PARTISAN FED*

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Abstract

I show that political alignment between Federal Open Market Committee (FOMC) members and the incumbent U.S. president systematically influences monetary policy. I construct two novel, individual-level measures of political alignment for each FOMC member, based on their political campaign contributions and political appointments to public positions. Using a Difference-in-Differences design around U.S. presidential elections, I find that an individual-level positive shift in political alignment with the sitting U.S. president leads FOMC members toward more dovish policy preferences and more optimistic macroeconomic forecasts (over-forecasting GDP and under-forecasting inflation). At the Committee level, a one-point increase in political alignment of the FOMC lowers the federal funds rate by approximately 25 basis points relative to the Federal Reserve staff's benchmark recommendation. These politically driven rate decisions generate a political business cycle: alignment between the Fed and the executive leads to interest rate cuts, stimulating short-term gains in real GDP, employment, and the stock market, but contributing to higher inflation in the long run. Conversely, when the FOMC is misaligned, it raises the interest rate above the apolitical benchmark, resulting in short-run output contractions while helping to control long-run inflation.

JEL Codes: E52, E58, D72, P16, E32

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1 Introduction

The credibility of monetary policy rests on the belief that central banks are insulated from political interference. A large body of cross-country evidence shows that central bank independence is associated with lower and more stable inflation, without adverse effects on real GDP growth, unemployment, or real interest rates (Alesina and Summers, 1993; Cukierman, 1994). These findings underscore the importance of insulating monetary policy from short-term political incentives. Yet concerns about political interference are not confined to illiberal regimes or immature democracies. Even in the United States, despite the Federal Reserve's institutional independence, monetary policy has not been fully insulated from political influence. Historical episodes—most prominently the Nixon–Burns case—demonstrate how presidential pressure can affect monetary policy with lasting inflationary consequences. More recently, President Trump's repeated attacks on the Federal Reserve have revived debates regarding political interference in monetary policy. Consistent with these episodes, recent work by Bianchi, Gómez-Cram, Kind, and Kung (2023) and Drechsel (2024) shows that U.S. executive pressures induce more accommodative monetary policy and contribute to higher inflation, suggesting that the Fed may not be *de facto* fully independent.

I propose a novel channel of political influence: the political alignment between members of the Federal Open Market Committee (FOMC) and the incumbent U.S. president. While existing work emphasizes exogenous pressure by the U.S. executive, I show that politics can also shape monetary policy through the political incentives of central bankers themselves. The FOMC, which is responsible for setting the federal funds rate, is composed of seven members of the Board of Governors (BoG) and twelve regional Federal Reserve Bank presidents, five of whom vote at any given meeting. Importantly, Governors are nominated by the U.S. president and confirmed by the Senate. This institutional feature creates a structural link between the executive and the composition of the Committee. Figure I shows that confirmation votes for Board nominees have become markedly more partisan over the past three decades, with narrower margins and declining bipartisan support. Under an increasingly polarized political climate, political alignment within the FOMC may play a larger role in affecting monetary policy decisions.

[Insert Figure I here]

In this study, I construct new measures of political alignment between each member of the

FOMC and the sitting U.S. president and show that alignment systematically influences their policy preferences, macroeconomic forecasts, and ultimately interest rate decisions. When the Committee is aligned with the executive, it sets lower interest rates relative to an apolitical benchmark, generating short-run gains in output, employment, and the stock market but higher inflation over a five-year horizon. When misaligned, the Committee adopts a more contractionary stance, producing short-run losses but stabilizing long-run inflation. These alignment-driven adjustments in the federal funds rate give rise to a political business cycle (Nordhaus, 1975). Unlike classical time-inconsistency models (Kydland and Prescott, 1977; Calvo, 1978; Barro and Gordon, 1983a;b), where political interference leads to an inflationary bias without systematic real effects once policy is anticipated, the mechanism I document operates from within the central bank. Political influence arises through variation in executive–central bank alignment, which systematically drives interest rate decisions.

1.1 Results preview

To show that a political bias can arise from within the Fed, I construct new granular data on the political alignment of each FOMC member from 1992 to 2019. The first measure is based on campaign contributions made by FOMC members before joining the Fed to Republican or Democratic candidates or PACs. In my sample, 65% of the members donated at least once to one of the two parties, with a median cumulative contribution of $8,493. I interpret it as a signal of political alignment (Ansolabehere, de Figueiredo, and Snyder, 2003): prospective FOMC members may make donations before their appointments to indicate their party affiliation and signal their political orientation to politicians. The second measure captures political affiliation based on personal ties between FOMC members and politicians. Specifically, I extract biographical information to identify FOMC members who held politically appointed public positions prior to joining the Fed, and I combine this with data on Fed governor appointments made directly by the U.S. president and confirmed by the Senate. These two measures of party affiliation are defined at the individual level, for each FOMC member, and do not change over time. I then construct a time-varying measure of political alignment by interacting each member's political affiliation with the party of the incumbent U.S. president: a member is considered politically aligned if she shares the same party as the U.S. president, and misaligned if she is from the opposite party. My measures of political alignment span from -1 for fully misaligned individuals to 1 for fully aligned individuals; the intensity of their alignment is given

by the degree of their affiliation with a party.

When the U.S. president's party changes following an election, the political alignment of all FOMC members also switches. I use this plausibly exogenous change in alignment to run stacked Difference-in-Differences (DiD) regressions, constructing a four-year window around each election in which the party of the president changes. The control group consists of politically independent FOMC members (i.e., individuals whose political alignment is zero and therefore does not vary with changes in the U.S. presidency). Specifically, I examine: (i) how changes in alignment affect individual FOMC members' monetary policy preferences; (ii) how alignment affects macroeconomic forecasts; (iii) how alignment influences the Committee's final interest rate decisions; and (iv) I estimate the economic effects of politically driven interest rate changes on real GDP, employment, the stock market and inflation.

In the first part of my empirical analysis, I apply a large language model to FOMC transcripts to infer each member's preferred monetary policy stance at each meeting. The results show that a one-point increase in political alignment raises the probability of supporting a more accommodative monetary policy than the final directive by 3–11 percentage points, depending on how alignment is defined. Then, using individual FOMC members' forecasts, I show that a positive change in political alignment is associated with a more optimistic view of the economy. Aligned members tend to overestimate real GDP growth and underestimate inflation, accounting for 4–8% of the average absolute forecast error.[1]

To assess whether voting behavior reflects changes in economic beliefs or partisan considerations, I construct individual-level forward-looking Taylor rules based on members' own macroeconomic forecasts and compare the implied interest rates with those inferred from FOMC transcripts using large language models, within the same DiD framework. I find that aligned members not only produce more optimistic macroeconomic forecasts—higher projected output growth and lower inflation, consistent with a positive supply-side shock—but also advocate for lower interest rates than those implied by Taylor rules based on their own projections. For a one-point increase in political alignment, their preferred interest rate is approximately 5 to 11 basis points lower than their forecast-implied rate, a significant magnitude compared to the average absolute change in the federal funds rate during my sample period (12 basis points).

[1]To interpret these magnitudes, it is useful to note that a one-point change in political alignment is a lower bound on the shifts experienced by aligned FOMC members after a change in the presidency. According to the contribution-based (connection-based) measure, more than 90% (80%) of non-independent FOMC members experience a change of more than one point in alignment when the president's party changes.

On the one hand, politically aligned members produce more optimistic forecasts and advocate more dovish policy positions. On the other hand, I document a systematic deviation toward lower (higher) interest rates when members are politically aligned (misaligned), compared to the rates implied by their own projections. Because this comparison conditions on members' economic outlook, it accounts for changes in macroeconomic expectations. The residual deviation suggests that voting behavior may reflect partisan considerations beyond revisions in the economic outlook. Two additional pieces of evidence are consistent with this interpretation: (i) FOMC members whose votes systematically align with partisan patterns—supporting more dovish policies when politically aligned and more hawkish positions when misaligned—are more likely to be reappointed as governors or to secure politically appointed public positions after their tenure at the Fed; (ii) moreover, these alignment-driven voting patterns are more concentrated in the final quartile of their terms, when future career concerns may be more salient.

To examine the robustness of the results over time, I extend the analysis back to 1936 by classifying every FOMC member since that date. Because meeting transcripts from earlier periods are not available, I focus on dissenting votes only to infer individual monetary policy preferences. I find a consistent pattern: Politically aligned members tend to dissent in favor of more accommodative policies, while politically misaligned members prefer tighter monetary policies. This relationship persists across presidential administrations, historical contexts, and changes in the Federal Reserve's policy instruments.

In the second part of my study, I show that political alignment affects not only individual preferences but also the FOMC's collective interest rate decisions. To do so, I construct a measure of Committee-level alignment by averaging alignment across voting members and I use a stacked DiD design around elections. The treatment is defined as changes in Committee-level alignment driven by a change in the party of the U.S. president. I study how FOMC interest rate decisions (the treated group) diverge from the Greenbook staff's interest rate recommendations (the control group), which are prepared for each meeting.[2] Greenbook recommendations serve as a control group because they are rule-based and data-driven. Additionally, the Greenbook's forecast errors about macroeconomic variables remain stable around elections, suggesting that the Greenbook serves as a politically neutral benchmark.

[2]The Greenbook is a report containing economic forecasts and policy recommendations prepared by Federal Reserve staff before each scheduled FOMC meeting. After 2010, it was renamed the Tealbook. For consistency, I refer to it as the Greenbook throughout this study.

The results indicate that for a one-point increase in Committee alignment, the FOMC reduces the federal funds rate by approximately 25 basis points relative to the Fed staff's suggestion, and the opposite occurs following a negative shift in alignment. To address concerns that a newly elected U.S. president may influence the composition of the FOMC through new appointments, I conduct a robustness analysis that exploits changes in Committee-level alignment generated by the rotation of voting rights among Regional Fed presidents.[3] The results are consistent.

Finally, I examine the real economic effects of the FOMC's deviations from the Greenbook interest rate. Using local projections and impulse response functions, I show that these politically induced interest rate deviations have the same macroeconomic implications as "traditional" monetary policy shocks (Romer and Romer, 2004b). Specifically, a 25 basis point expansionary deviation from the Greenbook results in a short-run real GDP increase of up to 1%, a stock market increase of up to 9.6%, and a reduction in unemployment of up to 0.5 percentage points. These effects are transitory over a five-year horizon, and they come at the cost of higher inflation over a five-year horizon, rising by as much as 0.35%. Conversely, when the Committee is misaligned, it raises interest rates above the Greenbook recommendations, leading to short-run losses in output but achieving lower long-run inflation. In this way, the Fed generates a political business cycle depending on political alignment: it can either support the U.S. executive's economic agenda when politically aligned, by reducing interest rates and stimulating short-term economic growth, or counteract the administration's objectives during periods of political misalignment, by raising interest rates and inducing an economic slowdown, but controlling long-run inflation.

1.2 Related literature

To the best of my knowledge, this is the first study showing that central bankers' political alignment with the sitting U.S. president influences their monetary policy decisions, shedding new light on our understanding of central bank independence. Specifically, when the Fed is politically aligned with the executive branch, it lowers interest rates to stimulate short-term economic growth; conversely, when politically misaligned, it raises rates, leading to short-term

[3]The FOMC is composed of members of the Board of Governors and the presidents of the Federal Reserve Banks. While governors hold permanent voting rights on monetary policy decisions, regional presidents vote on a fixed rotational basis, every two or three years.

economic contraction while controlling long-run inflation, thereby generating a political business cycle. This work relates to multiple areas of the literature, spanning political economy, monetary policy, and the interaction between politics and finance.

The literature on central bank independence builds on seminal contributions of Kydland and Prescott (1977) and Calvo (1978), which introduce the time inconsistency problem of discretionary monetary policy. This framework finds its most influential monetary policy application in two works— Barro and Gordon (1983a) and Barro and Gordon (1983b)—which show that discretionary policy gives rise to an equilibrium inflationary bias in the absence of commitment, and highlight the central role of credibility and reputation in shaping monetary policy outcomes. Building on these insights, subsequent work—including Rogoff (1985), Walsh (1995), and Persson and Tabellini (1997)—argues that delegating monetary policy to an independent central bank can mitigate this bias and improve macroeconomic stability by insulating policy decisions from short-term political pressures. Cross-country empirical studies further corroborate these insights, documenting the economic and financial benefits associated with greater central bank independence (e.g., Alesina and Summers, 1993; Grilli, Masciandaro, and Tabellini, 2014; Aklin and Kern, 2021). I contribute to this literature by showing that political alignment between the central bank and the executive can generate a political business cycle through monetary policy.

Focusing solely on *de jure* central bank independence is insufficient; instead, attention must also be paid to *de facto* independence—that is, the actual ability of central banks to operate without political interference (Ioannidou, Kokas, Lambert, and Michaelides, 2023).[4] Concerns about political independence are not limited to autocratic regimes or immature democracies. Recent evidence from Bianchi et al. (2023), Drechsel (2024), and Eichengreen, Viswanath-Natraj, Wang, and Wang (2025) shows that U.S. presidential pressure has influenced the Federal Reserve, leading to lower interest rates and higher inflation despite its formal independence.[5] Instead of focusing on external political pressures, I propose a novel channel of political influence — originating from within the central bank itself — in which monetary policy decisions are shaped by the political alignment of central bankers with the incumbent president.

A large literature examines cross-sectional heterogeneity in FOMC members' preferences,

[4] Goncharov, Ioannidou, and Schmalz (2023) show that central banks are more likely to report positive profits when political pressures are higher.

[5] Binder, Couture, and Smit (2025) and Kuang, Weber, and Xie (2024) show that public perceptions of the Fed vary systematically with respondents' political affiliation.

showing that such differences stem from factors including economic ideology or education (Bordo and Istrefi, 2023), past inflation experiences (Malmendier, Nagel, and Yan, 2021), and institutional characteristics like voting rights and geographic representation (Fos and Xu, 2025; Fos, Tamburelli, and Xu, 2025).[6] Chappell, Havrilesky, and McGregor (1993) further shows that the U.S. president can influence monetary policy by appointing FOMC members with similar economic views. My analysis instead focuses on within-individual variation—how a policymaker's stance evolves with changes in the U.S. president's party, holding constant the underlying traits that explain heterogeneity in monetary policy preferences across members.

A growing literature shows that political preferences shape the beliefs and decisions of sophisticated agents. Kempf and Tsoutsoura (2021) document partisan bias in credit rating analysts; Cassidy and Vorsatz (2024) find similar effects among mutual fund managers; Fos, Kempf, and Tsoutsoura (2024), Engelberg, Guzmán, Lu, and Mullins (2023), and Meeuwis, Parker, Schoar, and Simester (2022) provide evidence for corporate executives and investors; and Spenkuch, Teso, and Xu (2023) show that political ideology affects bureaucrats' performance in public organizations. I extend this evidence to the FOMC, showing that political alignment also shapes central bankers' preferences and decisions.[7]

Finally, I contribute to the broader monetary policy literature by showing that the FOMC systematically deviates from Greenbook recommendations (Miranda-Agrippino and Ricco, 2021) —lowering rates during periods of political alignment with the incumbent U.S. administration and raising them during misalignment—thereby generating a political business cycle through monetary policy (Romer and Romer, 2004b; Gertler and Karadi, 2015; Nakamura and Steinsson, 2018; Jarociński and Karadi, 2020; Bauer and Swanson, 2023, among others).

Structure The remainder of this study is organized as follows. Section 2 describes the data and variable construction. Section 3 details the empirical analysis and presents the main results. Section 4 concludes.

[6] Hansen, McMahon, and Velasco Rivera (2014) show systematic differences between internal and external members of the Bank of England's Monetary Policy Committee.

[7] I also show that FOMC members' political alignment shapes their forecasts, consistent with evidence of systematic biases among sophisticated agents (Coibion and Gorodnichenko, 2015; Bordalo, Gennaioli, Ma, and Shleifer, 2020; Farmer, Nakamura, and Steinsson, 2024; Gómez-Cram and Lawrence, 2025, among others).

2 Data and construction of variables

To show that political alignment between the monetary policymakers and the U.S. president leads to a political bias in central bankers' decision-making, I construct two main individual-level measures of political affiliation with the Democratic and Republican parties for each member serving on the FOMC from 1992 to 2019. Moreover, Appendix A.1 presents additional measures of political affiliation to show the robustness of the findings.

The FOMC comprises a total of 19 members, of which only 12 have voting rights. These voting members include (i) the seven governors of the Federal Reserve Board, who are appointed by the U.S. president, confirmed by the Senate, and serve staggered 14-year terms; (ii) the Chair of the Federal Reserve, who is appointed from among these governors for renewable four-year terms; (iii) the president of the Federal Reserve Bank of New York, who holds a permanent voting seat; and (iv) four presidents from the remaining 11 regional Federal Reserve Banks, whose voting rights rotate annually. The regional Federal Reserve Bank presidents are selected by their respective boards of directors, and serve renewable five-year terms. In my main analysis, the dataset covers a total of 80 FOMC members, 35 of whom served as governors. It tracks their actions across 224 scheduled meetings over a 28-year period, under five different U.S. presidents. It begins in 1992 because individual FOMC forecasts are not available prior to this date, and extends until 2019, since the Board of Governors releases data with a five-year lag. To show historical robustness, I also extend the analysis to data starting in 1936, covering 15 different U.S. presidents and 190 different FOMC members in Appendix A.5.

2.1 FOMC members' political affiliation measures

Electoral campaign contributions I use individual campaign contribution data from the Federal Election Commission (FEC), which provides detailed records of political donations starting from 1979. By matching the name, location (ZIP code), occupation, and date of donation in this dataset with the biographies of FOMC members, I can link all donations made by each member, before joining the FOMC. I record every donation made by each individual, including the amount and the recipient (usually a PAC). For most PACs, the FEC website already reports the party affiliation, but for those that are not reported, I use OpenSecrets, which tracks all contributions made by the PAC to different political candidates. I classify a PAC as Democratic or Republican if it donates more than 75% to candidates of one party, and

bipartisan otherwise.

As shown in Table I panel A, out of 80 individuals in my sample, 52 (65%) donated at least once. The median amount donated is $8,493.5, with a minimum of $500 and a maximum of $292,908. I construct a variable for political affiliation relative to the Democratic party, as follows:

$$D^{Contributions} = \frac{Total\ contributions^{Dem} - Total\ contributions^{Rep}}{Total\ contributions^{Dem} + Total\ contributions^{Rep}}.$$

This measure ranges from -1 (Republican) to 1 (Democratic), with 0 indicating independents, i.e. people who never donated before joining the FOMC. I find that 26 individuals donated more to the Republican Party, 24 donated more to the Democratic Party, and 30 made no donations, as reported in Table I Panel A.

[Insert Table I here]

Gordon, Hafer, and Landa (2007) show that corporate executives often make large donations primarily to gain influence, while Hong and Kostovetsky (2012) and Ansolabehere et al. (2003) find that individuals typically donate to candidates who share their values. In this context, both motives are likely relevant, as members may donate to signal their political alignment to politicians, before their appointments.

Politically independent individuals serve as a politically unbiased counterfactual and form the control group in my analysis. However, individuals who have never donated may differ from donors in ways unrelated to political ideology. To account for this, I construct a second, separate measure of political affiliation based on the professional ties between FOMC members and politicians.

