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Partisan Bias in Inflation Expectations

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Abstract

How does partisanship affect inflation expectations? While most research focuses on how inflation impacts political approval and voter behavior, we analyze the political roots of inflation expectations. We argue that elections serve as key moments when citizens update their economic outlook based on anticipated policy changes, and that partisanship influences these re-evaluations. Using a two-wave panel survey conducted before and after the 2024 U.S. Presidential Election, we show that partisan alignment strongly shapes inflation expectations. Democrats reported heightened inflation expectations, anticipating inflationary policies under a Trump administration, while Republicans expected inflation to fall. These shifts reflect partisan interpretations of economic policy rather than objective forecasts. We also analyze the characteristics of those who are more likely to update inflation expectations and in what direction. Importantly, we verify that individuals with strong partisan attitudes exhibit less anchored inflation expectations. Our findings have implications beyond the case under analysis. From a policy perspective, our results underscore the challenges central banks face in anchoring inflation expectations in an era of political polarization, where economic perceptions differ sharply across partisanship lines.

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The 2021 inflation surge brought price stability concerns back to the center of policy debates. Inflation dynamics led to cost-of-living crises worldwide, increasing demands for political responses. Despite renewed interest in inflation, particularly in the developed world, research analyzing key political dimensions of inflation has been scant (Desai et al., 2003; Haffert et al., 2021; Farhart and Struby, 2024).[1] In contrast with the literature that concentrates on the impact of inflation on political approval of sitting governments (Steinberg et al., 2024), citizens' participation in elections (Weschle, 2014), and overall electoral outcomes (Lewis-Beck and Martini, 2020; Mutz and Mansfield, 2024), we look at inflation expectations through a political economy lens. We argue that elections provide a critical moment for updating inflation expectations, as they serve as focal points for citizens to reassess the economic outlook under a new administration. Here, we hypothesize that partisanship also affects these updates in inflation expectations. Using data from a two-wave panel survey conducted in the US before and after the 2024 election, we analyze the extent and direction of partisan biases in inflation expectations and focus on how people update these expectations in the direct aftermath of elections across partisan lines.

Households' and firms' expectations about future inflation outcomes are important because they impact consumption, savings, and investment decisions. For instance, the Federal Reserve Chair Jerome Powell underscored the salience of this issue by emphasizing that "as long as inflation expectations remain well anchored, it can be appropriate for central banks to look through a temporary rise in inflation."[2] Therefore, understanding how expectations around future inflation are formed is key for central banks to calibrate and communicate monetary policy (Baerg et al., 2021; Binder and Kamdar, 2022; Binder et al., 2024).

Despite established survey instruments for experts, firms, and households –usually con-

[1] Political scientists have long discussed the political roots of preferences over instruments to address inflation (Quinn and Shapiro, 1991; Scheve, 2004).

[2] "Review and Outlook" remarks delivered by Chair Jerome H. Powell at "Reassessing the Effectiveness and Transmission of Monetary Policy," an economic symposium sponsored by the Federal Reserve Bank of Kansas City, Jackson Hole, Wyoming; August 23, 2024.

ducted by central banks– research efforts to analyze the formation of subjective inflation expectations have only recently intensified (for a survey, see Weber et al. (2022)). Building on the key insight that inflation expectations reflect individuals' '*own subjective beliefs*' (D'Acunto et al., 2024, 5) about the future path of prices and the economy, recent research focuses on a wide array of factors such as central bank communication (Coibion et al., 2022), media consumption (Picault et al., 2022), financial literacy (D'Acunto et al., 2023), cognitive abilities (Weber et al., 2022), and other individual psychological and behavioral factors (Stantcheva, 2024; D'Acunto et al., 2024).

In contrast, how political variables (e.g., partisanship) and events (e.g., elections) affect inflation expectations and updates remains less well understood. The works of Gandrud and Grafström (2015), Bachmann et al. (2021), Gillitzer et al. (2021), Binder et al. (2024), and more recently Farhart and Struby (2024) are important efforts in this direction. A unifying theme across these contributions is that political partisanship shapes citizens' views on the economy's future path, including inflation expectations. For example, Binder et al. (2024) show that during the COVID-19 pandemic, the inflation expectations of Republicans became unanchored, leading to a significant rise in inflation expectations, in contrast with the anchored expectations of Democrats. Using inflation surveys from the Federal Reserve between 2013 and 2018, Bachmann et al. (2021), find that partisan effects over inflation expectations are not static but respond to what party is in power: Democrats' inflation expectations increase after a Republican administration enters office, and Republicans' inflation expectations experience an uptick when a Democratic administration takes over.[3]

