

Diverse Policy Committees Can Reach Underrepresented Groups

Francesco D'Acunto⁽¹⁾, Andreas Fuster⁽²⁾, Michael Weber⁽³⁾

(1) Boston College

(2) EPFL and CEPR

(3) U. of Chicago, CEPR, and NBER

November 2021

Christine Lagarde tweet, November 14, 2019

"I was pleased to invite my new Governing Council colleagues to join me at an off-site retreat yesterday. We discussed in an open and informal setting the running of the Governing Council."



Twitter reaction: *"Is that really just white men?! Doesn't look like an open discussion. #DiversityandInclusion" / "Très blanc, très vieux, très male."*

Reasons to promote diversity in (monetary) policy making

- “We should mirror the society we serve.” (Christine Lagarde, 2020)
⇒ “Representation/ legitimacy”
- “Diversity can help move us away from groupthink, poor risk assessment and insufficient challenge.” (Sharon Donnery, Deputy Governor CBol, 2020)
⇒ “Better decisions”
- “Diverse organizations are also better able to relate to and talk to many different communities.” (Jay Powell, 2018)
⇒ “More effective/ inclusive communication”

This paper

Does **female and minority representation** on the FOMC affects extent to which different demographics (men vs. women; white vs. minority) incorporate Fed forecasts into subjective macro beliefs?

- Large-scale survey experiment ($N \approx 9000$)
- Elicit respondents' trust in the Fed and macro expectations
- Provide Fed forecasts alongside pictures of different policy makers
(White male, White female, Black male)
- Test for **differential incorporation of forecasts by demographics**

Preview of main results

- Seeing a female or Black policy maker leads female and Black respondents to incorporate Fed forecast more strongly into their own expectations
 - No countervailing negative effect on white men
- Channel 1: higher trust in the Fed
 - Large baseline differences between White men and underrepresented groups
- Channel 2: women choose to read Fed-related news more when a female governor is featured
- Drivers: more support for heterogeneous “taste for diversity” than homophily

Related literature

- Expectation formation / effects of information: Armantier et al. (2016), Cavallo-Cruces-Perez-Truglia (2017), Coibion-Gorodnichenko-Weber (2019), Binder-Rodrigue (2018), Roth-Wohlfart (2019), Armona-Fuster-Zafar (2019)
So far focused on what is communicated. We focus on who communicates it.
- Central bank communication: Blinder et al. (2008), Haldane-McMahon (2018)
- Trust in central banks: Ehrmann-Soudan-Stracca (2013), Jost (2017), Christelis-Georgarakos-Jappelli-van Rooij (2020)
- Demographic differences in economic expectations & link to actions: D'Acunto-Malmendier-Ospina-Weber (2020), D'Acunto-Hoang-Paloviita-Weber (2020)
- Social identity & economic beliefs/decisions: Akerlof-Kranton (2000), Benjamin-Choi-Strickland (2010), D'Acunto (2020), Shayo (2020)
- Homophily and propensity to follow advice: Alsan-Garrick-Graziani (2019): Stolper-Walter (2019)

Survey design

Four stages:

1. Knowledge and “priors” – e.g.,
 - Who sets the basic interest rate level in the US?
 - What is the level of inflation the Fed targets?
 - Best guess for inflation over the past 12 months & next 12 months
 - Best guess for unemployment rate today & in 12 months
2. Information stage – randomized into 1 of 7 equal-sized groups:
 - “Control”: general info on Fed, but no forecast info
 - June 2020 “Survey of Economic Projections” median forecast (for 2020&2021):
inflation **or** unemployment **×**
picture of Thomas Barkin **or** Raphael Bostic **or** Mary Daly
(all three = regional Fed presidents & non-voting FOMC members in 2020)

Screenshot – inflation forecast; Barkin

The Federal Reserve, or Fed, conducts the nation's monetary policy by influencing money and credit conditions in the economy in pursuit of full employment and stable prices.

At their meeting in June 2020, the Federal Reserve Bank Presidents and Federal Reserve Board Governors forecasted (on average)

- *a 0.8% inflation rate in 2020*
- *a 1.6% inflation rate in 2021*



Thomas Barkin, President of the Federal Reserve Bank of Richmond, **who participated in the June 2020 Fed meeting.**

Screenshot – inflation forecast; Bostic

The Federal Reserve, or Fed, conducts the nation's monetary policy by influencing money and credit conditions in the economy in pursuit of full employment and stable prices.

At their meeting in June 2020, the Federal Reserve Bank Presidents and Federal Reserve Board Governors forecasted (on average)

- *a 0.8% inflation rate in 2020*
- *a 1.6% inflation rate in 2021*



Raphael Bostic, President of the Federal Reserve Bank of Atlanta, **who participated in the June 2020 Fed meeting.**

Screenshot – unemployment forecast; Daly

The Federal Reserve, or Fed, conducts the nation's monetary policy by influencing money and credit conditions in the economy in pursuit of full employment and stable prices.