Political connections: Fed appointments and public political positions Connections with politicians can shape policymakers' incentives by influencing their professional reputation, social networks, or future career opportunities. Policymakers with close professional ties to elected officials may seek to preserve those relationships, which could lead them to support monetary policies more favorable to the incumbent administration—when they share the same political affiliation—or to oppose them when they do not. To measure political connections, I rely on (i) appointments to the Federal Reserve Board of Governors and (ii) previous employment in politically-affiliated public positions. I classify governors based on the party of the appointing U.S. president and the Senate confirmation vote, as extensive political science liter-

ature highlights the Senate's influence on public officials' appointments (e.g., Cameron, Cover, and Segal, 1990; Kinane, 2021).

According to measure (i), I classify governors as moderately Democratic (Republican) when their confirmation vote in the Senate is bipartisan, and as strongly Democratic (Republican) when senators from the opposition party vote against their appointment.[8] Presidents of regional Federal Reserve Banks are classified as independent, as they are selected by their local boards rather than appointed through the political process. The variable $D^{Appo\ Sen\ Votes}$ takes values of 1, 0.5, 0, -0.5, and -1 to reflect it. Governors who were appointed by both Republican and Democratic presidents over time (only two individuals in my sample) are classified as independent under this measure.[9]

In Figure I, I show that Senate opposition to appointments made by the U.S. president to the Federal Reserve Board of Governors has become significantly more frequent over time, highlighting a clear rise in political polarization. While in the early 1990s all appointed members received bipartisan support, by 2020, five out of the seven sitting governors had been confirmed without backing from the opposing party in the Senate. This pattern shows that central bank appointments are becoming increasingly influenced by party politics. As this polarization increases, the findings in this study could become even more important for understanding how monetary policy is made in the future.

Measure (ii) considers prior employment in politically affiliated or government positions. To construct this measure, I examine the biographies of FOMC members to identify individuals who have held politically connected positions in government or other politically related roles.[10] The information is drawn primarily from official Federal Reserve websites and other online sources, such as individual curricula vitae when available. I identify 33 members (41%) who have previously held politically connected public positions, including roles as advisers to politicians or other high-level government positions. Based on this, I construct a measure of political affiliation, always relative to the Democratic party, D^{Career}. This measure takes value 1 (-1) if the FOMC member held a role related to the Democratic (Republican) party before his Fed appointment, 0 otherwise. In my sample, 16 individuals were related to Republican politicians and 17 to Democratic, whereas 47 members have no prior politically affiliated positions. A

[8] I define a confirmation as bipartisan when more than half of the senators from the opposition party vote in favor of confirmation.

[9] Out of the 35 governors in my sample, 2 are classified as independent, 6 as bipartisan Democrats, 8 as strong Democrats, 13 as bipartisan Republicans, and 4 as strong Republicans.

[10] Table A2 reports the full list.

detailed list of roles classified as politically connected public positions is provided in Table A2.

I combine measure (i), based on political appointments to the Federal Reserve Board of Governors, and measure (ii), based on prior employment in politically affiliated public roles, into a single measure $D^{Connections}$ by averaging the two.[11] As shown in Table I Panel A, this classification identifies 22 Republicans, 20 Democrats, and 38 independents.

Overall party affiliation measure In Sections 3.1 and 3.2, I show that individual monetary policy decision-making is influenced by both political connections and contributions separately. Hence, I construct an overall measure of political affiliation for each individual i:

$$D_i = \frac{D_i^{Contributions} + D_i^{Career} + D_i^{Appo\ Sen\ Votes}}{3}. \tag{1}$$

Table I panel A reports the number of FOMC members classified as Republican, Democrat, and independent. Figure II shows the distribution of political affiliation according to the three main measures described above.

[Insert Figure II here]

Correlations are high and positive. If the correlation between D and the other two measures is more mechanical by construction, the correlation of 0.63 between $D^{Connections}$ and $D^{Contributions}$ supports the consistency of these two distinct measures of party affiliation, as shown in Table A1.

Figure III illustrates the evolution of average levels of FOMC political affiliation over time, based on political connections, political campaign contributions, and the aggregate measure described above. On average, during Democratic (Republican) presidencies, the Committee's political affiliation shifts towards the Democratic (Republican) side. An exception occurs during the Bush Jr. administration, when average alignment remains relatively stable. Beginning with the first Trump administration, the change in average alignment becomes notably steeper, suggesting a significant acceleration in political polarization.

[Insert Figure III here]

[11] I also show robustness to different specifications using each of the two individual measures separately in Appendix A.6.

Political alignment measure I define the political alignment of an individual i with the sitting president's party at meeting t as the interaction between their political affiliation D_i^j (according to measure j) and the party of the president D_t^{pres}:

$$Aligned_{it}^j = D_i^j \cdot D_t^{pres}, \tag{2}$$

where D_t^{pres} is a time-varying indicator for the president's party, equal to 1 for a Democrat and -1 for a Republican. The interaction term is positive when an FOMC member's political affiliation aligns with that of the sitting president and negative when they are politically misaligned.

For a given individual, political alignment may change over time as the president's party changes. Between 1992 and 2019, the U.S. experienced four changes in the presidency—Clinton (D) replacing Bush Sr. (R) in 1993, Bush Jr. (R) succeeding Clinton in 2001, Obama (D) replacing Bush in 2009, and Trump (R) taking office in 2017—along with three presidential re-elections (Clinton in 1996, Bush in 2004, and Obama in 2012), for a total of seven elections in the main sample period.

Career benefits To examine whether FOMC members are more likely to assume politically related public roles after their terms, I focus on reappointments to the Board of Governors and appointments to politically connected public positions after leaving the FOMC. I construct three indicator variables: reappointment to the Board of Governors, post-Fed public appointment, and either outcome.

2.2 FOMC monetary policy data

After classifying individuals according to their political affiliation, I analyze their voting patterns, their preferences for monetary policy alternatives, and their forecasts of key macroeconomic variables. I rely on two types of sources: (i) transcripts from FOMC meetings and supporting documents prepared by the staff of the Board of Governors prior to each meeting; and (ii) the "Monetary Policy Reports" and "Summary of Economic Projections", which contain Committee members' individual-level forecasts for macroeconomic variables.

FOMC transcripts The FOMC has eight scheduled meetings per year. Each meeting consists of technical presentations by staff members and discussions by FOMC participants regard-

ing the current state of the economy and decisions about the federal funds rate and open market operations. My analysis specifically focuses on the "policy go-round" section of the meetings, which typically occurs after the Chairman outlines the recommended policy decision. During this portion of the meeting, both voting and non-voting members express their views about the appropriate monetary policy stance. Members often reference specific monetary policy alternatives presented in the Bluebook technical report, explicitly state their preferred interest rate target, or align themselves with the preferences articulated by another Committee member.[12] Following this discussion, each voting member casts a formal vote on the policy statement and directive proposed by the Chairman.

I construct three measures to capture FOMC members' policy preferences. The first, $Expansionary\ dissent_{it}$, indicates whether a member dissents for a more expansionary stance (1), does not dissent (0), or dissents for a tighter stance (-1).[13] Although this measure is widely used (e.g., Belden, 1989; Bobrov, Kamdar, and Ulate, 2024), it has two main limitations: dissents are rare (4.9% in my sample as reported in Table I panel B), and transcripts suggest members may avoid dissenting even when they disagree with the Committee's chosen policy.

Moreover, the rotation mechanism prevents observing voting behavior continuously for all local presidents, since they only hold voting rights every two or three years. To address these issues, I apply large language models to the FOMC transcripts to infer individual policy preferences and their preferred interest rate from textual analysis, following the procedure presented in Chappell, McGregor, and Vermilyea (2005).[14] Using the ChatGPT API, I match each member's statements to a Bluebook policy alternative, extract their preferred rate, and compare it to the final monetary policy decision.[15] This yields $Expansionary\ preference_{it}$, equal to 1 if a member prefers a more expansionary alternative than the approved monetary policy directive, 0 if in agreement, and -1 if more contractionary. Unlike voting data, as reported in Table I panel B, this measure shows greater heterogeneity—19.6% of individual preferences differ from the policy directive compared to the 4.9% of dissenting votes—and it has no missing observations since it is derived for all FOMC members, making it suitable for DiD analysis. To verify that the LLM captures the economic meaning of members' statements, I use it to predict the

[12]The Bluebook is an internal Federal Reserve document that outlines monetary policy alternatives and proposals for consideration at FOMC meetings.

[13]Dissenting votes and their direction are tabulated by the Federal Reserve of Philadelphia.

[14]Hansen, McMahon, and Prat (2018) among others, already used computational linguistic approach to estimate the effect of transparency on FOMC decisions.

[15]Details about the exact procedure and Chat GPT scripts are provided in Appendix A.2.

direction of dissenting votes. The model succeeds in 94% of cases. Finally, the third measure, ffr_{it}^{obs}, records each member's desired interest rate for the meeting at time t.

Forecasts In addition to examining voting behavior and monetary policy preferences, I also examine whether FOMC members' forecasts of key macroeconomic variables are influenced by political alignment. I rely on three main datasets:

(i) *Monetary Policy Reports* (MPR), available from the Philadelphia Fed website and covering the period from 1992 to 2007. These reports are submitted by the Federal Reserve to Congress twice per year (January/February and June/July). I use individual projections for real GDP and inflation on a Q4-to-Q4 basis. From 1992 to 2004, the first report each year provides forecasts only for the current year, while the second report contains forecasts for both the current and following year. Between 2005 and 2007, forecasts are for the current and subsequent year. Notably, the measure of inflation varies across periods: CPI (1992–1999), PCE (2000–January 2004), and core PCE (June 2004–June 2007).[16]

(ii) *Summary of Economic Projections* (SEP), published quarterly by the Board of Governors from 2007 onward, provides individual-level forecasts for real GDP, core PCE, and overall PCE inflation. These projections cover the current year, the following year, and occasionally two years ahead, consistently measured on a Q4-to-Q4 basis.[17]

(iii) *Greenbook forecasts*, prepared before each scheduled FOMC meeting, contain staff expectations for real GDP growth and inflation, forecasted on a Q4-to-Q4 basis. I use these forecasts to build coefficients of individual-level forward-looking Taylor rules in Section 3.2.

Greenbook optimal federal funds rate The Greenbook also includes an interest rate path considered "optimal" by the Federal Reserve staff. I obtain the Greenbook prescription from the Philadelphia Fed website up to 2015, and Tealbook materials on the Board of Governors website thereafter. This staff-generated optimal interest rate serves as a counterfactual for the aggregate-level analysis of FOMC decisions in Section 3.3. I use it as a plausibly apolitical benchmark for the FOMC's interest rate decisions for three main reasons. First, the information set available to FOMC members and Federal Reserve staff at each meeting is nearly identical (Romer and Romer, 2008). Second, the staff's optimal interest rate recommendation is less

[16]The Chair's individual forecasts are not included until Bernanke's tenure, starting June 2006.

[17]Specifically, the forecasts extend two years ahead only when they are produced in the fourth quarter of the current year.

susceptible to political influence, as it is based on data-driven policy rules such as the Taylor rule and its variants. Third, I show in Appendix A.11 that Greenbook forecast errors do not systematically differ before and after elections, when the party of the U.S. president changes.

3 Empirical Analysis

In this section, I study how the political alignment of central bankers affects their monetary policy decisions. In Section 3.1, I use a stacked DiD approach around changes in U.S. presidencies to estimate how political alignment influences individual FOMC members' policy preferences and economic forecasts. In Section 3.2, in order to separate changes in economic expectations from political bias, I build individual forward-looking Taylor rules using FOMC members' own forecasts and I compare the implied interest rates with those inferred from meeting transcripts. I then discuss the political-economy implications. In Section 3.3, I show that alignment with the U.S. president not only influences individual choices, but also affects the FOMC's collective interest rate decisions. Finally, in Section 3.4, I show that politically driven interest rate decisions have real economic effects, generating a political business cycle in the economy.

3.1 Individual-level effects of political alignment on monetary policy decisions and forecasts

Monetary policy preferences I first document that politically aligned FOMC members favor more dovish monetary policy, using measures based on electoral campaign contributions and political connections.[18] This is reflected in both their preferred policy alternatives and their dissenting votes. To show this, I estimate the following two-way fixed effects regression, including individual and meeting fixed effects:

$$y_{it} = \alpha + \beta \cdot Aligned_{it} + \gamma_i + \gamma_t + \epsilon_{it}, \tag{3}$$

where y_{it} stands for both $Expansionary\ dissent_{it}$ and $Expansionary\ preference_{it}$, defined in Section 2.2, i indexes individual FOMC members, and t refers to FOMC meetings. Standard

[18] It is important to note that all specifications include individual and meeting fixed effects, thereby identifying the marginal effect of political alignment independently of time-invariant individual FOMC member preferences and time-specific circumstances.

errors are double-clustered at the meeting level and at the individual-by-president level.[19]

Table II reports results in Panel A for alignment based on campaign contributions and in panel B based on political connections. In both panels, political alignment is associated with a higher probability of preferring or dissenting toward a more expansionary policy relative to a contractionary one. Focusing on voting members, a one-point increase in alignment based on past campaign contributions shifts the probability of favoring expansionary policy by 3.7 pp relative to a contractionary alternative and increases the probability of dissent toward an easier policy by almost 1 pp. The effect is larger when considering alignment based on connections, a one-point increase in political alignment corresponds to a 6.4 pp higher probability of supporting a more expansionary policy alternative and a 2 pp greater likelihood of dissenting for a more expansionary alternative. The economic magnitudes of these results are significant, especially when benchmarked against the average share of preferences for a policy different from the final directive (19.6 pp) and the dissent rate (4.9 pp).

[Insert Table II here]

To identify the causal effect of political alignment on monetary policy preferences, I use a stacked DiD approach with continuous treatment.[20] The treatment is defined as the plausibly exogenous change in political alignment, that occurs after a change in the U.S. presidency. The control group consists of independent individuals whose political affiliation is zero. The stacked DiD regression specification for policy preferences is as follows:

$$Expansionary\ preference_{ict} = \alpha + \beta_{DID} \cdot (Alignment\ change_{ic} \times Post_{tc}) + \gamma_{ic} + \gamma_t + \epsilon_{ict}, \quad (4)$$

where c denotes treatment cohorts (four-year windows centered around presidential elections). Table III panel A reports the results for alignment measured through campaign contributions, panel B through political connections. Individuals experiencing a positive shift in political alignment—independently of the measure used—exhibit a higher likelihood of favoring more expansionary monetary policy. For a one-point increase in alignment measured according to

[19] I cluster at the meeting and individual-by-president levels for two reasons. First, the number of individuals in my sample is relatively small, so interacting individuals with presidents increases the number of clusters, improving the statistical reliability of errors. Second, observations are not only autocorrelated within individuals, but even more so within individual-by-president pairs, since, as I will show, FOMC members' decisions are influenced by the sitting U.S. president.

[20] As highlighted in Section 2.2, I cannot use a DiD approach using dissenting behavior due to discontinuities in the sample induced by the voting rotation mechanism.

contributions, the probability of preferring an easier policy increases by 3 pp, and for a change in alignment based on political connections there is a much larger increase of 9.4 pp.

These findings suggest that both types of political alignment affect FOMC members' monetary policy preferences.[21] Column (2) of Table III replicates the analysis for Federal Reserve governors only and confirms results similar to those of Column (1), which considers all Committee members. A one-point increase in alignment measured through contributions raises the probability of favoring easier policy by 5.4 pp, while alignment based on connections leads to an 11.2 pp increase. This additional evidence further mitigates concerns about comparing heterogeneous groups—specifically, regional Federal Reserve presidents and Board governors—who may systematically differ in their decision-making.

[Insert Table III here]

A potential concern for identification is that elections are major events that can lead to many economic and political changes, so FOMC members might react differently because of their views on policies, not necessarily because of the change in their political alignment. I address this concern in three main ways. First, in Appendix A.5, I extend the analysis back to 1936, covering almost 90 years of FOMC meetings, 15 different U.S. presidencies and 190 different FOMC members. While the Federal Reserve's main monetary policy instruments have evolved over time, and detailed meeting transcripts are only available from the late 1970s onward, records of each member's dissenting votes are available throughout the period.[22] Using the political alignment measures described in Appendix A.1, I extend the classification of governors and regional Fed presidents back through the historical sample. Across all measures, the results are consistent with the main analysis and are both statistically and economically significant.

Second, in Appendix A.3, I conduct a placebo test using the same DiD framework, but focusing on elections in which the sitting president was re-elected (i.e., no change in leadership). Policies usually shift after the second term is secured, since the U.S. president is no longer running for reelection. I find no evidence of differential behavior around these elections, strengthening the interpretation that political alignment—not broader electoral effects or policy changes—is the main driver of the shift in monetary policy preferences.

[21] Appendix A.6 shows that results are statistically significant and with similar magnitudes, when considering different measures of political alignment.

[22] The Federal Reserve Bank of Philadelphia provides a classification of dissenting votes based on their policy direction, allowing me to distinguish between hawkish and dovish dissents.

Finally, in Section 3.2, I construct a counterfactual policy rate using individual forecasts of macroeconomic variables. This analysis allows me to disentangle monetary policy changes driven by economic expectations from those driven by political alignment. The results show that politically aligned members prefer more expansionary policies, even after controlling for their economic outlook.

Macroeconomic forecasts Similarly, I analyze how changes in political alignment affect individual macroeconomic forecasts. Forecasts play a crucial role in monetary policy decisions, as monetary policy actions typically influence the economy with a lag. Central banks thus invest significant resources into producing accurate forecasts. I focus on individual forecasts of real GDP growth and inflation, as these two variables are central to most monetary policy rules adopted by modern central banks. I define the forecast error of individual i for each macroeconomic variable y at meeting t and forecast horizon h as follows:

$$Expectation\ error^{y}_{i,t,t+h} = \mathbb{E}^{i}_{t}[y_{t+h}] - y_{t+h}, \tag{5}$$

where $Expectation\ error^{y}_{ic,t,t+h}$ is computed both for real GDP growth and for inflation. Realized data are sourced from FRED. I use a similar empirical specification to (4), adding horizon-by-cohort fixed effects to control for systematic differences across quarterly forecast horizons in addition to meeting and individual-by-cohort fixed effects:

$$Expectation\ error^{y}_{ic,t,t+h} = \alpha + \beta_{DID} \cdot (Alignment\ change_{ic} \times Post_{tc}) + \gamma_{ic} + \gamma_{t} + \gamma_{ch} + \epsilon_{icth}. \tag{6}$$

As shown in Table IV, columns (1) and (3), a one-point increase in political alignment raises GDP forecast errors by 4–5 basis points and lowers inflation forecast errors by about 2 basis points. The effects are stronger when looking only at Board governors in columns (2) and (4), reaching almost 11 basis points for GDP growth and more than 3 basis points for inflation. To interpret these magnitudes, note that the average absolute GDP forecast error in the sample is 1.3 pp, while the average inflation forecast error is 0.51 pp. Thus, the observed effects represent 4–8 percent of the average absolute GDP forecast error and 3–7 percent of the average absolute inflation forecast error, showing that these biases are both statistically and economically significant.

[Insert Table IV here]

It could be that aligned FOMC members behave differently because their ties to the incumbent administration grant them insights into future policy decisions or privileged data access. In Appendix A.4, I test this possibility by re-estimating (5) using absolute forecast errors for real GDP growth and inflation, to see if aligned members have more precise forecasts due to an information advantage. The results show the opposite: aligned members actually have larger absolute errors, indicating no evidence of privileged policy information.

In summary, the evidence in this section suggests that political alignment causally influences FOMC decision-making in two key ways, introducing a political bias: (i) It shapes monetary policy preferences and dissenting behavior: aligned individuals favor lower interest rates and more expansionary policies; (ii) It affects macroeconomic forecasts: aligned members produce more optimistic macroeconomic forecasts, expecting positive supply-side shocks that increase real GDP without inflation.

