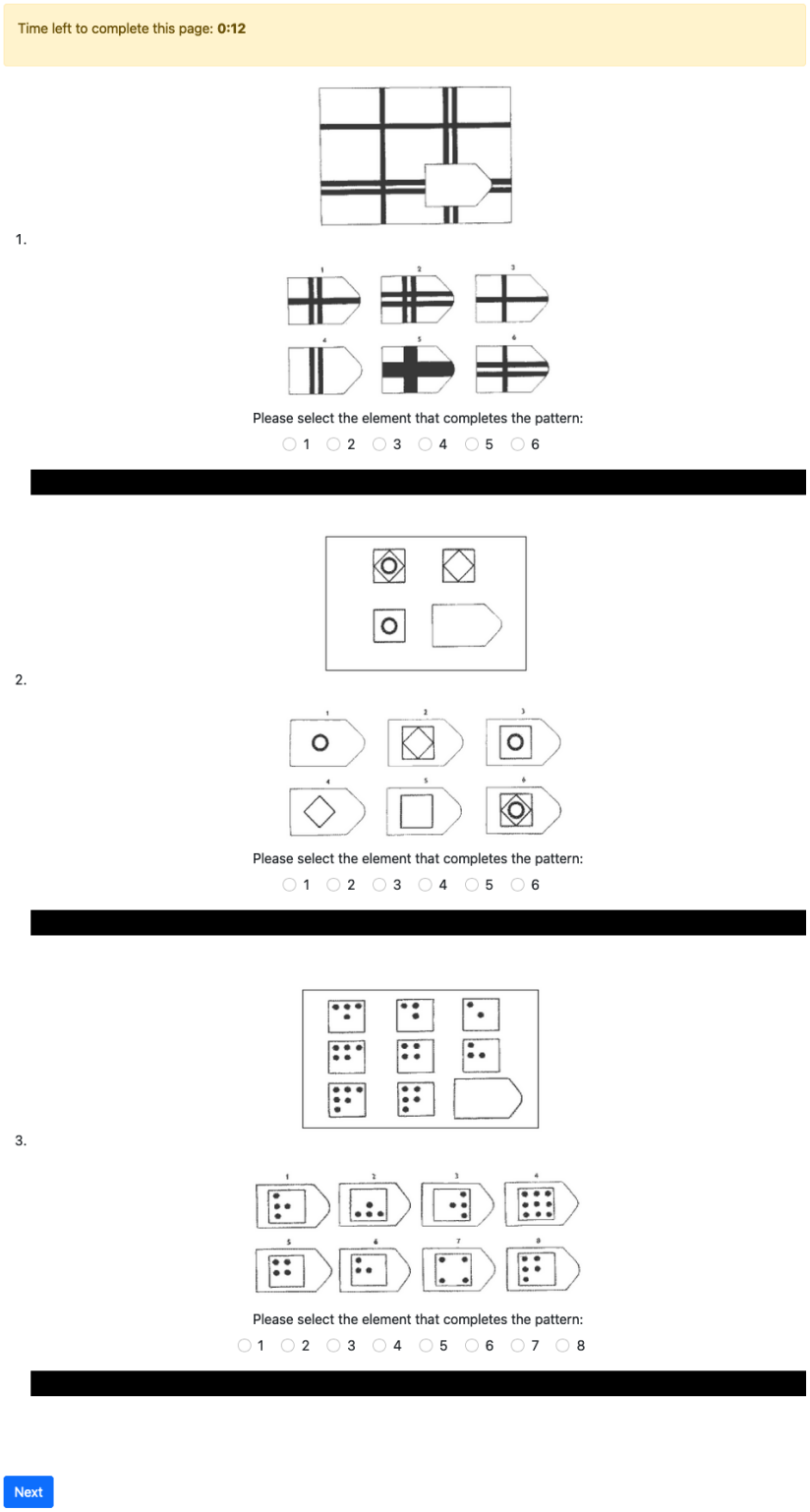
Next

Figure A-23: Reasoning: Raven's Matrices Introduction (Wave 2)