At their meeting in June 2020, the Federal Reserve Bank Presidents and Federal Reserve Board Governors forecasted (on average)

- *a 9.3% unemployment rate in the fourth quarter of 2020*
- *a 6.5% unemployment rate in the fourth quarter of 2021*



Mary Daly, President of the Federal Reserve Bank of San Francisco, **who participated in the June 2020 Fed meeting.**

Survey design

3. Trust in Fed and “posteriors”

- How much do you trust the Fed to adequately manage inflation and unemployment?
- And how much do you trust the Fed to care about the economic well-being of **all** Americans, including people like yourself?
- Expected unemployment in 12 months, “Manski style” [► More](#)
- Expected inflation over next 12 months, “Manski style”

4. Personal characteristics – gender, race/ethnicity, age, marital status, zip code, education, income bin, home-/stock-ownership, political leaning, etc.

Sample – Main Survey

- Survey conducted online, via Qualtrics platform
- Targeted 8,750 respondents, with following quotas:
 - 50% white, 30% African-American, 20% Hispanic
 - 50/50 gender ratio
 - Representative of population in terms of age categories, education, region
- 9,200 respondents over Aug 10 - Sept 11, 2020 (90% by Aug 28)
- Attention and “speeding” checks
- Pre-registered at AEA RCT registry
- ~6 weeks later: follow-up survey for a subset of respondents (discussed later)

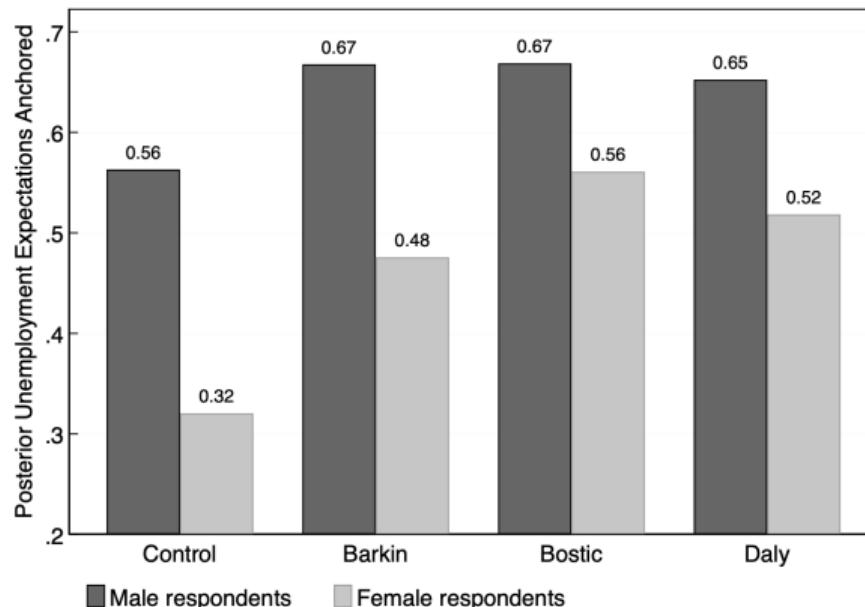
Analysis

- Today, focus on 4 groups: White male, white female, AA male, AA female
- Show results from “raw” patterns
- Results **robust in regressions** that additionally control for: date, income, education, age, employment status, region, politics, COVID-affected, homeownership, stock ownership, 401k, liquidity, financial literacy, whether do grocery shopping, whether take own financial decisions
(\approx 65 fixed effects)

Effects of information on expectations by salience minority representation

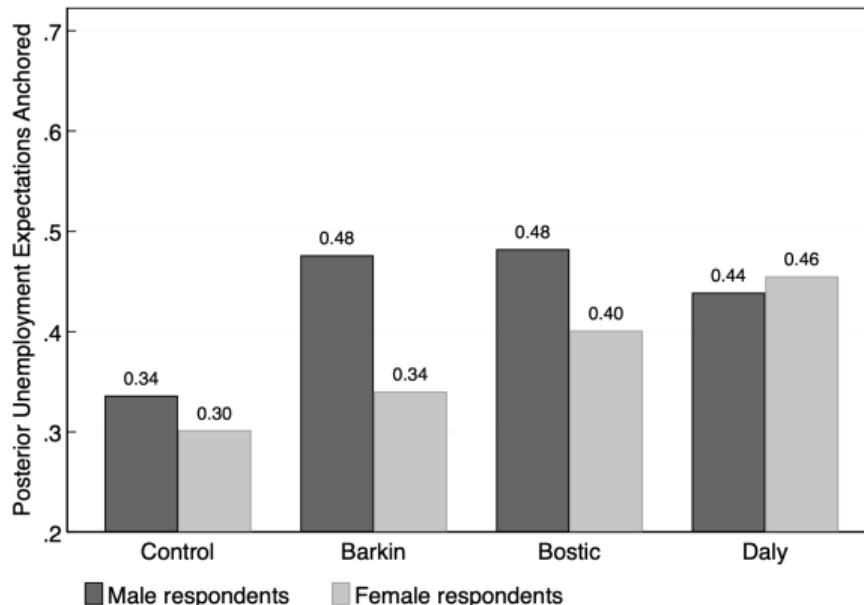
- Main outcome: share of respondents with “anchored expectations”
 - Elicit posteriors with distribution question (Manski)
 - “Anchored” = modal bin covers one of two forecasts by Fed
(Unemployment: 9.3/6.5%; inflation: 0.8/1.6%)
- Secondary outcome: imputed mean of posterior distribution
 - Requires assumptions, esp. about top/bottom bin
- Study **treatment effects** relative to control group
- Study **heterogeneity** across demographic groups