3.2 Individual-level forward-looking Taylor rules

To determine whether changes in voting behavior following shifts in political alignment reflect only revisions in macroeconomic expectations or political considerations, I construct individual-level forward-looking Taylor rules based on FOMC members' own forecasts, building on Clarida, Gali, and Gertler (2000). I then compare the rule-implied interest rates with members' preferred rates inferred from FOMC transcripts using large language models.

I define the forward-looking Taylor rule as follows:

$$ffr_{it}^{h} = r_t^* + \pi_t + \gamma_t^h \cdot E_t^i x_{t+h} + \beta_t^h E_t^i(\pi_{t+h} - \pi^*), \tag{7}$$

where ffr_{it}^{h} is the implied federal funds rate at time t based on individual i's forecasts of output and inflation at horizon h. The term x_{t+h} denotes the output gap at $t+h$, π^* is the constant inflation target, and r_t^* represents the neutral long-run real rate.

To estimate policy coefficients of (7), I use Greenbook forecasts for current-year Q4-to-Q4 growth and next-year Q4-to-Q4 growth, matching the horizons with FOMC forecasts. The use of Greenbook forecasts to estimate coefficients offers two main advantages: (i) Greenbook forecasts are produced before each scheduled FOMC meeting and are therefore more frequent than FOMC forecasts, which in my dataset are available only twice per year before 2007 and

four times per year thereafter; and (ii) they provide a clear analytical framework in which all heterogeneity in the Taylor rule-implied interest rates comes only from differences in forecasts across agents, rather than from differences in the policy coefficients. Coefficients are estimated through rolling ordinary least squares (OLS) regressions with a 24-meeting window:

$$ffr_t = r_t^* + \pi_t + \gamma_t^{GB,h} \cdot E_t^{GB} x_{t+h} + \beta_t^{GB,h} E_t^{GB}(\pi_{t+h} - \pi^*), \tag{8}$$

where ffr_t is the realized federal funds rate, $E_t^{GB} x_{t+h}$ and $E_t^{GB}(\pi_{t+h} - \pi^*)$ are respectively Greenbook forecasts for output gap and for inflation gap at horizon h. Inflation measures are defined consistently with FOMC forecasts as detailed in the data section. Appendix A.7 shows the evolution of these coefficients over time, across different forecast horizons. By substituting the estimated coefficients from (8) into the following equation, I derive the Taylor Rule-implied interest rates $\hat{ffr}_{it}^{h}$:

$$\hat{ffr}_{it}^{h} = r_t^* + \pi_t + \hat{\gamma}_t^{h,GB} \cdot E_t^i x_{t+h} + \hat{\beta}_t^{h,GB} E_t^i(\pi_{t+h} - \pi^*). \tag{9}$$

Using this approach, I construct an individual-level counterfactual interest rate based on each member's forecasts. By comparing this forecast-implied rate with the actual preferred rate derived from the transcripts, I show how changes in political alignment influence policy decisions relative to the forward-looking Taylor rule's prescription. First, I regress the difference between the observed and Taylor rule-implied rates on individual political alignment, including meeting, individual, and forecast-horizon fixed effects:

$$ffr_{it}^{obs} - \hat{ffr}_{it}^{h} = \alpha + \beta \cdot Aligned_{it} + \gamma_i + \gamma_t + \gamma_h + \epsilon_{ith}. \tag{10}$$

Second, I employ the DiD strategy as described in Section 3.1 to estimate how this deviation responds to an exogenous shift in alignment:

$$ffr_{it}^{obs} - \hat{ffr}_{it}^{h} = \alpha + \beta_{DID} \cdot (Alignment\ change_{ic} \times Post_{tc}) + \gamma_{ic} + \gamma_t + \gamma_{hc} + \epsilon_{ict}. \tag{11}$$

Table V reports the regression results. Columns (1) and (2) show estimates of β for (10), while column (3) and (4) present the DiD estimates of β_{DID} for (11). Panel A measures political alignment through political contributions, and Panel B uses political connections. These findings show that a one-unit increase in political alignment leads to a drop in observed

interest rates compared to the Taylor rule by about 3–8 basis points for all FOMC members, and from 5 to 11 basis points for governors depending on the political-alignment measures.[23]

[Insert Table V here]

Interpretation and economic channel Aligned members not only produce more optimistic macroeconomic forecasts (with higher absolute forecast errors) by anticipating favorable supply-side shocks that raise output without increasing inflation, but also advocate for lower interest rates than those implied by their own forecasts based on Taylor rules. On the one hand, this evidence, combined with the findings in Section 3.1, suggests that forecasts may be helpful to support the incumbent administration if politically aligned, without necessarily translating into actual interest rate decisions. On the other hand, I find a systematic deviation toward lower (higher) interest rates when members are politically aligned (misaligned), relative to the rates implied by their own forecasts. Because this comparison conditions on members' economic outlook, it accounts for changes in their macroeconomic expectations. This pattern may suggest that voting behavior is influenced by factors beyond shifts in the macroeconomic outlook—at least to a first-order linear approximation.

In addition, two further pieces of evidence suggest that partisan considerations may play a role in monetary policy preferences. In Appendix A.8, I show that (i) FOMC members who vote along partisan lines—favoring dovish policies when politically aligned and more hawkish when misaligned—are more likely to be reappointed as governors or to secure politically appointed public positions once their terms at the Fed expire. (ii) These "partisan" votes cluster in the last quartile of FOMC members' tenure, where future career concerns are more relevant. In a politically polarized world, these patterns may become even more relevant.

Moreover, Appendix A.9 provides suggestive evidence of systematic differences in language between politically aligned and misaligned FOMC members. Aligned members tend to emphasize growth and support for economic activity, while misaligned members place relatively greater weight on inflation and price stability.

[23] In Appendix A.13, I estimate aggregate Taylor rule policy coefficients for the FOMC, separately for periods when the Committee and the executive are aligned and when they are misaligned. The results show findings consistent to those in this section: the Committee assigns higher weight on the output gap when aligned and more weight on inflation stabilization when misaligned.

3.3 Interest rate decisions at the FOMC level

This section shows that political alignment not only affects individual preferences but also has aggregate implications for the Committee's policy decisions and overall interest rate setting. To do so, I construct a measure of overall Committee alignment. As shown in Sections 3.1 and 3.2, alignment based on both connections and contributions affects monetary policy decisions at the individual level. Thus, I first combine—as explained in Section 2.1—these two measures to derive an index of political alignment capturing at the same time both connections and political campaign contributions. Then I aggregate at the Committee level, averaging across all voting members.

In constructing this measure, I follow the literature on FOMC decision-making, which emphasizes the importance of the role played by the Chair in shaping monetary policy (Romer and Romer, 2004a; Chappell Jr, McGregor, and Vermilyea, 2004; Riboni and Ruge-Murcia, 2023). The Chair is responsible for proposing the monetary policy directive after building consensus among Committee members. Once the proposal is made, Committee members can either support or dissent from the proposed policy. Accordingly, I build the aggregate Committee alignment at meeting t as the weighted average between the Chair's alignment and the alignment of the remaining voting Committee members:

$$Aligned_t^{Comm} = \lambda \cdot Aligned_t^{Chair} + (1 - \lambda) \cdot Aligned_t^{Voting} \tag{12}$$

where the weight parameter λ can range from $1/N_{voters}$ (reflecting equal decision-making influence for all voting members, including the Chair) to 1 (representing full decision-making authority of the Chair). Following the estimate of λ in Chappell Jr et al. (2004), the baseline analysis presented in this section uses a calibration of $\lambda = 0.4$.[24] Figure IV illustrates the evolution of overall Committee alignment over time. Big jumps mechanically occur around changes in presidencies, where the sign of the alignment flips, or when a new Chair is appointed (due to the Chair weight).

[Insert Figure IV here]

Building on Section 3.1, I adapt the DiD design to study how political alignment affects the FOMC's aggregate interest rate decisions. For each presidential election, I define the treatment

[24] Other values of λ are considered in Appendix A.12. Results are consistent both qualitatively and quantitatively.

as the change in the FOMC's average political alignment in the two years after the election relative to the two years before. I use the Greenbook staff's recommended interest rate as an apolitical counterfactual. One week before each FOMC meeting, the Federal Reserve Board staff submits the Greenbook, presenting their suggested "optimal" interest rate path, including a recommended rate for the upcoming monetary policy decision.

I argue that the Greenbook's recommendation is a good apolitical counterfactual for three main reasons: (i) it utilizes essentially the same information set available to FOMC members. The Greenbook is prepared just prior to each meeting by hundreds of Federal Reserve staff economists, who dedicate significant resources to gathering accurate economic data and generating reliable forecasts (Romer and Romer, 2008). (ii) Greenbook recommendations are explicitly rule-based and data-driven. They rely on established monetary policy frameworks, such as the Taylor Rule and its inertial variants, and systematically incorporate current economic data and forecasts.[25] (iii) I empirically show in Appendix A.11 that Greenbook forecast errors do not systematically differ before and after elections, indicating their political neutrality. All these considerations collectively mitigate concerns regarding political bias in the control group.

Then, I estimate a dynamic DiD regression, with meeting-by-cohort and type-by-cohort fixed effects, as follows:

$$ffr_t^j = \sum_{k=-5}^{4} \beta_k \cdot Alignment\ change_{jc} \times \mathbf{1}_{tck} + \gamma_{tc} + \alpha_{jc} + \epsilon_{jct}, \tag{13}$$

where ffr_t^j represents the two interest rates: the actual federal funds rate set by the FOMC (treated) and the rate suggested by the Greenbook (control). The index t refers to FOMC meetings, and k denotes the number of semesters relative to a presidential election c (with $k = 0$ indicating the election semester).

Figure V plots the coefficient estimates β_k with 95% confidence intervals. Treated and control series exhibit parallel trends before the presidential changes. After an election, a 1-point exogenous shift in the Committee's political alignment causes a reduction of approximately 25 basis points in the federal funds rate compared to the Greenbook's optimal recommendation. This deviation is economically significant, as typical market uncertainty around Federal Reserve

[25] Appendix A.10 provides narrative evidence from Greenbook reports describing the structured methodology behind their interest rate recommendations.

policy decisions is usually around 25 basis points or less. These findings are robust to different specifications.[26]

[Insert Figure V here]

As discussed above, presidential elections often bring changes in economic policies and macroeconomic conditions when a new U.S. president takes office. Newly elected presidents may also influence the composition of the FOMC through new appointments. To address these concerns—beyond the arguments presented in Section 3.1—I exploit an alternative source of plausibly exogenous variation in Committee-level political alignment. Specifically, I use the rotation of voting rights among Regional Bank presidents as an institutional mechanism that generates changes in alignment independently of presidential transitions. As described in Section 2, the FOMC consists of seven governors and twelve Regional Bank presidents, but only five presidents vote at any given time. The New York Fed president holds a permanent vote, while the remaining eleven presidents rotate annually. This predetermined rotation creates within-Committee changes in voting composition that are orthogonal to contemporaneous political and economic shocks. I exploit this institutional feature as an exogenous shock to FOMC-level political alignment and estimate the following DiD specification:

$$ffr_t^j = \sum_{k=-4}^{3} \beta_k \cdot Alignment\ change_{jc}^{rot} \times \mathbf{1}_{tck} + \gamma_{tc} + \alpha_{jc} + \epsilon_{jct}, \tag{14}$$

where $Alignment\ change_{jc}^{rot}$ is the change in the FOMC-level political alignment driven by the rotation of voting rights. The cohort c is defined as each two-year window used to estimate the regression since the rotation happens at the beginning of each year, and k denotes the relative quarter, measured from the first quarter after the alignment shock induced by voting rotation.

Figure VI reports the results. An increase in Committee-level alignment leads to a statistically and economically significant reduction in the FOMC policy rate relative to the Greenbook counterfactual. The estimated effects are statistically significant and economically consistent with the main specification, even though slightly smaller. This is likely because alignment changes driven by voting rotation are more temporary than those caused by a change in the party of the U.S. president. As a result, the Committee may be more cautious in adopting

[26] In Appendix A.12, I present results obtained with alternative values of λ, and with a leave-one-out approach—dropping each presidential transition in turn, to confirm that no single election drives the main results.

politically motivated rate changes that could be reversed by a new voting majority in the near future.

[Insert Figure VI here]

3.4 Real effects on the economy

I then examine whether FOMC deviations from the Greenbook's interest rate recommendations have real effects on the economy. Romer and Romer (2004b) use a narrative approach to identify surprises in interest rate decisions, constructing monetary policy shocks by orthogonalizing these surprises with respect to Greenbook forecasts. This isolates true policy shocks from changes in available information. In a similar fashion, I treat deviations from the Greenbook's recommendation as monetary policy shocks. Since the Greenbook and the FOMC share the same information set, any deviation likely reflects discretionary decision-making rather than differences in the underlying economic information.

Figure VII presents the time series of these deviations from the Greenbook at the quarterly level. Two prominent negative spikes stand out: one in the fourth quarter of 2001, following the terrorist attacks of September 11, and another in the fourth quarter of 2008, following the collapse of Lehman Brothers. To ensure that these extreme events do not drive my results, I conduct a robustness check in Appendix A.14, where I exclude these two data points. The results are largely unchanged.

[Insert Figure VII here]

Table VI reports the cumulative sum of deviations from Greenbook recommendations over the full sample period, normalized on an annual basis. These deviations are presented separately for periods when the FOMC and the U.S. president are politically aligned and when they are politically misaligned. I calculate standard errors using a nonparametric bootstrap.[27] The results in Table VI indicate that, over the sample, the FOMC cuts interest rates by 22 basis points per year when politically aligned with the U.S. president, and raises interest rates by 42 basis points during periods of misalignment, with respect to the Greenbook optimal rate.

[27] I randomly resample the observed series of deviations (with replacement) and compute cumulative sums for each resampled series. This procedure is repeated 10,000 times, generating an empirical distribution of cumulative deviations from which I derive standard errors.

Consequently, the difference in cumulative deviations from the Greenbook between alignment and misalignment periods amounts to -64 bp per year. This result is both statistically and economically significant. This evidence confirms findings of Section 3.3, reinforcing the idea that political alignment between the FOMC and the executive branch is associated with lower interest rates with respect to the rule-based Greenbook suggestion.

[Insert Table VI here]

To estimate the dynamic effects of these interest rate deviations on key macroeconomic and financial variables, I employ the local projection approach introduced by Jordà (2005). I use quarterly data to estimate impulse responses over a five-year horizon, as follows:

$$y_{t+h} = \alpha_h + \beta_h \cdot GB\ deviation_t + \sum_{j=1}^{8} \Gamma_{h,j} X_{t-j} + \epsilon_{t+h}, \tag{15}$$

where t represents the quarter, y_{t+h} denotes the dependent variable of interest at horizon h (real GDP, GDP deflator inflation, the S&P 500 index, and the unemployment rate), and $GB\ deviation_t$ represents the FOMC interest rate deviation relative to the Greenbook at time t. The vector X_{t-j} includes eight quarters of lagged control variables: real GDP, inflation, federal funds rate, the S&P 500 index, 10-year government bond yields, and the unemployment rate. α_h is a horizon-specific constant term. The estimated coefficients β_h measure the response of the dependent variable h quarters after the monetary policy shock.

Figure VIII presents impulse response functions (IRFs) illustrating the dynamic effects of a 25-basis-point expansionary monetary policy shock over a 20-quarter horizon. The sign and magnitude of these IRFs is consistent with the literature on monetary policy (Romer and Romer, 2004b).

The IRFs show that, following an expansionary shock of 25 basis points, real GDP increases by up to 1%, the stock market rises by up to 9.6%, and the unemployment rate temporarily decreases by around 0.5 percentage points. However, these short-run economic benefits come at the expense of long-term inflation, which increases by as much as 0.35 percentage points after an initial temporary decline.[28] The IRFs further indicate that the real economic gains observed are short-lived, dissipating within a five-year horizon, whereas the inflationary impact persists in the long run.

[28]This initial decline in inflation is known in the literature as the cost channel effect, and occurs because firms adjust their prices gradually following monetary policy shocks.

[Insert Figure VIII here]

This evidence confirms the existence of an inflationary bias associated with discretionary monetary policymaking when there is political alignment between the FOMC and the federal government. An aligned FOMC is more inclined to lower rates below levels prescribed by a rule-based benchmark, leading to short-term economic stimulus but introducing persistent inflationary pressures. Conversely, when the Committee is politically misaligned with the incumbent administration, it raises rates above the politically neutral benchmark, leading to reduced inflation in the long run at the expense of short-term economic growth.

4 Conclusion

This paper offers a new perspective on how to think about central bank independence. The traditional literature has focused on how external pressures from the executive may result in more dovish policies, introducing a long-run inflationary bias in the economy and curbing central bank credibility. This paper suggests that central bankers can have internal political incentives that play a significant role in shaping monetary policy decisions. Alignment and misalignment between the FOMC and the U.S. executive create a political business cycle through monetary policy: when the central bank is politically aligned with the administration, it sets lower interest rates, supporting the president's short-run electoral objectives at the cost of higher long-run inflation. In contrast, when the FOMC and the administration are politically misaligned, monetary policy becomes more restrictive—leading to short-run economic contraction, but helping to keep long-run inflation under control.

To show this, I construct novel individual-level measures of political alignment for each FOMC member, based on their electoral contributions and personal political connections. I use large language models to analyze meeting transcripts and apply a DiD framework around exogenous changes in alignment caused by presidential elections. The results reveal consistent patterns of political influence at both the individual and Committee levels, and are robust across different definitions of political alignment. This new channel through which politics influences monetary policy challenges the view that insulating the central bank from presidential pressure is sufficient to ensure *de facto* independence. Members of the Board of Governors are appointed by the U.S. president and confirmed by the Senate, and all FOMC members may respond to personal political and career incentives; as a result, their monetary policy decisions can also

reflect their political alignment.

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Figures and Tables

Figure I: Number of serving governors appointed with and without bipartisan Senate vote

Notes: The figure shows the evolution over time of the number of governors serving on the FOMC who were appointed with bipartisan Senate support (shown in red) and without bipartisan support (shown in black). An appointment is classified as bipartisan if more than half of the senators from the opposition party voted in favor of the nominee proposed by the U.S. president. Periods of Republican presidencies are shaded in red, while Democratic presidencies are shaded in blue.

