

Diverse Policy Committees Can Reach Underrepresented Groups

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September 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."



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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”

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⇒ “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

Study whether **female and minority representation** on the FOMC affects extent to which different demographic groups (men vs. women; white vs. minority) incorporate information from Fed forecasts into subjective beliefs about macroeconomy

Shed light on channels through which potential effects operate:

- trust in the Fed
- “paying attention” / information acquisition
- homophily vs. “taste for diversity” (not today)

This paper

- Large-scale online survey ($N \approx 9000$) in US
- Randomized information provision within survey
 - e.g. Armantier et al. (2016), Cavallo et al. (2017), Coibion et al. (2019), Binder-Rodrigue (2018), Roth-Wohlfart (2019), Armona et al. (2019), D'Acunto et al. (2021)
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 - So far focused on *what* is communicated. We focus on *who* communicates it.
- Compare effects of making salient membership on FOMC of
 - Mary Daly, white female policy maker
 - Raphael Bostic, black male policy maker
 - Thomas Barkin, white male policy maker
- All three regional Fed presidents and non-voting FOMC members in 2020

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

Screenshot – control group

“We would now like to provide you with some information about monetary policy in the United States, and then ask you some more questions.”

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.

The Federal Reserve System includes three key entities: the Board of Governors, 12 Federal Reserve Banks, and the Federal Open Market Committee (FOMC). The FOMC is the monetary policymaking body of the Federal Reserve System, and sets short-term interest rates. The FOMC is composed of 12 members--the seven members of the Board of Governors and five of the 12 Reserve Bank presidents.



Respondent forced to stay on page for 20 seconds: “Please review the information on this screen – you will be able to move to the next screen shortly.”

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

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

Screenshot – unemployment forecast; Daly

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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 – Survey 1

- 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

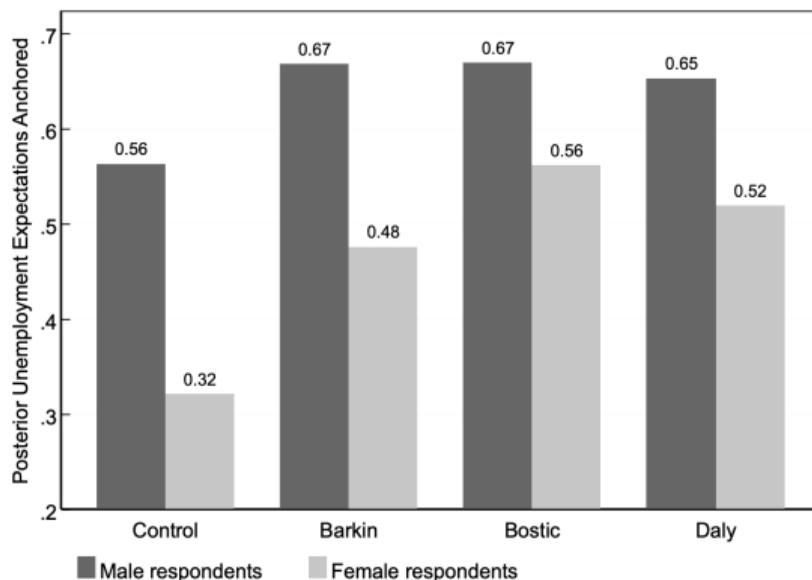
Effects of information on expectations

- 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%)

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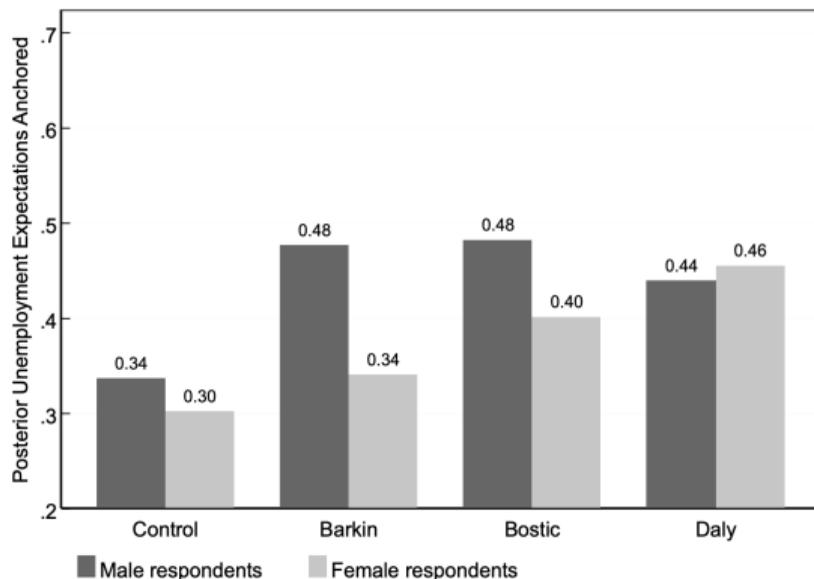
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 - “Anchored” = modal bin covers one of two forecasts by Fed (Unemployment: 9.3/6.5%; inflation: 0.8/1.6%)
- Study treatment effects relative to control group
- Study heterogeneity across demographic groups
 - For presentation, focus on 4 groups: White male, white female, AA male, AA female
 - Focus on unemployment expectations