Effects on expectations – Unemployment: White respondents



- Providing forecasts increases share with anchored expectations relative to control
- Women react stronger to **Daly (25%)** and **Bostic (50%)** relative to Barkin
- White men not “put off”

Effects on expectations – Unemployment: Black respondents



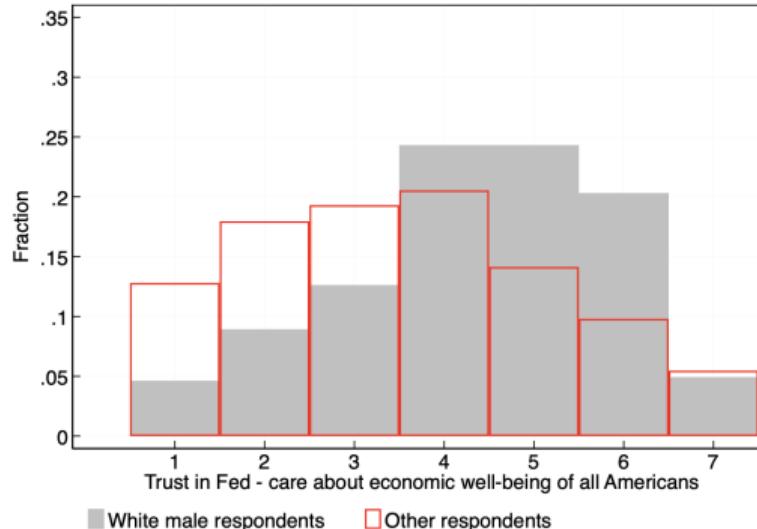
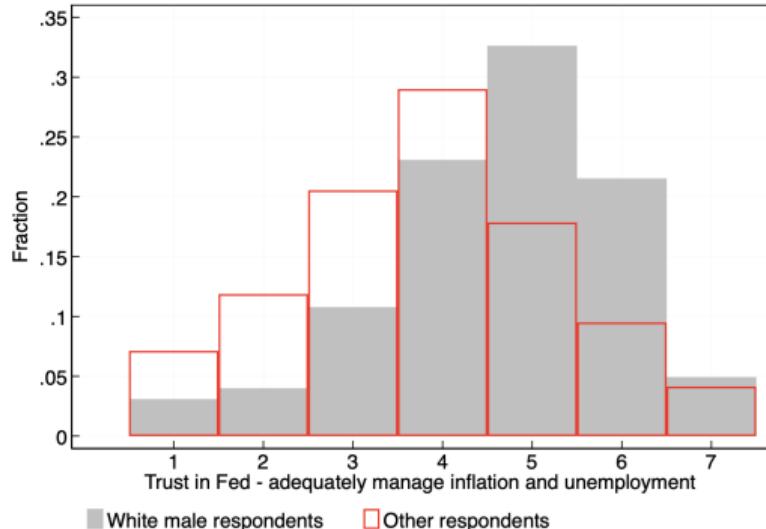
- Black women respond more strongly to **Daly**: 16pp vs. 4pp
- Black women respond more strongly to **Bostic**: 10pp vs. 4pp

Channels

Non-exclusive potential drivers of effects:

- Higher trust towards the Fed (also an outcome of independent interest)
 - Unconditional differences across groups
 - Differential reaction to making diverse policymakers salient
- Higher attention to information / information acquisition

Trust in Fed – control group only (Scale: 1 “no trust at all” to 7 “complete trust”)

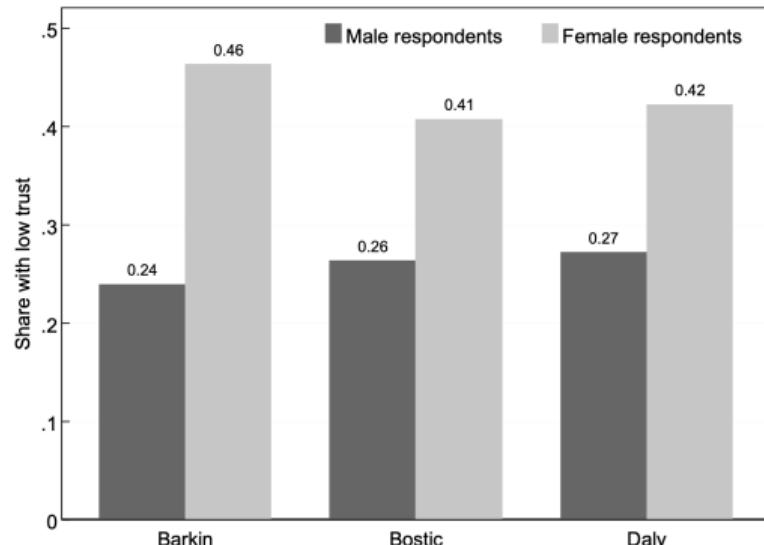


- Large differences in trust across demographic groups – especially female respondents indicate lower trust in Fed ⇒ **“Scope” for trust channel to play a role**
 - Consistent with findings for ECB (Ehrmann et al. 2013) and BoE (Jost 2017)
- Next: differential effects of policy maker treatments.
- Plot **share with low trust** (≤ 3 out of 7)