Although this work suggests that inflation expectations may be a function of partisan alignment (Bachmann et al., 2021; Kim and Binder, 2023; Binder et al., 2024; Farhart and Struby, 2024), it remains unclear *when* citizens update their inflation expectations and to

[3]This finding aligns with outcomes in other policy domains (for a recent survey on the importance of affective polarization, see, among others Kingzette et al. (2021) and Hobolt et al. (2024)).

what extent an individual's degree of partisanship or affective polarization play a role in determining this shift. This constitutes the key empirical puzzle of our work: Do citizens update inflation expectations in the direct aftermath of elections? Here, we argue that if such an update in inflation expectations were to occur, the most pronounced effects could be expected to be closely around elections when expectations about an incoming administration's policies are formed (Cunha and Kern, 2022; Steinberg et al., 2024). There are several reasons for us to believe that this is the case.

First, elections represent a viable event to which an update in expectations can be attributed (Bachmann et al., 2021; Nghiem et al., 2024; Farhart and Struby, 2024; Binder et al., 2024). Several authors argue that during elections, individuals form expectations after learning the candidates' planned economic policies (Gandrud and Grafström, 2015; Bachmann et al., 2021; Binder et al., 2024; Farhart and Struby, 2024). In an experimental setting, Nghiem et al. (2024) confirm that providing individuals with information about the future path of inflation has an anchoring effect on inflation expectations.[4]

In the context of the 2024 US election, inflation was a key electoral concern. Numerous commentators considered Vice President Harris's economic plan less inflationary while pointing to the expected inflationary effects of an incoming Trump administration (Steinberg et al., 2024). In particular, raising tariffs and a more aggressive policy stance towards the Federal Reserve were at the core of the criticisms of Trump's plans, leading several Nobel Laureates to write an open letter indicating the potential inflationary impact of a Trump 2.0 economic policy agenda.[5] Several news outlets reported that households stock up on imported goods in anticipation of incoming tariffs under the new administration. For instance, the Guardian reported that "*nearly half of Americans (44%) [...] are planning purchases ahead of Trump entering office, in case he ends up implementing tariffs.*"[6]

[4] This result is in line with prior findings (Coibion et al., 2022, 2023; D'Acunto et al., 2023) .

[5] "Sixteen Nobel Economists Sign Letter About Risks to the U.S. Economy of a Second Trump Presidency" retrieved from https://www.documentcloud.org/documents/24777566-nobel-letter-final/

[6] "Two-thirds of Americans think Trump tariffs will lead to higher prices, poll says." The Guardian,

Second, recent studies show that Democrats and Republicans appear to live in different 'echo chambers' regarding media consumption and messaging (Hobolt et al., 2024; Ventura et al., 2024; Bisbee et al., 2024). In the context of inflation expectations, exposure to these different media sources and messaging plays a key role in forming inflation expectations (Coibion et al., 2020; Binder et al., 2024; Huseynov and Murad, 2024). For instance, Huseynov and Murad (2024) finds that Republicans and Democrats react differently in adjusting their inflation expectations, depending on the media outlet revealing this information. Binder et al. (2024) confirm that Republicans' inflation expectations are less stable and more responsive to news impacting their outlook on the economy. Our reading of the literature suggests that Republicans and Democrats, consuming or being exposed to different media sources, are susceptible to opposing narratives about the economy's future path, reflected in deviating inflation expectations pre- and post-election. A descriptive analysis of our survey confirms these stark differences. Democrats, on average, expected inflation to raise to about 4% in the following year, whereas Republicans reported they expected inflation to fall significantly with the incoming Trump administration, even below the Fed's inflation target.[7]

Finally, different political narratives about the economy's future path are amplified when in- and out-group hostilities exist, reflecting affective polarization (Iyengar et al., 2019; Kingzette et al., 2021; Peterson and Iyengar, 2021; Hobolt et al., 2024; Druckman et al., 2024). As such, deep-rooted partisanship differences should result in deviating inflation expectations and reflect ingrained distrust between groups, amplifying initial partisan differences. For instance, Jenke (2024)'s survey experiment in the US confirms that, because of in-group and out-group dynamics, individuals double down on their beliefs in misinformation to be true if it is perceived to come from an in-group source. Peterson and Iyengar (2021) label this effect as 'partisanship cheerleading,' indicating that it is more about defending a

November 26, 2024.