Effects on expectations – Unemployment: White respondents



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

Effects on expectations – Unemployment: Black respondents



- Black women's differential response to Daly and Bostic even stronger
- Black men react less to Daly relative to Barkin and Bostic

Regression version

Effects on Binary Indicator for Anchored Unemployment Expectations

	White		Black		All	
	M	F	M	F	Unw.	Wtd.
	(1)	(2)	(3)	(4)	(5)	(6)
Bostic	0.010 (0.025)	0.052** (0.024)	0.024 (0.033)	0.083** (0.034)	0.025* (0.013)	0.023* (0.013)
Daly	-0.029 (0.025)	0.047* (0.024)	-0.031 (0.032)	0.096*** (0.034)	0.013 (0.013)	0.012 (0.013)
UR forecast	0.094*** (0.032)	0.142*** (0.031)	0.134*** (0.041)	0.020 (0.043)	0.118*** (0.016)	0.122*** (0.017)
Infl. forecast	0.021 (0.033)	0.017 (0.031)	0.086** (0.041)	-0.077* (0.043)	0.024 (0.016)	0.023 (0.017)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Avg. Y	0.61	0.44	0.43	0.33	0.47	0.49
Obs.	2305	2472	1540	1237	9140	9140

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⇒ More anchoring with Bostic/Daly for female respondents

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⇒ Slightly positive effect overall

Posterior mean expectations

Effects on E(unemployment rate)

	White		Black		All	
	M	F	M	F	Unw.	Wtd.
	(1)	(2)	(3)	(4)	(5)	(6)
Bostic	-0.183 (0.134)	-0.098 (0.153)	-0.359* (0.203)	-0.162 (0.227)	-0.156** (0.078)	-0.133* (0.080)
Daly	-0.059 (0.139)	-0.288* (0.152)	0.019 (0.200)	-0.362* (0.218)	-0.122 (0.078)	-0.124 (0.081)
UR forecast	-0.193 (0.184)	-0.967*** (0.195)	-0.466* (0.259)	-0.693** (0.292)	-0.594*** (0.101)	-0.589*** (0.104)
Infl. forecast	0.023 (0.189)	-0.034 (0.194)	-0.099 (0.262)	-0.097 (0.301)	-0.039 (0.102)	-0.023 (0.105)
Controls	Yes	Yes	Yes	Yes	Yes	Yes
Avg. Y	10.30	11.75	11.72	12.51	11.42	11.25
Adj. R2	0.45	0.36	0.17	0.18	0.34	0.38
Obs.	2305	2472	1540	1237	9140	9140

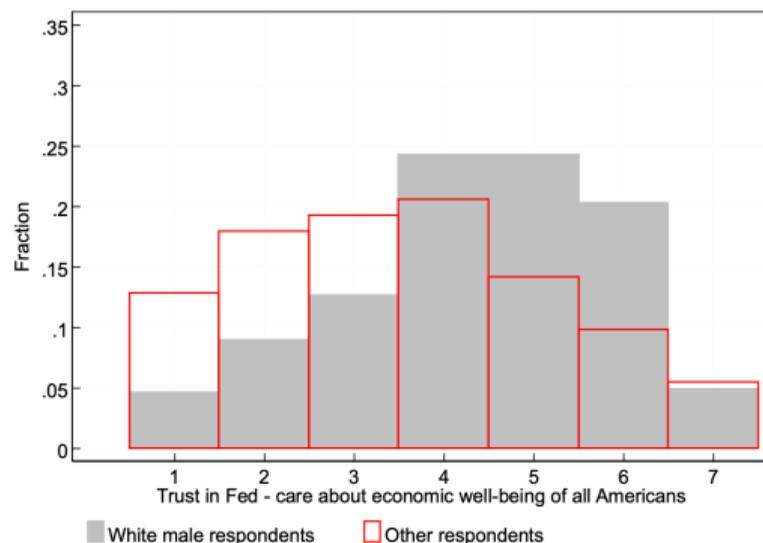
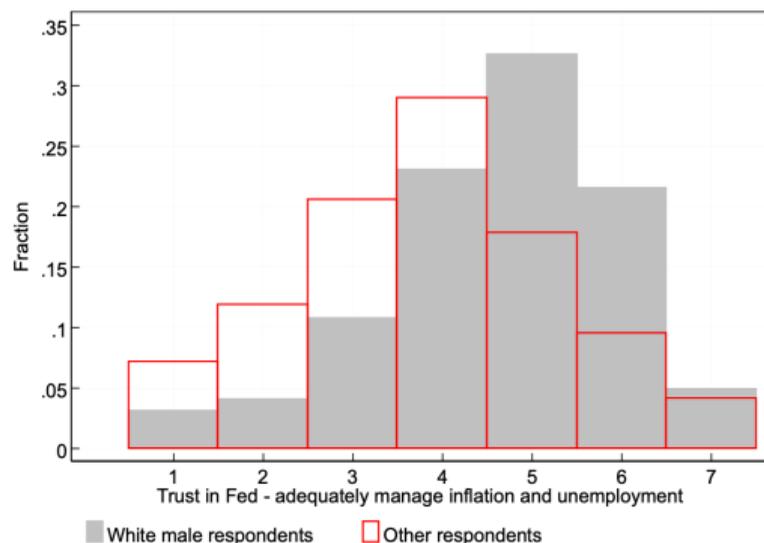
⇒ Effects largely similar; now effect of Bostic treatment on Black M respondents