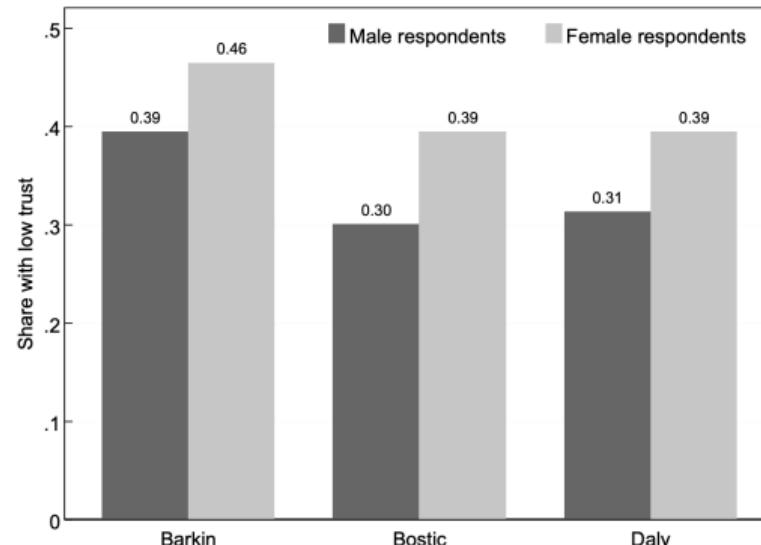
Distrust in Fed – differential effects of policy maker treatments

Distrust that Fed adequately manages inflation and unemployment

White respondents



Black respondents



- White women & Blacks: **substantially less distrust** in Bostic/Daly treatments
- Little differential effects on White male respondents

Attention to Fed communication

- Complementary channel: underrepresented groups could become (differentially) more attentive to Fed communications
 - Baseline: large differences across groups in terms of “Fed knowledge,” even after controlling for many observables [► More](#)
 - Knowing that short-term interest rates are set by Fed/FOMC
 - Knowing (exactly or approximately) the Fed’s inflation target
- ⇒ Again, scope for this channel

Information selection – Survey 2

"On the next page, you will be shown a short article that features a statement about the future of the U.S. economy from a high-ranked official from ONE of the following TWO policy-making agencies [or: policy makers]. Then you will be asked some questions about the article you were shown."

(...) "Please choose which article you would like to see"

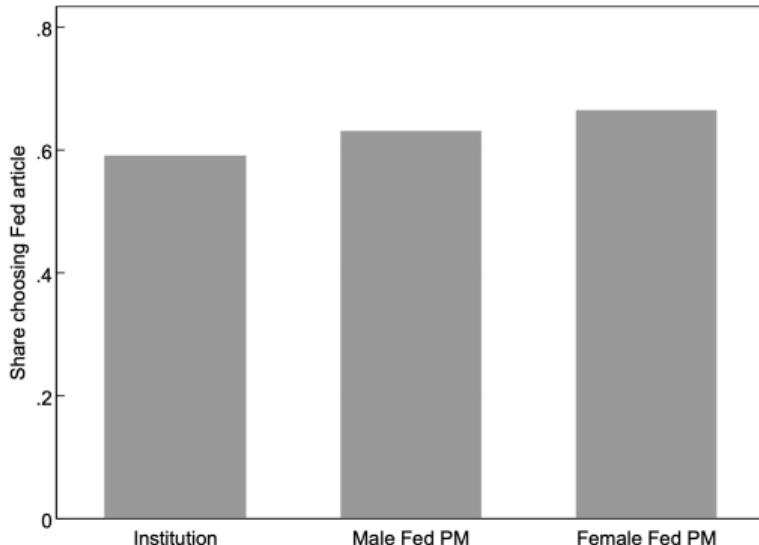
Randomized into 3 groups:

1. Choice: **Congressional Budget Office (CBO)** or **Federal Reserve**
2. Choice: **Mr. Swagel**, CBO Director or **Mr. Clarida**, Fed Governor
3. Choice: **Mr. Swagel**, CBO Director or **Ms. Bowman**, Fed Governor

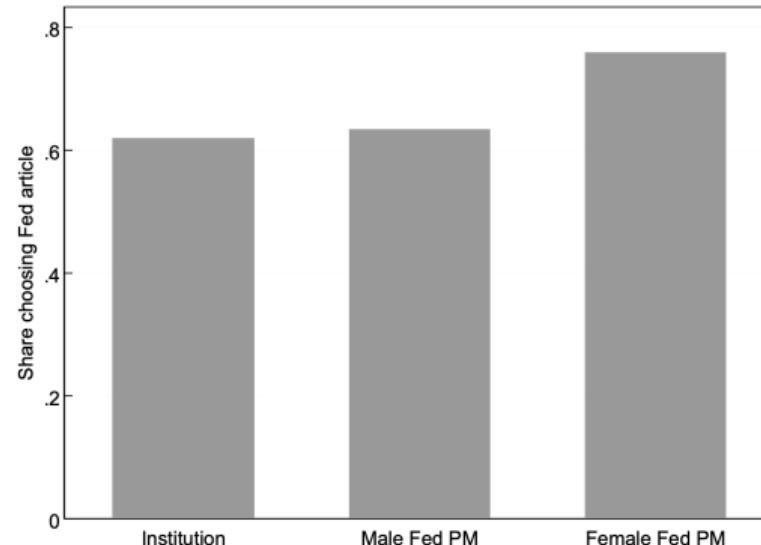
Hypothesis: Do women choose Fed article more in group 3?