[7]In the post-election wave of our survey, the average expected inflation for the next 12 months for Republicans is -1.74.

specific partisan-induced policy position than facts. In the context of inflation expectations, Huseynov and Murad (2024) verify the existence of a similar mechanism. Providing Republicans and Democrats with information about the news outlet's name reporting an update on the economy (e.g., CNN vs. FOX News), they show that Republicans and Democrats adjust their beliefs according to whether the news outlet is perceived as an in-group or out-group media outlet. And indeed, although independent experts have confirmed that Trump's proposed economic policies would increase inflation (Steinberg et al., 2024), we expect Republicans to adjust their inflation expectations downward in the aftermath of the election. In sharp contrast, we expect Democrats to adjust their inflation expectations upward, anticipating a sharp upshot in inflation.

Synthesizing these insights, we argue that Donald Trump's election to the White House has amplified an existing partisan divide in inflation expectations. Whereas we expect Democrats to update their beliefs toward higher inflation, we expect Republicans to anticipate a drop under a Trump administration.

To test these expectations, we present evidence from a two-wave panel survey fielded before the 2024 Presidential Election (August) and two weeks after the election (November). Our findings indicate that partisan inflation expectations firmly swing in opposite directions pre-/post-election: the average inflation expectations of Democrats in our sample increase by about 2.7 percentage points between survey waves. The average expected inflation among Republicans, on the other hand, decreased by 4.88 percentage points, to -1.74%.

We contribute to several streams of literature. First, our work lies at the heart of recent political economy debates linking political events, such as elections, to adjustments in economic behavior (Cunha and Kern, 2022; Brady et al., 2022; Mian et al., 2023). Our work is most related to a recent analysis of citizens' perceptions of the economy (Mian et al., 2023; Bachmann et al., 2021; Baerg et al., 2021; Baccini and Sattler, 2023; Steinberg et al., 2024). Whereas scholars tend to focus on the impact of institutional factors on inflation (Quinn

and Shapiro, 1991; Desai et al., 2003; Scheve, 2004; Garriga and Rodriguez, 2020; Haffert et al., 2021; Mutz and Mansfield, 2024; Farhart and Struby, 2024), here we focus on understanding the partisanship divide in inflation expectations. Complementing a fast-growing literature, a key innovation of our approach is that by treating the recent US election as a quasi-experimental laboratory, we can show how election outcomes can lead to inflation expectations updates in alignment with citizens' partisan affiliation. As such, our work speaks to research efforts aiming to understand partisan alignment in forming economic expectations (Mian et al., 2023; Binder and Kamdar, 2022; Binder et al., 2024; Steinberg et al., 2024). Although our findings confirm earlier work on inflation expectations (for a survey, see Binder et al. (2024)), we can verify that partisanship preferences are not static but are likely to see a significant update around elections, and in a relatively short temporal window. In our case, this update in inflation expectations is due to the revelation of an election outcome in a politically polarized setting, in line with earlier findings regarding affective polarization, according to which individuals do not trust partisan out-group members to act in the best interest of society, leading to sharp deviations in inflation expectations (Iyengar et al., 2019; Kingzette et al., 2021; Peterson and Iyengar, 2021; Hobolt et al., 2024; Ventura et al., 2024; DiGiuseppe et al., 2025).

Second, we complement a substantial literature analyzing the drivers of inflation expectations (Weber et al., 2022; D'Acunto et al., 2023; Binder and Kamdar, 2022; Binder et al., 2024). Our work is most related to the work analyzing partisanship differences (Gillitzer et al., 2021; Kay et al., 2023; Binder et al., 2024; Aidala et al., 2024; Steinberg et al., 2024; Stantcheva, 2024), especially around elections (Gandrud and Grafström, 2015; Bachmann et al., 2021; Farhart and Struby, 2024). A key innovation of our approach is that we follow individual survey respondents before and after the election, allowing us to capture updates to respondents' inflation expectations in more detail.

Finally, from a policy perspective, we contribute to important research on the limits

of central bank communication in anchoring inflation expectations (Coibion et al., 2022; Weber et al., 2022; Stantcheva, 2024; Blinder et al., 2024). A common insight is that central banks play an important role in anchoring inflation expectations. However, recent findings suggest that anchoring inflation expectations through central bank communications might be less successful when citizens have diverging partisan affiliations (Coibion et al., 2020; Binder et al., 2024; Farhart and Struby, 2024). As Binder and Kamdar (2022, 17) state, "*central banks that rely on communication with the public as a policy tool should be aware that media narratives about inflation may differ across outlets of different political leanings.*" Our findings raise awareness of the risks of politicizing central bank communications: in an increasingly polarized society in which partisanship affiliations trump a factual understanding of the inner workings of an economy, central bank communication can be weaponized against monetary authorities (i.e., 'shooting the messenger effect'), opening the path for central banks to become targets of political backlash.

