When News Isn't Just News:

Partisan Affiliation and Inflation Expectations*

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Abstract

This paper examines how political partisanship influences inflation expectations through the perceived favorability of economic news, using micro-level data from the Michigan Survey of Consumers from 2006 to 2024. We find that partisanship systematically influences how individuals interpret the favorability of economic news, with supporters of the incumbent party consistently perceiving news more favorably than opponents. More importantly, supporters revise inflation expectations downward, neutralizing the influence of unfavorable economic news. These patterns emerge primarily between elections, whereas around elections, partisan bias dominates and news favorability has little impact. To understand our empirical findings, we present a theoretical model where agents Bayesian-update news with bias. Our findings highlight perceived news favorability as a key transmission channel for partisan differences in inflation expectations.

JEL classification: E31, E71

Keywords: Inflation expectations, perceived favorability of news, partisan bias

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1 Introduction

Understanding how economic agents form their inflation expectations is crucial, as these expectations significantly influence consumer behavior. In particular, inflation expectation plays a key role in shaping dynamic consumption decisions (Romer (1992); Eggertsson (2008); Duca-Radu et al. (2021), Coibion et al. (2022), and D'Acunto et al. (2022)). Given nominal interest rate common across agents, higher expected inflation rate can lower perceived real interest rates, thereby incentivizing present consumption. Additionally, the effectiveness of monetary policy is heavily influenced by expectation formation, particularly when the policy rate approaches the zero lower bound (Benford et al. (2009) and Boivin and Giannoni (2006)). With the recent surge and decline in inflation, understanding how inflation expectations are formed has gained increasing attention.

At the same time, political polarization in the U.S. has been intensifying (McConnell et al. (2018) and Fasching et al. (2024)). Reflecting these trends, a growing body of research has examined the implications of partisanship on consumer sentiment, expectations, and consumption (e.g., Coibion et al. (2020); Mian et al. (2021); McCartney et al. (2024); Peterson and Iyengar (2021); Gillitzer et al. (2021); Kamdar and Ray (2023); Binder et al. (2024); and Koh et al. (2025)). For instance, Gillitzer et al. (2021) show that inflation expectations are strongly influenced by whether a consumer's political affiliation aligns with the incoming president, especially during the transition around elections. In addition, emerging research finds that partisanship significantly influences consumers' perceptions about the political leaning and credibility of the Federal Reserve (Kuang et al. (2024) and Binder et al. (2025)).

This paper aims to understand how partisanship shapes inflation expectation by particularly focusing on a novel mechanism through perceived news favorability. While partisan bias in inflation expectation has been actively studied in the recent literature, the channel through which partisanship shapes the expectation has not yet been fully understood. This paper focuses on the role of perceived favorability of news regarding the changes in business conditions. Specifically, we examine how consumers, depending on their political affiliation, perceive the favorability of the news heard recently and whether these perceptions contribute to partisan differences in inflation expectations.

We utilize micro-level data on inflation expectations, partisanship, and perceived news favorability from the Michigan Survey of Consumers (MSC), covering the period from September 2006 to June 2024. A key advantage of the MSC is its ability to capture: i) whether consumers have heard news about

changes in business conditions, ii) the specific content of the news they have encountered, and iii) their assessment of its favorability for business condition changes. Leveraging these dimensions, we explore the role of news perception in explaining the partisan gap in inflation expectations and assess whether this role varies depending on the favorability of the news.

Our empirical analyses highlight the critical role that perceived favorability of news heard in shaping the partisan gap in inflation expectations. In particular, our findings can be summarized as follows. First, political affiliation systematically influences how consumers interpret news. Immediately after a presidential election, consumers' perceptions of news favorability shift in alignment with their political affiliation, and this shift persists throughout the winning party's term; supporters of the incumbent are more likely to perceive news favorable, compared to opponents.

Second, when consumers process *unfavorable* news about business conditions, the partisan gap in expected inflation *widens*. Specifically, unfavorable news has little effect on supporters of the incumbent but significantly influences opponents, further amplifying the partisan gap. This pattern is asymmetric, as it does not arise in response to favorable news. Such asymmetry suggests that the political bias in inflation expectations cannot be explained solely by selective exposure to trusted news sources. If consumers updated expectations based only on news they deemed credible, favorable and unfavorable news should yield symmetric effects. The fact that we observe otherwise indicates the need for an alternative explanation, as explored in Section 4 through a model where agents Bayesian-update news.

Third, such reframing of negative news interestingly occurs only between presidential elections. Around election periods, inflation expectations is driven more directly by individuals' political affiliations, while the favorability of the news heard does not play a significant role.

Finally, we find that about half of the overall inflation expectation difference between supporters and opponents of the incumbent party can be explained by the perceived favorability of news. More specifically, the partisan gap yields about -0.58 percentage points (p.p.) lower inflation expectation by the supporters, when the news perception channel is not controlled for. However, once we control for the news perception channel, the partisan gap explains only a -0.3 p.p. drop in the inflation expectation. Together, our findings provide an important implication for studies aiming to incorporate partisan bias into theoretical models. Rather than assuming intrinsic preference heterogeneity across consumers to generate political bias, it may be more appropriate to explicitly model how individuals interpret information in a manner that reinforces their inflation expectations.

Our paper contributes to the growing literature on partisanship and its implications for economic expectations. For instance, Mian et al. (2021) find that individuals have a more positive outlook on future economic conditions when they are more closely affiliated with the party controlling the White House, while no significant evidence is found on actual household spending in relation to the partisan bias. Kamdar and Ray (2023) demonstrate that partisanship plays a dominant role in shaping consumer sentiment, significantly affecting individual consumption behavior. Binder et al. (2024) examine the partisan gap in inflation expectations during the COVID-19 period and find that the gap widens significantly following abrupt increases in CPI statistics. Our study extends this literature by investigating the role of perceived news favorability in relation to individual partisanship in shaping inflation expectations using the micro-level data of the MSC.

Our paper is also related to the literature on exploring various heterogeneity in news exposure and its subsequent contribution to forming economic expectations. For example, Lamla and Vinogradov (2019) find that only individuals exposed to news about FOMC meetings incorporate monetary policy shocks into their inflation expectations. Additionally, Ahn et al. (2024) demonstrate that homeowners are more attentive to changes in mortgage rates when forming aggregate expectations than renters, while Ahn and Xie (2024) show that stockholders are more likely than non-stockholders to update their information set. Finally, our work shares a similarity with Chahrour et al. (2025) in examining how good and bad news affect inflation expectations using the data from MSC. However, a key distinction is that we focus on the effects of partisanship on the perception of news and shaping inflation expectations, while Chahrour et al. (2025) present the asymmetric responses to positive and negative news related to inflation. We provide evidence that perceived news favorability, particularly unfavorable ones, acts as a critical transmission channel for partisan differences in inflation expectations.

The rest of the paper is organized as follows. Section 2 explains variables we employ from the MSC and how the perceived favorability of news differs by partisanship. Section 3 analyzes how the perceived favorability of news is related to the formation of year-ahead inflation expectations. Section 4 introduces a model where agents' political bias on news heard can affect the process of updating beliefs regarding the underlying economic states, based on the news favorability. Section 5 concludes.

2 Data and Empirical Patterns

2.1 Data from Michigan Survey of Consumers

We use micro-level data from the MSC, covering the period from September 2006 to June 2024. The MSC is a monthly survey conducted on a nationwide random sample of approximately 550 respondents. In each survey, about 40% of respondents participated six months earlier, while the remaining 60% are new participants who are scheduled to be surveyed again in six months, though some may attrit. Our analysis primarily leverages this panel structure. The MSC also collects key demographic information, including income, education level, age, gender, and wealth.

The dependent variable in our analysis is year-ahead aggregate inflation expectations. The MSC asks respondents to predict aggregate price changes over the next 12 months, recorded as *PX1*. Specifically, respondents are first asked: *"During the next 12 months, do you think that prices in general will go up, go down, or stay the same?"* (Question A12) Those who anticipate a change are then prompted to specify the expected percentage change: *"By about what percent do you expect prices to go (up/down) on average, during the next 12 months?"* (Question A12.b)[1]

Since the mid-2000s, the MSC has also collected information on respondents' political affiliations through the following question: *"Generally speaking, do you usually think of yourself as a Republican, a Democrat, an Independent, or something else?"* Although this question was only occasionally included in the survey before the 2016 presidential election, it has become a regular part of the monthly questionnaire since then. On average, approximately 40% of respondents identify themselves as Independents, 30% as Democrats, and the remainder as Republicans.[2]

A related MSC question further refines political affiliation by asking self-identified Republicans and Democrats about the strength of their partisanship, while Independents are asked whether they lean toward Republicans, Democrats, or neither. While Mian et al. (2021) classifies Independent-Republicans and Independent-Democrats as Republicans and Democrats, respectively, we follow the classification approach of Gillitzer et al. (2021) and Coibion et al. (2020), categorizing both groups as Independents. We restrict our sample to those who maintain the same political orientation across two

[1] Following Bachmann et al. (2015) and Gillitzer et al. (2021), we exclude responses where expected inflation rates exceed ± 20% to remove outliers.