Information selection – Results

Male respondents



Female respondents



Regression with controls:

- Within female respondents only: increase in $\text{pr}(\text{Fed})$ of +12.6 ppt, $p < 0.001$
- “Diff-in-diff” for female vs. male respondents: +9.2 ppt, $p = 0.06$

Additional analyses

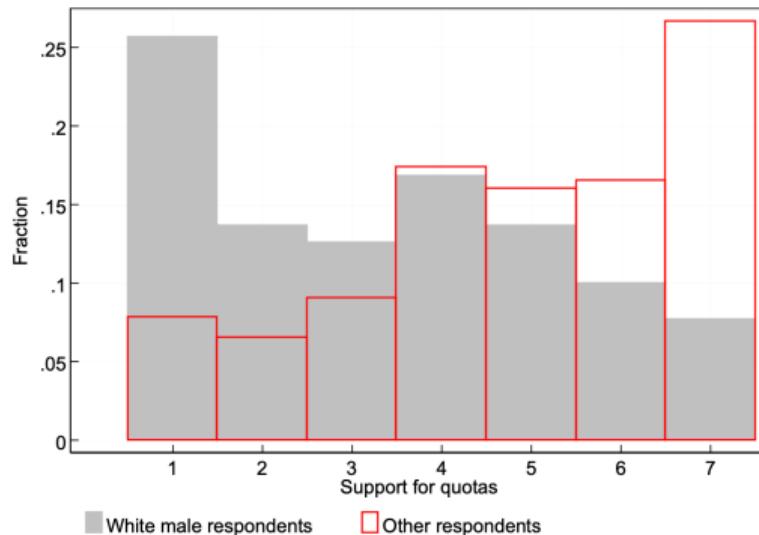
- “Manipulation check”: seeing a given policymaker alters beliefs about gender/race composition of committee [► More](#)
- No differences in recognition of names and/or pictures across groups [► More](#)

Underlying drivers – homophily or taste for diversity?

- Pure homophily would predict differential reactions by group as follows:
 - White females: Daly > Barkin > Bostic
⇒ No, respond similarly to Daly and Bostic
 - Black males: Bostic > Barkin > Daly
⇒ No, respond similarly to Daly and Bostic
 - White males: Barkin > Daly/Bostic
⇒ No, respond similarly to all
 - Black females: Daly/Bostic > Barkin
⇒ Yes
- Results overall seem more consistent with heterogeneous “taste for diversity”: Underrepresented groups respond more to non-white-male policymakers

Demand for diversity in policy making

Final question in follow-up survey: “*Public organizations such as the Federal Reserve should be required by law to have at least the same share of women and minorities in their top management as in the population overall*” (agreement on 1-7 scale)



Coeff. w/controls: White female: +0.77, Black male: +0.98, Black female: +1.25 (all $t > 7$)

Conclusion

- Salience of non-white-male policy maker:
 - increases trust
 - increases usage of information
 - increases acquisition of information
- of female and Black respondents
- No evidence of negative effects on white men
- Diversity in committees might improve expectations management & trust
- Still a lot more to learn
 - Persistence of effect
 - Role of content of communication (wording, dissemination mode, etc.)
 - “Optimal” degree of diversity

Additional slides

Manski-style measure of unemployment expectations

› Back

(following New York Fed's Survey of Consumer Expectations)

First, we would like you to think about the different things that may happen to the official unemployment rate **over the next 12 months**.

What do you think is that percent chance that, **12 months from now...**

(Please note: The numbers need to add up to 100.)

the unemployment rate will be 17% or higher

0

the unemployment rate will be between 14% and 17%

0

the unemployment rate will be between 11% and 14%

0

the unemployment rate will be between 8% and 11%

0

the unemployment rate will be between 5% and 8%

0

the unemployment rate will be 5% or lower

0

Total

0

Manski-style measure of inflation expectations

► Back

Now we would like you to think about the different things that may happen to inflation **over the next 12 months.**

(Note: inflation is the percentage rise in prices of goods and services in the economy, most commonly measured by the Consumer Price Index. Deflation means prices are falling, and hence is the opposite of inflation.)