Channels

Non-exclusive potential drivers of effects:

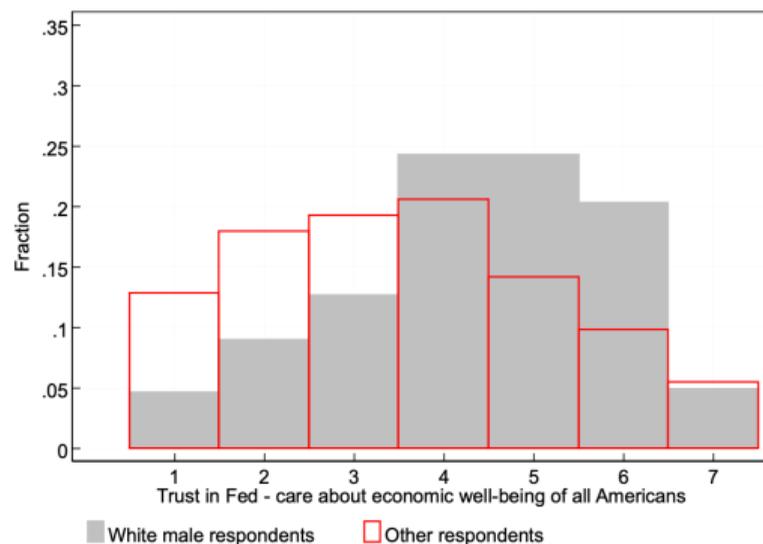
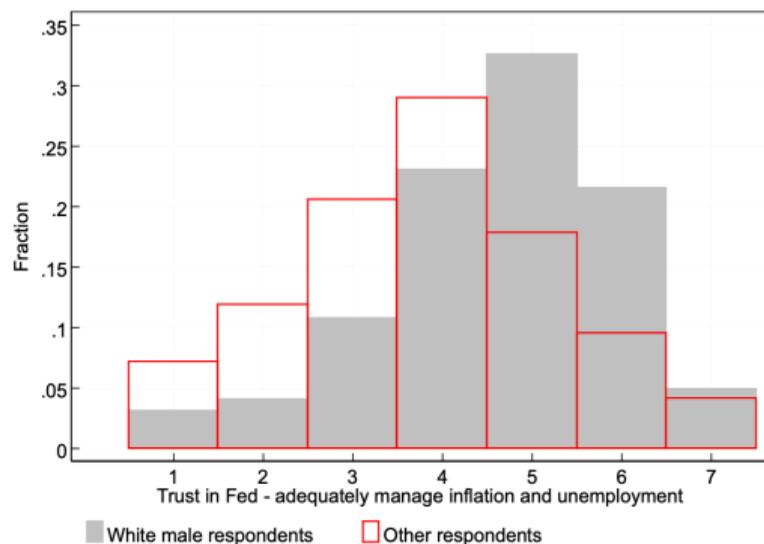
- Trust towards the Fed (also an outcome of independent interest)
 - Unconditional differences across groups
 - Differential reaction to making diverse policymakers salient
- Attention to information / information acquisition

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 \Rightarrow “Scope” for trust channel to play a role

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- Next: differential effects of policy maker treatments.
- Focus on share with low trust (≤ 3 out of 7)

Distrust in Fed – differential effects of policy maker treatments

Distrust that Fed adequately manages unemployment and inflation

	White		Black		All
	M	F	M	F	
	(1)	(2)	(3)	(4)	
Bostic	0.018 (0.023)	-0.053** (0.026)	-0.078** (0.032)	-0.069* (0.038)	-0.028** (0.013)
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UR forecast	-0.020 (0.019)	-0.020 (0.021)	-0.055** (0.026)	0.002 (0.030)	-0.025** (0.010)
Controls	Yes	Yes	Yes	Yes	Yes
Avg. Y	0.26	0.43	0.34	0.42	0.35
Obs.	1980	2132	1320	1068	7846

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Distrust in Fed – differential effects of policy maker treatments

Distrust that Fed cares about economic well-being of all Americans

	White		Black		All
	M	F	M	F	
	(1)	(2)	(3)	(4)	(5)
Bostic	-0.005 (0.024)	-0.085*** (0.025)	-0.012 (0.033)	-0.103*** (0.038)	-0.044*** (0.013)
Daly	-0.015 (0.025)	-0.086*** (0.025)	-0.050 (0.033)	-0.063* (0.037)	-0.047*** (0.013)
UR forecast	-0.027 (0.020)	-0.034 (0.021)	-0.021 (0.027)	-0.007 (0.031)	-0.027** (0.011)
Controls	Yes	Yes	Yes	Yes	Yes
Avg. Y	0.32	0.55	0.42	0.52	0.44
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- More direct test: information selection experiment within follow-up survey
 - 2,973 respondents, 4-6 weeks after survey 1