[2] We exclude a small number of respondents who report being unsure of their political affiliation.

survey waves. This mitigates potential biases from individual composition effects. Moreover, it helps address endogeneity concerns, as some individuals, particularly those who initially report themselves as independents, may change their partisanship after being exposed to news or election outcomes.[3]

We also exploit information on how respondents evaluated the favorability of recent news they reported hearing about business conditions. Specifically, participants are asked: *"During the last few months, have you heard of any favorable or unfavorable changes in business conditions?"* (Question A6). They are then asked a follow-up question, *"What did you hear?"* (Question A6.a), where they describe the nature of the news. These responses cover topics such as inflation, taxation, unemployment, real income, and government economic policy. The MSC categorizes responses as *"Favorable"* or *"Unfavorable"*, assigning numerical codes from 10 to 49 for the former and from 50 to 90 for the latter, with each code corresponding to a specific type of reported news.[4] Those who indicate that they have not heard of any changes are categorized as *"No; Haven't Heard."*. Based on this classification, we define the variable $News_{i,t}$ as a categorical variable denoting respondent i's answer in month t, i.e., $News_{i,t} \in \{\text{"}Haven't\ heard\text{"}, \text{"}Favorable\text{"}, \text{"}Unfavorable\text{"}\}$. Table 1 provides summary statistics for the period from September 2006 to June 2024.[5]

2.2 Partisan Gaps in Perceived News Favorability

We conduct a preliminary analysis to examine how respondents differ in terms of reported favorability of news heard, according to their partisanship. For this, we divide the data into two distinct periods, i.e., *around-election* and *between-election* periods. Leveraging the panel structure of the MSC, we define the around-election sample as respondents first surveyed before a presidential election and recontacted after. In contrast, those surveyed twice under the same administration constitute the between-election sample. In addition, we define the time period based on the month of each respondent's *initial* survey wave from this point onward, for all analyses that employ the panel structure of the MSC. For example,

[3] In some periods, the MSC does not ask the partisanship question in its survey module (particularly before 2016), preventing us from identifying respondents partisanship in the second wave. In such cases, we use the information from the first survey. In addition, we conduct all of our analyses using consumers' political affiliation information from the first survey as robustness checks, following Gillitzer et al. (2021), and provide results in the appendix.

[4] The primary purpose of this follow-up is to assess whether respondents perceive the information as favorable or unfavorable. This is evident from instructions in the questionnaire provided for interviewers questionnaire as follows: *If not clear whether a change is favorable or unfavorable, probe: "Would (mention change) be favorable or unfavorable?" and note 'favorable' or 'unfavorable.'"*

[5] Additional summary statistics on the types of news heard are provided in Appendix A.

	Partisanship			Relation to Presidential Party	
	(1) **Republicans**	(2) **Democrats**	(3) **Independents**	(4) **Opponents**	(5) **Supporters**
Panel A: Year-ahead Inflation Expectations					
mean (%)	4.31	3.03	4.12	4.80	2.57
standard deviation	4.77	4.52	4.66	4.77	4.49
Panel B: News Favorability					
Haven't heard (%)	28.9	25.4	29.0	27.9	26.7
Favorable (%)	22.6	28.1	21.8	14.3	37.6
Unfavorable (%)	48.3	46.3	49.0	57.6	35.5
Panel C: Age					
mean	55.0	52.8	48.7	54.0	53.7
Panel D: Income					
mean ($)	112,800	114,059	101,351	113,536	116,622
Panel E: Education					
Below high school (%)	2.1	2.0	2.8	2.1	2.1
High school diploma (%)	50.1	31.7	46.1	44.7	36.0
College degree and above (%)	47.7	66.2	51.0	53.1	61.8
Panel F: Gender					
Male (%)	62.0	46.0	64.2	56.9	50.3
Female (%)	37.9	53.9	35.7	43.0	49.6
Panel G: Region					
West (%)	20.0	24.2	24.0	21.3	23.6
North Central (%)	24.6	23.3	23.8	23.0	24.0
North East (%)	14.0	19.2	16.0	16.3	17.3
South (%)	41.2	33.1	35.9	39.2	34.8
Panel H: Stock Market Participation					
Stockholder (%)	75.3	75.0	71.0	74.4	75.6
Non-stockholder (%)	24.6	24.9	28.9	25.5	24.3
Panel I: Housing Tenure					
Homeowner (%)	83.4	72.8	69.3	78.8	75.9
Renter (%)	16.5	27.1	30.6	21.1	24.0
No. of observations	7,048	8,084	9,393	6,441	6,956

Table 1: Summary Statistics

Notes: This table presents summary statistics by political affiliation. Columns (1)–(3) report statistics based on partisanship, while columns (4) and (5) differentiate between opponents and supporters of the presidential party. The sample period spans from September 2006 to June 2024. Columns (4) and (5) include samples from between election periods only. *Independents* are classified neither opponents nor supporters and thus omitted from Columns (4) and (5).

if a respondent participated in both the June and December 2020 waves and is included in the panel analysis, they are classified as part of the June 2020 sample.

2.2.1 Around-Election Periods

We first examine changes in the perceived favorability of news in around-election periods. We classify respondents into three groups based on changes in their perceived news favorability ($News_{i,t}$) before and after a presidential election: i) *positively changed*, ii) *no change*, and iii) *negatively changed*. The positively-changed group includes respondents who report to hear favorable news after a presidential election, unlike their initial survey six months before. The no-change group encompasses those whose reported news favorability remains the same across the two waves. The negatively-changed group consists of individuals whose perceived news favorability worsens.[6] Using this classification, we estimate the following multinomial logistic model separately for each presidential election:

$$\log \frac{P(Change_{i,t} = j)}{P(Change_{i,t} = k)} = \beta_j^R \text{ Repub}_i + \beta_j^D \text{ Demo}_i + \Gamma_j \text{ X}_{i,t} + \gamma_j Z_t + \epsilon_{i,t}, \tag{1}$$

where $P(Change_{i,t} = j)$ denotes the probability that consumer i's response has changed in direction $j \in \{\text{“}positive\text{”}, \text{“}negative\text{”}\}$ around the election, and $P(Change_{i,t} = k)$ represents the probability that i's response on news favorability does not change (i.e., $k =$ *“no change”*). The variables of key interest are Repub_i and Demo_i, which are Republican and Democrat dummies, respectively. Our framework indicates that we set the no-change group as the base outcome for the dependent variable and Independents as the base category for the partisanship. Here, β_j^R and β_j^D capture the relation between partisanship and shifts in the perceived news favorability. We also include a demographic control vector ($\text{X}_{i,t}$) consisting of age, age squared, log income, income quartile dummy, gender, education level, marital status, homeownership, stockownership and region where consumers live and month-fixed effects (Z_t).

The selected sample periods for our around-election analyses are May–October 2008 (2008 election), May, September, and October 2012 (2012 election), June–October 2016 (2016 election), and May–October 2020 (2020 election). Unlike the other elections in which the incumbent party lost, the 2012 election resulted in the re-election of a Democratic president. This distinction allows the 2012 election

[6] For instance, an individual, who had not heard any particular news before the election hears favorable news six months later, would be classified as positively changed.

to serve as a natural control group in our around-election analysis.

Election year	(1) **2008** **(R → D)**	(2) **2012** **(D → D)**	(3) **2016** **(D → R)**	(4) **2020** **(R → D)**
A. Positively changed				
Republican ($\beta^R_{positive}$)	0.471*	1.155	1.375	0.910
	(-1.65)	(0.43)	(1.44)	(-0.44)
Democrat ($\beta^D_{positive}$)	1.724	1.041	0.573**	1.548**
	(1.41)	(0.12)	(-2.33)	(2.48)
$\beta^R_{positive} = \beta^D_{positive}$	0.0029***	0.9231	0.0003***	0.0096***
B. Negatively changed				
Republican ($\beta^R_{negative}$)	0.765	1.162	0.576	1.947***
	(-0.70)	(0.42)	(-1.64)	(2.80)
Democrat ($\beta^D_{negative}$)	0.985	1.558	1.730**	0.635*
	(-0.04)	(1.35)	(2.03)	(-1.66)
$\beta^R_{negative} = \beta^D_{negative}$	0.4813	0.3945	0.0005***	0.0000***
No. of observations	398	389	709	1,072

Table 2: Political Affiliation and Changes in News Perception around Presidential Elections

Notes: This table reports exponentiated coefficient estimates of Equation (1), estimated separately by election period. The "*no change*" group is the base outcome. Reported coefficients are exponentiated and thus represent the relative risk ratio; values greater than 1 indicate an increased relative probability of the outcome compared to the baseline category, while values less than 1 indicate a decreased relative probability. Parentheses under each election year summarizes election results in terms of the incumbent party. The row labeled $\beta^R_{\cdot} = \beta^D_{\cdot}$ reports the p-value for the hypothesis test of equality between coefficients for Republican and Democratic respondents. Robust standard errors are used for the inference. Coefficient estimates of demographic controls and month fixed effects are omitted from the table for brevity. $* \ p < 0.1$, $** \ p < 0.05$, $*** \ p < 0.01$

Table 2 presents the estimation results. We find that the favorability of news reported by respondents shifts in accordance with how their partisanship aligns with presidential election outcomes.[7] Specifically, supporters of the winning party are more likely to report hearing favorable news after an election than before, whereas opponents are more likely to report hearing unfavorable news. This is most pronounced in columns (3) and (4), where the incumbent party changed as a result of the election. For example, after the 2016 election, Democrats are substantially more likely than Republicans to report that they hear more unfavorable news about business conditions compared to six months earlier, and less likely to report hearing more favorable news.[8]

[7]All estimation results presented in the main text are weighted using household-head sampling weights. Robustness checks in Appendix E.2 show that our results remain largely unchanged when no weights are applied.