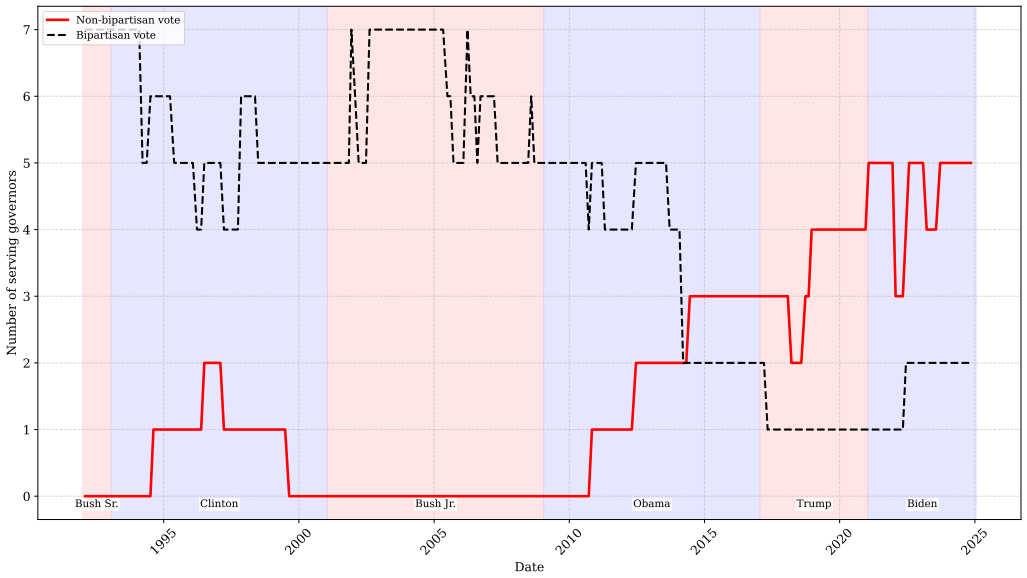
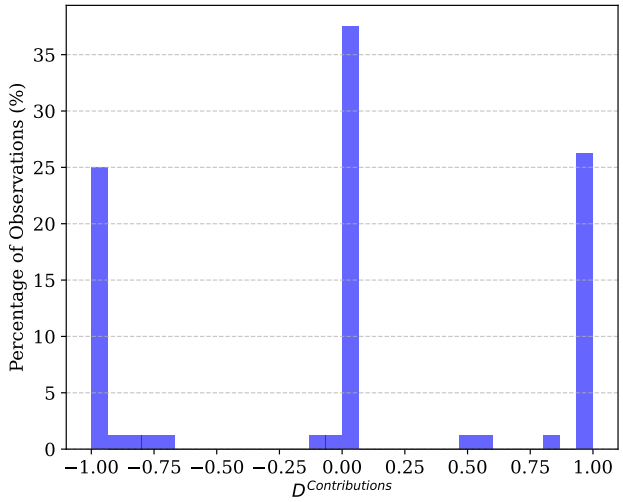
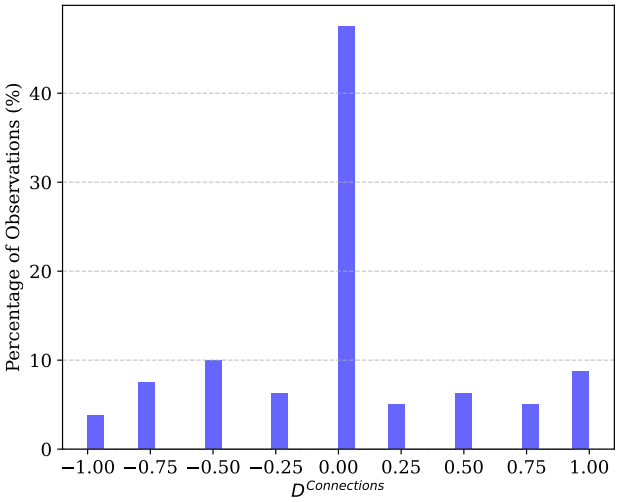


Figure II: Distribution of political affiliation

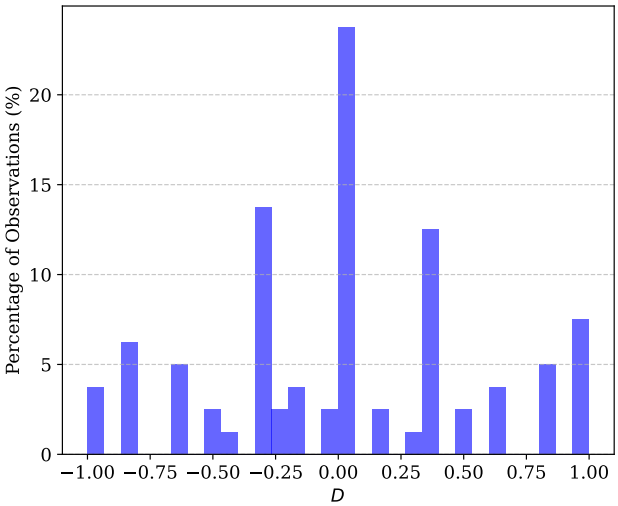
Notes: The figures illustrate the distribution of political affiliation with respect to the Democratic Party. Each measure ranges from -1, indicating full Republican affiliation, to 1, indicating full Democratic affiliation. Figure (a) reports the distribution of political affiliation based on electoral campaign contributions, (b) reports the distribution based on personal connections, and (c) reports the aggregate measure, taking into account both contributions and connections, as discussed in Section 2.1.



(a) Political Contributions



(b) Political Connections



(c) Overall Measure

Figure III: Average political affiliation of the FOMC over time

Notes: The figure shows the evolution over time of the FOMC's average political affiliation defined relative to the Democratic party, based on three different measures. Each measure spans from -1 (full Republican) to 1 (full Democratic). The black dotted line represents the measure derived from electoral contributions, while the black dashed line reflects political affiliation based on personal connections between FOMC members and politicians. The red solid line shows an aggregate measure. Periods of Republican presidencies are shaded in red, and Democratic presidencies in blue.

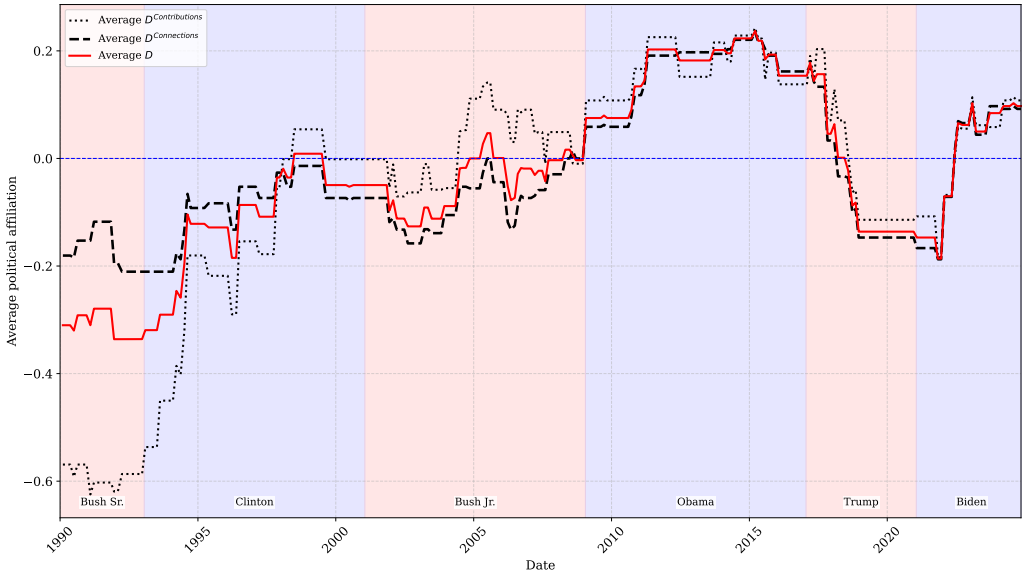


Figure IV: Overall Committee alignment over time

Notes: This figure illustrates the evolution of the FOMC's overall political alignment over time, calculated as the weighted average of the Chair's alignment and the alignment of the remaining voting Committee members. The FOMC alignment measure is defined as:

$$Aligned_t^{Comm} = \lambda \cdot Aligned_t^{Chair} + (1 - \lambda) \cdot Aligned_t^{Voting}.$$

Following Chappell Jr et al. (2004), the weighting parameter λ is set to 0.4. The measure ranges from -1 for a completely misaligned Committee to 1 for a fully aligned Committee. Vertical dotted lines indicate presidential transitions. In addition to changes in presidency, significant shifts in alignment can result from the appointment of a new Chair.

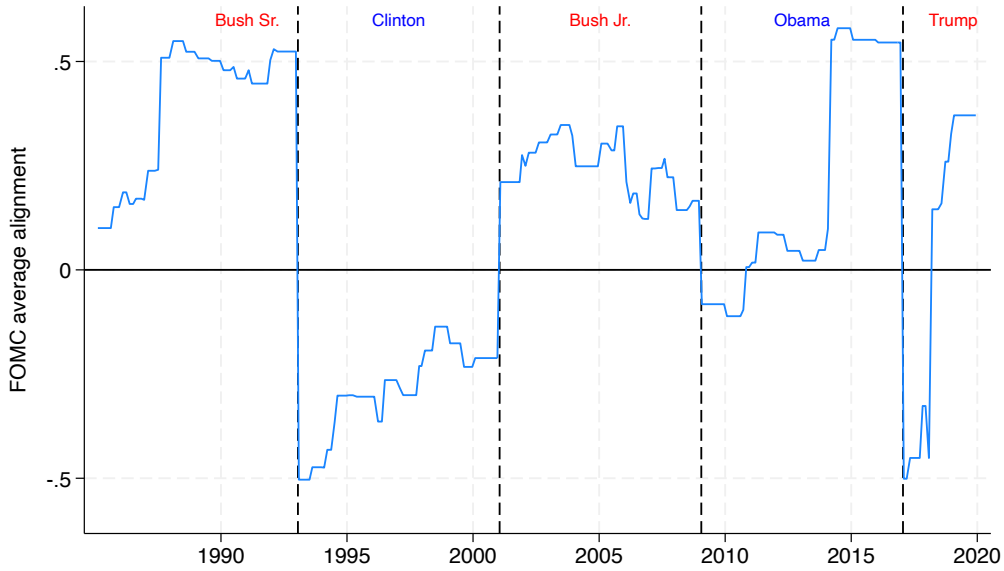


Figure V: FOMC political alignment and federal funds rate (Dynamic DiD estimates, shock to political alignment driven by U.S. president elections.)

Notes: This figure illustrates the effect of an exogenous shift in political alignment between the FOMC and the U.S. president on the federal funds rate. The analysis uses a stacked DiD design centered on U.S. presidential elections that resulted in a change in the president's party. The treatment is defined as the change in average Committee alignment in the two years following an election relative to the two years preceding it. The control group is the Federal Reserve staff's interest rate recommendation reported in the Greenbook.
The empirical specification is given by:

$$ffr_t^j = \sum_{k=-5}^{4} \beta_k \cdot Alignment\ change_{jc} \times \mathbf{1}_{tck} + \gamma_t + \alpha_{cj} + \epsilon_{jct},$$

where j denotes the type of rate set by either the FOMC (treated) or the Greenbook (control), t represents the meeting, and k indicates semesters relative to the election semester. The specification includes fixed effects for meetings and for the interaction of group and cohort.
The confidence intervals are set at the 95 percent level and standard errors are clustered at the meeting level.

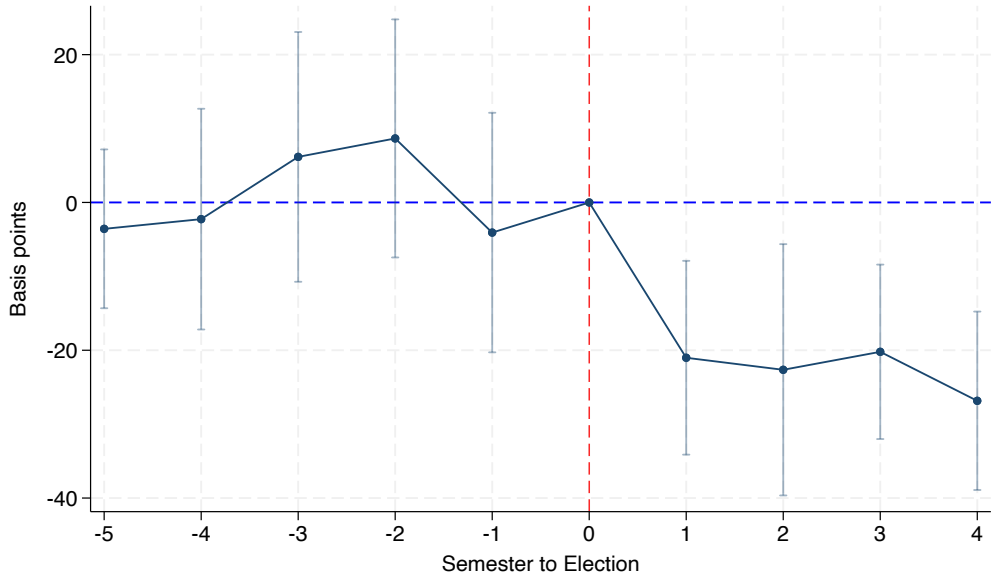


Figure VI: FOMC political alignment and federal funds rate (Dynamic DiD estimates, shock to political alignment driven by rotation of voting rights)

Notes: This figure presents estimates for β_k of:

$$ffr_t^j = \alpha + \gamma_t + \alpha_{jc} + \sum_{k=-4}^{3} \beta_k \cdot Alignment\ change_{jc}^{rot} \times \mathbf{1}_{tck} + \epsilon_{jct},$$

where $Alignment\ change_{jc}^{rot}$ is the change in FOMC-level political alignment driven by the rotation of voting rights. The cohort c is defined as each two-year window used to estimate the regression. k denotes the relative quarter, measured from the first quarter after the alignment shock induced by voting rotation.
The dots in the figure represent the estimated effect of a one-point change in Committee alignment on the differential response between the FOMC and Greenbook interest rates, in each quarter relative to the quarter in which the change in the composition of the FOMC occurs. The confidence intervals are set at the 95 percent level and standard errors are clustered at the meeting level.

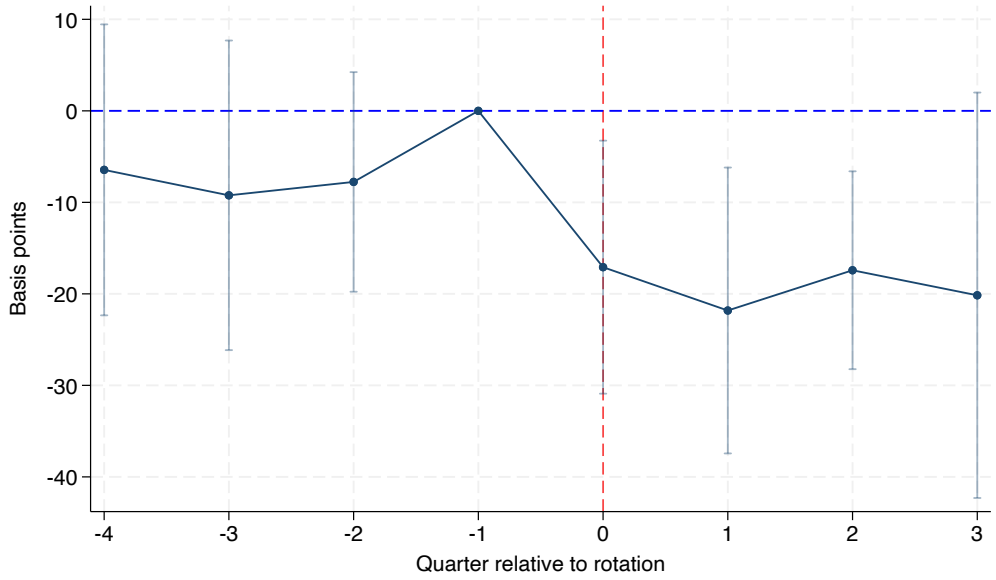


Figure VII: Quarterly cumulative deviations of the federal funds rate from Greenbook recommendations

Notes: This figure presents the evolution of the cumulative quarterly deviations of the federal funds rate from the optimal interest rate provided by the Federal Reserve staff in the Greenbook.

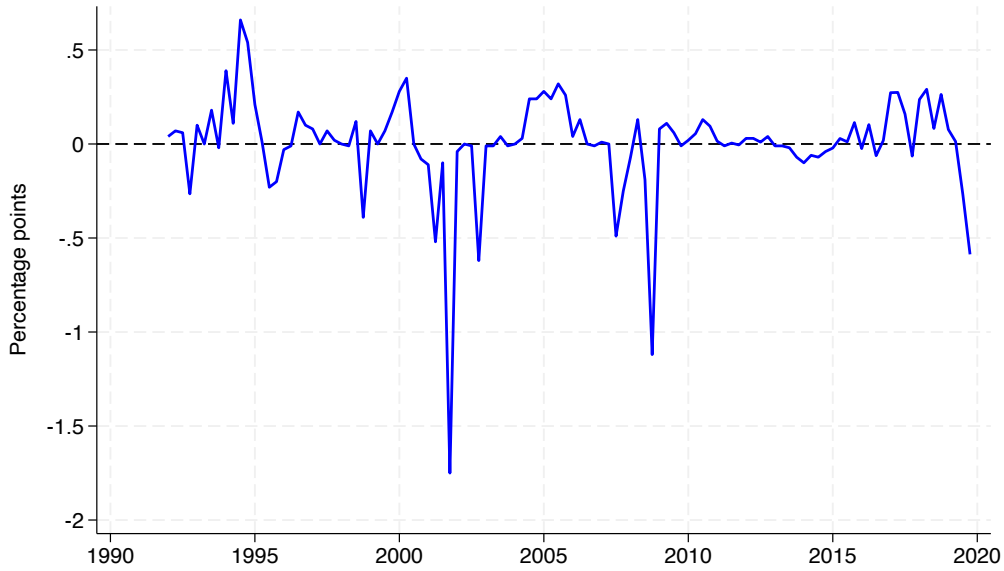


Figure VIII: Impulse response functions to FOMC deviations from Greenbook recommendations

Notes: This figure shows impulse response functions estimated using local projections, capturing the dynamic effects of FOMC interest rate deviations from the Greenbook on key macroeconomic and financial variables. The impulse responses are estimated using the following specification:

$$y_{t+h} = \alpha_h + \beta_h \; GB \; deviation_t + \sum_{j=1}^{8} \Gamma_{h,j} X_{t-j} + \epsilon_{t+h},$$

where y_{t+h} is the dependent variable of interest at forecast horizon h, including real GDP, GDP deflator inflation, the S&P 500 index, and the unemployment rate. $GB \; deviation_t$ represents the FOMC interest rate deviation relative to the Greenbook at time t. X_{t-j} consists of control variables including the past eight quarters of real GDP, inflation, federal funds rate, the stock market index, 10-year government bond yields, and unemployment in the preceding eight quarters. α_h is a horizon fixed effect.
The estimated coefficients β_h capture the response of each macroeconomic variable up to 20 quarters after a 25 basis point expansionary shock. Confidence intervals in light blue are set at 90 percent.