What do you think is the percent chance that, **over the next 12 months...**

(Please note: The numbers need to add up to 100.)

the rate of inflation will be 8% or more

0

the rate of inflation will be between 4% and 8%

0

the rate of inflation will be between 2% and 4%

0

the rate of inflation will be between 0% and 2%

0

the rate of deflation (opposite of inflation) will be between 0% and 2%

0

the rate of deflation (opposite of inflation) will be between 2% and 4%

0

the rate of deflation (opposite of inflation) will be between 4% and 8%

0

the rate of deflation (opposite of inflation) will be 8% or more

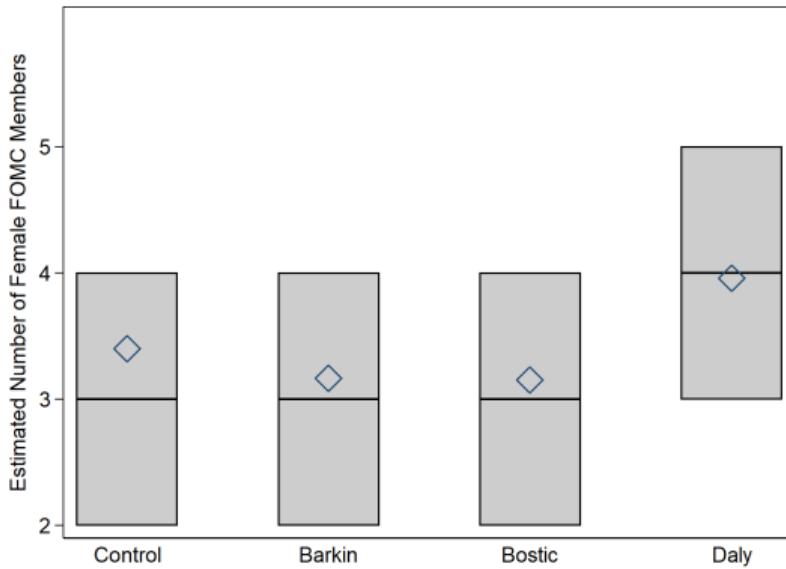
0

Total

0

Manipulation check

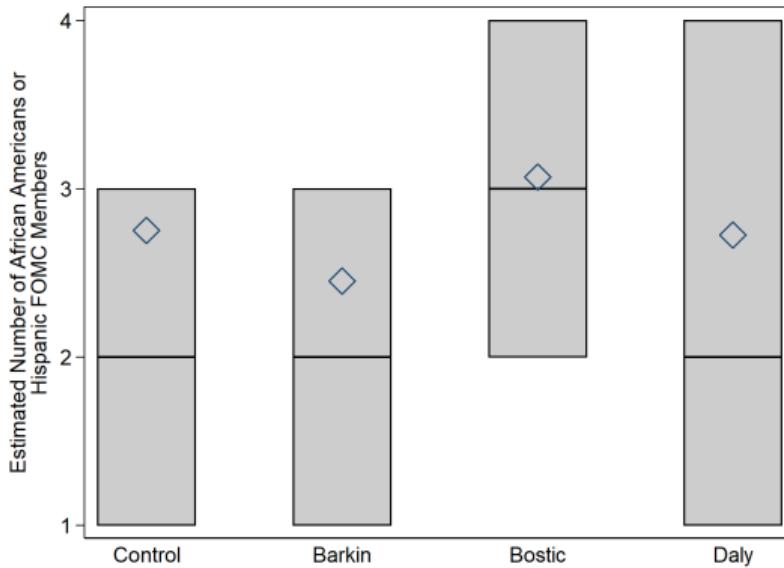
► Back



- Separate survey on Amazon Mechanical Turk, $N = 1,062$.
- Shown treatment screen, then asked to guess composition of FOMC (gender, race/ethnicity, age, PhD)
- Daly treatment ⇒ think more women; Bostic treatment ⇒ think more minorities
- Important: similar effects across groups (M/F; W/NW).