The Survey

We draw our evidence from questions about inflation expectations embedded in a two-wave survey around the 2024 US Presidential Election (DiGiuseppe et al., 2025). The first wave was fielded shortly after Kamala Harris had replaced Joe Biden at the top of the ticket, on 6 August 2024. The second wave was fielded between 19 November and 8 December 2024.

The survey was fielded on Prolific and targeted a quota sample of 1500 respondents reflecting the US population in terms of age, gender, region, and partisanship.[8] Over 1135 of those respondents participated in the second wave. Table 1 shows that those who did not participate in the second wave were not different from those who did.

The panel survey was designed to study attitudes toward central bank independence. It

[8]The Prolific sample does not differ significantly from the Cooperative Election Survey (CES) and US Census data. See Table 3 in the Appendix.

included several randomized information treatments to provide information that the President would gain influence if CBI were decreased. In both waves, we also collected respondents' inflation expectations by first asking "Over the next 12 months, do you think that there will be inflation or deflation? (Note: deflation is the opposite of inflation)." Depending on the answer, we then asked: "What do you expect the rate of [inflation/deflation] to be over the next 12 months? Please give your best guess." We then asked them to type in a whole number. The answer to this question is used as our dependent variable in the analysis below.

Importantly, we collected inflation expectations post-treatment in each wave. Additional analysis reveals that these treatments did not significantly influence interest rate expectations. We address the treatments in our statistical models by estimating respondent fixed effects. Given that treatment was held constant across treatment waves at the individual level, it is absorbed by the fixed effects.

Table 1: Balance Pre- and Post-Election

	Pre-Election		Post-Election			
	Mean	Std. Dev.	Mean	Std. Dev.	Diff. in Means	Std. Error
7-point Party ID	2.8	2.1	2.8	2.1	0.0	0.1
Age	46.1	15.9	48.7	15.3	2.6	0.6
Income	3.4	1.6	3.3	1.6	-0.1	0.1
Education	3.8	1.5	3.8	1.5	-0.1	0.1

Results

Figure 1 presents three panels with the density of inflation expectation responses for Democrats, Republicans, and independents pre- and post-election. We code Republicans and Democrats as those identifying as strong or not-so-strong partisans on the standard 7-point party identification battery. Those who initially responded with independent or other are

included in the independent category. Only those who completed both survey waves are included in these plots.

Even in these raw distributions, the movement of Democrats' expectations towards more inflation and of Republicans towards deflation is apparent. However, the move among Republicans is more dramatic. Independents show a slight increase in inflation expectations.

We also test this relationship statistically. In Figure 2, we present the marginal effect of the election across the Party Identification scale using two different estimators. First, following the recommendations of Hainmueller et al. (2019), we estimate a linear model plotting the marginal effect and including a binning estimator. In the left panel, the black line represents the linear estimate of the marginal effect, and the gray ribbon represents the 95% confidence intervals. The red bars indicate the binning estimates. Here, we estimate the marginal effect in interactions with 4 bins or subsets of the data collapsed into binary variables. As such, the farthest left bin indicates the lowest 25 percent of responses (Democrats) and the farthest right, the highest 25 percent of responses on the party ID scale (Republicans). The logic here is to show that the marginal effect has consistent differences across the scale, as the linear estimate assumes the effect is constant.[9] The right panel shows the marginal effect estimate and the corresponding confidence interval from a kernel estimation adept at recovering non-linear marginal effects without binning (see Hainmueller et al. (2019) for an in-depth discussion). In each model, we include respondent-fixed effects and robust standard errors.

Both models indicate that partisans on both sides change their inflation expectations after the election and by similar magnitudes. Democrats see a 5% increase in their inflation expectations, while Republicans reduce their inflation expectations by about 5%. Consistent with the raw distributions, the election has little impact on the inflation expectations of independents.

[9]For the regression results, see Table 4 in the Appendix.