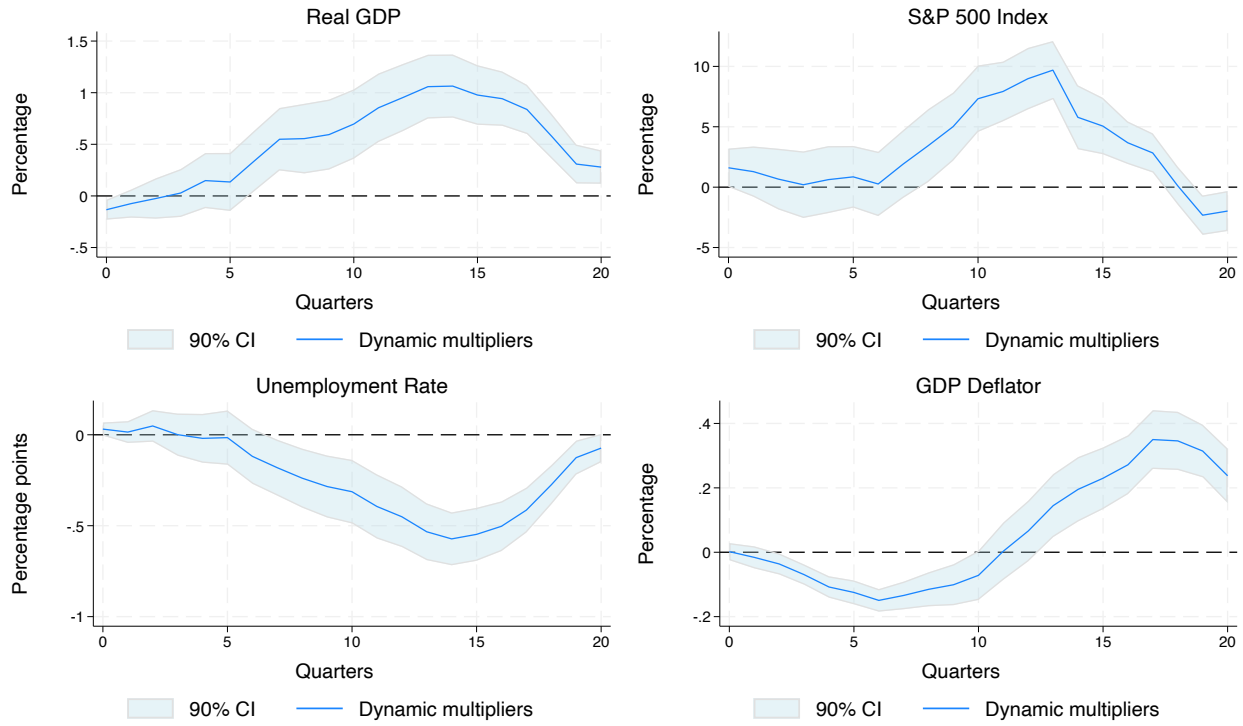


Table I: Summary statistics of political affiliation measures and individual monetary policy choices

Notes: Panel A reports summary statistics for the political affiliation measures described in Section 2.1. Column (1) shows the classification of FOMC members as Democrats, Republicans, or Independents based on political campaign contributions, along with the minimum, median, and maximum cumulative contribution amounts before joining the FOMC. Columns (2) and (3) report the number of FOMC members by party affiliation based on personal political connections and an aggregate affiliation measure, respectively.
Panel B presents summary statistics on individual dissenting votes and preferences on monetary policy. The first three rows report average dissent rates across all meetings (Column 1). Dissent is further broken down by direction—toward easier or tighter policy. The last three rows capture policy preferences, summarizing how often FOMC members expressed a policy preference that differed from the final policy directive, including the direction of their preferences (toward tighter or easier policy). The average for all members is shown in Column 1, and for voting members only in Column 2. All values are expressed in percentage points.

Panel A: Political Affiliation by Measure Source

	Contributions	*Connections*	*Overall*
Democrats	24	20	28
Independents	30	38	19
Republicans	26	22	33
Max Contribution ($)	292,908	–	–
Min Contribution ($)	500	–	–
Median Contribution ($)	8,493.5	–	–

Panel B: Dissent and Preferences Toward Monetary Policy Alternatives

	Share of All Meetings	*Conditional on Voting*
General Dissent (pp)	4.90	–
Dissent Toward Easier Policy (pp)	0.92	–
Dissent Toward Tighter Policy (pp)	3.07	–
Different Policy Preference (pp)	19.57	15.14
Preference Toward Easier Policy (pp)	6.03	5.30
Preference Toward Tighter Policy (pp)	13.54	9.84

Table II: Political alignment and individual monetary policy dissenting votes and preferences (TWFE estimates)

Notes: This table shows how political alignment—based on campaign contributions (Panel A) and political connections (Panel B)— affects FOMC members' monetary policy preferences and votes.
The dependent variables are *Expansionary preference* and *Expansionary dissent*. *Expansionary preference* takes a value of 1 if a member expresses a preference for a more expansionary policy, 0 if they prefer maintaining the current stance, and -1 if they favor a tighter policy in a given meeting at time t. *Expansionary dissent* follows the same structure but captures dissenting votes: 1 for dissent in favor of easier policy, 0 for no dissent, and -1 for dissent in favor of a tighter policy. Column (1) includes all FOMC members, columns (2) and (3) restrict the sample to voting members only. In columns (1) and (2), the time period spans from 1992 to 2019, in column (3) it extends to 2024, since there is no five-year lag in data disclosure for FOMC dissenting votes.
The empirical specification is given by:

$$y_{it} = \alpha + \beta \cdot Aligned_{it} + \gamma_i + \gamma_t + \epsilon_{it},$$

where i represents individual FOMC members and t denotes the meeting. The variable $Aligned_{it}$ ranges from -1 to 1. γ_i and γ_t respectively represent individual and meeting fixed effects. Standard errors are double-clustered at the meeting and individual-U.S. president levels. Symbols *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

	Exp. Preference (All members)	Exp. Preference (Voting)	Exp. Dissent (Voting)
Panel A: Political contributions			
Aligned	0.0136	0.0370**	0.00853*
	(0.0168)	(0.0146)	(0.00488)
Panel B: Political connections			
Aligned	0.0583***	0.0638**	0.0200**
	(0.0212)	(0.0270)	(0.00935)
Individual Fixed Effects	Yes	Yes	Yes
Meeting Fixed Effects	Yes	Yes	Yes
Observations	3649	2134	2610

Table III: Political alignment and individual monetary policy dissenting votes and preferences (DiD estimates)

Notes: This table shows how changes in FOMC members' political alignment with the U.S. president affect their monetary policy preferences. The analysis uses a stacked DiD approach around U.S. presidential elections where the president's party changed.
The treatment is defined as a shift in alignment—measured by campaign contributions (Panel A) and political connections (Panel B). The control group consists of politically independent individuals.
The dependent variable is *Expansionary preference*, which takes a value of 1 if a member expresses a preference for a more expansionary policy, 0 for no change, and -1 for a preference toward a tighter policy at time t. Column (1) includes all FOMC members, while column (2) restricts the sample to FOMC governors only. The empirical specification is:

$$Expansionary\ preference_{ict} = \alpha + \beta_{DID} \cdot (Alignment\ change_{ic} \times Post_{tc}) + \gamma_{ic} + \gamma_t + \epsilon_{ict},$$

where i denotes the individual, c represents the election-window cohort, and t refers to the meeting.
All regressions include individual-by-cohort and meeting fixed effects. Standard errors are double-clustered at the meeting and individual-by-U.S. president levels. Symbols *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively.

	Exp preference (All members)	Exp preference (Governors only)
Panel A: Political contributions		
Alignment change × Post	0.0296*	0.0541**
	(0.0177)	(0.0260)
Panel B: Political connections		
Alignment change × Post	0.0937***	0.112**
	(0.0295)	(0.0480)
Individual × Election Fixed Effects	Yes	Yes
Meeting Fixed Effects	Yes	Yes
Observations	1802	444

Table IV: Political alignment and individual macroeconomic forecast errors (DiD estimates)

Notes: This table shows how changes in FOMC members' political alignment with the U.S. president affect their macroeconomic forecast errors. The analysis uses a stacked DiD approach around U.S. presidential elections where the president's party changed.
The treatment is defined as a shift in alignment—measured by campaign contributions (Panel A) and political connections (Panel B). The control group consists of politically independent individuals.
The dependent variables are forecast errors for real GDP and inflation across different forecast horizons, defined as the difference between the forecasted and realized values. Columns (1) and (3) include all FOMC members, while columns (2) and (4) restrict the sample to FOMC governors only. The empirical specification is:

$$Expectation\ error^{y}_{ic,t,t+h} = \alpha + \beta_{DID} \cdot (Alignment\ change_{ic} \times Post_{tc}) + \gamma_{ic} + \gamma_{t} + \gamma_{hc} + \epsilon_{icth},$$

where i represents the individual, c denotes the election-window cohort, t the meeting, and h the forecast horizon.
All regressions include individual-by-cohort, horizon-by-cohort and meeting fixed effects. Standard errors are double-clustered at the meeting and individual-by-U.S. president levels. Symbols *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively.

	GDP Fore Err (All)	GDP Fore Err (Governors only)	Inflation Fore Err (All)	Inflation Fore Err (Governors only)
Panel A: Political contributions				
Alignment change × Post	0.0350*	0.0833**	−0.0190***	−0.0296**
	(0.0193)	(0.0310)	(0.00681)	(0.0133)
Panel B: Political connections				
Alignment change × Post	0.0466*	0.105***	−0.0186	−0.0318*
	(0.0234)	(0.0317)	(0.0130)	(0.0163)
Individual × Election Fixed Effects	Yes	Yes	Yes	Yes
Meeting Fixed Effects	Yes	Yes	Yes	Yes
Horizon × Election Fixed Effects	Yes	Yes	Yes	Yes
Observations	1695	454	1695	454

Table V: Deviations from Taylor rule-implied interest rates and political alignment

Notes: This table shows how FOMC members' preferred interest rates deviate from the rates implied by their own macroeconomic forecasts, depending on whether the member is politically aligned with the sitting U.S. president.
The dependent variable is the difference between the interest rate extracted from meeting transcripts using an LLM, ffr_{it}^{obs}, and the interest rate implied by individual forecasts through a Taylor rule, $\hat{ffr}_{it}^{h}$.
Columns (1) and (3) report estimates for all members, while columns (2) and (4) restrict the sample to Governors only. Columns (1)–(2) show estimates from two-way fixed effects (TWFE) regressions, controlling for individual and meeting fixed effects. Columns (3)–(4) show results from stacked DiD regressions around U.S. presidential elections where the president's party changed.
The treatment is defined as a shift in alignment—measured by campaign contributions (Panel A) and political connections (Panel B). The control group consists of politically independent individuals.
The TWFE empirical specification is:

$$ffr_{it}^{obs} - \hat{ffr}_{it}^{h} = \alpha + \beta \cdot Aligned_{it} + \gamma_i + \gamma_t + \gamma_h + \epsilon_{ith},$$

The DiD empirical specification is:

$$ffr_{it}^{obs} - \hat{ffr}_{it}^{h} = \alpha + \beta_{DID} \cdot (Alignment\ change_{ic} \times Post_{tc}) + \gamma_{ic} + \gamma_t + \gamma_{hc} + \epsilon_{ict},$$

All regressions include individual-by-cohort and meeting fixed effects. Standard errors are double-clustered at the meeting and individual-by-U.S. president levels. Symbols *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively.

	TWFE		DiD	
	$ffr^{obs} - \hat{ffr}$	$ffr^{obs} - \hat{ffr}$	$ffr^{obs} - \hat{ffr}$	$ffr^{obs} - \hat{ffr}$
	All members	Governors only	All members	Governors only
Panel A: Political contributions				
Aligned	-0.0319**	-0.0526*		
	(0.0152)	(0.0297)		
Alignment change × Post			-0.0452**	-0.0676*
			(0.0218)	(0.0361)
Panel B: Political connections				
Aligned	-0.0562***	-0.0514		
	(0.0206)	(0.0344)		
Alignment change × Post			-0.0769**	-0.108**
			(0.0297)	(0.0481)
Meeting Fixed Effects	Yes	Yes	Yes	Yes
Individual Fixed Effects	Yes	Yes	No	No
Individual × Election Fixed Effects	No	No	Yes	Yes
Horizon Fixed Effects	Yes	Yes	No	No
Horizon × Election Fixed Effects	No	No	Yes	Yes
Observations	2512	753	1133	308

Table VI: Average yearly cumulative deviation of federal funds rates from Greenbook optimal rate

Notes: This table reports the cumulative annualized deviation, in percentage points, of the federal funds rate from the Greenbook-recommended rate over 1992–2019. The Greenbook rate is prepared by Federal Reserve staff ahead of each FOMC meeting and reflects their assessment of the appropriate policy rate given economic conditions. Deviations are aggregated separately for periods when the FOMC is politically aligned and misaligned with the sitting U.S. president.
Standard errors are computed using a nonparametric bootstrap. I resample the observed interest rate deviations with replacement and compute cumulative sums for each draw. Repeating this procedure 10,000 times yields an empirical distribution of cumulative deviations, from which the standard errors are obtained.
Column (1) reports the cumulative sum of these deviations for periods when the FOMC and the administration are aligned; column (2) for periods in which there is misalignment; column (3) reports the cumulative difference between alignment and misalignment.

	Alignment	Misalignment	Alignment - Misalignment
Raise wrt GB (pp)	0.21***	0.52***	-0.31**
	(0.05)	(0.12)	(0.13)
Cut wrt GB (pp)	-0.43***	-0.11**	-0.33**
	(0.14)	(0.05)	(0.16)
Total wrt GB (pp)	-0.22	0.42***	-0.64***
	(0.16)	(0.13)	(0.20)

A Appendix

A.1 Additional measures of political affiliation

In addition to the measures described in Section 2.1, which classify FOMC governors' party affiliation based on the appointing U.S. president and the Senate confirmation vote, I develop two further measures derived from Board of Governors appointments. The first, $D^{Appo\ Baseline}$, equals 1 (-1) for individuals appointed by a Democratic (Republican) president, and 0 for regional Federal Reserve presidents. $D^{Appo\ Sen\ Majority}$ also considers the Senate majority: it equals 1 (-1) when the president and the Senate majority belong to the same party at the time of the appointment, 0.5 (-0.5) when they differ, and 0 for regional Federal Reserve presidents. These measures can be applied farther back in time, whereas detailed Senate roll-call votes are digitized only from the 1980s. Figure A1 reports the distribution of these measures.

[Insert Figure A1 here]

Furthermore, I report in Table A1 the correlation among all the measures I have built. Correlations are positive and high, ranging from 0.55 to 0.93.

[Insert Table A1 here]

A.2 ChatGPT API procedure to extract interest rates and policy preferences

I begin by analyzing the Bluebook, a document prepared by the Board of Governors' staff ahead of each FOMC meeting. This document typically outlines three alternative policy stances, varying in their degree of monetary accommodation. Usually, different alternatives correspond to distinct policy rate recommendations. However, in some situations—particularly near the zero lower bound—differences across policy alternatives may primarily reflect risk-management considerations, communication and language nuances, or the use of unconventional monetary policy tools, such as large-scale asset purchases, rather than explicit differences in the policy interest rate.

Chappell et al. (2005) detail a method to derive policy preferences by analyzing FOMC transcripts. They employ research assistants to derive the preferred policy for each FOMC

member, by analyzing the "policy go-round" section within each meeting. The "policy go-round" is usually the last section of each FOMC meeting, during which, following the statement proposed by the Chairman (or sometimes a technical report of the staff), each member explains her own point of view about the correct monetary policy to be adopted. During this discussion, members commonly reference a specific Bluebook alternative, express a preferred interest rate, or endorse another member's previously stated position. To systematically capture individual policy preferences, I review all transcripts, identify the relevant statements from the policy go-round, and compile these individual statements into an Excel spreadsheet, which I then analyze using an LLM.

First, I report the ChatGPT API script used to classify the monetary policy directive approved by the Committee with respect to the Bluebook alternatives. I use these classified monetary policy alternatives as a benchmark to categorize the individual statements as well.

```
"""
    You are analyzing monetary policy alternatives from a Federal Reserve FOMC
    ↪ meeting. The provided text describes different policy alternatives
    ↪ (typically labeled as A, B, C, D, or variations etc.) and their respective
    ↪ implications.

    Your task is to:
    1. Identify the policy alternatives (e.g., A, B, C, etc.) and their implied
    ↪ interest rate stance.
    2. Provide a brief but precise policy description.
    3. Compare each alternative with the domestic policy directive and determine
    ↪ which one is the most similar.

    ---
    Instructions for Extraction:
    - For each policy alternative (A, B, C, D, etc.), extract:
      - The implied interest rate stance (e.g., "hold", "cut 25 bp", "raise 50 bp",
      ↪ etc.).
      - A clear, structured description of the policy.

    - For the domestic policy directive:
```

```
- Determine if it is most similar to policy A, B, or C (or another alternative). To do this, first analyze the interest rate decision. If the decision aligns with the rate of a specific alternative, that should be considered the preferred one.
- Explain key similarities and differences between the directive and the alternatives.

"""
```

Then, I report the script I use to classify each individual policy preference and preferred interest rate, with respect to the final directive chosen by the Committee.

```

    """

    You are an expert in monetary policy analysis. Your task is to extract key information from an FOMC meeting discussion.

    Given the following transcript excerpt, determine the participant's preferred policy stance and interest rate.

    ---
    **Instructions:**
    1. Identify which policy (A, B, C, D, or Other) the participant's statement is closest to.
       - If the implied rate is different from any other, choose the closest in terms of rates but comment that it is different and set the implied rate later.
    2. Determine the preferred interest rate mentioned or implied. It is the interest rate now, not a potential future or implied rate. It is what he wants to do right now, so if they mention what is the ideal in the future or next year, it is not what we want to keep.
    3. Compare it to the policy directive:
       - A is more expansionary than B, which is more expansionary than C, which is more expansionary than D.
```

```
15          - If their stance is the same as the directive, classify as "same".
16          - If they prefer a more expansionary stance, classify as "expansionary" or
            ↪  "very expansionary", depending on strength.
17          - If they prefer a more contractionary stance, classify as "contractionary"
            ↪  or "very contractionary", depending on strength.
18      4. Extract sentiment from their language (contractionary or expansionary, based
        ↪  purely on words).
19      5. Calculate `diff_rate`:
20          - Subtract the **directive interest rate** from the **preferred interest
            ↪  rate**.
21          - Express it in **basis points (bp)** (e.g., if the directive is 6\% and they
            ↪  want 5.5\%, `diff_rate = -50bp` or if directive says cut 50 and they want
            ↪  to cut 25 is +25 bp, if directive says hold and they want to raise 25 say
            ↪  25bp).
22
23      """
```

This procedure produces two variables for each FOMC member for every meeting: (i) $Expansionary\ preference_{it}$, equal to 1 if a member prefers a more expansionary stance than the approved monetary policy directive, 0 if in agreement, and -1 if more contractionary; (ii) ffr_{it}^{obs} capturing the individual preferred rate.

A.3 Placebo test for change in policy preferences around elections

In Section 3.1, I use presidential elections that result in a change in the party of the U.S. president as an exogenous source of variation in political alignment for FOMC members. Using a stacked DiD framework, I estimate the impact of political alignment on individual monetary policy preferences. Presidential elections are large-scale events that can lead to broad political and economic changes, potentially influencing FOMC behavior through channels other than political alignment. To address this concern, I conduct a placebo test using U.S. elections in which the incumbent president is re-elected—thus, there is no change in the president's party. In my dataset, there are three such elections in 1997, 2005, and 2013. For this test, I replicate the empirical strategy used in (4), centering time windows around each re-election and estimating the following specification:

$$Expansionary\ preference_{ict} = \alpha + \beta \cdot Aligned_{ic} \times Post_{tc} + \gamma_{ic} + \gamma_t + \epsilon_{ict}. \quad (16)$$

In this version, I replace the change in alignment of (4) with a time-invariant alignment indicator interacted with a post-election dummy.[29] The coefficient β_{DID} captures whether aligned individuals are more likely to favor expansionary policy after the election, even when there is no change in presidential party.

Table A3 presents the results. Column (1) reports estimates for all FOMC members, while Column (2) restricts the sample to governors only. All regressions include individual-by-election and meeting fixed effects. All coefficients are negative and statistically insignificant. This mitigates concerns that election-specific factors are driving the main results. Instead, the evidence suggests that aligned members tend to support more expansionary policy ahead of elections, while misaligned members are more likely to oppose it, even when there is no change in the presidency. This pattern is consistent with the possibility that FOMC members adjust their voting behavior before elections, with aligned members potentially supporting the incumbent and misaligned members opposing him.