Manipulation check

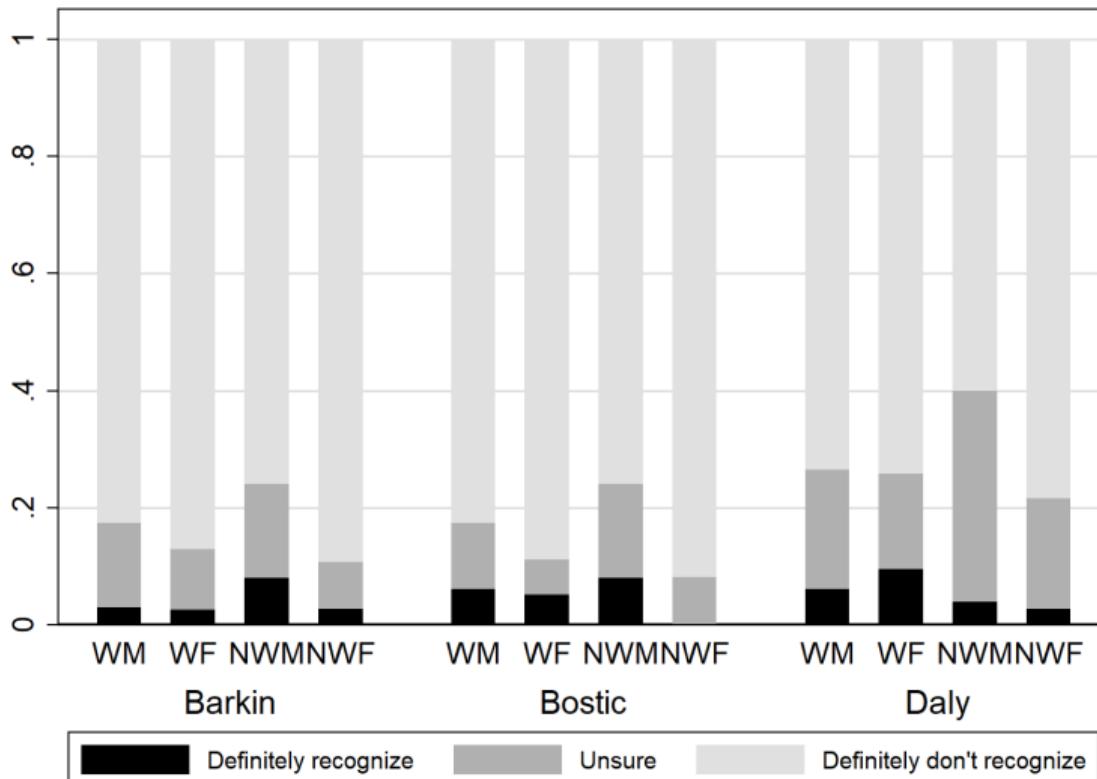
► Back



- Separate survey on Amazon Mechanical Turk, $N = 1,062$.
- Shown treatment screen, then asked to guess composition of FOMC (gender, race/ethnicity, age, PhD)
- Daly treatment ⇒ think more women; Bostic treatment ⇒ think more minorities
- Important: similar effects across groups (M/F; W/NW).

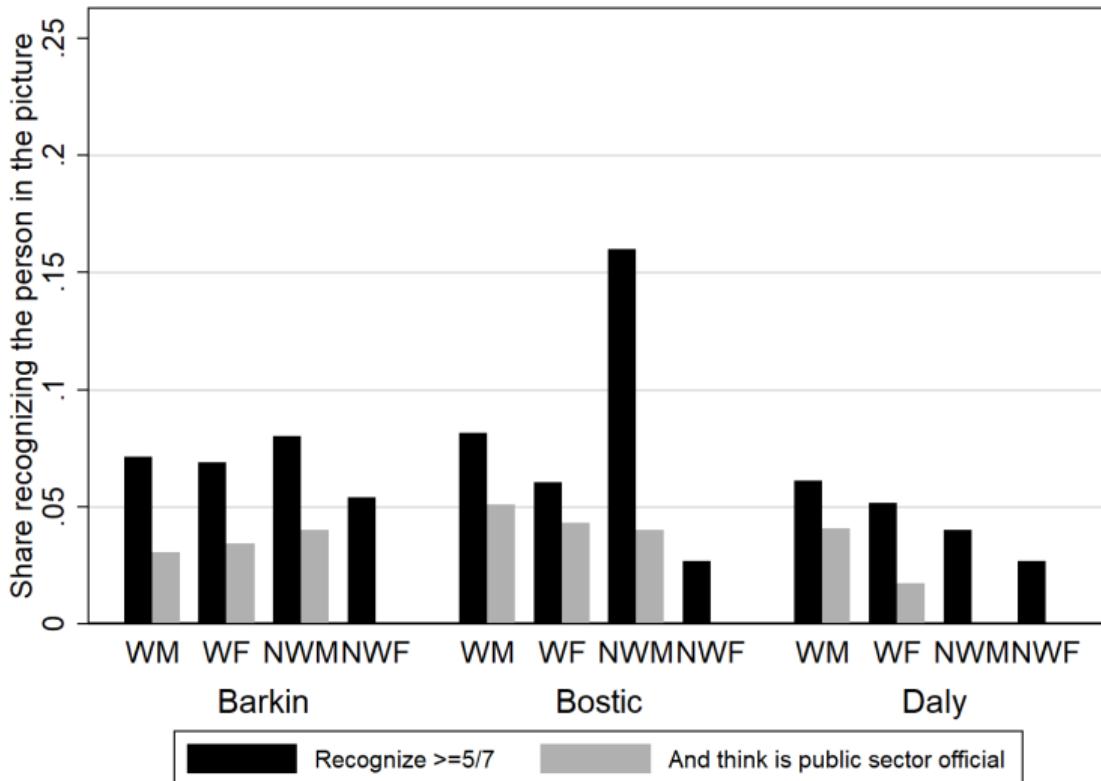
Recognition of names/pictures

► Back



Recognition of names/pictures

Back



Effects of Distrust in Fed Ability on Expectation Anchoring

	Unempl. Expectations			Inflation Expectations		
	(1)	(2)	(3)	(4)	(5)	(6)
Distrust in Fed Ability	-0.061 ** (0.028)	-0.098 *** (0.010)	-0.084 *** (0.013)	-0.005 (0.024)	-0.065 *** (0.009)	-0.040 *** (0.012)
Distrust in Fed × UR forecast				-0.034 * (0.020)		
Distrust in Fed × Infl. forecast						-0.057 *** (0.019)
Sample	Control	All	All	Control	All	All
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Avg. Y	0.39	0.47	0.47	0.22	0.28	0.28
Adj. R2	0.17	0.17	0.17	0.09	0.11	0.11
Obs.	1294	9140	9140	1294	9140	9140

Eight times a year a group of people meets to set the basic interest rate level in the United States.