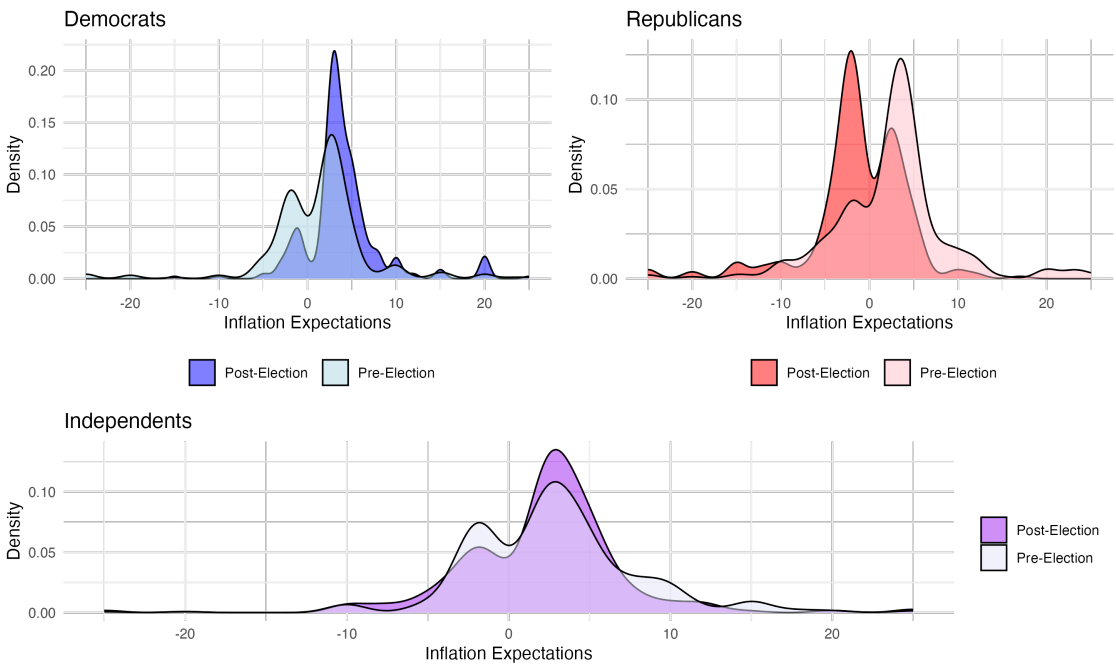

Figure 1: **Density Plots by Party Identification and Survey Wave**

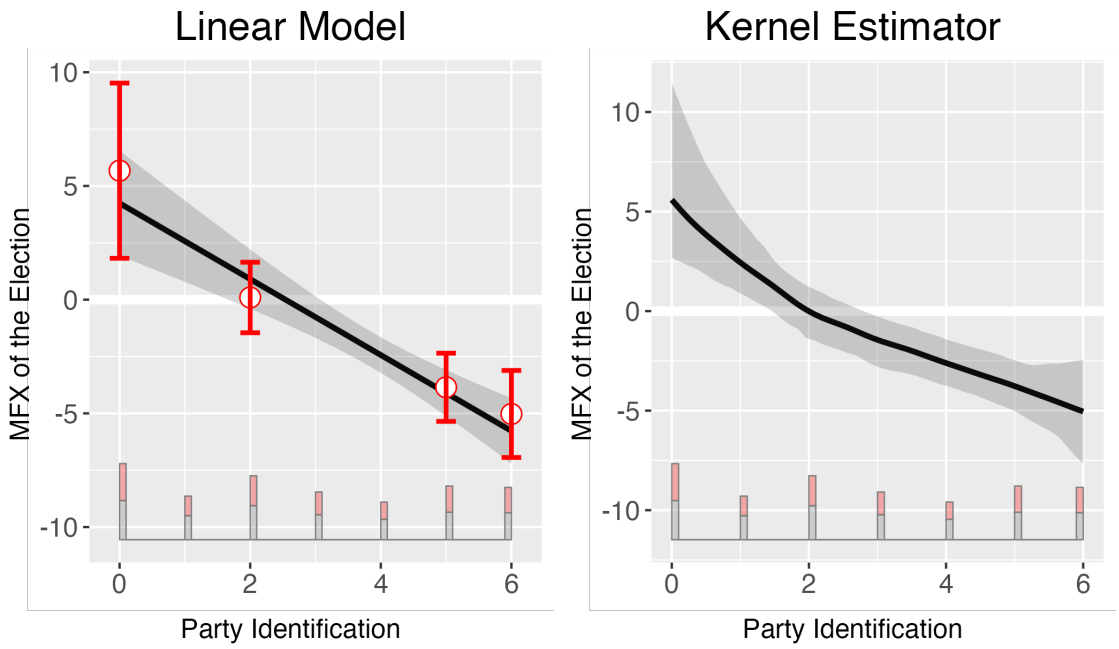

Figure 2: **Marginal Effect of the Election Across Party ID.** The left panel shows the marginal effect estimated with a binning estimator. The right panel shows the model estimated a kernel estimator. In both panels, the gray ribbon indicates the 95% confidence intervals around the estimate.