[Insert Table A3 here]

A.4 Political alignment and absolute forecast errors

One potential explanation for the effect of political alignment on FOMC members' behavior is that politically aligned FOMC members might behave differently because their connections to the current administration grant them access to privileged information—such as insights into future policy decisions or unreleased economic data. If this were true, I would expect their forecasts to be more accurate. To test this hypothesis, I re-estimate the specification from (5), but instead I focus on forecast accuracy. I examine whether political alignment influences the absolute forecast errors for real GDP growth and inflation. The empirical specification is:

$$|Expectation\ error^{y}_{ic,t,t+h}| = \alpha + \beta_{DID} \cdot (Alignment\ change_{ic} \times Post_{tc}) + \gamma_{ic} + \gamma_t + \gamma_{hc} + \epsilon_{icth}, \quad (17)$$

[29] In this analysis, alignment is time-invariant within each cohort, since the president's party remains the same throughout the cohort window.

where i represents the individual, c denotes the election cohort, t refers to the meeting, and h indicates the forecast horizon.

The results, presented in Table A4, show that aligned members actually exhibit larger absolute forecast errors. This finding provides no evidence of an informational advantage due to political alignment.

[Insert Table A4 here]

A.5 Historical analysis

Although monetary policy instruments have evolved over time, the Federal Reserve Bank of Philadelphia provides data on FOMC dissenting votes—including their direction—going back to 1936. Hence, I extend three measures of political affiliation $D^{Appo\ Baseline}$, $D^{Appo\ Sen\ Majority}$, and D^{Career} to 1936. Figure A2 shows the evolution over time of the average political affiliation for each of the three measures separately.

[Insert Figure A2 here]

I then estimate the historical specification with the two-way fixed-effects model in equation (II), including individual and meeting fixed effects.[30] The resulting coefficients for each alignment measure are reported in Table A5. Politically aligned members dissent more toward expansionary policies, while misaligned toward contractionary, and this effect is both statistically and economically significant.

[Insert Table A5 here]

These historical results, which span nearly nine decades, 15 presidencies, and 190 different FOMC members, confirm the main findings and address concerns that results might be driven by the limited sample examined in the baseline analysis.

A.6 Robustness for alternative political alignment definitions

I now repeat the main specifications from Sections 3.1 and 3.2 using alternative measures of political alignment as defined in Appendix A.1 ($D^{Appo\ Baseline}$, $D^{Appo\ Sen\ Majority}$, $D^{Appo\ Sen\ Votes}$,

[30] The same DiD specification used in the main analysis cannot be performed, as FOMC meeting transcripts are not available for this time period.

D^{Career}, and D). Specifically, I replicate results from regressions (3), (4), (5), (10) and (11), and I report the corresponding tables.

[Insert Table A6 here]

[Insert Table A7 here]

[Insert Table A8 here]

[Insert Table A9 here]

All the tables show that results presented in the main analysis remain consistent, both economically and statistically.[31]

A.7 Forward-looking Taylor Rule Greenbook coefficients

Figures A3a and A3b illustrate the evolution of the Greenbook forward-looking Taylor rule coefficients $\gamma_t^{GB,h}$ and $\beta_t^{GB,h}$ over time. Results indicate that as the forecast horizon increases, the estimated response to the output gap diminishes, while sensitivity to expected future inflation gap increases. These figures suggest that policy-makers care about stabilizing long-run inflation rather than the current one, balancing it with a response to the current output gap.

[Insert Figure A3 here]

A.8 Voting behavior and career progression

In this section, I show that partisan voting is associated with better public career outcomes. I first construct three measures of career progression, as detailed in Section 2.1 (*BoG Reappointment*, *Public career post*, and *Combined career*). Next, I count the total number of "partisan" dissents or policy leanings expressed by each FOMC member over their tenure, defined as votes

[31] In Table A6, estimates become insignificant when focusing on dissenting votes for measures based solely on appointments to the Board of Governors, as dissent among governors is extremely rare (only 12 cases from 1992 to 2024), making these political affiliation classifications particularly noisy if used for the analysis of dissenting votes in the last 30 years. In contrast, measures that also classify regional Federal Reserve Bank presidents as politically affiliated yield consistent and significant results. Differences in monetary policy preferences remain significant and of similar magnitude to the main analysis. This issue is less pronounced in the extended historical specification reported in Table A5, where the larger number of dovish and hawkish dissents provides greater statistical power.

favoring a monetary policy alternative different from the final directive. I classify a vote as partisan if it is expansionary when the member is aligned with the incumbent president, or contractionary when misaligned. I then construct a measure of *Net partisan votes* for each member as the difference between the total number of partisan votes and votes in the opposite direction (e.g., a contractionary vote by an aligned governor). I regress each of the three dummy variables of career outcomes on the *Net partisan votes* variable, across individuals:

$$y_i = \alpha + \beta \cdot Net\ partisan\ votes_i + \epsilon_i. \tag{18}$$

Table A10 shows a positive correlation between partisan voting behavior and career outcomes. These results suggest that FOMC members who more frequently vote or express policy preferences aligned with their political party—or opposed to the rival party—are more likely to be reappointed to the Board of Governors or appointed to other politically connected public positions after leaving the Fed.

[Insert Table A10 here]

I also examine when, during a member's tenure, partisan voting is most likely to occur. The rationale is that if governors are motivated by potential career advancements, they may be more inclined to engage in such behavior toward the end of their term, when reappointment or future opportunities become more relevant. Figure A4 shows that partisan voting clusters in the final quartile of a member's tenure, suggesting that it becomes more frequent as the end of the term approaches and is particularly pronounced among members who later receive public career benefits.

[Insert Figure A4 here]

A.9 Word clouds of aligned and misaligned FOMC members

I show that politically aligned members differ systematically in their language during FOMC meetings compared with misaligned members, supporting the finding that political incentives are associated with shifts in monetary policy preferences. To do this, I apply a large language model to the monetary policy go-round of FOMC meetings and prompt the ChatGPT API, acting as a monetary economist, to extract the main arguments used by members to justify their policy positions. I then construct two word clouds: one comparing the language of aligned

members with that of misaligned members, and another reversing the comparison, to highlight systematic differences in language use.

Figure A5a shows the main concerns of aligned members. Their language emphasizes that inflation is under control and highlights weak growth, labor market concerns, and unemployment. In Figure A5b, concerns focus much more on rising inflation and less on output conditions. These figures suggest that political alignment shifts the inflation–output tradeoff in monetary policy, as reflected in FOMC members' language.

[Insert Figure A5 here]

A.10 Greenbook narrative evidence

In this subsection, I include three brief passages from Greenbook technical analysis prepared by Fed staff before each meeting. These excerpts illustrate that the staff's interest rate recommendations are based on policy rules and economic data, suggesting that they are largely objective and not driven by political or partisan considerations.

> *"The inertial version of the Taylor (1999) rule that we use to mechanically set our assumed path for the federal funds rate continues to project a substantial increase over the next three years—one that we recognize is out of line with the expectations of most private forecasters. We assume the federal funds rate will increase 1¼ percentage points this year, ¾ percentage point in 2020, and ¼ percentage point in 2021, reaching 4.5 percent in the fourth quarter of 2021. This trajectory is a bit lower than in the December Tealbook due to a slightly lower projected output gap."*
> – **Tealbook, January 2019**

> *"The federal funds rate continues to be set according to the prescriptions of an inertial version of the Taylor (1999) rule."*
> – **Tealbook, January 2015**

> *"Reflecting the larger margin of slack in this scenario, core PCE inflation is 2 percent in 2006 and falls to 1½ percent in 2007. In implementing the scenario under the Taylor rule, we assume that the Committee considers the NAIRU to be 5 percent, which means that it perceives labor and product markets to be tighter than*

they actually are. As a result, even though inflation in this scenario is lower than the Greenbook forecast, the federal funds rate averages only 12 basis points below the baseline path in 2007. Accordingly, the change in monetary policy has little incremental effect on the economy. By contrast, if the Committee quickly comes to recognize that the NAIRU is 4¼ percent, the federal funds rate under the Taylor rule will average about 60 basis points below its baseline path. This results in GDP growth of 4 percent in 2006 and almost 3½ percent in 2007, while core PCE inflation in 2007 is a little over 1½ percent. ."

– **Tealbook, January 2006**

A.11 Greenbook forecasts

I show evidence that Greenbook forecasts do not exhibit political bias. In particular, forecast errors for real GDP growth and inflation remain stable before and after elections involving a change in the president's party. Specifically, I focus on four U.S. presidential elections since 1992 that resulted in a change of the incumbent party. My independent variable is the party of the U.S. president, D^{Pres}, a dummy variable equal to 1 for Democratic administrations and 0 for Republican. I estimate the following regression, incorporating horizon and election fixed effects:

$$GB\ forecast\ error^{y}_{t,h,c} = \alpha + \beta \cdot D^{Pres}_{t} + X_t + \gamma_c + \gamma_h + \epsilon_{t,h,c}, \tag{19}$$

where X_t represents macroeconomic controls, specifically real GDP growth, inflation, the federal funds rate, and the unemployment rate. Results are reported in Table A11. The estimates show no significant effect of presidential party changes on Greenbook forecast errors, indicating that the Fed staff's macroeconomic assessments remain consistent regardless of the political environment. This supports the view that the Greenbook provides a credible, politically neutral counterfactual for evaluating FOMC members' behavior.

[Insert Table A11 here]

A.12 FOMC federal funds rate decisions (robustness for different values of Chair alignment λ and leave-one-out procedure)

I perform two additional checks to verify that the baseline results from Section 3.3 are not driven by the assumed weight of the Chair in FOMC decisions or by specific presidential elections. First, I vary the weight assigned to the Chair in the Committee alignment measure. While the baseline sets $\lambda = 0.4$, I re-estimate (13) using alternative values: $\lambda = 1/N_{voters}$, 0.2, 0.6, 0.8, and 1, covering cases from equal weighting to full weight on the Chair. Second, I implement a leave-one-out exercise by excluding one presidential transition at a time (1993, 2001, 2009, and 2017) and re-estimating (13).

Figure A6 reports the results for the alternative values of λ, while Figure A7 shows the leave-one-out estimates. In all cases, the results are very similar to the baseline: increases in Committee alignment lead the FOMC to set interest rates below the Greenbook recommendation, and there is no evidence of pre-trends before the elections.

[Insert Figure A6 and Figure A7 here]

A.13 Estimation of Taylor rule coefficients under alignment and misalignment

Another, more macro-level approach to show that political alignment shifts policy is to examine how Taylor rule coefficients vary with the FOMC's political alignment. To do this, I estimate Taylor rule coefficients separately for periods when the FOMC and the executive are aligned and when they are misaligned, in a standard OLS regression. Table A12 reports the estimated coefficients, which are consistent with the previous evidence. When the FOMC is aligned with the executive, it places more weight on the output gap and less on inflation. When the FOMC is misaligned, the weights shift toward inflation stabilization and away from stimulating output.

[Insert Table A12 here]

A.14 Impulse response functions winsorizing outliers

Figure VII shows quarterly deviations of the FOMC federal funds rate from the Greenbook prescription. Two notable negative spikes emerge: one in the fourth quarter of 2001, following

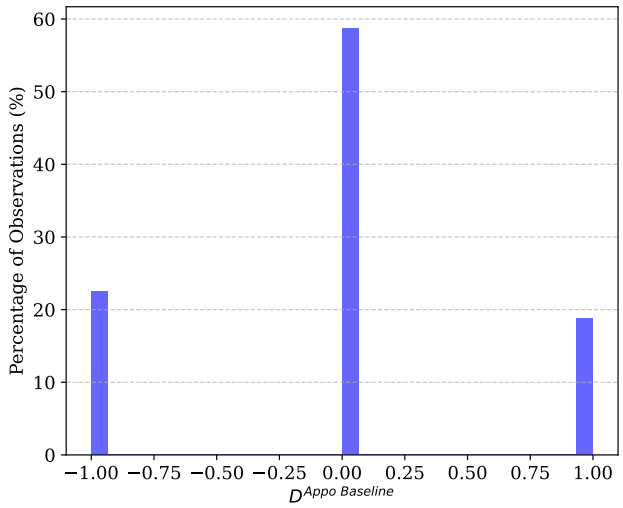
the September 11 terrorist attacks, and another in the fourth quarter of 2008, after the collapse of Lehman Brothers. To verify that these extreme observations are not disproportionately influencing my results, I re-estimate the local projections of 15 and compute the impulse response functions after winsorizing these outliers. Figure A8 presents the impulse response functions. The findings are largely similar to those obtained from the full sample (see Figure VIII).

[Insert Figure A8 here]

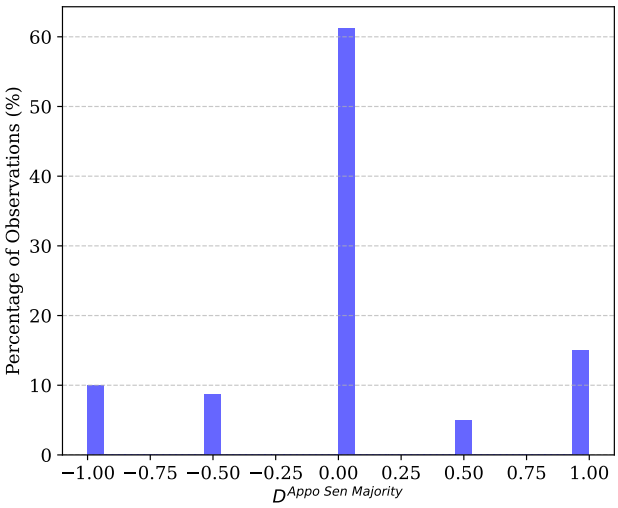
Appendix: Figures and Tables

Figure A1: Distribution of political affiliation based on Board of Governors' appointments

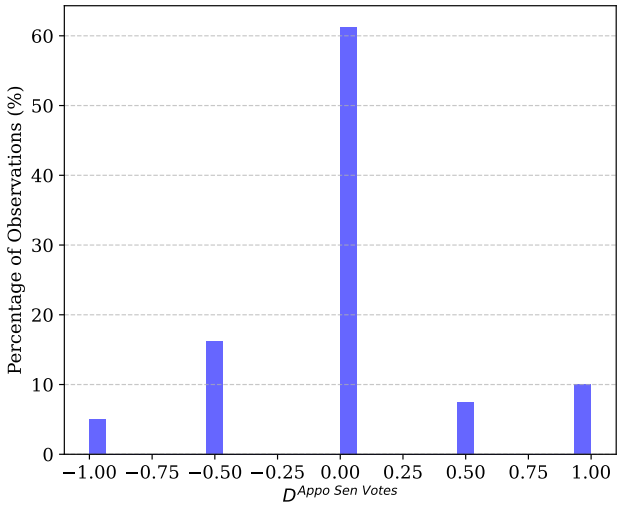
Notes: The figures illustrate the distribution of political affiliation with respect to the Democratic Party. Each measure ranges from −1 (full Republican) to 1 (full Democratic). Figure (a) shows the distribution based on Board appointments only; (b) accounts for Senate majorities; and (c) incorporates Senate votes (see Section 2.1).



(a) Baseline appointments



(b) With Senate majority



(c) With Senate votes

Figure A2: Average political affiliation of the FOMC over time (historical sample)

Notes: The figure shows the evolution over time of the FOMC's average political affiliation defined relative to the Democratic party, based on three different measures. Each measure spans from -1 (full Republican) to 1 (full Democratic). The black dashed line represents the measure derived from the first BoG appointment ($D^{Appo\ Baseline}$). The black dotted line reflects political affiliation based on appointments and Senate majorities at the time of the appointment as described in Section A.1 ($D^{Appo\ Sen\ Majority}$). The red solid line shows a measure based on public roles before the FOMC as derived in Section 2.1 (D^{Career}). Periods of Republican presidencies are shaded in red, and Democratic presidencies in blue.

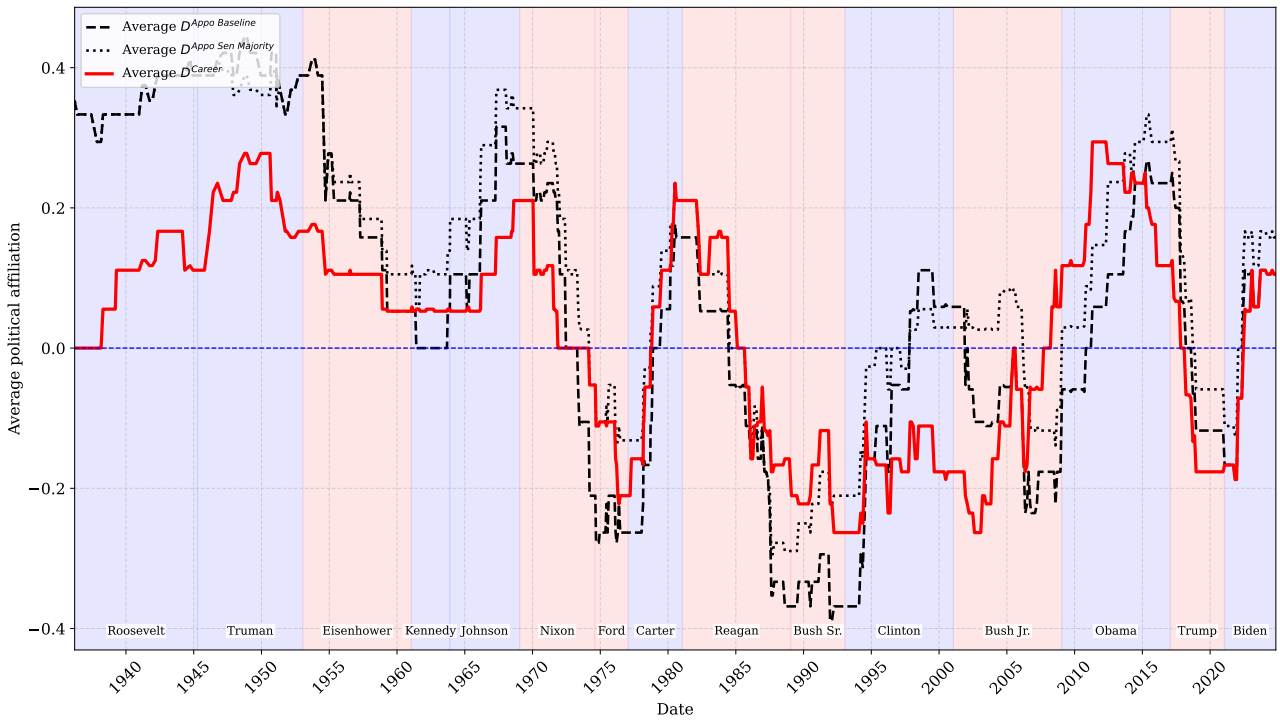
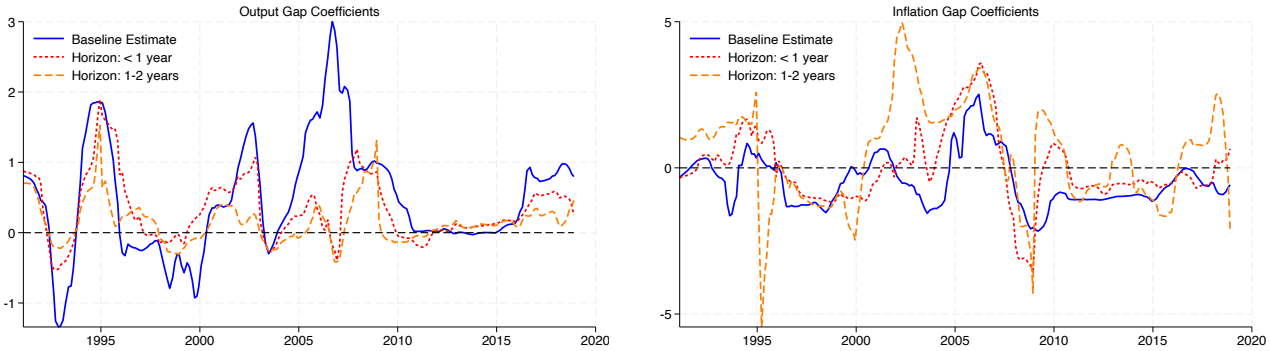


Figure A3: Rolling regression estimates of forward looking Taylor Rule coefficients

Notes: This figure presents rolling OLS estimates of the coefficients in the forward-looking Taylor rule using Greenbook forecasts, based on a 24-meeting rolling window. The forecasts are prepared by Federal Reserve staff before each FOMC meeting.
Panel (a) displays the estimated coefficients for the output gap across different forecast horizons, while Panel (b) shows the coefficients for the inflation gap. The blue solid line represents the baseline estimates, which use realized data for the output gap and the inflation gap. The red dotted line corresponds to the estimates based on Greenbook forecasts for Q4-to-Q4 growth for the current year, capturing a forecast horizon of less than one year that changes from meeting to meeting. The orange dashed line represents the estimates based on Q4-to-Q4 forecasts for the following year, corresponding to a forecast horizon between 1 and 2 years.
The regression specification used to estimate these coefficients is given by:

$$ffr_t = r_t^* + \pi_t + \gamma_t^{GB,h} \cdot E_t^{GB} x_{t+h} + \beta_t^{GB,h} E_t^{GB}(\pi_{t+h} - \pi^*),$$

where ffr_t is the realized federal funds rate, E_t^{GB} represents Greenbook forecasts at time t, for the output gap x_{t+h} and the inflation π_{t+h} at horizon h. The target inflation rate, π^*, is assumed to be constant at 2 percent, consistent with the FOMC's long-run inflation objective.