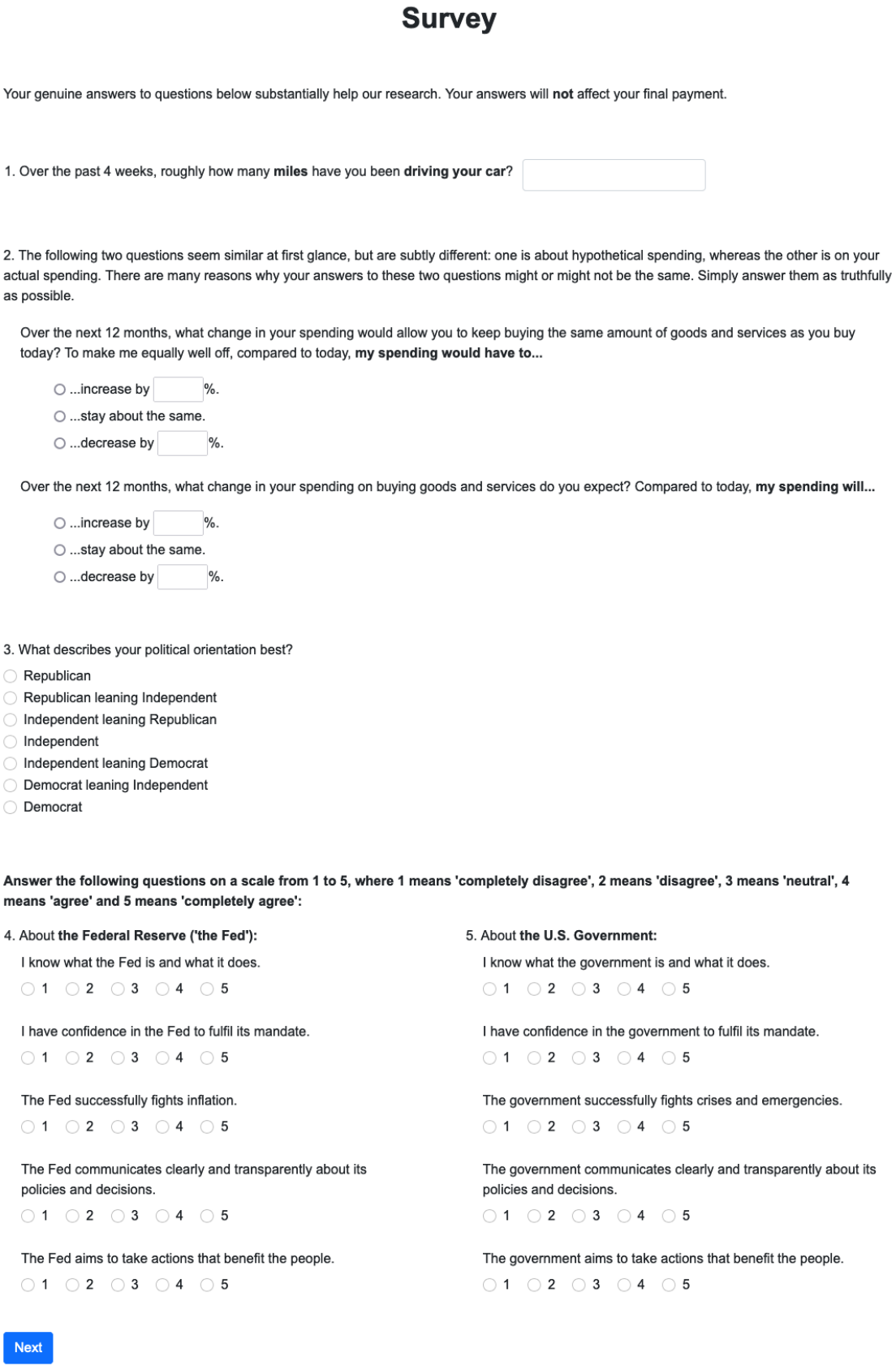
Notes: This figure shows the introduction page for the Raven's Matrices test to elicit reasoning. This test appeared identically across all treatment groups.