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 between (unnamed) policy maker from **Congressional Budget Office (CBO)** or **Federal Reserve**
2. Choice between **Mr. Philipp Swagel, Director of the Congressional Budget Office** or **Mr. Richard Clarida, Governor, Federal Reserve Board**
3. Choice between **Mr. Philipp Swagel, Director of the Congressional Budget Office** or **Ms. Michelle Bowman, Governor, Federal Reserve Board**

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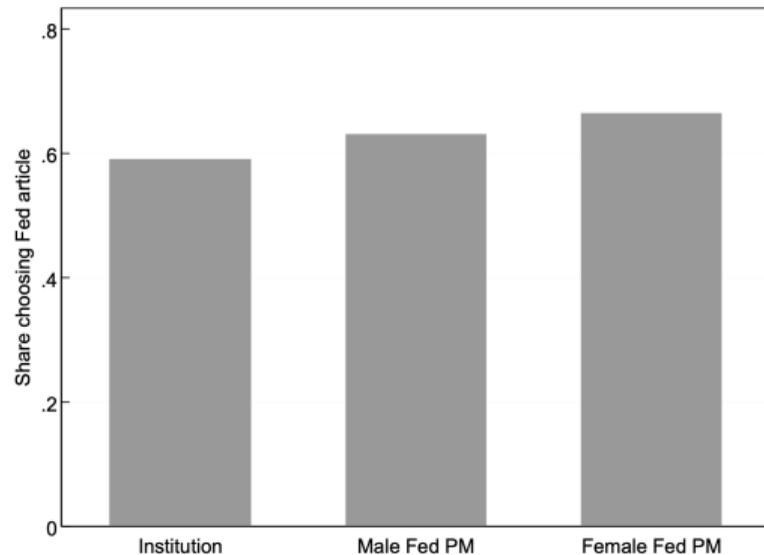
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Hypothesis: Female respondents are differentially more likely to choose Fed article if they are in group 3 than in other groups.

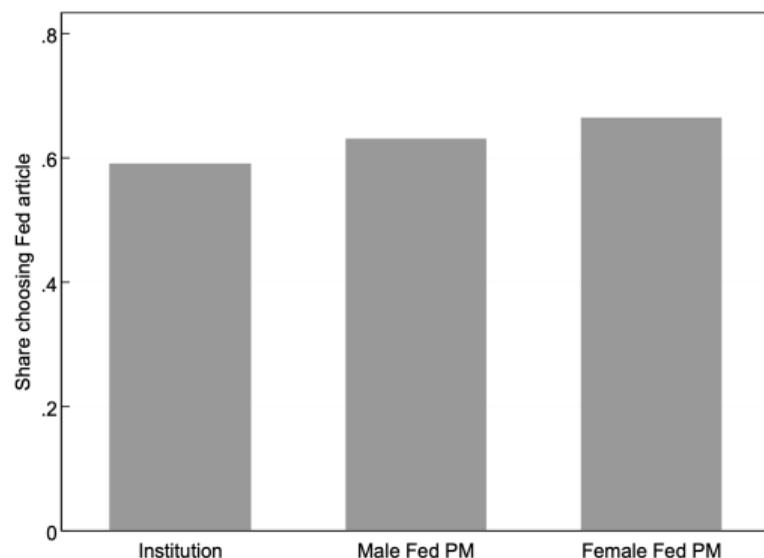
Information selection – Results

Male respondents

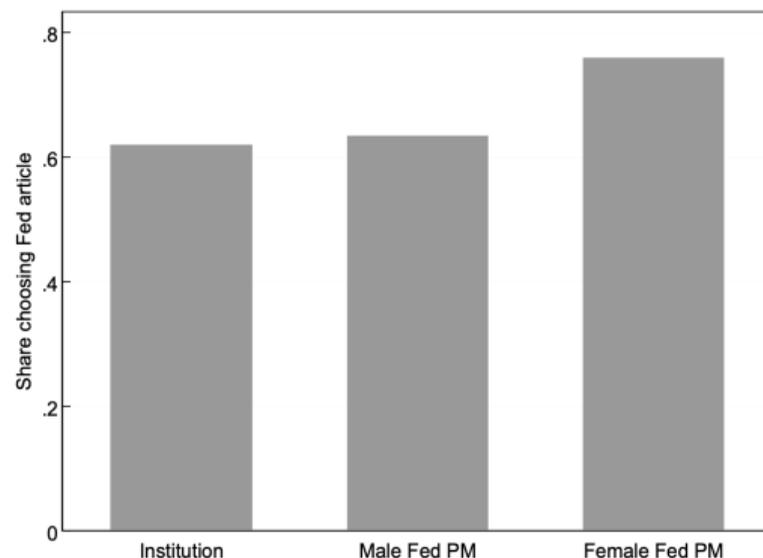


Information selection – Results

Male respondents



Female respondents



Regression with controls:

- Within female respondents only: increase in $\text{pr}(\text{Fed})$ of **+12.4 ppt**, $p < 0.001$
- “Diff-in-diff” for female vs. male respondents: **+9.2 ppt**, $p = 0.06$

Conclusion

- Increasing diversity of policy committees could be beneficial for many reasons
- Diversity improves public trust & expectations management
- Salience of non-white-male policy maker
 - increases trust
 - increases usage of information
 - increases acquisition of informationof female and Black respondents (paper: ~no effect on Hispanic respondents)
- No evidence for negative effects on white male respondents
- 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

the unemployment rate will be between 14% and 17%

the unemployment rate will be between 11% and 14%

the unemployment rate will be between 8% and 11%

the unemployment rate will be between 5% and 8%

the unemployment rate will be 5% or lower

Total

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

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

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

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

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

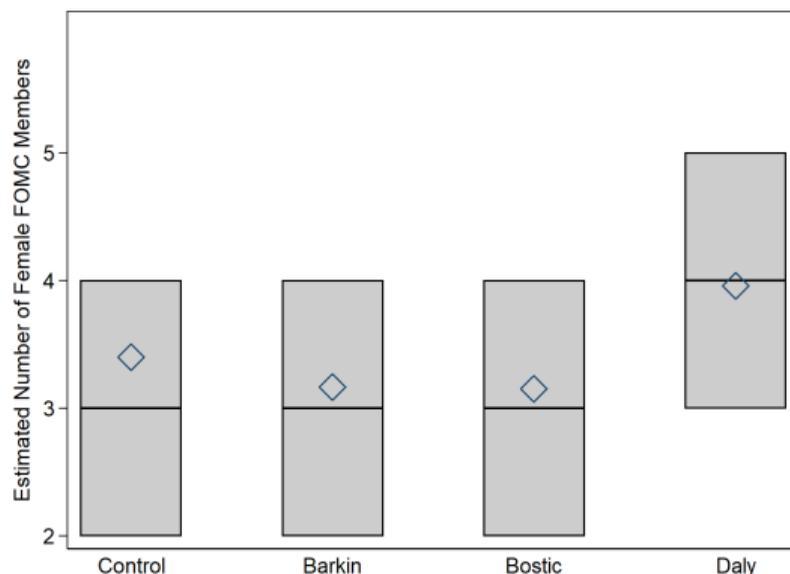
the rate of deflation (opposite of inflation) will be between 2% and 4%

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

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

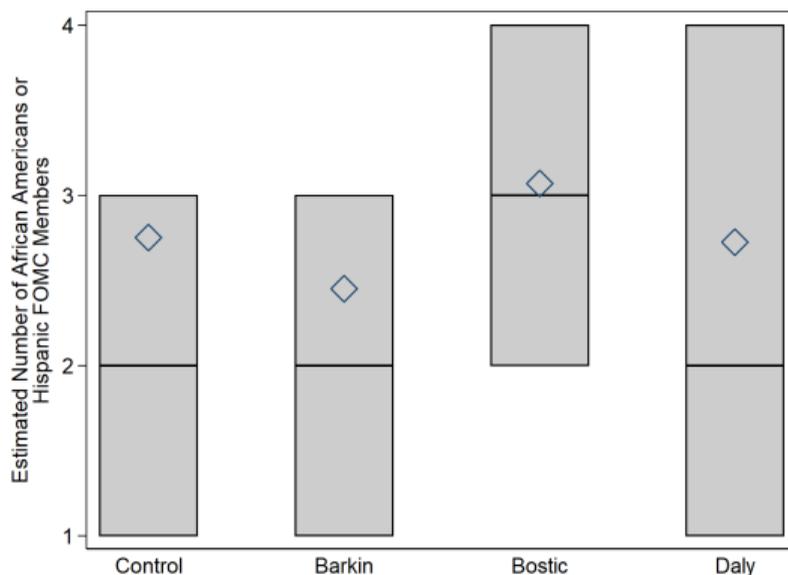
Total

Manipulation check [▶ Back](#)