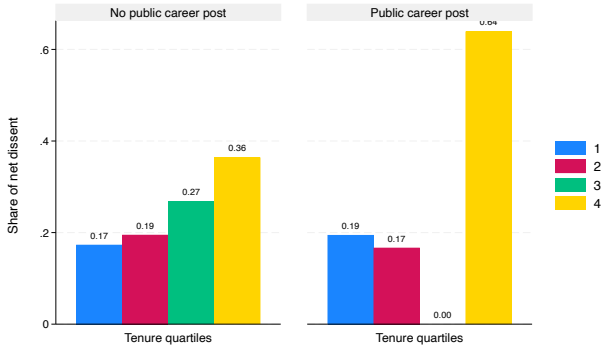


(a) Output gap coefficients

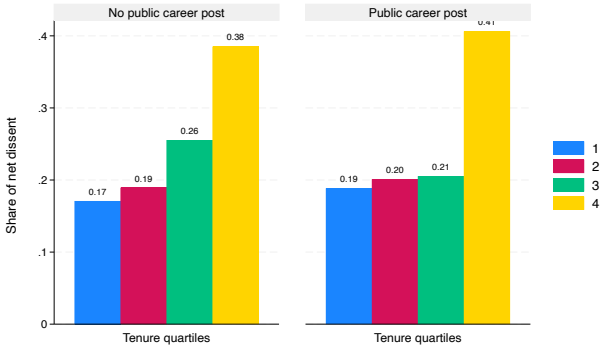
(b) Inflation gap coefficients

Figure A4: Distribution of partisan votes over tenure quartiles

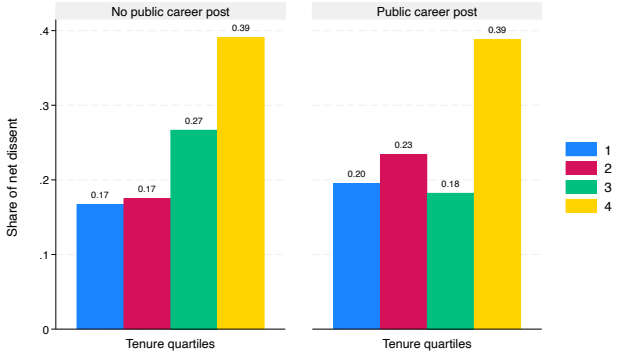
Notes: These figures illustrate the distribution of partisan voting behavior throughout the tenure of FOMC members. Each governor's tenure is divided into four equal periods, and for each period, I calculate the proportion of their total partisan dissents relative to their entire tenure. The left histograms present the average share of partisan dissents for individuals who subsequently do not receive career benefits (via public appointments) after their initial mandate at the Fed. The right histograms show the same distribution for members who experience career progression. Each panel represents mean shares of partisan dissents per period, based on dissenting votes or policy preferences.



(a) Public career appointments



(b) FOMC reappointment

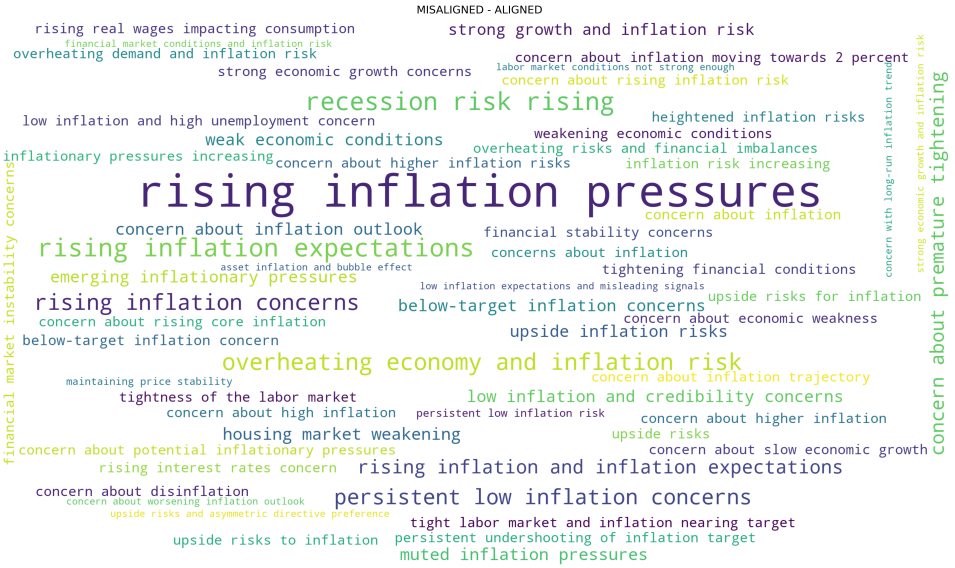


(c) Combined career measure

Figure A5: Word clouds

Notes: The word clouds are generated using the ChatGPT API to extract the main concerns of aligned and misaligned policymakers. Concerns are extracted separately for each group and then residualized against each other to highlight differences in language.

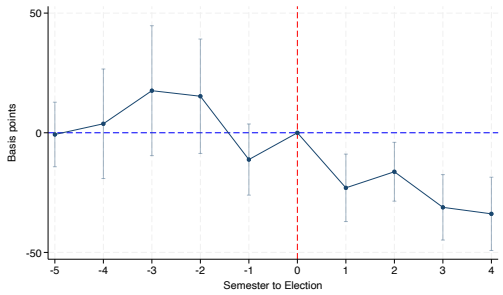
(a) Word clouds for aligned residualized for misaligned



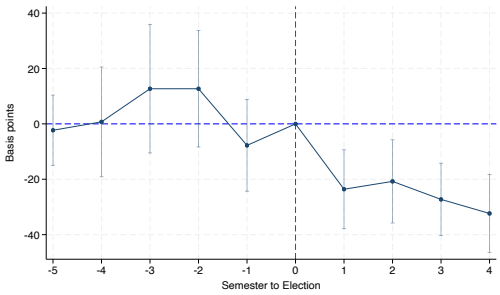
(b) Word clouds for misaligned residualized for aligned

Figure A6: FOMC political alignment and federal funds rate (DiD estimates, robustness for different weights to the Chair λ)

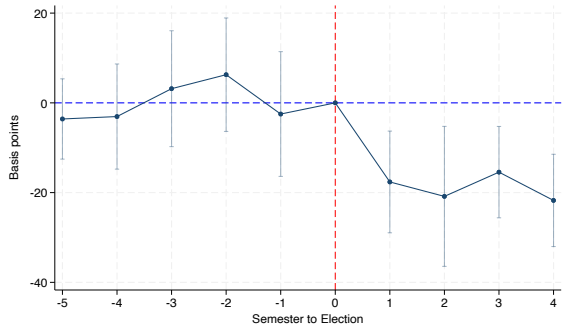
Notes: This figure shows the robustness of results presented in Figure V for different weights on the Chair's political alignment λ. This figure presents estimates for β_k of (13). The dots in the figure represent the estimated effect of a one-point change in Committee alignment on the difference between the interest rates set by the FOMC and the Greenbook. The confidence intervals are set at the 95 percent level. Standard errors are clustered at the meeting level.



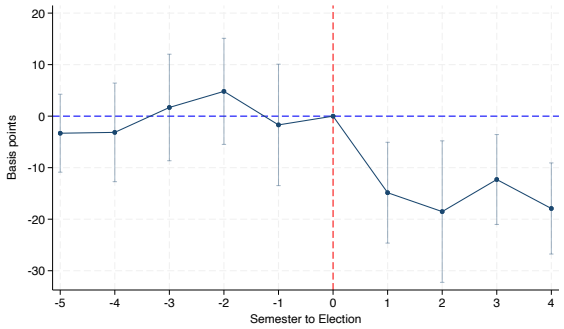
(a) $\lambda = 1/N_{voters}$



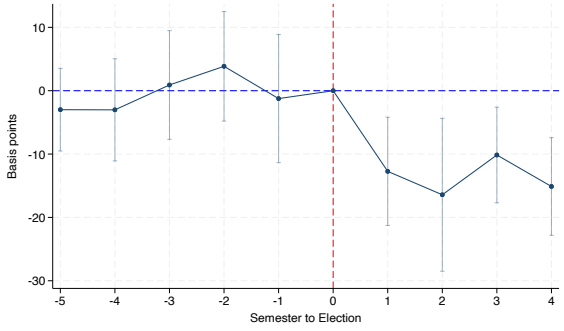
(b) $\lambda = 0.2$



(c) $\lambda = 0.6$



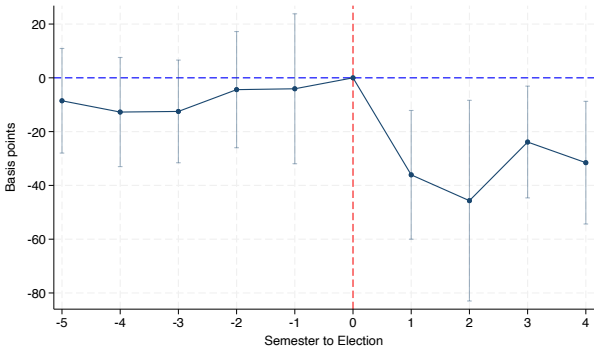
(d) $\lambda = 0.8$



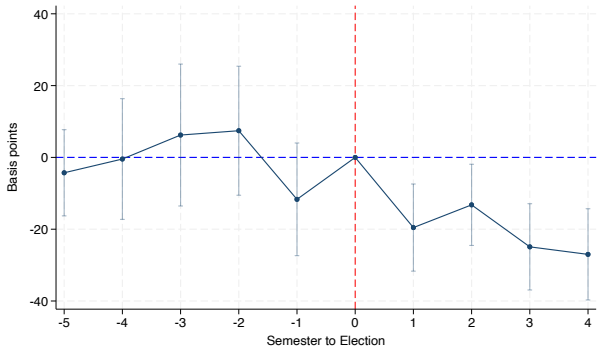
(e) $\lambda = 1$

Figure A7: FOMC political alignment and federal funds rate (DiD estimates, robustness to excluding one election at a time)

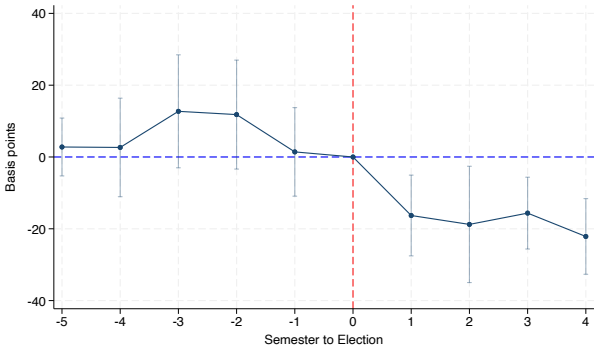
Notes: This figure shows the robustness of the results presented in Figure V by excluding one election at a time, to ensure the findings are not driven by a single event. This figure presents estimates for β_k of (13). The dots in the figure represent the estimated effect of a one-point change in Committee alignment on the difference between the interest rates set by the FOMC and the Greenbook. The confidence intervals are set at the 95 percent level. Standard errors are clustered at the meeting level.



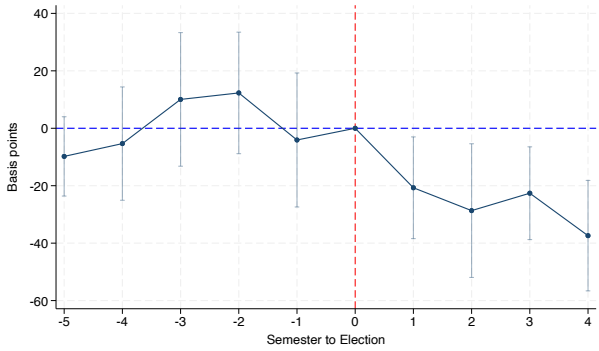
(a) Excluding 1993 election



(b) Excluding 2001 election



(c) Excluding 2009 election



(d) Excluding 2017 election

Figure A8: Impulse response functions to FOMC deviations from Greenbook recommendations winsorizing outliers

Notes: This figure presents a robustness check of the impulse response functions estimated via local projections, as specified in (15). In this specification, FOMC deviations from the Greenbook are winsorized at the 95th percentile (in absolute value) to mitigate the influence of extreme observations. The coefficients β_h capture the response of each macroeconomic variable over a 20-quarter horizon following a 25 basis point expansionary shock. The light blue bands represent 90% confidence intervals.

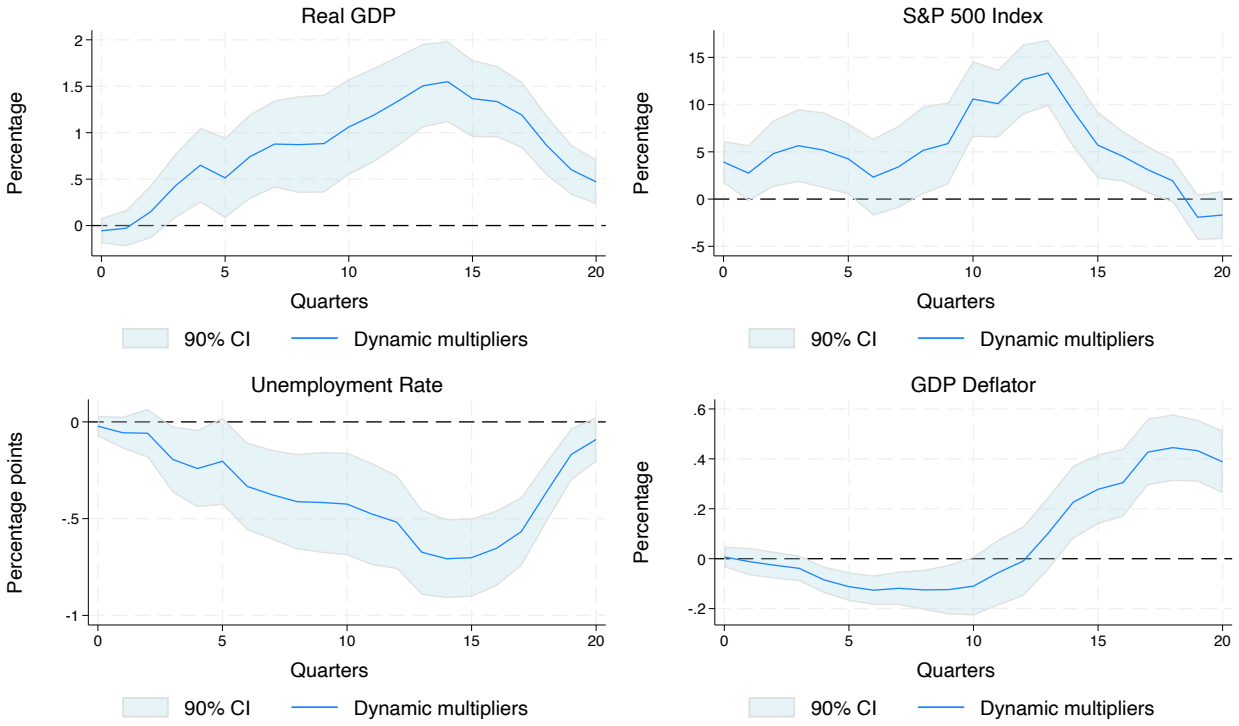


Table A1: Correlation matrix for political-affiliation measures

Notes: Pairwise Pearson correlations among all the measures of FOMC members' political affiliation, each defined relative to the Democratic Party.