Figure A-24: Reasoning: Raven's Matrices (Wave 2)



Notes: This figure shows the Raven's Matrices test to elicit reasoning. This test appeared identically across all treatment groups. Participants had 30 seconds to submit their answers before the page automatically proceeded. The following page showed how many matrices the participant got right and their additional payoff resulting from it ($0.50 for each correct answer).

Figure A-25: Survey I (Wave 2)



Survey

Your genuine answers to questions below substantially help our research. Your answers will **not** affect your final payment.

1. Over the past 4 weeks, roughly how many **miles** have you been **driving your car**?

2. The following two questions seem similar at first glance, but are subtly different: one is about hypothetical spending, whereas the other is on your actual spending. There are many reasons why your answers to these two questions might or might not be the same. Simply answer them as truthfully as possible.

Over the next 12 months, what change in your spending would allow you to keep buying the same amount of goods and services as you buy today? To make me equally well off, compared to today, **my spending would have to...**

- ...increase by ____%.
- ...stay about the same.
- ...decrease by ____%.

Over the next 12 months, what change in your spending on buying goods and services do you expect? Compared to today, **my spending will...**

- ...increase by ____%.
- ...stay about the same.
- ...decrease by ____%.

3. What describes your political orientation best?

- Republican
- Republican leaning Independent
- Independent leaning Republican
- Independent
- Independent leaning Democrat
- Democrat leaning Independent
- Democrat

Answer the following questions on a scale from 1 to 5, where 1 means 'completely disagree', 2 means 'disagree', 3 means 'neutral', 4 means 'agree' and 5 means 'completely agree':

4. About **the Federal Reserve ('the Fed'):**

I know what the Fed is and what it does.
1 2 3 4 5

I have confidence in the Fed to fulfil its mandate.
1 2 3 4 5

The Fed successfully fights inflation.
1 2 3 4 5

The Fed communicates clearly and transparently about its policies and decisions.
1 2 3 4 5

The Fed aims to take actions that benefit the people.
1 2 3 4 5

5. About **the U.S. Government:**

I know what the government is and what it does.
1 2 3 4 5

I have confidence in the government to fulfil its mandate.
1 2 3 4 5

The government successfully fights crises and emergencies.
1 2 3 4 5

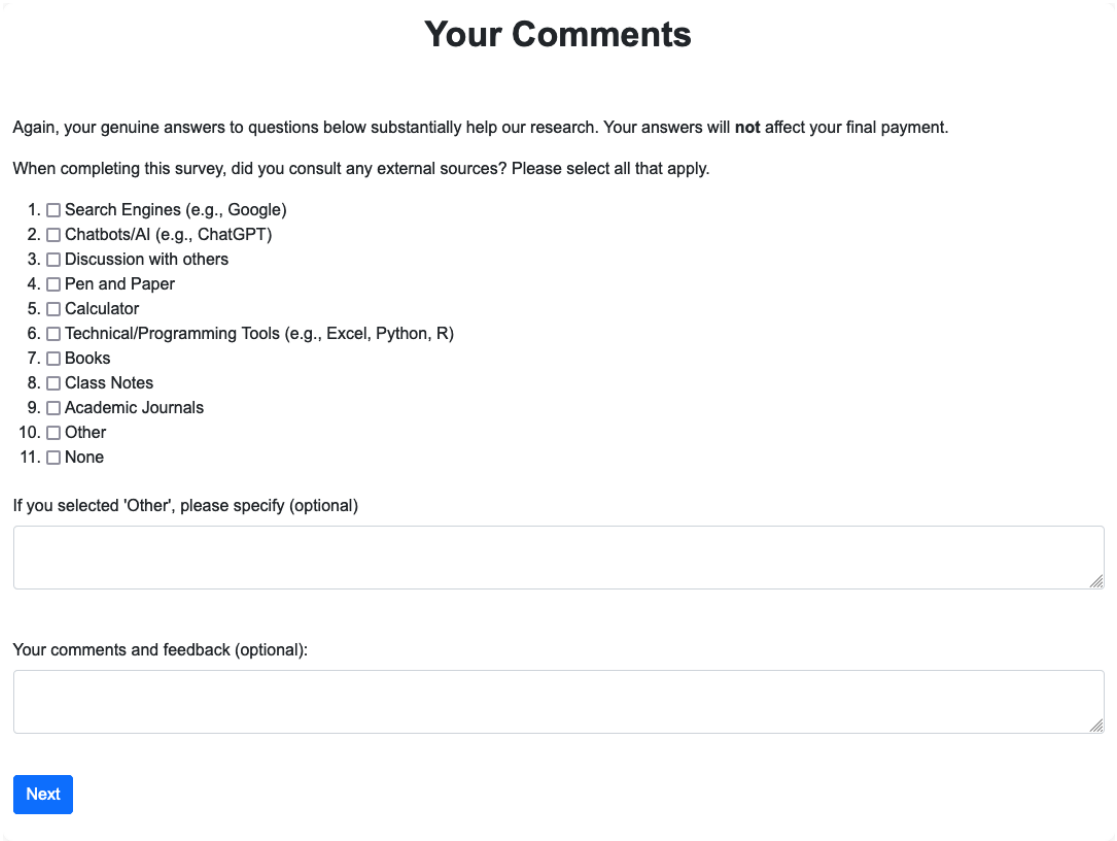
The government communicates clearly and transparently about its policies and decisions.
1 2 3 4 5