Who do you think comprises this group? (Inspired by BoE's "Inflation Attitudes Survey") [» Back](#)

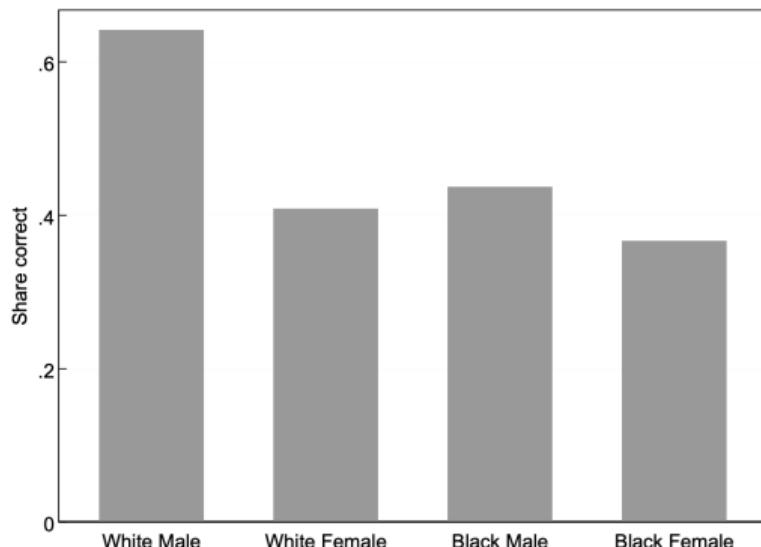
7 options; correct: "The Federal Open Market Committee (part of the Federal Reserve, or Fed)"

Eight times a year a group of people meets to set the basic interest rate level in the United States.

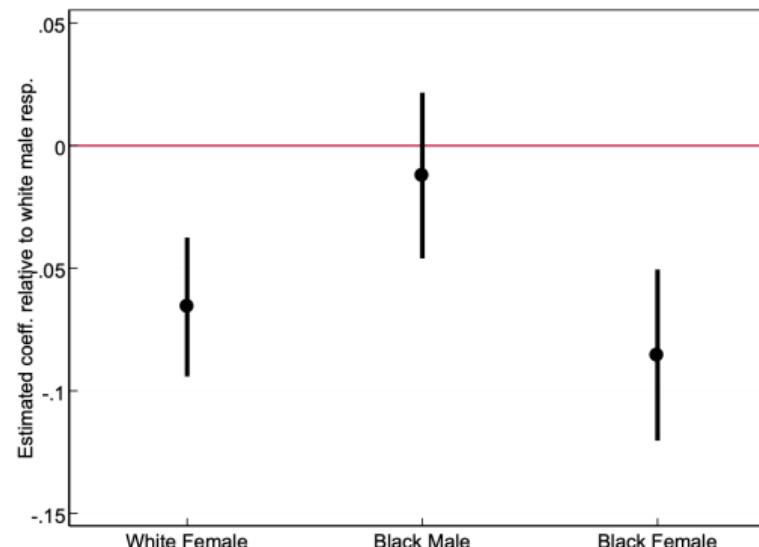
Who do you think comprises this group? (Inspired by BoE's "Inflation Attitudes Survey") [Back](#)

7 options; correct: "The Federal Open Market Committee (part of the Federal Reserve, or Fed)"

Shares with correct answer:



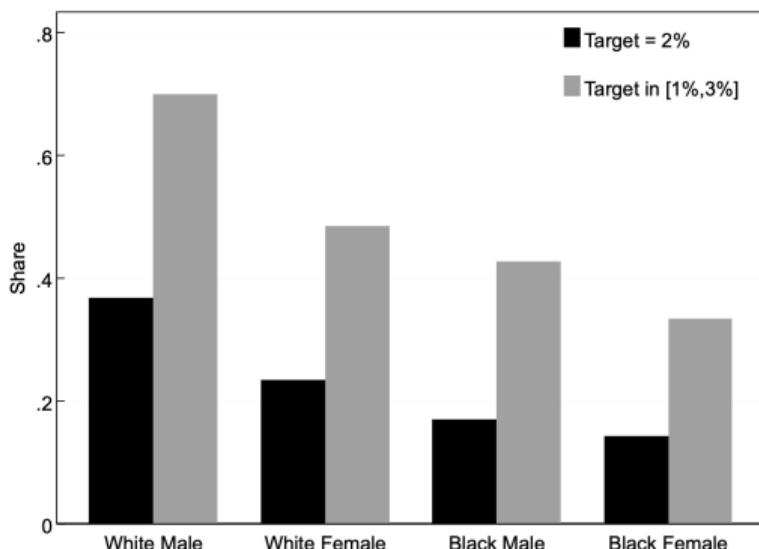
Group differences after controls:



What is your best guess about the annual inflation rate that the Federal Reserve tries to achieve?

▶ Back

Shares with correct answer
(exactly or approx.)



Group differences after controls
(for approx. correct)