	D^{Career}	$D^{Appo\ Baseline}$	$D^{Appo\ Sen\ Majority}$	$D^{Appo\ Sen\ Votes}$	$D^{Contributions}$	$D^{Connections}$	D
D^{Career}	1.00						
$D^{Appo\ Baseline}$	0.61	1.00					
$D^{Appo\ Sen\ Majority}$	0.55	0.90	1.00				
$D^{Appo\ Sen\ Votes}$	0.60	0.90	0.90	1.00			
$D^{Contributions}$	0.58	0.63	0.55	0.59	1.00		
$D^{Connections}$	0.93	0.81	0.77	0.85	0.65	1.00	
D	0.86	0.81	0.75	0.81	0.88	0.93	1.00

Table A2: Politically-Affiliated Public Roles

Politically-Affiliated Public Roles	
Candidate, U.S. House of Representatives	Candidate, U.S. Senate Primaries
Assistant Secretary of the Treasury for Economic Policy	Chairman, Council of Economic Advisers
Richard Nixon's Coordinator on Domestic Policy in the Nomination Campaign	Director, National Economic Council
Assistant to the president for Economic Policy	Staff Economist, Council of Economic Advisers
Fred Thompson's Senior Economic Advisor	Commissioner, Commodity Futures Trading Commission
Member, Bill Clinton's Council of Economic Advisers	Director, Office of Management and Budget (Clinton Administration)
Founding Director, Congressional Budget Office (CBO)	Member, National Commission on Fiscal Responsibility and Reform
Director, Congressional Budget Office	Chair, Quadrennial Advisory Council on Social Security
Deputy Director, Division of Research and Statistics, Federal Reserve Board	Chairman, Public Company Accounting Oversight Board (PCAOB)
Staff Director, U.S. Senate Banking, Housing, and Urban Affairs Committee	Director of District Office for Rep. Bill Frenzel
Chairman, president's Council of Economic Advisers	Special Assistant to the president for Economic Policy
Executive Secretary, National Economic Council	Member, president's Council of Economic Advisers (CEA)
Assistant to the president for International Economic Policy	Deputy Assistant to the president for Economic Policy
Assistant Secretary for Economic and Business Affairs, U.S. Department of State	Attorney, Antitrust Division, U.S. Department of Justice
Special Assistant to the Undersecretary for International Trade, U.S. Department of Commerce	Chief Employment Counsel, Committee on Labor & Human Resources, U.S. Senate
Deputy Secretary of the Treasury	Commissioner of Financial Regulation for the State of Maryland
Candidate for Vice Chair for Supervision, Federal Reserve Board	Senior Adviser to the Treasury Secretary
Staff, National Economic Council	Secretary of the Treasury
Special Assistant to the Secretary of the Treasury for Banking Legislation	Deputy Assistant Secretary of the Treasury for Financial Institutions Policy
Secretary of the Treasury for Domestic Finance	Assistant Secretary of the Treasury for International Affairs

Continued on next page

Table A2 (continued)

Politically-Affiliated Public Roles (continued)	
Under Secretary of the Treasury for Domestic Finance	Legislative Assistant to Senator Richard Schweiker
Intern for Senator Bob Dole	Counsel, U.S. House Committee on Transportation and Infrastructure
Counsel, Committee on Government Reform and Oversight	Director of Congressional and Intergovernmental Affairs, FEMA
Deputy Assistant Secretary and Policy Advisor, Department of Homeland Security	Deputy National Economic Adviser
Deputy Assistant to the president	Under Secretary of the Treasury for International Affairs
Chair, White House Competition Council	Senior Adviser on Finance and Development, U.S. Treasury Department
Senior Economist, Obama Administration's Council of Economic Advisers	Special Assistant to Secretary Robert Rubin
Deputy Assistant Secretary of the Treasury for Community Development Policy	Special Advisor to President Bill Clinton
Volunteer Member, Joe Biden presidential Transition Agency Review Team	U.S. Executive Director, World Bank
Chief Economist to U.S. Labor Secretary Hilda L. Solis	Deputy Secretary, U.S. Department of Labor
Director, Council on Wage and Price Stability	Assistant Secretary for Policy Development and Research, HUD
Senior Staff Economist, Council of Economic Advisers	Deputy U.S. Trade Representative (Ambassador Rank)
Advisor to President Obama (2004 U.S. Senate Race)	Senior Economic Policy Adviser, 2008 Obama presidential Campaign
Member, President Reagan's Council of Economic Advisers	Special Assistant to Secretary W. Michael Blumenthal, U.S. Treasury
Candidate, Special Election for U.S. Senate (Texas)	Candidate, U.S. Senate Regular Election
Candidate for Governor of California	Assistant Secretary of the Treasury for International Economics and Development
Head, Russian-American Enterprise Fund	Deputy Assistant Secretary for International Monetary and Financial Policy
Senior Deputy Assistant Secretary for International Affairs	Assistant Secretary for International Affairs

Table A3: Political alignment and individual monetary policy preferences (Placebo test for elections with no change in U.S. president)

Notes: This table reports results for placebo regression (16). The dependent variable is *Expansionary preference*, which takes a value of 1 if a member expressed a preference for a more expansionary policy, 0 for no change, and -1 for a preference toward a tighter policy at time t. The treatment is defined as the individual political alignment—measured by campaign contributions (Panel A) and political connections (Panel B). The control group consists of politically independent individuals.
The sample includes three U.S. presidential elections in which the party of the president does not change and spans a four-year window around each election. Standard errors are double clustered at individual-by-president and meeting levels. Column (1) reports estimates for all the individuals, column (2) for governors only.
Symbols *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively.

	Exp preference (All Members)	Exp preference (Governors only)
Panel A: Political Contributions		
Alignment × Post	-0.0352	-0.0352
	(0.0336)	(0.0393)
Panel B: Political Connections		
Alignment × Post	-0.0831	-0.0473
	(0.0558)	(0.0534)
Individual × Election Fixed Effects	Yes	Yes
Meeting Fixed Effects	Yes	Yes
Observations	1437	390

Table A4: Political alignment and absolute forecast errors for real GDP growth and inflation (DiD estimates)

Notes: This table reports estimates for (17). The analysis uses a stacked DiD approach around U.S. presidential elections where the president's party changed. The dependent variables are absolute forecast errors for real GDP and inflation across different forecast horizons, defined as the difference between the forecasted and realized values. Columns (1) and (3) include all FOMC members, while columns (2) and (4) restrict the sample to FOMC governors only.
The treatment is defined as a shift in alignment—measured by campaign contributions (Panel A) and political connections (Panel B). The control group consists of politically independent individuals.
The sample includes four presidential elections with a change in party and spans a four-year window around each election. Regressions include individual-by-cohort and meeting fixed effects. Symbols *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

	GDP Absolute Forecast Error (All members)	GDP Absolute Forecast Error (Governors only)	Infl Absolute Forecast Error (All members)	Infl Absolute Forecast Error (Governors only)
Panel A: Political Contributions				
Alignment change × Post	0.0432**	0.0394	0.00888	0.0174
	(0.0161)	(0.0320)	(0.0108)	(0.0150)
Panel B: Political Connections				
Alignment change × Post	0.0413	0.0164	0.0313**	0.0189
	(0.0272)	(0.0259)	(0.0132)	(0.0135)
Individual Fixed Effects	Yes	Yes	Yes	Yes
Meeting Fixed Effects	Yes	Yes	Yes	Yes
Horizon Fixed Effects	Yes	Yes	Yes	Yes
Observations	1695	454	1695	454

Table A5: Political alignment and dissenting votes (TWFE estimates, historical sample)

Notes: This table shows how political alignment—based on campaign contributions (Panel A) and political connections (Panel B)—affects FOMC members' dissenting behavior using historical data from 1936 to 2024. The dependent variable is *Expansionary dissent*, that takes value 1 for dissent in favor of easier policy, 0 for no dissent, and −1 for dissent in favor of a tighter policy. Column (1) includes all FOMC members, while column (2) restricts to governors only.
The empirical specification is given by:

$$Expansionary\ dissent_{it} = \alpha + \beta \cdot Aligned_{it} + \gamma_i + \gamma_t + \epsilon_{it},$$

where i represents individual FOMC members and t denotes the meeting. The variable $Aligned_{it}$ ranges from -1 to 1. γ_i and γ_t respectively represent individual and meeting fixed effects. Standard errors are double-clustered at the meeting and individual-by-U.S. president levels. Symbols *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

	Exp Dissent (All members)	Exp Dissent (Governors only)
Panel A: Appointment-baseline		
Aligned	0.0125*	0.0166*
	(0.00641)	(0.00905)
Panel B: Appointment-Senate majority		
Aligned	0.0213***	0.0269**
	(0.00772)	(0.0111)
Panel C: Public career		
Aligned	0.0238***	0.0204**
	(0.00760)	(0.00845)
Individual Fixed Effects	Yes	Yes
Meeting Fixed Effects	Yes	Yes
Observations	8749	4552

Table A6: Political alignment and individual monetary policy decisions (TWFE estimates, robustness to alternative political alignment definitions)

Notes: This table shows the robustness of results presented in Table II for different measures of political alignment. Political alignment is measured based on appointing president only (Panel A), appointment and Senate majority (Panel B), appointment and Senate vote (Panel C), career background (Panel D), and the average measure (Panel E), as presented in Sections 2.1 and A.1.
The dependent variables are *Expansionary preference* and *Expansionary dissent*. *Expansionary preference* takes a value of 1 if a member expresses a preference for a more expansionary policy, 0 if they prefer maintaining the current stance, and -1 if they favor a tighter policy in a given meeting at time t. *Expansionary dissent* follows the same structure but captures dissenting votes: 1 for dissent in favor of easier policy, 0 for no dissent, and -1 for dissent in favor of a tighter policy. Column (1) includes all FOMC members, columns (2) and (3) restrict the sample to voting members only. In columns (1), and (2) the time period spans from 1992 to 2019, in column (3) it extends to 2024, since there is no five-year lag policy in data disclosure for FOMC dissenting votes.
The empirical specification is given by:

$$y_{it} = \alpha + \beta \cdot Aligned_{it} + \gamma_i + \gamma_t + \epsilon_{it},$$

where i represents individual FOMC members and t denotes the meeting. The variable $Aligned_{it}$ ranges from -1 to 1. γ_i and γ_t respectively represent individual and meeting fixed effects. Standard errors are double-clustered at the meeting and individual-by-U.S. president levels. Symbols *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

	Exp Policy (All members)	Exp Policy (Voting)	Exp Dissent (Voting)
Panel A: Appointment-baseline			
Aligned	0.0509***	0.0347*	0.000751
	(0.0186)	(0.0196)	(0.00742)
Panel B: Appointment-Senate majority			
Aligned	0.0824***	0.0576**	0.00976
	(0.0212)	(0.0264)	(0.00984)
Panel C: Appointment-Senate votes			
Aligned	0.0697***	0.0394	−0.000494
	(0.0254)	(0.0351)	(0.00898)
Panel D: Public career			
Aligned	0.0331**	0.0487***	0.0228**
	(0.0163)	(0.0176)	(0.00909)
Panel E: Composite measure			
Aligned	0.0425*	0.0644**	0.0174**
	(0.0228)	(0.0248)	(0.00756)
Individual Fixed Effects	Yes	Yes	Yes
Meeting Fixed Effects	Yes	Yes	Yes
Observations	3649	2134	2610

Table A7: Political alignment and individual monetary policy preferences (DiD estimates, robustness to alternative political alignment definitions)

Notes: This table shows the robustness of results presented in Table III for different measures of political alignment. Political alignment is measured based on appointing president only (Panel A), appointment and Senate majority (Panel B), appointment and Senate vote (Panel C), career background (Panel D), and the average measure (Panel E), as presented in Sections 2.1 and A.1.
The analysis uses a stacked DiD approach around U.S. presidential elections where the president's party changed. The dependent variable is *Expansionary preference*, which takes a value of 1 if a member expresses a preference for a more expansionary policy, 0 for no change, and -1 for a preference toward a tighter policy at time t. Column (1) includes all FOMC members, while column (2) restricts the sample to FOMC governors only. The empirical specification is:

$$Expansionary\ preference_{ict} = \alpha + \beta_{DID} \cdot (Alignment\ change_{ic} \times Post_{tc}) + \gamma_{ic} + \gamma_t + \epsilon_{ict},$$

where i denotes the individual, c represents the election-window cohort, and t refers to the meeting.
All regressions include individual-by-cohort and meeting fixed effects. Standard errors are double-clustered at the meeting and individual-by-U.S. president levels. Symbols *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively.

	Exp preference (All members)	Exp preference (Governors only)
Panel A: Appointment-baseline		
Alignment change × Post	0.0551**	0.0305*
	(0.0240)	(0.0163)
Panel B: Appointment-Senate majority		
Alignment change × Post	0.112***	0.107***
	(0.0289)	(0.0345)
Panel C: Appointment-Senate votes		
Alignment change × Post	0.103***	0.0346
	(0.0388)	(0.0480)
Panel D: Public career		
Alignment change × Post	0.0540**	0.0876***
	(0.0207)	(0.0311)
Panel E: Composite measure		
Alignment change × Post	0.0755***	0.0988**
	(0.0287)	(0.0435)
Individual × Election Fixed Effects	Yes	Yes
Meeting Fixed Effects	Yes	Yes
Observations	1802	444

Table A8: Political alignment and individual macroeconomic forecast errors (DiD estimates, robustness to alternative political alignment definitions)

Notes: This table shows the robustness of results presented in Table IV for different measures of political alignment. Political alignment is measured based on appointing president only (Panel A), appointment and Senate majority (Panel B), appointment and Senate vote (Panel C), career background (Panel D), and the average measure (Panel E), as presented in Sections 2.1 and A.1.
The analysis uses a stacked DiD approach around presidential elections where the president's party changed. The dependent variables are forecast errors for real GDP and inflation across different forecast horizons, defined as the difference between the forecasted and realized values. Columns (1) and (3) include all FOMC members, while columns (2) and (4) restrict the sample to FOMC governors only. The empirical specification is:

$$Expectation\ error^{y}_{ic,t,t+h} = \alpha + \beta_{DID} \cdot (Alignment\ change_{ic} \times Post_{tc}) + \gamma_{ic} + \gamma_{t} + \gamma_{hc} + \epsilon_{icth},$$

where i represents the individual, c denotes the election-window cohort, t the meeting, and h the forecast horizon.
All regressions include individual-by-cohort, horizon-by-cohort and meeting fixed effects. Standard errors are double-clustered at the meeting and individual-by-U.S. president levels. Symbols *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively.

	GDP Error (All)	GDP Error (Governors)	Infl Error (All)	Infl Error (Governors)
Panel A: Appointment-baseline				
Alignment change × Post	0.00750	0.0822**	−0.0250**	−0.0491***
	(0.0315)	(0.0374)	(0.0122)	(0.0148)
Panel B: Appointment-Senate majority				
Alignment change × Post	0.0183	0.255***	−0.0434***	−0.120***
	(0.0364)	(0.0802)	(0.0102)	(0.0218)
Panel C: Appointment-Senate votes				
Alignment change × Post	0.0196	0.134***	−0.0329**	−0.0316
	(0.0288)	(0.0437)	(0.0152)	(0.0188)
Panel D: Public career				
Alignment change × Post	0.0406**	0.0649***	−0.00695	−0.0218*
	(0.0187)	(0.0197)	(0.00990)	(0.0110)
Panel E: Composite measure				
Alignment change × Post	0.0507**	0.103***	−0.0238**	−0.0337*
	(0.0225)	(0.0354)	(0.0103)	(0.0166)
Individual × Election Fixed Effects	Yes	Yes	Yes	Yes
Meeting Fixed Effects	Yes	Yes	Yes	Yes
Horizon × Election Fixed Effects	Yes	Yes	Yes	Yes
Observations	1695	454	1695	454

Table A9: Deviations from Taylor rule-implied interest rates and political alignment (robustness to alternative political alignment definitions)

Notes: This table shows the robustness of the results presented in Table V to alternative measures of political alignment. Political alignment is measured based on appointing president only (Panel A), appointment and Senate majority (Panel B), appointment and Senate vote margin (Panel C), career background (Panel D), and the composite measure (Panel E), as presented in Sections 2.1 and A.1.
The dependent variable is the difference between the interest rate extracted from meeting transcripts using an LLM, ffr_{it}^{obs}, and the interest rate implied by individual forecasts through a Taylor rule, $\hat{ffr}_{it}^{h}$.
Columns (1) and (3) report estimates for all members, while columns (2) and (4) restrict the sample to Governors only. Columns (1)–(2) show estimates from two-way fixed effects (TWFE) regressions, controlling for individual and meeting fixed effects. Columns (3)–(4) show results from stacked DiD regressions around U.S. presidential elections where the president's party changed.
The TWFE empirical specification is:

$$ffr_{it}^{obs} - \hat{ffr}_{it}^{h} = \alpha + \beta \cdot Aligned_{it} + \gamma_i + \gamma_t + \gamma_h + \epsilon_{ith},$$

where i represents the individual, t the meeting, and h the forecast horizon.
The DiD empirical specification is:

$$ffr_{it}^{obs} - \hat{ffr}_{it}^{h} = \alpha + \beta_{DID} \cdot (Alignment\ change_{ic} \times Post_{tc}) + \gamma_{ic} + \gamma_t + \gamma_{hc} + \epsilon_{ict},$$

where c denotes the election-window and $Post_{tc}$ equals one in the post-election period.
All regressions include individual-by-cohort and meeting fixed effects. Standard errors are double-clustered at the meeting and individual-by-U.S. president levels. Symbols *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively.

	TWFE		DiD	
	$ffr^{obs} - \hat{ffr}$	$ffr^{obs} - \hat{ffr}$	$ffr^{obs} - \hat{ffr}$	$ffr^{obs} - \hat{ffr}$
	All members	Governors only	All members	Governors only
Panel A: Appointment-baseline				
Aligned	-0.0585**	-0.0885**		
	(0.0263)	(0.0411)		
Alignment change × Post			-0.0807**	-0.0896*
			(0.0306)	(0.0458)
Panel B: Appointment-Senate majority				
Aligned	-0.0809***	-0.271***		
	(0.0298)	(0.0702)		
Alignment change × Post			-0.119***	-0.293***
			(0.0364)	(0.0849)
Panel C: Appointment-Senate votes				
Aligned	-0.0554**	-0.0382		
	(0.0257)	(0.0353)		
Alignment change × Post			-0.0989***	-0.0967**
			(0.0308)	(0.0466)
Panel D: Public career				
Aligned	-0.0356**	-0.0373		
	(0.0156)	(0.0286)		
Alignment change × Post			-0.0424*	-0.0747**
			(0.0234)	(0.0304)
Panel E: Composite measure				
Aligned	-0.0556***	-0.0588*		
	(0.0205)	(0.0346)		
Alignment change × Post			-0.0758**	-0.0967**
			(0.0298)	(0.0470)
Meeting Fixed Effects	Yes	Yes	Yes	Yes
Individual Fixed Effects	Yes	Yes	No	No
Individual × Election Fixed Effects	No	No	Yes	Yes
Horizon Fixed Effects	Yes	Yes	No	No
Horizon × Election Fixed Effects	No	No	Yes	Yes
Observations	2512	753	1133	308

Table A10: Cross-sectional regression of career outcomes on partisan voting

Notes: This table presents the results of cross-sectional regressions examining the relationship between net partisan voting and subsequent career outcomes of FOMC members. The dependent variables are binary indicators, capturing (i) whether a governor was reappointed after her first term expired (*BoG Reappointment*), (ii) whether, upon leaving the FOMC, she was appointed to a politically connected public role (*Public career post*), and (iii) a combined measure capturing either outcome (*Combined career*).
The independent variables measure net partisan votes based either on formal dissenting votes (from 1936 onward) or monetary policy preferences inferred from meeting transcripts (from 1992 onward). The regression specification is given by:

$$y_i = \alpha + \beta \cdot Net\ partisan\ votes_i + \epsilon_i$$

Symbols *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

	Public career post	Reappointment	Combined career
Net partisan dissents	0.00273	0.0287**	0.0314**
	(0.0114)	(0.0115)	(0.0152)
Observations	181	181	181
Net partisan preferences	0.0456**	0.00760	0.0456*
	(0.0203)	(0.0185)	(0.0265)
Observations	79	79	79

Table A11: U.S. president party and Greenbook forecast errors

Notes: This table presents the results of regressions examining whether the party of the U.S. president influences Greenbook forecast errors for real GDP growth and inflation. The dependent variables are the difference between forecasted and realized values for real GDP growth ($GDP\ forecast\ error$) in column (1) and inflation ($Inflation\ forecast\ error$) in column (2). The main independent variable is D^{Pres}, a dummy equal to 1 for Democratic administrations and 0 for Republican. The regressions include macroeconomic controls—real GDP growth, inflation, unemployment, and the federal funds rate—as well as horizon and election fixed effects. Symbols *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)
	GDP forecast error	Inflation forecast error
D^{Pres}	-0.182	-0.0119
	(0.171)	(0.0564)
Observations	285	285

Table A12: Estimation of Taylor rule policy coefficients by alignment

Notes: This table reports the policy coefficients β_{aligned}, $\beta_{\text{misaligned}}$, γ_{aligned}, and $\gamma_{\text{misaligned}}$, estimated using standard OLS regressions of the federal funds rate on the output gap and the inflation gap:

$$ffr_t^j = \alpha + \gamma_j \cdot x_t + \beta_j(\pi_t - \pi^*),$$

The regressions are estimated separately for periods in which the FOMC and the executive are aligned and misaligned.
Symbols *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

	ffr (Aligned)	ffr (Misaligned)
Inflation gap	1.004***	1.753***
	(0.155)	(0.333)
Output gap	0.809***	0.700***
	(0.0449)	(0.170)
Constant	3.614***	3.893***
	(0.0963)	(0.272)
Observations	170	56