The government aims to take actions that benefit the people.
1 2 3 4 5

Next

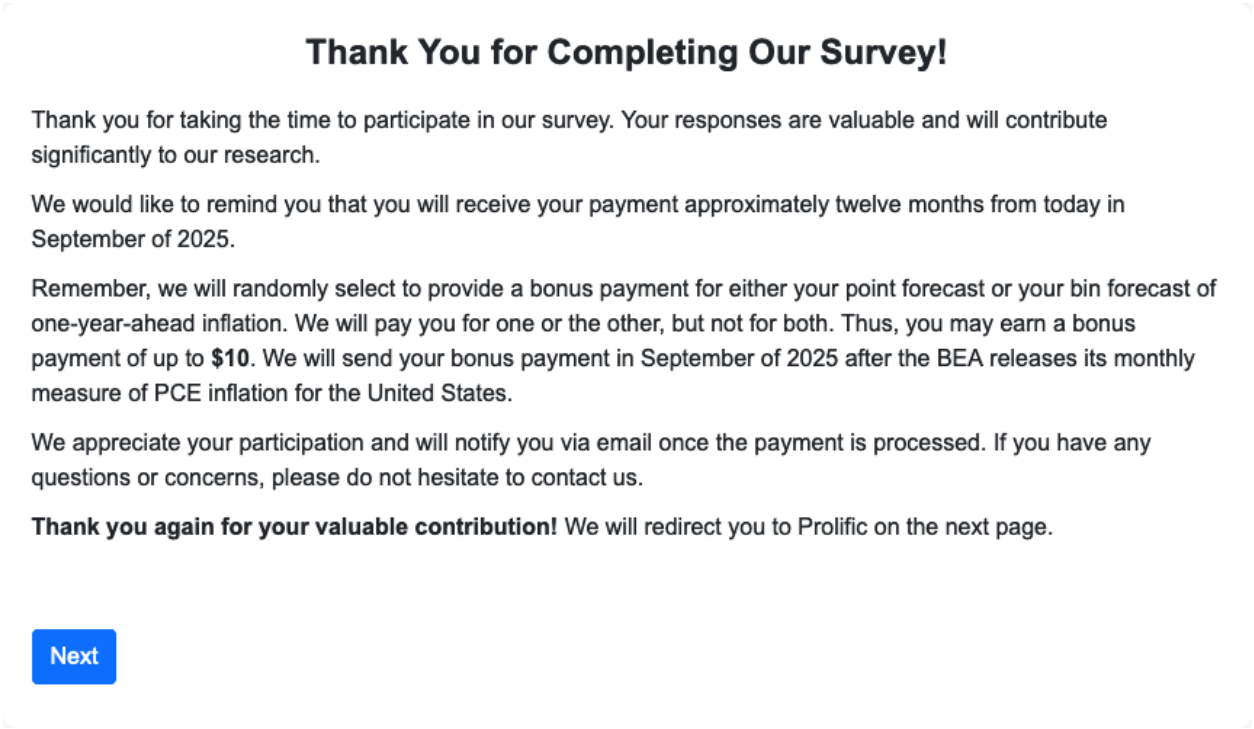
Notes: This figure shows the first page of the survey implemented in Wave 2 across all treatment groups. The order of the two questions on spending was randomized across participants.