[8]While results for the 2008 election is less clear for those who changed their news perception negatively, this

Results in column (2) further support our interpretation. The 2012 election is the only case in our sample that the incumbent president was re-elected. In this case, none of the coefficient estimates are statistically significant, and hypothesis tests for the equality of coefficients fail to reject the null. Thus, we conclude that political affiliation, in relation to election outcomes, plays a key role in shaping how individuals adjust their perceptions of new information regarding business conditions.[9]

2.2.2 Between-Election Periods

Unlike the around-election period analysis focusing on shifts in news favorability before and after a presidential election, we now examine whether political affiliation shapes perceived news favorability in between-election periods. Specifically, we estimate the following cross-sectional multinomial logistic regression for each month t separately:

$$\log \frac{P(News_{i,t} = j)}{P(News_{i,t} = k)} = \alpha_j + \beta_j^R \text{Repub}_i + \beta_j^D \text{Demo}_i + \Gamma_j \text{X}_{i,t} + \epsilon_{i,t}, \tag{2}$$

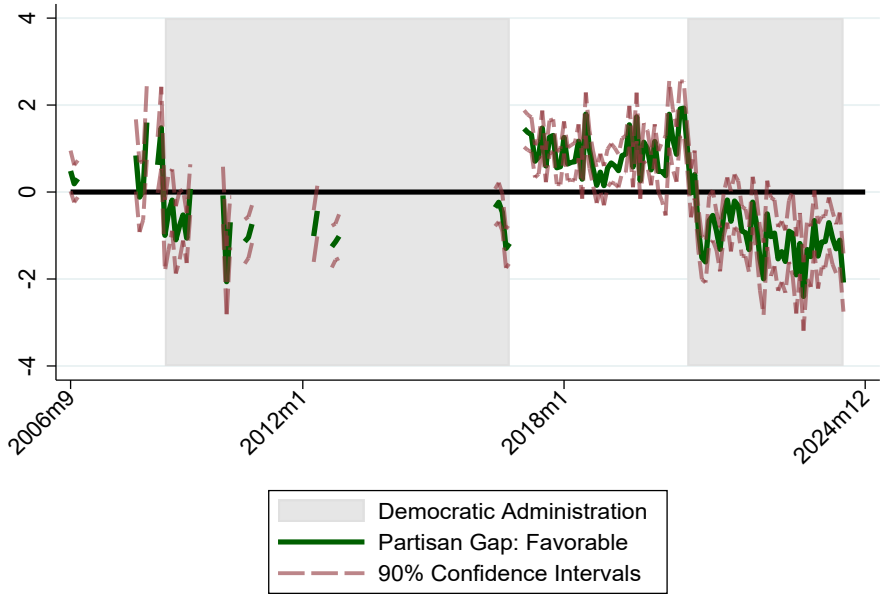
where $P(News_{i,t} = j)$ is the probability that individual i's response is $j \in \{\text{“}Favorable\text{”}, \text{“}Unfavorable\text{”}\}$ in month t, with $P(News_{i,t} = k)$ representing the probability that individual i's response is $k =$ *“Haven't heard”*, i.e., the base outcome. Explanatory variables include political affiliation dummies and respondents' demographics, as in equation (1). The base category is again set to Independent for the partisanship. The coefficients β_j^R and β_j^D capture how Republicans and Democrats differ from Independents in the reported favorability of news in each month.

Estimation results are reported as the partisan gaps, i.e., the differences in the estimated coefficients of partisan dummies $(\hat{\beta}_j^R - \hat{\beta}_j^D)$ for $j \in \{\text{“}Favorable\text{”}, \text{“}Unfavorable\text{”}\}$ in each month t. These gaps hence represent the differences in the probability of Republicans, relative to Democrats, reporting to hear favorable/unfavorable news in month t. Panels (a) and (b) of Figure 1 display the estimated partisan gap for favorable and unfavorable news, respectively. It is clear from both panels that the estimated partisan gaps in news perceptions are significant and persistent during the between-election

may be attributed to the onset of the Global Financial Crisis, which likely dominated respondents' perceptions and muted the observable influence of partisanship on news interpretation.

[9] We extend our analysis by estimating Equation (1) for months between presidential elections. Since there is no change in the incumbent party during these periods, we do not expect significant shifts in the perceived favorability of news across partisanship. The estimation results largely confirm our expectation, except during the Biden administration; we observe a divergence in perceived news favorability among Democrats in this period. Detailed descriptions of the methodology and estimation results are provided in Appendix B.

(a) $\hat{\beta}_j^R - \hat{\beta}_j^D$ where $j =$ "Favorable"



(b) $\hat{\beta}_j^R - \hat{\beta}_j^D$ where $j =$ "Unfavorable"

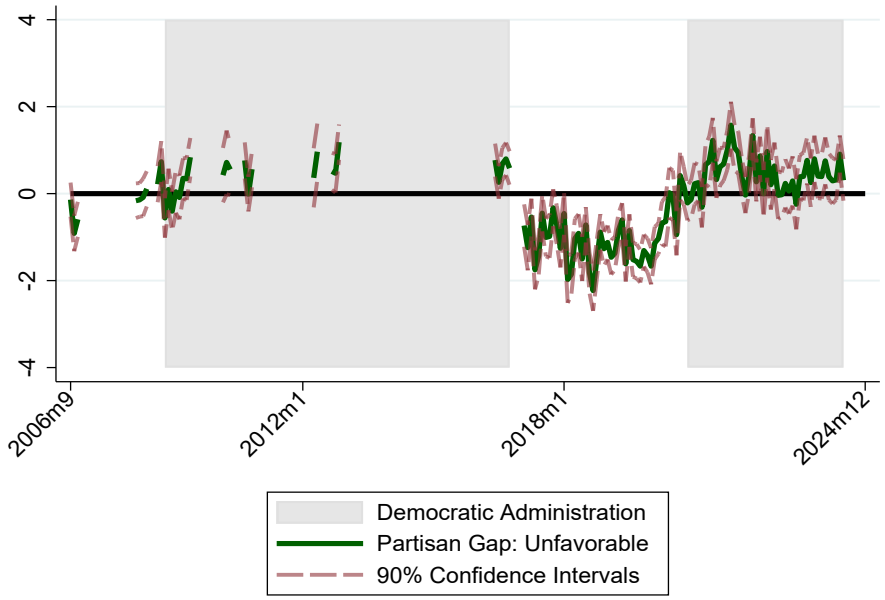


Figure 1: Estimated Partisan Gaps by the Perceived Favorability of News

Notes: Panels (a) and (b) plot $\hat{\beta}_j^R - \hat{\beta}_j^D$ for each news favaroability group $j \in \{\text{"}Favorable\text{"}, \text{"}Unfavorable\text{"}\}$ and their 90% confidence intervals for each month t. Sample period spans from September 2006 to June 2024. Periods with missing values correspond to months when the MSC did not survey political affiliation. Shaded areas are Democratic administration periods, starting in November 2008 and November 2020 which align with presidential election months, rather than presidential inauguration months. Robust standard errors are used for the inference.

periods. In other words, opponents of the incumbent are more likely to consistently perceive unfavorable news, while supporters continue to hear favorable news. This pattern holds across both of the favorable and unfavorable news groups. For the former, the partisan gap is statistically significant among 93 out of total 124 months, while for the latter, it is significant in 74 months. Together, in 112 out of 124 months, at least one of the news favorability groups exhibits a statistically significant partisan gap.

In sum, we see that political affiliation can play a key role in shaping and adjusting the perceived favorability of news, both around and between elections. Related, Bartels (2002) shows that voters' perception of economic variables such as unemployment and inflation is driven by their partisanship, since they view those as performance indicators of the presidential party. Also, Jerit and Barabas (2012) demonstrate that partisans process information at different rates, depending on how much the new information align with their political predilections. Others focus on media bias and consumers' media preferences. For instance, Larcinese et al. (2011) find that newspapers in the U.S. determine their economic coverage based on political leanings; Democrat-leaning newspapers are more likely to highlight high unemployment under Republican administrations than under Democratic ones. Coibion et al. (2020) report that about 40% of Democrats primarily rely on CNN, while roughly 50% of Republicans favor Fox News. These differences in media preferences and agenda-setting may also contribute to the partisan divergence in perceived news favorability. While explaining the underlying mechanism behind the partisan gap in perceived news favorability (or its changes) is beyond the scope of our analysis, our data also do not permit further investigation into its sources. Instead, we aim to examine how perceived news favorability interacts with partisanship in shaping individuals inflation expectations.

3 Effects of Partisanship and Perceived Favorability of News on Inflation Expectations

3.1 Partisan Influence through News Perception

We now address our central question: How do individuals' political affiliations influence their inflation expectations? In addressing this question, we focus on the role of perceived news favorability and estimate the following model separately for periods between and around presidential elections, exploiting

the panel structure of the MSC:

$$\begin{aligned}\pi^{e}_{i,t+18|t+6} &= \beta_1 \pi^{e}_{i,t+12|t} + \beta_2 I^{S}_{i} + \beta_3 D^{f}_{i,t+6} + \beta_4 D^{u}_{i,t+6} \\ &\quad + \beta_5 I^{S}_{i} \times D^{f}_{i,t+6} + \beta_6 I^{S}_{i} \times D^{u}_{i,t+6} + \Gamma' \mathrm{X}_{i,t} + Z_t + \epsilon_{i,t}, \end{aligned} \tag{3}$$

where $\pi^{e}_{i,t_a+12|t_a}$ denotes 12-month-ahead inflation expectation formed in month t_a, as reported by respondent i. The model includes several key variables. First, I^{S}_{i} is a categorical variable equal to 1 if respondent i supports the party currently holding the White House (in between-election periods) or the party that wins the presidential election (in around-election periods); it is –1 for opponents and 0 for Independents. Second, $D^{f}_{i,t+6}$ and $D^{u}_{i,t+6}$ are dummy variables indicating the reported favorability of news of respondent i in the second wave of the survey (i.e., at $t+6$). Specifically, $D^{f}_{i,t+6}$ is 1, if the respondent reported hearing news suggesting favorable business conditions, and 0 otherwise; $D^{u}_{i,t+6}$ is 1, if heard news suggesting unfavorable conditions, and 0 otherwise. We also include interaction terms between political affiliation and news favorability, i.e., $I^{S}_{i} \times D^{f}_{i,t+6}$ and $I^{S}_{i} \times D^{u}_{i,t+6}$, to assess whether the impact of perceived news on inflation expectations differs by partisanship. The model controls for respondent demographics ($X_{i,t}$) and includes year-month fixed effects (Z_t), as before. We again restrict the sample to those who participated in both waves of the survey, and whose political affiliation remained unchanged across waves.

It is important to note that our analysis relies on survey responses reporting the perceived favorability of news, regardless of how that perception is formed. Respondents directly indicate how favorable the news they heard was, along with its specific content. While we do not observe the source from which the news was obtained, it does not undermine our focus, which is to examine how perceived news favorability influences the formation of inflation expectation in relation to political affiliation.