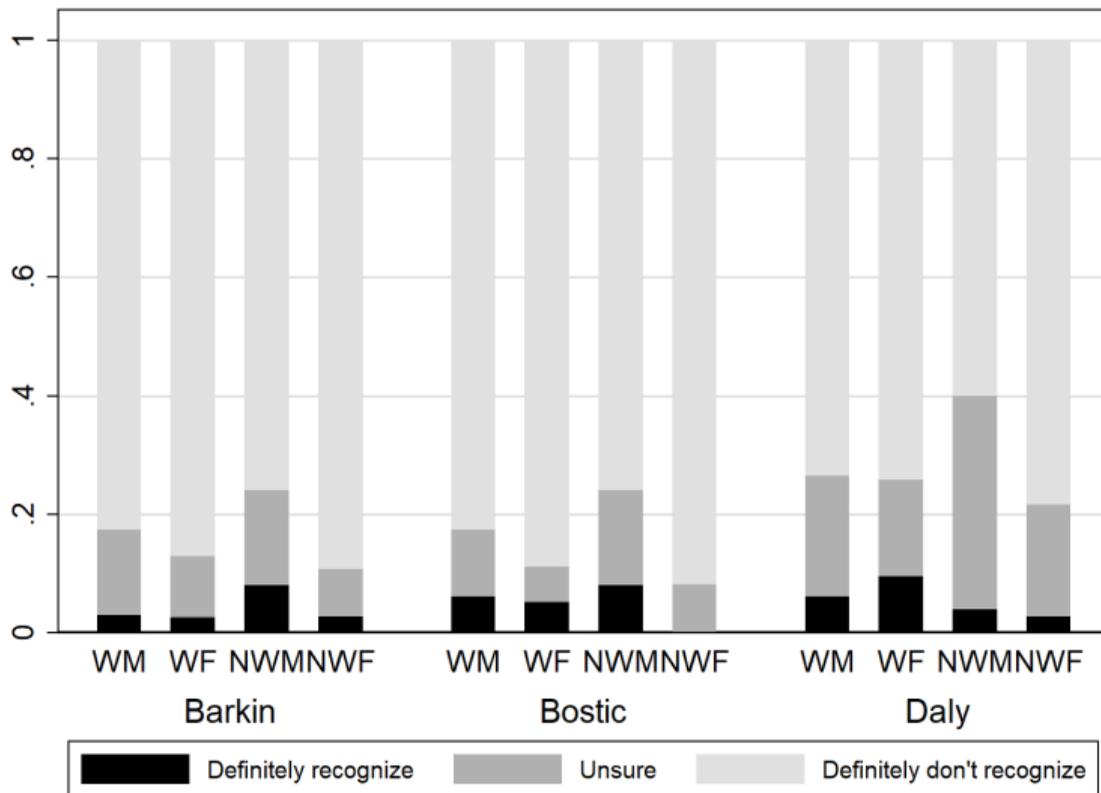
- Separate survey on Amazon Mechanical Turk, $N = 1,062$.
- Shown treatment screen, then asked to guess composition of FOMC (gender, race/ethnicity, age, PhD)
- Daly treatment \Rightarrow think more women; Bostic treatment \Rightarrow think more minorities
- Important: similar effects across groups (M/F;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

Manipulation check [▶ Back](#)

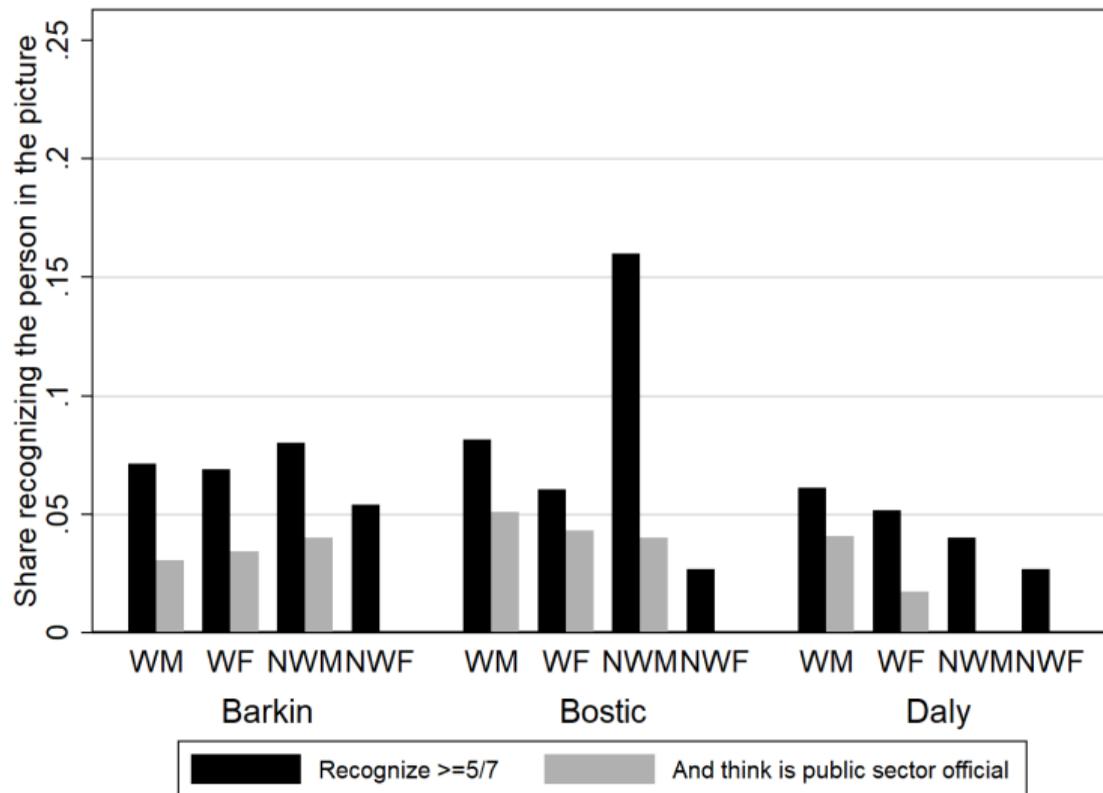


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Recognition of names/pictures [▶ Back](#)