Figure A-26: Survey II (Wave 2)



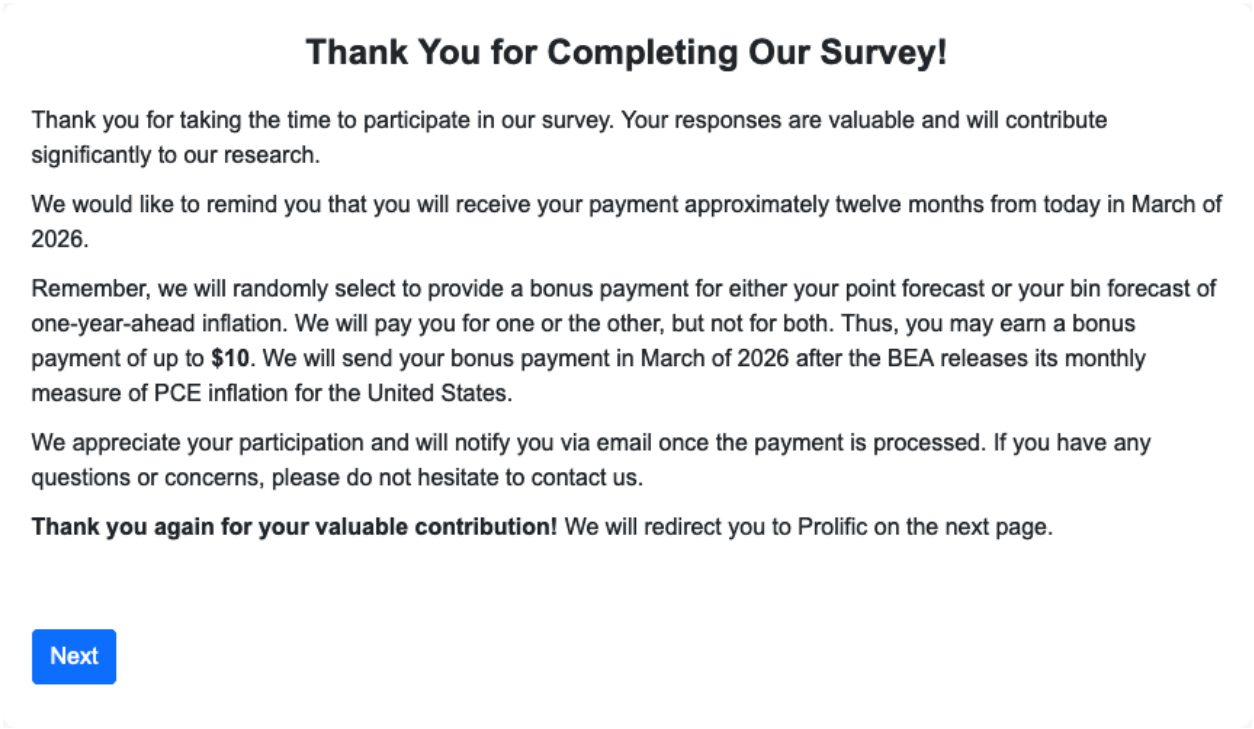
Notes: This figure shows the second page of the survey implemented in Wave 2 across all treatment groups.

Figure A-27: End of Survey (Wave 1)



Notes: This figure shows the final page for the *Both* treatment group in Wave 1. Slight variations in wording occur between treatments to reflect the different incentive structures. Screenshots of other treatment groups are available upon request.

Figure A-28: End of Survey (Wave 2)



Notes: This figure shows the final page for the *Both* treatment group in Wave 2. Slight variations in wording occur between treatments to reflect the different incentive structures. Screenshots of other treatment groups are available upon request.