Panels A and B of Table 3 present the estimated coefficients from variations of Equation (3) for between- and around-election periods, respectively.[10] We first note that respondents' updated inflation expectations indicate only limited anchoring to their prior beliefs, as shown in the first rows of both panels; the coefficient of $\pi^{e}_{i,t+12|t}$ is significant, but substantially lower than 1. Next, political affiliation

[10]We exclude observations around the 2012 presidential election from our baseline results in Panel A. Since Barack Obama was re-elected in 2012, the dynamics of news perception and partisan gaps may differ systematically from other elections involving a change in administration. However, our baseline results remain unchanged when the 2012 election is included. Results are available upon request.

Panel A: *Between Elections*

	(1)	(2)	(3)	(4)	(5)
$\pi^e_{i,t+12\|t}$	0.330***	0.310***	0.301***	0.291***	0.291***
	(28.62)	(26.53)	(25.63)	(24.85)	(24.85)
I^S_i		-0.575***	-0.578***	-0.475***	-0.316***
		(-13.15)	(-13.27)	(-10.63)	(-3.65)
$D^f_{i,t+6}$				-0.497***	-0.496***
				(-5.50)	(-5.34)
$D^u_{i,t+6}$				0.453***	0.450***
				(4.96)	(4.91)
$I^S_i \times D^f_{i,t+6}$					-0.129
					(-1.15)
$I^S_i \times D^u_{i,t+6}$					-0.257**
					(-2.35)
Time fixed effects	Yes	Yes	Yes	Yes	Yes
Demographic controls	No	No	Yes	Yes	Yes
Adj. R^2	0.1580	0.1693	0.1746	0.1822	0.1825
No. of observations	14,699	14,699	14,699	14,699	14,699

Panel B: *Around Elections*

	(1)	(2)	(3)	(4)	(5)
$\pi^e_{i,t+12\|t}$	0.209***	0.220***	0.200***	0.197***	0.197***
	(7.28)	(7.65)	(6.94)	(6.82)	(6.81)
I^S_i		-0.881***	-0.850***	-0.797***	-0.683***
		(-8.47)	(-8.23)	(-7.55)	(-2.77)
$D^f_{i,t+6}$				-0.310	-0.312
				(-1.34)	(-1.32)
$D^u_{i,t+6}$				0.300	0.294
				(1.16)	(1.13)
$I^S_i \times D^f_{i,t+6}$					-0.104
					(-0.35)
$I^S_i \times D^u_{i,t+6}$					-0.162
					(-0.55)
Time fixed effects	Yes	Yes	Yes	Yes	Yes
Demographic controls	No	No	Yes	Yes	Yes
Adj. R^2	0.0758	0.1053	0.1167	0.1194	0.1187
No. of observations	2,203	2,203	2,203	2,203	2,203

Table 3: News Perception and Inflation Expectations

Notes: Panels A and B report the estimated coefficients from variations of Equation (3) for between- and around-election periods, respectively. Numbers in parentheses are t-statistics based on robust standard errors. Coefficient estimates of demographic controls and year-month time fixed effects are omitted from the table for brevity. $*$ $p < 0.1$, $**$ $p < 0.05$, $***$ $p < 0.01$

relative to the presidential party plays a crucial role in shaping their inflation expectations. Specifically, supporters of the incumbent report significantly lower inflation expectations, as noted in the large negative coefficient estimates of I_i^s in columns (2)–(5). This finding aligns with Gillitzer et al. (2021) and Mian et al. (2021), both of which primarily examine the around-election periods.

Our estimation results also highlight the critical role of perceived news favorability for shaping 12-month-ahead inflation expectations in around-election periods. From columns (4) and (5) in Panel A, we find that consumers who report hearing favorable news decrease inflation expectations by 0.496–0.497 p.p., while those who hear unfavorable news revise their expectations upward by a similar magnitude. Hence, depending on the favorability of news heard, the level of the inflation expectations may differ as much as about 1 p.p. during the around-election periods.[11]

Furthermore, we find that accounting for news perception substantially reduces the estimated partisan gap. That is, the coefficients measuring the partisan gap in the inflation expectation (β_2), i.e., that of I_i^s, estimated in our preferred specification (column (5)) are notably smaller in the absolute value than that excluding the news perception channel (column (3)). In particular, without controlling the news perception channel, the partisan gap alone yields about 0.578-p.p. lower inflation expectations in around-election periods. However, once we control for the news perception channel, the partisan gap explains only a 0.316-p.p. drop in the inflation expectation, indicating that over a half of the partisan gap in expected inflation can be explained by differences in how individuals perceive economic news.

More importantly, the interaction terms in column (5) of Panel A provide further insights on how partisanship interacts with perceived news favorability for shaping inflation expectations. Specifically, supporters of the incumbent party further adjust their inflation expectations downward again by about 0.257 p.p. even when they hear negative news about business conditions (i.e., $I_i^s \times D_{i,t+6}^u$), which would further reinforce the partisan gap in the inflation expectation. For instance, the estimates in column (5) of Panel A implies that supporters of the White House who heard unfavorable news would expect inflation to be lower by 0.123 p.p. (i.e., $\hat{\beta}_2 + \hat{\beta}_4 + \hat{\beta}_6$) in 12 months, relative to Independents who did not hear any economic news recently. In contrast, opponents who heard unfavorable news would have approximately 1.023-p.p. higher inflation expectations (i.e., $-\hat{\beta}_2 + \hat{\beta}_4 - \hat{\beta}_6$) relative to the same comparator group. Putting together, we find that even when consumers hear unfavorable economic

[11] This finding is consistent with the first stylized fact demonstrated in panel (a) of Figure **??**; average inflation expectation is lower for agents who have heard favorable news regarding the economy.

news, inflation expectations between the supporters and opponents may differ as much as by 1.146 p.p.

Interestingly, however, supporters who hear favorable news about business conditions do not lower their inflation expectations additionally, as shown by the insignificant estimate of $I_i^s \times D_{i,t+6}^f$ in column (5) of Panel A. This asymmetry again indicates that political bias in inflation expectations is unlikely to stem solely from consumers' preference for their trusted news sources. If individuals adjusted their expectations purely based on information they found credible, one would expect symmetric responses to both favorable and unfavorable news. Our estimation results indicate that the inflation expectations held by those in the same supporter group may differ by about 0.689 p.p, depending on the perceived news favorability; supporters who heard favorable news would form inflation expectations lower by about 0.812 p.p. (i.e., $\hat{\beta}_2 + \hat{\beta}_3$) than Independents who did not hear any particular news, while supporter who heard unfavorable news would lower inflation expectations by 0.123 p.p. than the same reference group, as noted above. We provide a simple model in Section 4 to explain the observed asymmetry.

It is crucial to emphasize that this channel through the perceived favorability of news operates primarily during between-election periods. In Panel B, none of the coefficient estimates related to news favorability are statistically significant, regardless of the news being favorable or unfavorable. Instead, the direct effect of partisanship (I_i^S) becomes notably stronger around elections, suggesting that the role of partisan affiliation outweighs that of new information in updating expectations. One possible explanation is that individuals who support the winning candidate strongly believe that their preferred candidate's proposed policies to improve the economy and lower inflation will be effective after the election. As a result, news variables become less influential in shaping their inflation expectations.

3.2 Additional Analyses

This section reports several robustness exercises aimed at addressing potential biases in our baseline estimates.

Endogenous Information Acquisition. One potential concern with the estimates presented above is the possibility of bias arising from endogenous information acquisition. Consumers' incentives to obtain relevant information may vary depending on which party holds the presidency, leading to a potential endogeneity issue between inflation expectations and key independent variables. For instance, individuals who oppose the incumbent president may have limited motivation to attend to favorable news about inflation, thereby affecting both their reported news perceptions (captured by the interaction

term $I_i^S \times D_{i,t+6}^f$ in Equation (3)) and their inflation expectations. As a result, the coefficient of interest (β_5) may be estimated with bias.

We address this issue by examining i) correlations in the share of *Haven't heard* across partisan groups, and ii) whether the gap in this share between Republicans and Democrats varies systematically with the state of the economy. We find that the share of *Haven't heard* in all three partisan groups comove very closely over time, with all of the pairwise correlations exceeding 0.7. Also, the partisan gap in these shares does not vary meaningfully by election period or presidential party. These findings suggest that differential information acquisition across partisanship is unlikely to be a major source of endogeneity in our estimates. For a more detailed discussion, see Appendix C.

Types of News. Partisanship may influence not only how favorable the news is perceived to be, but also the types of news individuals are exposed to. To investigate this issue, we further disaggregate favorable and unfavorable news by the specific content categories reported by respondents and conduct a similar analysis. If certain types of news content have a stronger effect on inflation expectations than others, this could raise concerns about the precision of our estimates. Specifically, we estimate the following model:

$$\begin{aligned} \pi_{i,t+18|t+6}^e &= \beta_1 \pi_{i,t+12|t}^e + \beta_2 I_i^S + \sum_{k=1}^{4} \beta_{3k} f_{i,t+6}^k + \sum_{k=1}^{4} \beta_{4k} u_{i,t+6}^k \\ &+ \sum_{k=1}^{4} \beta_{5k} I_i^S \times f_{i,t+6}^k + \sum_{k=1}^{4} \beta_{6k} I_i^S \times u_{i,t+6}^k + \Gamma' \mathrm{X}_{i,t} + Z_t + \epsilon_{i,t} \end{aligned} \tag{4}$$

where all variables are the same with equation (3), except $D_{i,t+6}^f$ and $D_{i,t+6}^u$ replaced with $\sum_{k=1}^4 f_{i,t+6}^k$ and $\sum_{k=1}^4 u_{i,t+6}^k$, respectively. Here, $f_{i,t+6}^k$s and $u_{i,t+6}^k$s are dummy variables indicating one of the four favorable and unfavorable news contents, that a respondent i hear in there second survey wave.[12] Hence, the coefficients of our main interests are $\{\beta_{5k}, \beta_{6k}\}_{k=1}^4$ which capture the changes in the partisan gap after hearing a particular news content k, relative to the corresponding gap among individuals who reported that have not heard anything particular.