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](#)

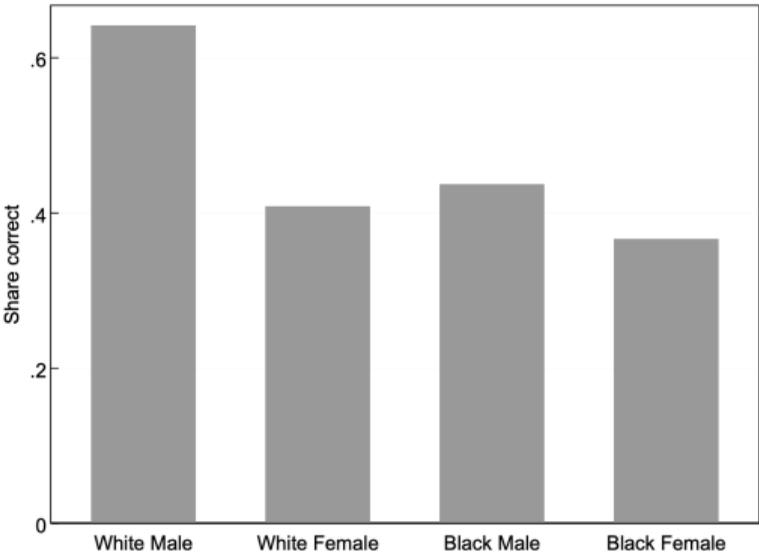
7 options; correct: "The Federal Open Market Committee (part of the Federal Reserve, or Fed)"

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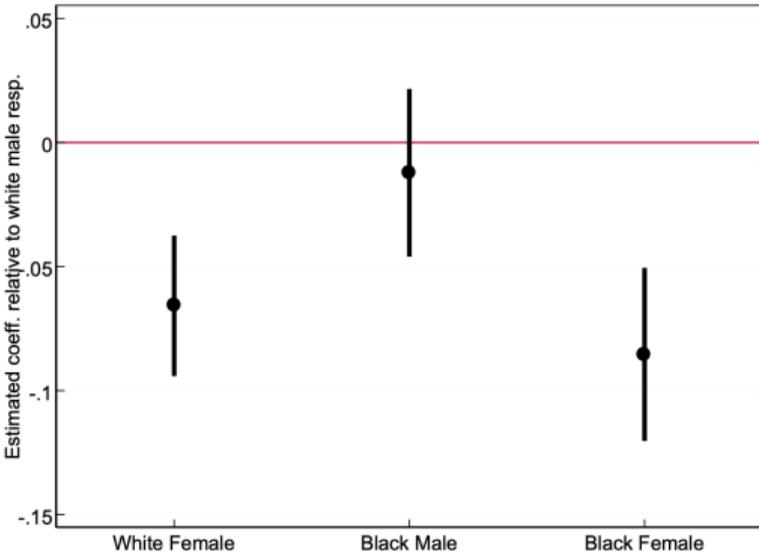
Who do you think comprises this group? (Inspired by BoE's "Inflation Attitudes Survey") [▶ Back](#)

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

Shares with correct answer:



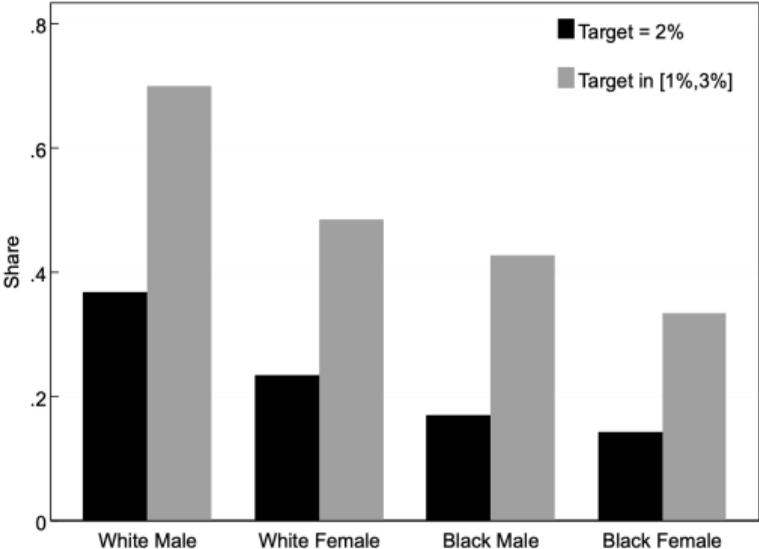
Group differences after controls:



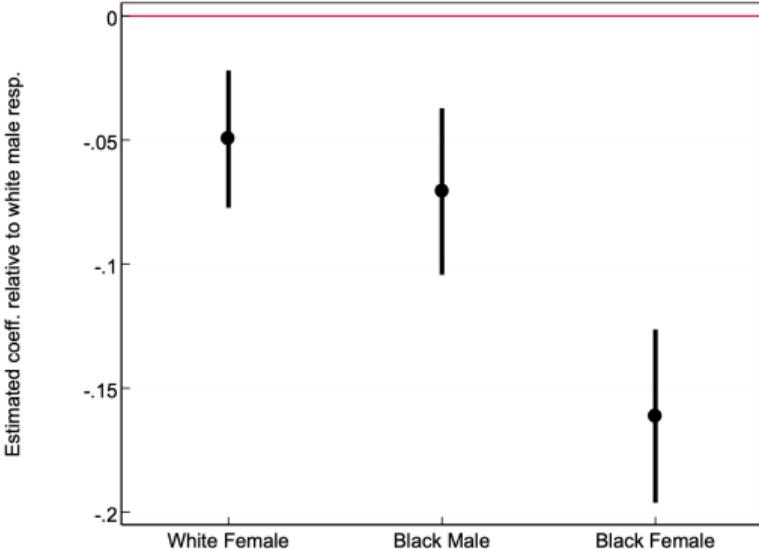
What is your best guess about the annual inflation rate that the Federal Reserve tries to achieve?

▶ Back

Shares with correct answer (exactly or approx.)



Group differences after controls (for approx. correct)



Underlying drivers – homophily or taste for diversity?

- Pure homophily would predict differential reactions by group as follows:
 - White females: $\text{Daly} > \text{Barkin} > \text{Bostic}$
 - Black males: $\text{Bostic} > \text{Barkin} > \text{Daly}$
 - White males: $\text{Barkin} > \text{Daly/Bostic}$
 - Black females: $\text{Daly/Bostic} > \text{Barkin}$

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 \Rightarrow No, respond similarly to Daly and Bostic
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 - White males: $\text{Barkin} > \text{Daly/Bostic}$
 \Rightarrow No, respond similarly to all
 - Black females: $\text{Daly/Bostic} > \text{Barkin}$
 \Rightarrow Yes

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Underrepresented groups respond more to non-white-male policymakers

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- Results overall seem more consistent with heterogeneous “taste for diversity”:
Underrepresented groups respond more to non-white-male policymakers
 - Although: Hispanic respondents do not respond differentially (in terms of expectations or trust)

Direct evidence on heterogeneous taste for diversity

Heterogeneity within White male respondents (majority group):
sort based on support for BLM, anti gender discrimination, politics, age

Direct evidence on heterogeneous taste for diversity

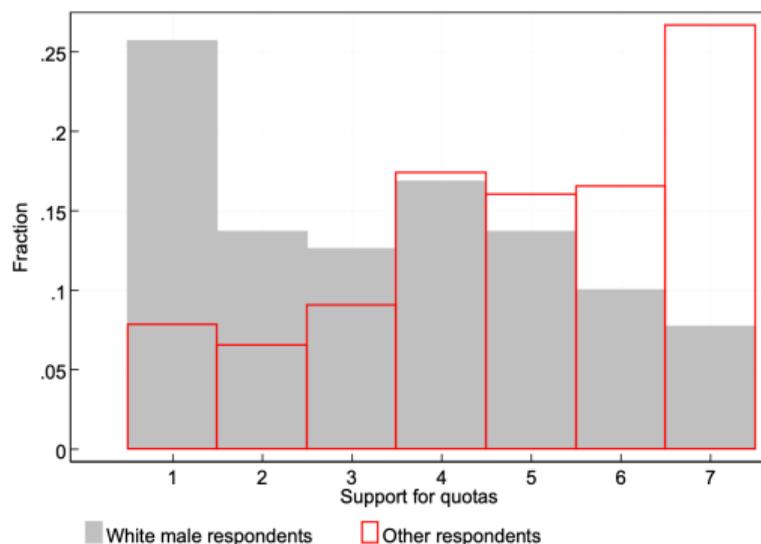
Heterogeneity within White male respondents (majority group):
 sort based on support for BLM, anti gender discrimination, politics, age

	Unempl. Expectations Anchoring (0/1)					Distrust in Fed Ability (0/1)				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
BLM Support	0.118***				0.104**	-0.084**				-0.030
× (Bostic/Daly)	(0.038)				(0.050)	(0.034)				(0.043)
Women Discr.		0.077**			0.016		-0.113***			-0.097**
× (Bostic/Daly)		(0.039)			(0.048)		(0.036)			(0.043)
Age ≤ 40)			0.067		0.051			-0.047		-0.035
× (Bostic/Daly)			(0.044)		(0.044)			(0.040)		(0.040)
Democrat				0.050	-0.001				-0.035	-0.003
× (Bostic/Daly)				(0.043)	(0.048)				(0.039)	(0.042)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Avg. Y	0.61	0.61	0.61	0.61	0.61	0.25	0.25	0.25	0.25	0.25
Obs.	2305	2305	2305	2305	2305	2305	2305	2305	2305	2305

⇒ more “progressive” White male respondents respond more to Bostic/Daly

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 $t > 7$)