Who Updates Their Expectations?

Beyond demonstrating that inflation expectations change pre- and post-election, conditional on partisanship, our data also allow us to examine *who* updated their inflation expectations. In an exploratory analysis, we examine the correlation between several individual attributes and the propensity to change their inflation expectations in both directions and absolute terms.

Without strong priors, we include several variables with a plausible relationship with updating expectations. They include a measure of Trump victory expectations in Wave 1. We asked respondents who they thought would win (Harris, Trump, Other), and their confidence in that prediction. We converted these expectations into a 20-point scale ranging from high confidence in a Harris victory (0) to high confidence of Trump victory (20), and we standardized this variable (mean=0, sd=1).[10] We expect respondents whose election expectations were overturned by the election to update their inflation expectations.

We also test how partisanship and polarization impact expectation changes. First, we include a binary indicator of strong rather than weak partisanship in the 7-point party identification scale. Second, we include a measure of affective polarization (Druckman and Levendusky, 2019) by recording a feeling thermometer of the respondents' feelings toward both Democratic and Republican politicians and voters. The measure reflects the overall difference in feelings between members of one's party and the opposing party. We measured this outcome in the 2nd wave of the survey. We expect a positive relationship between inflation expectations and affective polarization and strong partisanship. Differences between the two may indicate that deeper mistrust in the opposition - rather than adherence to a party platform - drives updating.

Next, we test whether knowledge about the Federal Reserve, a proxy for economic literacy,

[10] For the distribution of the expectations regarding a Trump victory in out pre-election survey, see Figure 3 in the Appendix.

influences updating expectations. We asked three multiple-choice questions regarding the Fed and the appointment process (Who appoints the Fed Chair?, Who is the Fed Chair?, Who sets interest rates in the US?). We create an additive index of whether or not the respondent answered each question correctly.

We also include several other individual-level characteristics. They include binary indicators of age, gender, college education status, and a binary indicator of whether the respondent does grocery shopping in the household (D'Acunto et al., 2021).

Table 2 presents the six linear models estimating the absolute change in inflation expectations to capture their magnitude in the full sample (Models 1 and 2), and the magnitude and direction of changes in subsets of Democrats or Republicans (Models 3 to 6).[11] In this last set of models, we show results with and without the baseline expectations recorded in Wave 1. Including this variable risks over-controlling for an endogenous variable because we expect that most of the variables also had a strong impact on pre-election expectations of inflation. However, excluding the first wave measure risks omitting baseline expectations likely to influence the direction and magnitude of a potential change. Lastly, we exclude outliers that indicated a more than 20% change pre- to post-election.

Confidence in a Trump victory is not statistically significantly associated with the magnitude of inflation expectations' update in the full sample. However, in the subsamples, there is a generally significant negative correlation. Both Republicans and Democrats (model 3 only) who expected a Trump victory reduced their inflation expectations after the election. The result for Democrats contrasts with the overall change reported in the previous section and suggests that, holding everything else constant, those Democrats who expected a Trump victory may have been more pessimistic about the inflation outlook. Republicans who expected Trump to win also updated downwards. This might be the result of euphoria and

[11]To examine general trends, we include all respondents but estimate the absolute change as our initial analysis shows that partisans move in different directions.

more optimism than co-partisans regarding the effects of Trump's economic policies.

Strong partisanship (and not necessarily affective polarization) drives larger changes in expectations in our pooled sample. The effect holds even when controlling for the general partisanship of different parties (Model 2). However, affective polarization shows mixed results in the subsets by party. Further, Model 2 indicates that Democrats are less likely to update than Republicans in the sample.

College graduates reported smaller updates in their expectations after elections than those without a degree in the full sample. Surprisingly, knowledge of the Federal Reserve has a positive and significant correlation with a change in expectations in the pooled analysis, in contrast with the direction of having a college degree. Income and being in charge of the household grocery shopping are not statistically significant.

The most robust result from our analysis is a gender gap in inflation expectations update across models. In the full sample, women tend to update their inflation expectations by a larger magnitude than men. This effect also has a partisan dimension: Democratic women expected greater inflation, and Republican women expected less inflation than co-partisan males. This reflects a broader gender gap in economic policy attitudes found in other studies (Aristei and Gallo, 2022; Armantier et al., 2013; Bodea and Kerner, 2025; D'Acunto et al., 2020; Garriga, 2024, 2025).