As shown in Table 4, we confirm that accounting for news contents does not alter our findings from Table 3. That is, supporters of the presidential party further adjust inflation expectations down when

[12] As shown in Table A.1 in detail, each response of favorable or unfavorable news heard in MSC is classified into one of four content categories: lower/higher inflation, lower/higher interest rates, lower/higher unemployment, and others.

they hear negative news, and this adjustment is found to be statistically significant for three out of four news content categories. In addition, none of the disaggregated news content significantly interacts with political affiliation if favorable, in line with our earlier findings. In other words, the perceived favorability of news plays a more important role than detailed contents.

Region-Specific Factors. Finally, we assess the robustness of our baseline results to regional developments which may be correlated with the dominant partisanship of a given area, such as climate policy and electric vehicle adoptions (e.g., Trachtman (2020) and Davis et al. (2025)). These developments could influence individuals inflation expectations and thereby introduce bias into our estimates. To address this concern, we augment our models by including region-time fixed effects. In addition, Coibion and Gorodnichenko (2015) and Jo and Klopack (2025) highlights the importance of gasoline price fluctuations in shaping household inflation expectations. Gasoline prices may also vary systematically with state-level political affiliations, due to differences in state taxes and environmental regulations. Since the MSC provides expected changes in gasoline prices (in cents), we follow Chahrour et al. (2025) and include individual-level, one-year-ahead gasoline price expectations as an additional control. Reassuringly, our results remain robust, as documented in Appendix D.

4 How and When News Influences Expectations: A Simple Model

To better understand how (inflation) forecasts are shaped by political bias and how this relationship may vary with the state of the economy, we introduce a simple theoretical framework by adapting the model developed in Baron (2006). This framework provides a structured approach to analyzing the mechanisms through which partisanship influences expectation formation.

Setup. The economy operates in one of two states, denoted by $\omega \in \{High\ (H), Low\ (L)\}$, where inflation is high in the High state and low in the Low state. Agents (consumers) cannot directly observe the true state of the economy, but have prior belief that the economy is in the High state, given by $Pr(H) = p_0 \in (0, 1)$. They update this prior in a Bayesian manner based on news reports from news organizations.

News organizations receive signals, $s \in \{\gamma,\ \beta\}$, regarding the state of the economy; γ indicates a High state and β a Low state. Following Baron (2006), we assume that (i) $Pr(s = \gamma|\omega = H) = q \in (0, 1)$, where q represents the (perceived) quality of the news, and (ii) $Pr(s = \beta|\omega = L) = 1$, meaning that

	(1)	(2)	(3)
$\pi^e_{i,t+12\|t}$	0.290***	0.296***	0.292***
	(24.79)	(27.71)	(26.70)
I^S_i	-0.318***	-0.324***	-0.326***
	(-3.68)	(-3.96)	(-4.10)
$f^k_{i,t+6}$: lower inflation	-1.387***	-1.421***	-1.498***
	(-4.92)	(-4.96)	(-4.99)
$f^k_{i,t+6}$: lower interest rate	-0.595**	-0.606***	-0.610***
	(-2.33)	(-2.59)	(-2.76)
$f^k_{i,t+6}$: lower unemployment	-0.550***	-0.510***	-0.534***
	(-4.00)	(-3.97)	(-4.10)
$f^k_{i,t+6}$: other favorable news	-0.414***	-0.376***	-0.406***
	(-4.08)	(-4.00)	(-4.33)
$u^k_{i,t+6}$: higher inflation	0.576***	0.482***	0.484***
	(3.35)	(3.03)	(3.05)
$u^k_{i,t+6}$: higher interest rate	0.123	0.046	0.166
	(0.58)	(0.24)	(0.83)
$u^k_{i,t+6}$: higher unemployment	0.481***	0.369**	0.422***
	(2.75)	(2.27)	(2.60)
$u^k_{i,t+6}$: other unfavorable news	0.456***	0.412***	0.492***
	(4.63)	(4.52)	(5.40)
$I^S_i \times f^k_{i,t+6}$: lower inflation	0.217	0.267	0.412
	(0.64)	(0.76)	(1.17)
$I^S_i \times f^k_{i,t+6}$: lower interest rate	-0.147	-0.080	-0.113
	(-0.46)	(-0.27)	(-0.43)
$I^S_i \times f^k_{i,t+6}$: lower unemployment	-0.210	-0.154	-0.192
	(-1.27)	(-0.99)	(-1.25)
$I^S_i \times f^k_{i,t+6}$: other favorable news	-0.091	-0.092	-0.049
	(-0.74)	(-0.79)	(-0.44)
$I^S_i \times u^k_{i,t+6}$: higher inflation	-0.568***	-0.449**	-0.599***
	(-2.73)	(-2.34)	(-3.11)
$I^S_i \times u^k_{i,t+6}$: higher interest rate	-0.573**	-0.540**	-0.454*
	(-2.11)	(-2.15)	(-1.80)
$I^S_i \times u^k_{i,t+6}$: higher unemployment	0.060	-0.033	0.012
	(0.28)	(-0.16)	(0.07)
$I^S_i \times u^k_{i,t+6}$: other unfavorable news	-0.229*	-0.200*	-0.208*
	(-1.94)	(-1.80)	(-1.92)
Time FE	Yes	Yes	Yes
Demographic Controls	Yes	Yes	Yes
Household Head Weight	Yes	Yes	No
Partisanship Identification	both waves	first wave	both waves
Adj. R^2	0.1832	0.1831	0.1877
No. of observations	14,699	17,051	14,779

Table 4: Results with Different News Contents

Notes: This table reports the estimation results of equation (4) for *between election* periods. Columns (1) and (3) use responses from those who identified the same political affiliation across the two survey waves, while column (2) follows Gillitzer et al. (2021) and use the self-reported partisanship from the first survey wave. Household-head weights are applied to columns (1) and (2), whereas column (3) does not use the weights. Robust standard errors are used for the inference and t-statistics are in parenthesis. $* \ p < 0.1$, $** \ p < 0.05$, $*** \ p < 0.01$

the signal $s = \beta$ perfectly reveals the underlying state, if the economy is indeed in the Low state. Notably, the assumption that $q \in (0, 1)$ ensures that the signal $s = \beta$ does not fully disclose the state of the economy, preventing agents from perfectly learning the true state even when receiving a report indicating the Low state.[13]

For our analysis, we consider a setting in which the news corporation adopts a mixed strategy, denoted by $\sigma(s) = \Pr(R = \gamma \mid s)$, where $s \in \{\gamma, \beta\}$ represents the signal received by the journalist, and R denotes the news report issued to consumers. In particular, if the news organization receives a signal β (indicating a Low state) but chooses to report $R = \gamma$, it is distorting the information. We define $\sigma(\beta) = \Pr(R = \gamma \mid \beta) = \sigma \in (0, 1)$, such that with probability σ the journalist misrepresents the signal, and with probability $1-\sigma$, the report is truthful. That is, σ captures the likelihood that an unfavorable signal (β) is concealed and replaced with a favorable report (γ).

We now define $\hat{\sigma} \equiv f(\sigma) \in [0, 1]$ where $f(\cdot)$ can be any arbitrary mapping from σ to $[0, 1]$. We interpret $\hat{\sigma}$ as a measure of consumers' political bias on the media. A higher perceived value of σ ($\hat{\sigma} > \sigma$) reflects greater consumer skepticism regarding the veracity of news reports based on his/her political stance. Accordingly, in our framework, consumers update their prior beliefs about the true state of the economy by reflecting $\hat{\sigma}$ for the evaluation of new information from media.

Posterior Beliefs. Applying Bayesian updating, we express each agent's posterior beliefs, p_γ and p_β, as follows:

$$p_\gamma = Pr(\omega = H|R = \gamma) = \frac{p_0(q + (1-q)\hat{\sigma})}{p_0 q + (1 - p_0 q)\hat{\sigma}} \in [p_0, 1] \tag{5}$$

$$p_\beta = Pr(\omega = H|R = \beta) = \frac{p_0(1-q)}{1 - p_0 q} < p_0 \tag{6}$$

We observe that p_γ is *decreasing* in the bias parameter $\hat{\sigma}$. If an agent perceives the news as credible (i.e., low $\hat{\sigma}$), their belief update upon receiving a report indicating a High state is more substantial, deviating further from the prior belief p_0.[14] In contrast, when agents perceive the news to be highly biased (i.e., high $\hat{\sigma}$), belief updating becomes minimal.

We now present predictions on how agents update their information in a Bayesian manner when

[13] If $q = 1$, then $p_\beta = 0$, implying that agents would perfectly infer the true state. While this assumption is not critical for our main prediction (Prediction 1), we retain it to make the model more realistic.

[14] This can be easily verified, as $p_\gamma = 1$ when $\hat{\sigma} = 0$, meaning the agent fully updates their belief in the absence of bias. Conversely, when $\sigma = 1$, $p_\gamma = p_0$, indicating that no belief updating occurs when bias is at its maximum.

forming inflation expectations under these conditions.

Prediction 1 (Information Update with Political Bias)**.** *Suppose the agent behaves as described above.*

i. When the agent receives favorable news β (indicating a low-inflation state), they update their inflation expectations regardless of the level of perceived bias $\hat{\sigma}$.

ii. When the agent receives unfavorable news γ (indicating a high-inflation state), they update their inflation expectations if $\hat{\sigma}$ is sufficiently low. If $\hat{\sigma}$ is high, they do not revise their expectations.

We first note that the first part of Prediction 1 is consistent with one of our main empirical findings in Table 3; when agents receive favorable news about the inflation rate between elections, they revise their expectations in a direction in line with news. More importantly, the insignificant coefficient estimate of $I_i^S \times D_{i,t+6}^f$ in column (5) indicates that the update due to favorable news does not depend on partisanship. This is consistent with the models prediction that the degree of political bias, $\hat{\sigma}$, does not affect belief updating when the signal is favorable (see Equation (6)).