A7 Incentives, Political Identity, Information Search, and Expectations

In Wave 2 of our experiment, we collected data on whether individuals left the forecasting screen when providing their prior and posterior forecasts of inflation. Using this measure, we examine whether marginal incentives change participants' propensity to acquire external information, whether political identity also shapes this behavior, and whether our treatment effects on inflation expectations survive after accounting for search. This survey was fielded in March, shortly after President Trump's inauguration. Based on prior work and our raw data, we expect Democrats to report higher inflation expectations than Republicans, with incentives moderating this partisan gap.

Table A-20 reports logit regressions of information search, defined as leaving the forecasting screen, along with predictive margins and pairwise contrasts. Only 8 percent of participants in the unincentivized condition engaged in search, compared with 19 percent under incentives. The incentive dummy increases the log-odds of search by about one point ($p < 0.01$). Political identity plays a weaker role: predicted probabilities are 12 percent for Democrats, 17 percent for Republicans, and 11 percent for Independents. These differences are not statistically significant, except that Independents search less than Republicans. The dominant determinant of external information acquisition is whether the task is incentivized.

Table Table A-21 turns to inflation expectations. Columns (1) and (2) report quantitative and point forecasts, respectively. Incentives lower reported expectations by about 8 percentage points, even after controlling for information search. Political identity strongly predicts expectations: in the unincentivized condition, Democrats report higher forecasts than both Republicans and Independents. Crucially, the interaction terms show that incentives moderate these partisan differences: Democrats' and Independents' expectations converge toward Republicans' when accuracy is incentivized. Information search is associated with somewhat lower forecasts, but does not account for the main treatment effects.

Taken together, these results provide three insights. First, incentives significantly increase the likelihood of information acquisition, though the vast majority of participants still do not search. Second, political identity has little effect on search behavior. Third, and most importantly, incentives reduce inflation expectations and attenuate partisan polarization even after conditioning on search. This suggests that incentives operate both by making participants more likely to acquire external information and by increasing internal effort and reducing partisan distortion in the formation of expectations. In quantitative terms, however, the external information channel appears relatively limited: even under incentives,

Table A-20: Determinants of Information Search: Logit Coefficients and Predictive Margins

	Estimate
Panel A: Logit coefficients	
Marginal incentives	1.008***
	(0.202)
Republican	0.373
	(0.231)
Independent	-0.163
	(0.226)
Constant (Democrat, no inc.)	-2.526***
	(0.204)
Panel B: Predictive margins (probability of search)	
Democrat (baseline)	0.126***
	(0.016)
Republican	0.172***
	(0.024)
Independent	0.111***
	(0.016)
No incentives	0.077***
	(0.012)
Marginal incentives	0.186***
	(0.017)
Panel C: Pairwise differences in margins	
Republican – Democrat	0.046
	(0.029)
Independent – Democrat	-0.017
	(0.023)
Independent – Republican	-0.062**
	(0.029)
Incentivized – Flat Fee	0.109***
	(0.021)
Observations	1,017
Pseudo R^2	0.040

Table A-21: Effects of Incentives and Political Identity on Inflation Expectations

	(1) Absolute Expected Inflation	(2) Expected Infltion
Marginal incentives	-8.05***	-8.28***
	(1.78)	(1.81)
Republican	-5.90**	-16.47***
	(2.14)	(2.25)
Independent	-6.12**	-11.07***
	(1.98)	(2.08)
Marginal incentives × Republican	7.34**	9.29***
	(2.66)	(2.76)
Marginal incentives × Independent	5.37**	10.04***
	(2.21)	(2.31)
Information search	-3.78***	-1.71*
	(0.97)	(0.97)
Constant	16.28***	15.30***
	(1.61)	(1.65)
Observations	1,017	1,017
R^2	0.047	0.100

Notes: OLS with robust standard errors. Column (1) uses quantitative forecasts as the dependent variable; column (2) uses point forecasts.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

fewer than one in five individuals engage in search. By contrast, the treatment effects on expectations remain large and robust once search is accounted for, implying that the dominant channel is through how incentives change the internal processing and reporting of beliefs rather than through explicit acquisition of additional data.