Given the exploratory nature of these correlations, we restrain ourselves from over-interpreting these results. However, we think they are useful in guiding future research about who in the US population is more prone to updating their views about inflation or other economic outcomes in response to political changes.

	Absolute Change		Change (Democrats)		Change (Republicans)	
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Democrat		−1.304**				
		(0.429)				
Independent		−0.130				
		(0.425)				
Trump Win	0.234	−0.025	−1.685*	−0.640	−1.576*	−1.462**
Confidence (Std.)	(0.157)	(0.177)	(0.795)	(0.444)	(0.613)	(0.439)
Affective Pol.	0.233	0.277+	2.121*	0.542	−0.967	−1.350*
(Std.)	(0.160)	(0.161)	(0.825)	(0.417)	(0.726)	(0.589)
Strong Partisan	0.901**	1.328***	1.700	0.323	0.707	−0.066
	(0.328)	(0.373)	(1.621)	(0.808)	(1.415)	(1.138)
Woman	1.038***	1.005***	6.029+	2.159**	−3.613**	−2.711**
	(0.300)	(0.298)	(3.374)	(0.710)	(1.255)	(0.976)
College Graduate	−1.391**	−1.293*	0.396	1.877*	1.539	0.158
	(0.523)	(0.519)	(1.321)	(0.741)	(2.393)	(1.271)
Income	0.007	−0.015	1.462	−0.177	0.526	0.165
	(0.092)	(0.091)	(1.584)	(0.165)	(0.402)	(0.345)
Age	0.001	−0.003	0.021	−0.031	0.046	0.062
	(0.010)	(0.010)	(0.051)	(0.025)	(0.052)	(0.041)
Fed Knowledge	0.493*	0.450*	−0.077	0.778	−0.168	−0.841
	(0.227)	(0.227)	(0.913)	(0.552)	(1.293)	(0.905)
Grocery Shopper	0.688	0.731+	−1.683	−0.499	−1.438	0.100
	(0.432)	(0.431)	(2.506)	(0.701)	(1.737)	(1.497)
Wave 1				−0.980***		−0.688***
Expectations				(0.053)		(0.107)
Num.Obs.	776	776	273	273	242	242
R2	0.059	0.071	0.037	0.961	0.074	0.417
RMSE	4.06	4.03	26.33	5.28	9.63	7.64

+ p <0.1, * p <0.05, ** p <0.01, *** p <0.001

Table 2: **Exploratory Analysis**

Discussion

Inflation has returned to the forefront of political debates and electoral campaigns, particularly in the United States, where addressing the cost-of-living crisis became a central issue in the 2024 Presidential election. Building on existing literature, we demonstrate that political partisanship not only significantly shapes inflation expectations but also shapes the way in which people update their expectations around major political events such as elections. Using a two-wave panel survey conducted before and after the 2024 U.S. Presidential Election, we find clear partisan divides: after knowing the election results, Democrats anticipate higher inflation under a Trump administration, while Republicans expect inflation to decline. These findings are consistent with previous evidence suggesting partisan divides in inflation expectations volatility, showing that Republicans' inflation expectations seem less anchored (Binder et al., 2024). As one may expect, we find larger updates in expectations among those Democrats who had doubts regarding the outcome of the election, but more 'optimism' – and thus, expecting even lower inflation – among those Republicans who expected Trump's victory. Further research can examine these dynamics in multiparty contexts or in less polarized electoral processes.

These findings have profound policy implications. In a highly polarized political environment, independent central banks face increasing difficulties in anchoring inflation expectations as partisan biases shape public perceptions of economic realities (Binetti et al., 2024; Burr, 2025). When monetary policy decisions respond to politically influenced expectations rather than objective inflation dynamics, there is a risk of policy misalignment, potentially leading to overly loose monetary policy, higher inflation, and a loss of credibility. This underscores the importance of central bank independence in polarized political environments.

At the same time, central banks face more challenges in maintaining neutrality and credibility in an increasingly politicized landscape. The growing entanglement between politics

and inflation expectations underscores the need for central banks to refine their communication strategies to minimize the influence of partisan narratives. In an environment where citizens may live in alternative realities given the kinds of information they receive and how they process it (Hobolt et al., 2024), central banks and monetary policymaking become increasingly political. This creates a situation where it becomes more challenging for central banks to effectively fulfill their mandate without getting caught up in political conflicts.