In contrast, the effect of unfavorable news, γ, on inflation expectations depends on the degree of political bias, as shown in Equation (5). When $\hat{\sigma}$ is sufficiently low, i.e., when agents trust the credibility of the news, they substantially revise their priors to form updated posterior beliefs. This trust is more likely when the ruling party aligns with the agents political preference. Conversely, when trust in the news organization is low (corresponding to high $\hat{\sigma}$), agents are less likely to incorporate the unfavorable news into their expectations. Through the lens of this model, the negative coefficient estimate on $I_i^S \times D_{i,t+6}^u$ in Table 3 can be interpreted as follows; supporters of the presidential party, who are inclined to distrust negative economic news under an administration they favor (high $\hat{\sigma}$), are less responsive to such signals. In contrast, opponents (low $\hat{\sigma}$) are more prone to trust unfavorable news and accordingly revise their expectations. As a result, among those who report hearing negative news, supporters of the incumbent exhibit smaller upward revisions in inflation expectations than opponents.

As a final remark, we note that political bias in relation to news does not play a significant role in around-election periods (Panel B, column (5) of Table 3). This finding can be explained within our model if the (perceived) quality of news, q, declines during election periods. According to Angelucci et al. (2024), voters are more likely to believe news that favors their preferred candidates during the election periods, even if it is false, compared to non-election periods. Additionally, Grinberg et al. (2019) showed that fake news on Twitter surged before the 2016 U.S. presidential election but declined

immediately afterward (Figure 1.A). Our model would capture such dynamics with a lower value of q, which implies that agents learn less from news around elections, due to lower perceived quality or reduced credibility of news. In the extreme case, as $q \to 0$, voters may entirely disregard news due to excessive noise or because they have already formed firm prior beliefs, resulting in no belief updating. Under such circumstances, the posterior belief remains equal to the prior, and news has no influence on expectation formation.

5 Conclusion

This paper provides new evidence on how political partisanship influences inflation expectations by affecting how individuals perceive and process economic news. Using rich micro-level panel data from the MSC, we document systematic partisan differences in news perception that persist throughout presidential terms and fluctuate sharply around elections. Supporters of the incumbent party consistently report more favorable news, and these perceptions translate into lower inflation expectations, particularly between elections.

We show that these differences are not only persistent but also asymmetric; unfavorable news significantly shifts expectations among opponents, while supporters largely discount it. Around elections, however, the direct effect of partisanship dominates, and news perception plays a diminished role. These results do not depend on the specific sources of the new information, since they draw on reported favorability of news along with specific news topics. To interpret our empirical findings, we develop a simple model in which agents perception of media bias affects how they Bayesian-update their beliefs. This model can explain both the asymmetric reaction to news and the diminished role of news around elections, when perceived media quality is likely lower.

By linking partisanship, news perception, and inflation expectations in a unified empirical and theoretical framework, our paper highlights a novel transmission channel that helps explain the persistent polarization in economic beliefs. These findings carry implications for understanding the limits of information-based policy communication in a politically divided environment.

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A Summary Statistics of Reported News Contents

Table A.1 provides the summary statistics regarding the contents of news heard by partisanship. As noted before, the reported news contents can be categorized into four topics: inflation, interest rate, unemployment and others.

	Partisanship			Relation to Presidential Party	
	(1)	(2)	(3)	(4)	(5)
	Republican	**Democrat**	**Independent**	**Opponent**	**Supporter**
Panel A: Haven't Heard					
Haven't Heard (%)	29.0	25.6	29.3	27.9	26.8
Panel B: Favorable News Heard					
Fav: Less Inflation (%)	0.8	2.6	1.2	0.7	3.1
Fav: Lower Interest Rate (%)	0.8	1.2	1.1	0.5	1.6
Fav: Less Unemployed (%)	4.4	6.8	4.3	2.6	8.7
Fav: Other News (%)	17.3	18.1	15.9	10.7	25.6
Panel C: Unfavorable News Heard					
Unfav: Higher Inflation (%)	8.2	6.0	8.0	8.6	6.3
Unfav: Higher Interest Rate (%)	3.8	2.9	4.0	4.2	3.1
Unfav: Higher Unemployed (%)	7.6	7.7	7.1	7.8	6.5
Unfav: Other News (%)	29.2	29.3	29.9	37.6	18.8
# of obs.	6,982	8,072	9,358	6,419	6,927

Table A.1: Summary Statistics by Reported News Contents by Political Affiliations

Notes: This table reports summary statistics of the specific news contents consumers reported hearing, disaggregated by political affiliation. Columns (1) – (3) present statistics by partisanship, while columns (4) and (5) group respondents based on whether their political affiliation aligns with the presidential party. The sample spans from September 2006 to June 2024. For columns (4) and (5), only observations from between-election periods are used to compute the statistics.

B Partisan Gaps and News Favorability Changes in Between-Elections

This section applies the methodology outlined in Section 2.2.1 to the between-election periods. In Section 2.2.1, we found that changes in the presidential party compared to respondents' political affiliation after an election was related to changes in the degree of favorability of economic news they heard. In contrast, we do not expect significant shifts in the perceived news favorability in the between-election periods, during which the incumbent party does not change.

We divide these periods into five segments: the Bush period (September 2006 – April 2008), Obama's first term (February 2009 – April 2012), Obama's second term (June 2014 – June 2015), the Trump period (February 2017 – April 2020), and the Biden period (February 2021 – April 2024). We estimate equation (1) separately for each of these between-election periods and present the results in Table

B.1. The results confirms our expectation, except during the Biden administration where we observe a divergence in news favorability among Democrats.

	(1)	(2)	(3)	(4)	(5)
Administration	**Bush**	**Obama 1^{st}**	**Obama 2^{nd}**	**Trump**	**Biden**
A. Positively changed					
Republican ($\beta^R_{positive}$)	1.481	1.104	1.110	0.903	0.712***
	(1.36)	(0.63)	(0.28)	(-1.07)	(-3.77)
Democrat ($\beta^D_{positive}$)	0.829	1.041	0.752	0.918	1.241***
	(-0.63)	(0.27)	(-0.73)	(-0.95)	(2.69)
$\beta^R_{positive} = \beta^D_{positive}$	0.0389**	0.7068	0.3713	0.8634	0.0000***
B. Negatively changed					
Republican ($\beta^R_{negative}$)	1.272	1.040	1.432	1.171*	0.763***
	(0.98)	(0.22)	(0.69)	(1.93)	(-2.97)
Democrat ($\beta^D_{negative}$)	0.722	0.912	1.705	0.890	1.267***
	(-1.19)	(-0.51)	(1.18)	(-1.39)	(2.90)
$\beta^R_{negative} = \beta^D_{negative}$	0.0406**	0.4927	0.7370	0.0016***	0.0000***
No. of observations	634	1,557	264	5,942	6,353

Table B.1: Political Affiliation and Changes in News Perception between Presidential Elections

Notes: This table reports estimation results from equation (1) for each between-election period, with no-change group as the base outcome. Coefficients are exponentiated and interpreted as relative risk ratios. The row labeled $\beta^R_{\cdot} = \beta^D_{\cdot}$ shows p-values for tests of coefficient equality between Republicans and Democrats. Robust standard errors are used for inference. Coefficient estimates for demographic controls and time fixed effects are omitted for brevity. $* \ p < 0.1$, $** \ p < 0.05$, $*** \ p < 0.01$

C Possible Endogeneity in News Acquisition

This section examines potential endogeneity issues discussed in Section 3.2 in details. We investigate the possibility that behaviors of two partisan groups are different under different political regimes, indicating that endogenous information choice is a substantial issue. Figure C.1 presents the share of *Haven't heard* of each partisanship over our sample period, including that of Independent. We find that the shares co-move very closely with each other, while Democrats are persistently more likely to be exposed to news. All of the pairwise correlations among these series are above 0.7 for all possible combinations. More importantly, there are no notable changes in the degrees of news exposure across partisanship right after every election, which can be an important factor behind the information acquisition behavior.

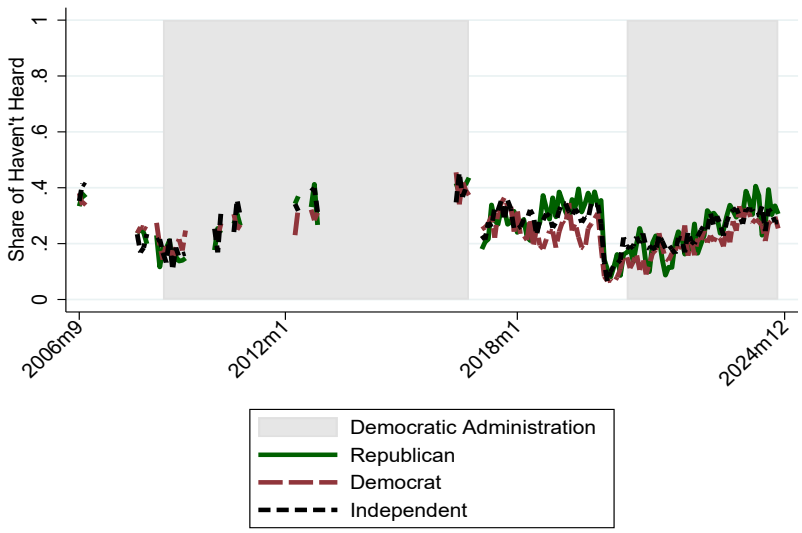

Figure C.1: The Share of Respondents in the *Haven't Heard* Group by Partisanship

Notes: Sample period spans from September 2006 to June 2024. November 2008 and November 2020 mark the beginning of Democratic administrations.

We then formally test whether the differences in news exposure between Republicans and Democrats depend on the state of the economy. To this end, we estimate the following equation:

$$\log \frac{Haven't\ Heard\ Share_{t|Repub}}{Haven't\ Heard\ Share_{t|Demo}} = \alpha + \beta D_t + \varepsilon_t, \tag{C.1}$$

where $Haven't\ Heard\ Share_{t|x}$ denotes the share of the *haven't heard* of partisanship x at time t. D_t denotes the state-indicating dummy, representing i) around election periods or ii) Democratic administration periods. Around election periods are defined as the period from May of the election year to April of the following year. The coefficient of interest is β in equation (C.1), which captures the state-dependence of the share of people who do not hear news.