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Appendix

Trump Win Expectations - Pre-Election

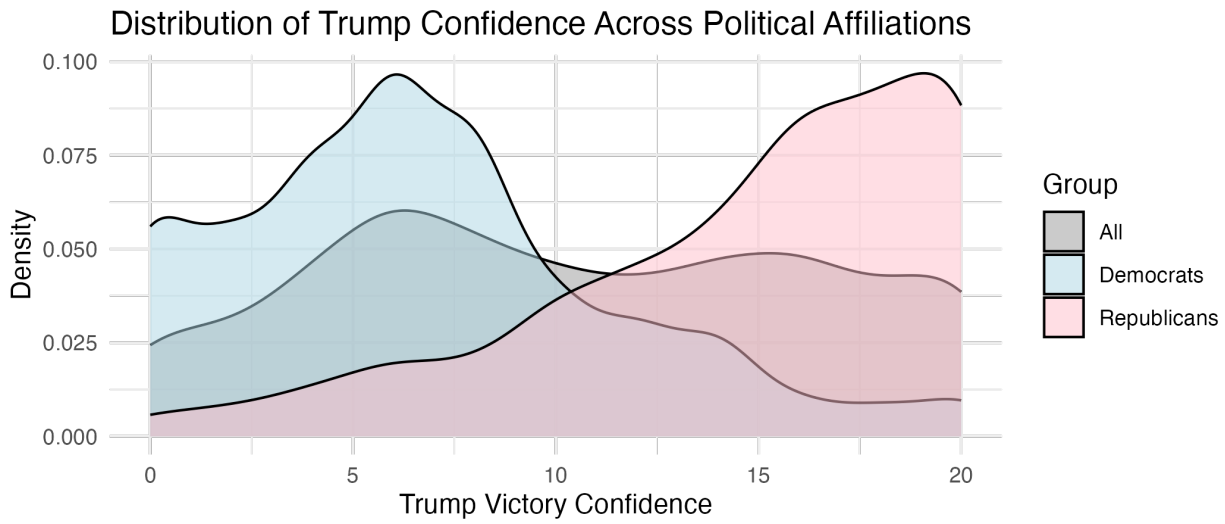

Figure 3: This figure shows the distribution of our Trump win expectation measured in the first wave of the survey (pre-election). The measure reflects who the individual thought would win and the confidence in their prediction. Those who indicated that Trump would win with full confidence are ranked 20. Those who thought Harris would win with full confidence are ranked 0.

Sample Comparison to the CES

Here we compare our Prolific sample to the Cooperative Election Survey (CES) and US Census data. The CES is "50,000+ person national stratified sample survey administered by YouGov in the United States." It serves as a good benchmark to compare the representativeness of our online sample to a more rigorous online sample. We compare several metrics to US Census data where comparable data is available.

Table 3: Comparison of Means and Proportions Between CCES, Prolific, and U.S. Census Samples

Variable	CCES	Prolific	U.S. Census
Age (years)	50.39	46.1	-
College Degree	0.35	0.18	0.38[b]
Political Party Identification	3.72	2.84	–
Female (%)	53.2%	50.0%	50.9%
Male (%)	46.1%	49.1%	49.1%
Other (%)	0.7%	0.9%	–
Household Income: $100,000 or more (%)	20.9%	11.5%	–
Household Income: $50,000–$99,999 (%)	29.8%	33.3%	–
Household Income: Less than $50,000 (%)	41.2%	53.9%	–
Household Income: Prefer not to say (%)	8.1%	1.3%	–

[b] Percentage of U.S. adults aged 25 and older with a bachelor's degree or higher as of 2021. [Source: U.S. Census Bureau](https://www.census.gov/newsroom/press-releases/2022/educational-attainment.html)

Table 4: Regression Results

	Republican	Democrat	Both	Party ID
Wave 2	1.188^{+}	-0.800	1.634	4.239***
	(0.678)	(0.690)	(1.067)	(1.206)
Republican × Wave 2	-5.617***		-6.063***	
	(0.902)		(1.222)	
Democrat × Wave 2		1.306	-1.129	
		(0.869)	(1.191)	
Party ID × Wave 2				-1.669***
				(0.292)
Num.Obs.	2193	2193	2193	2193
R^2	0.553	0.543	0.554	0.562
R^2 Adj.	0.159	0.140	0.158	0.176

$^{+}$ p ¡ 0.1, * p ¡ 0.05, ** p ¡ 0.01, *** p ¡ 0.001