Table C.1 presents the estimated $\hat{\alpha}$ and $\hat{\beta}$ of equation (C.1). In general, $\hat{\alpha}$ has a statistically significantly positive value in every specification. This implies that Democrats are, on average, more exposed to news than Republicans, by about 10%. More importantly, however, the estimated $\hat{\beta}$ is not statistically significant, implying that this pattern is not state-dependent. In other words, elections or political affiliation of president does not affect exposure to news across partisanship differently.

	(1)	(2)	(3)
		D_t: around election	D_t: Democratic administration
Const.	0.103***	0.117***	0.141***
	(4.08)	(4.19)	(3.37)
D_t		-0.053	-0.066
		(-0.86)	(-1.28)
No. of observations	128	128	128

Table C.1: Exposure to News across States

Notes: This table tests state-dependency on heterogeneous exposure to news between Republicans and Democrats. Numbers in parentheses denote t-statistics, based on robust standard errors.

D Possible Region-Level Variations

One potential concern with our baseline specification is that regional developments correlated with the dominant partisanship of a given area may introduce bias into our estimates. For instance, retail gasoline prices tend to be higher in states where Democratic voters are more prevalent, compared to Republican-leaning states. This is important because prior research documents that fluctuations in gasoline prices can influence inflation expectations (Coibion and Gorodnichenko 2015; Jo and Klopack 2025). To address this issue, we follow Chahrour et al. (2025) and incorporate individual-level, one-year-ahead gasoline price expectations as a control.[15] In addition, we account for broader regional political and economic variation by including region-by-time fixed effects.[16] These adjustments allow us to more cleanly isolate the partisan effects of interest from spatially correlated confounders.

In particular, we estimate the following two equations:

$$\begin{aligned}\pi^e_{i,t+18|t+6} &= \beta_1\pi^e_{i,t+12|t} + \beta_2 I^S_i + \beta_3 D^f_{i,t+6} + \beta_4 D^u_{i,t+6} + \beta_5 I^S_i \times D^f_{i,t+6} + \beta_6 I^S_i \times D^u_{i,t+6} \\ &\quad + I^j_i \times Z_t + \Gamma' \mathrm{X}_{i,t} + \epsilon_{i,t}, \qquad \text{(D.2)} \\ \pi^e_{i,t+18|t+6} &= \beta_1\pi^e_{i,t+12|t} + \beta_2 I^S_i + \beta_3 D^f_{i,t+6} + \beta_4 D^u_{i,t+6} + \beta_5 I^S_i \times D^f_{i,t+6} + \beta_6 I^S_i \times D^u_{i,t+6} \\ &\quad + Gas^e_{i,t+18|t+6} + Gas^e_{i,t+12|t} + \Gamma' \mathrm{X}_{i,t} + Z_t + \epsilon_{i,t},, \qquad \text{(D.3)}\end{aligned}$$

where $I^j_i \times Z_t$ is the interaction term between region j where the survey participant i resides and year-month fixed effects Z_t, and $Gas^e_{i,t+12|t}$ and $Gas^e_{i,t+18|t+6}$ denote expected gas prices survey at t and $t+6$.

Reassuringly, our results remain robust to these controls. The estimation results of Equations (D.2) and (D.3) are reported in Tables D.2 and D.3.

[15] The expectations are documented as responses to the question, "About how many cents per gallon do you think gasoline prices will (increase/decrease) during the next twelve months compared to now?", in the MSC.

[16] The MSC categorizes the 50 U.S. states into four regions, which we use to construct the interaction terms.

Panel A: *Between Elections*

	(1)	(2)	(3)	(4)	(5)
$\pi^e_{i,t+12\|t}$	0.330***	0.310***	0.301***	0.291***	0.291***
	(28.75)	(26.65)	(25.71)	(24.94)	(24.93)
I^S_i		-0.584***	-0.587***	-0.481***	-0.325***
		(-13.16)	(-13.30)	(-10.63)	(-3.74)
$D^f_{i,t+6}$				-0.493***	-0.495***
				(-5.39)	(-5.27)
$D^u_{i,t+6}$				0.474***	0.470***
				(5.15)	(5.08)
$I^S_i \times D^f_{i,t+6}$					-0.118
					(-1.05)
$I^S_i \times D^u_{i,t+6}$					-0.234**
					(-2.34)
Region by year-month fixed effects	Yes	Yes	Yes	Yes	Yes
Demographic controls	No	No	Yes	Yes	Yes
Adj. R^2	0.1570	0.1686	0.1738	0.1817	0.1820
No. of observations	14,699	14,699	14,699	14,699	14,699

Panel B: *Around Elections*

	(1)	(2)	(3)	(4)	(5)
$\pi^e_{i,t+12\|t}$	0.208***	0.218***	0.199***	0.196***	0.196***
	(7.28)	(7.63)	(6.91)	(6.78)	(6.77)
I^S_i		-0.852***	-0.824***	-0.767***	-0.663**
		(-8.11)	(-7.87)	(-7.15)	(-2.64)
$D^f_{i,t+6}$				-0.314	-0.320
				(-1.34)	(-1.34)
$D^u_{i,t+6}$				0.337	0.331
				(1.29)	(1.27)
$I^S_i \times D^f_{i,t+6}$					-0.074
					(-0.25)
$I^S_i \times D^u_{i,t+6}$					-0.162
					(-0.55)
Region by year-month fixed effects	Yes	Yes	Yes	Yes	Yes
Demographic controls	No	No	Yes	Yes	Yes
Adj. R^2	0.0764	0.1038	0.1154	0.1185	0.1179
No. of observations	2,203	2,203	2,203	2,203	2,203

Table D.2: News Perception and Inflation Expectations - Controlling Region by Year-Month Fixed Effects

Notes: Panels A and B report the estimated coefficients from variations of Equation (3) for between- and around-election periods, respectively. Numbers in parentheses are t-statistics based on robust standard errors. Coefficient estimates of demographic controls and region by year-month fixed effects are omitted from the table for brevity. $* \ p < 0.1$, $** \ p < 0.05$, $*** \ p < 0.01$

Panel A: *Between Elections*

	(1)	(2)	(3)	(4)	(5)
$\pi^e_{i,t+12\|t}$	0.291***	0.278***	0.270***	0.262***	0.262***
	(24.93)	(23.62)	(22.88)	(22.28)	(22.28)
I_i^S		-0.467***	-0.470***	-0.383***	-0.245***
		(-10.67)	(-10.76)	(-8.56)	(-2.83)
$D^f_{i,t+6}$				-0.487***	-0.487***
				(-5.43)	(-5.27)
$D^u_{i,t+6}$				0.360***	0.357***
				(3.98)	(3.93)
$I_i^S \times D^f_{i,t+6}$					-0.113
					(-1.01)
$I_i^S \times D^u_{i,t+6}$					-0.223**
					(-2.04)
Time fixed effects	Yes	Yes	Yes	Yes	Yes
Demographic controls	No	No	Yes	Yes	Yes
Gas price expectation controls	Yes	Yes	Yes	Yes	Yes
Adj. R^2	0.1896	0.1968	0.2015	0.2075	0.2077
No. of observations	14,501	14,501	14,501	14,501	14,501

Panel B: *Around Elections*

	(1)	(2)	(3)	(4)	(5)
$\pi^e_{i,t+12\|t}$	0.207***	0.216***	0.196***	0.193***	0.193***
	(7.41)	(7.66)	(6.96)	(6.85)	(6.84)
I_i^S		-0.708***	-0.676***	-0.638***	-0.512**
		(-6.69)	(-6.42)	(-5.96)	(-2.09)
$D^f_{i,t+6}$				-0.273	-0.271
				(-1.20)	(-1.17)
$D^u_{i,t+6}$				0.200	0.195
				(0.78)	(0.76)
$I_i^S \times D^f_{i,t+6}$					-0.136
					(-0.47)
$I_i^S \times D^u_{i,t+6}$					-0.169
					(-0.58)
Time fixed effects	Yes	Yes	Yes	Yes	Yes
Demographic controls	No	No	Yes	Yes	Yes
Gas price expectation controls	Yes	Yes	Yes	Yes	Yes
Adj. R^2	0.1117	0.1300	0.1427	0.1440	0.1433
No. of observations	2,186	2,186	2,186	2,186	2,186

Table D.3: News Perception and Inflation Expectations - Controlling Gas Price Expectations

Notes: Panels A and B report the estimated coefficients from variations of Equation (3) for between- and around-election periods, respectively. Numbers in parentheses are t-statistics based on robust standard errors. Coefficient estimates of demographic controls and year-month time fixed effects are omitted from the table for brevity. $*$ $p < 0.1$, $**$ $p < 0.05$, $***$ $p < 0.01$

E Other Robustness Checks

E.1 Partisanship Identification as per Gillitzer et al. (2021)

We restricted the sample to those who participated in both waves of the survey, spaced six months apart, and whose political affiliation remained unchanged across waves in our main analyses. We then re-estimate equations (1) and (3) in the main text using consumers' partisanship information from the first survey wave, following Gillitzer et al. (2021). Reassuringly, results are consistent with the findings reported in the main text.

	(1)	(2)	(3)	(4)
Election year	**2008**	**2012**	**2016**	**2020**
	(R → D)	**(D → D)**	**(D → R)**	**(R → D)**
A. Positively changed				
Republican ($\beta^R_{positive}$)	0.421**	1.012	1.185	0.854
	(-2.17)	(0.04)	(0.80)	(-0.84)
Democrat ($\beta^D_{positive}$)	1.277	1.016	0.456***	1.209
	(0.72)	(0.05)	(-3.44)	(1.20)
$\beta^R_{positive} = \beta^D_{positive}$	0.0038***	0.9896	0.0000***	0.0614*
B. Negatively changed				
Republican ($\beta^R_{negative}$)	1.250	1.030	0.585*	1.624**
	(0.68)	(0.09)	(-1.69)	(2.25)
Democrat ($\beta^D_{negative}$)	1.086	1.346	1.460	0.610*
	(0.25)	(0.95)	(1.50)	(-1.94)
$\beta^R_{negative} = \beta^D_{negative}$	0.6524	0.4272	0.0022***	0.0002***
No. of observations	479	412	778	1,271

Table E.1: Political Affiliation and Changes in News Perception around Presidential Elections

Notes: This table reports the estimation results of equation (1) for each election period, with no-change group as the base outcome. Coefficients are exponentiated and interpreted as relative risk ratios. Parentheses below each election year indicate election results in terms of the incumbent party. Reported coefficients are relative risk ratio. The row labeled $\beta^R = \beta^D$ reports the p-value for the hypothesis test of whether the two coefficients are equal. Robust standard errors are used for the inference. Coefficient estimates of demographic controls and time-fixed effects are omitted from the table for brevity.$*$ $p < 0.1$, $**$ $p < 0.05$, $***$ $p < 0.01$

Panel A: *Between Elections*

	(1)	(2)	(3)	(4)	(5)
$\pi^e_{i,t+12\|t}$	0.332***	0.314***	0.306***	0.297***	0.296***
	(31.66)	(29.62)	(28.65)	(27.80)	(27.79)
I^S_i		-0.552***	-0.553***	-0.466***	-0.321***
		(-13.40)	(-13.48)	(-11.11)	(-3.93)
$D^f_{i,t+6}$				-0.457***	-0.458***
				(-5.41)	(-5.32)
$D^u_{i,t+6}$				0.393***	0.390***
				(4.64)	(4.58)
$I^S_i \times D^f_{i,t+6}$					-0.112
					(-1.06)
$I^S_i \times D^u_{i,t+6}$					-0.235**
					(-2.29)
Time FE	Yes	Yes	Yes	Yes	Yes
Demographic Controls	No	No	Yes	Yes	Yes
Adj. R^2	0.1612	0.1713	0.1762	0.1823	0.1825
No. of observations	17,051	17,051	17,051	17,051	17,051

Panel B: *Around Elections*

	(1)	(2)	(3)	(4)	(5)
$\pi^e_{i,t+12\|t}$	0.195***	0.205***	0.186***	0.184***	0.184***
	(7.08)	(7.43)	(6.75)	(6.65)	(6.63)
I^S_i		-0.834***	-0.817***	-0.761***	-0.687***
		(-8.31)	(-8.12)	(-7.48)	(-2.96)
$D^f_{i,t+6}$				-0.408*	-0.404*
				(-1.82)	(-1.79)
$D^u_{i,t+6}$				0.310	0.308
				(1.28)	(1.27)
$I^S_i \times D^f_{i,t+6}$					-0.109
					(-0.39)
$I^S_i \times D^u_{i,t+6}$					-0.080
					(-0.29)
Time FE	Yes	Yes	Yes	Yes	Yes
Demographic Controls	No	No	Yes	Yes	Yes
Adj. R^2	0.0652	0.903	0.0993	0.1033	0.1026
No. of observations	2,558	2,558	2,558	2,558	2,558

Table E.2: News Perception and Inflation Expectations

Notes: This table reports coefficient estimates of equation (3). Respondent's partisanship derives from the first survey information. Numbers in parentheses denote t-statistics, based on robust standard errors. Coefficient estimates of demographic controls and year-month fixed effects are omitted from the table for brevity. $* \ p < 0.1$, $** \ p < 0.05$, $*** \ p < 0.01$

E.2 Un-weighted Regression Results

This section presents unweighted estimation results as a robustness check. While our main analyses use household-head weights following Coibion and Gorodnichenko (2015) and Bracha and Tang (2025), one concern is that political affiliation may vary within households, suggesting weights may be inappropriate.[17] Summary statistics and unweighted results are reported in Tables E.1-E.3, confirming that our main findings remain robust.

[17] Individual-level weights are not publicly available in the MSC.

	Partisanship			Relation to Presidential Party	
	(1) Republican	(2) Democrat	(3) Independent	(4) Opponent	(5) Supporter
Panel A: Year-ahead Inflation Expectations					
mean (%)	4.32	3.00	4.11	4.81	2.53
standard deviation	4.75	4.48	4.65	4.72	4.41
Panel B: News Perception					
Haven't Heard (%)	27.4	24.7	27.9	26.5	25.8
Favorable News Heard (%)	23.0	28.5	22.3	14.5	38.4
Unfavorable News Heard (%)	49.5	46.7	49.7	58.9	35.6
Panel C: Age					
mean	55.9	53.7	49.8	54.8	54.7
Panel D: Income					
mean ($)	121,634	121,096	110,796	121,650	123,749
Panel E: Education					
Below High School (%)	1.9	2.0	2.7	1.9	2.1
High School Diploma (%)	49.1	31.5	45.4	44.4	35.5
College Degree and above (%)	48.9	66.3	51.8	53.5	62.2
Panel F: Gender					
Male (%)	68.3	52.7	70.1	64.0	57.2
Female (%)	31.6	47.7	29.8	35.9	42.7
Panel G: Region					
West (%)	20.4	25.0	24.1	21.5	24.4
North Central (%)	26.6	24.8	25.1	25.2	25.6
North East (%)	13.2	18.2	15.5	15.3	16.5
South (%)	39.7	31.8	35.1	37.8	33.3
Panel H: Stock Market Participation					
Stockholder (%)	77.5	75.1	73.4	76.5	77.3
Non-stockholder (%)	22.4	24.8	26.5	23.4	22.6
Panel I: Housing Tenure					
Homeowner (%)	84.9	76.8	72.1	81.1	77.9
Renter (%)	15.0	23.1	27.8	18.8	22.0
No. of observations	7,194	8,266	9,603	6,587	7,123

Table E.1: Unweighted Summary Statistics

Notes: This table shows unweighted summary statistics by political affiliation. Columns (1)–(3) display statistics by partisanship, while columns (4) and (5) differentiate between supporters and non-supporters of the incumbent party. Sample periods span from September 2006 to June 2024. For columns (4) and (5), we restrict samples to *in-between election* periods when calculating summary statistics. We do not use household-head weights in calculating summary statistics.

	(1)	(2)	(3)	(4)
Election year	**2008**	**2012**	**2016**	**2020**
	(R → D)	**(D → D)**	**(D → R)**	**(R → D)**
A. Positively changed				
Republican ($\beta^R_{positive}$)	0.528	1.246	1.301	0.922
	(-1.50)	(0.70)	(1.25)	(-0.41)
Democrat ($\beta^D_{positive}$)	1.895*	0.975	0.549***	1.475**
	(1.74)	(-0.08)	(-2.60)	(2.33)
$\beta^R_{positive} = \beta^D_{positive}$	0.0017***	0.4262	0.0002***	0.0135**
B. Negatively changed				
Republican ($\beta^R_{negative}$)	0.854	1.224	0.551*	1.903***
	(-0.43)	(0.59)	(-1.84)	(2.86)
Democrat ($\beta^D_{negative}$)	0.962	1.400	1.845**	0.648*
	(-0.11)	(1.06)	(2.39)	(-1.69)
$\beta^R_{negative} = \beta^D_{negative}$	0.7261	0.6812	0.0001***	0.0000***
No. of observations	408	401	709	1,072

Table E.2: Political Affiliation and Changes in News Perception around Presidential Elections

Notes: This table reports the unweighted estimation results of equation (1) for each election period, with the stay-the-same group as the base outcome. Reported coefficients are exponentiated and thus represent the relative risk ratio. Parentheses below each election year indicate election results in terms of the incumbent party. Reported coefficients are relative risk ratio. The row labeled $\beta^R_{\cdot} = \beta^D_{\cdot}$ reports the p-value for the hypothesis test of whether the two coefficients are equal. Robust standard errors are used for the inference. Coefficient estimates of demographic controls and time-fixed effects are omitted from the table for brevity. $* \ p < 0.1$, $** \ p < 0.05$, $*** \ p < 0.01$

Panel A: *Between Elections*

	(1)	(2)	(3)	(4)	(5)
$\pi^e_{i,t+12\|t}$	0.333***	0.312***	0.303***	0.293***	0.293***
	(31.09)	(28.72)	(27.73)	(26.81)	(26.81)
I_i^S		-0.571***	-0.574***	-0.471***	-0.324***
		(-14.23)	(-14.37)	(-11.51)	(-4.07)
$D^f_{i,t+6}$				-0.486***	-0.494***
				(-5.80)	(-5.73)
$D^u_{i,t+6}$				0.460***	0.456***
				(5.44)	(5.37)
$I_i^S \times D^f_{i,t+6}$					-0.086
					(-0.84)
$I_i^S \times D^u_{i,t+6}$					-0.250**
					(-2.49)
Time FE	Yes	Yes	Yes	Yes	Yes
Demographic Controls	No	No	Yes	Yes	Yes
Adj. R^2	0.1627	0.1740	0.1789	0.1867	0.1870
No. of observations	14,779	14,779	14,779	14,779	14,779

Panel B: *Around Elections*

	(1)	(2)	(3)	(4)	(5)
$\pi^e_{i,t+12\|t}$	0.219***	0.230***	0.213***	0.210***	0.210***
	(8.24)	(8.71)	(7.99)	(7.86)	(7.86)
I_i^S		-0.821***	-0.783***	-0.735***	-0.692***
		(-8.21)	(-7.88)	(-7.26)	(-2.84)
$D^f_{i,t+6}$				-0.491**	-0.497**
				(-2.12)	(-2.10)
$D^u_{i,t+6}$				0.097	0.094
				(0.38)	(0.37)
$I_i^S \times D^f_{i,t+6}$					-0.004
					(-0.01)
$I_i^S \times D^u_{i,t+6}$					-0.082
					(-0.29)
Time FE	Yes	Yes	Yes	Yes	Yes
Demographic Controls	No	No	Yes	Yes	Yes
Adj. R^2	0.0796	0.1053	0.1133	0.1160	0.1152
No. of observations	2,213	2,213	2,213	2,213	2,213

Table E.3: Unweighted News Perception and Inflation Expectations

Notes: Panels A and B report the estimated coefficients from variations of equation (3) for between- and around-election periods, respectively. Numbers in parentheses denote t-statistics, based on robust standard errors. Coefficient estimates of demographic controls and year-month fixed effects are omitted from the table for brevity. We do not use household-head weights in any regressions. $* \ p < 0.1$, $** \ p < 0.05$, $*** \ p < 0.01$