

# 1 BASE AND TAYLOR MODELS, EXCLUDING THE VOLCKER CHAIRMANSHIP

Figure 1: Base specification excluding the Volcker chairmanship

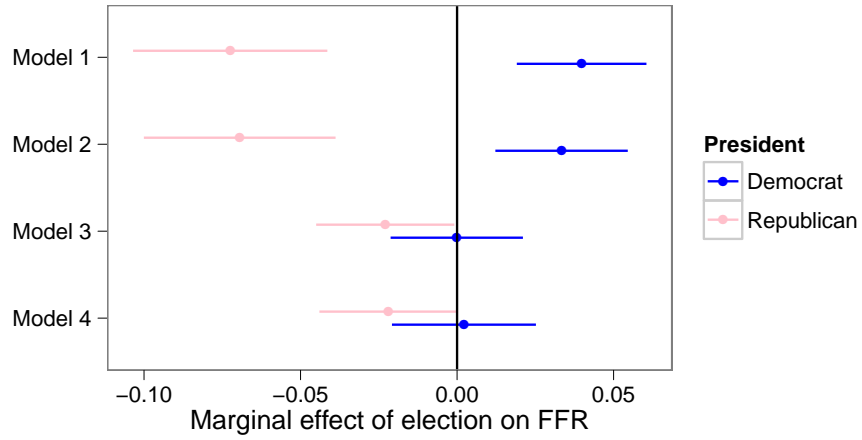


Figure 2: Taylor specification excluding the Volcker chairmanship

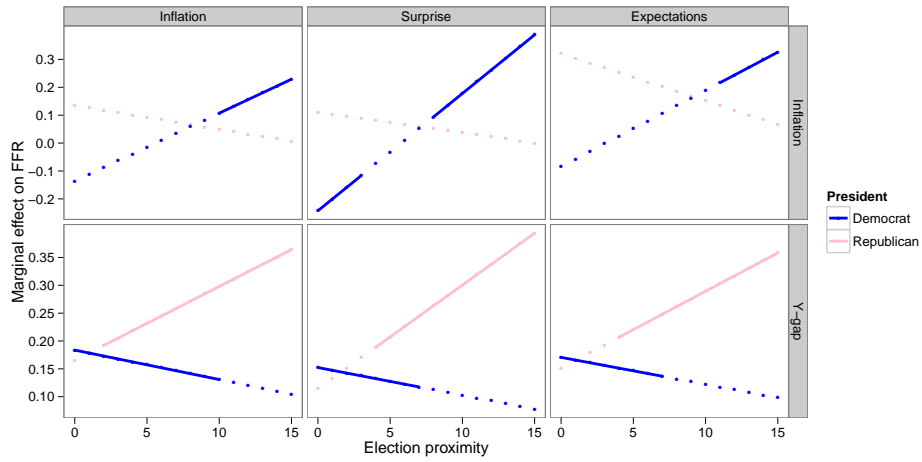


Table 1: Base specification excluding the Volcker chairmanship.

	Model 1	Model 2	Model 3	Model 4
Election	-0.072*** (0.019)	-0.069*** (0.019)	-0.023 <sup>†</sup> (0.013)	-0.032* (0.014)
Democrat	0.957** (0.289)	1.054*** (0.295)	0.908*** (0.271)	0.811** (0.306)
FFR <sub>t-1</sub>	0.782*** (0.062)	0.731*** (0.067)	0.725*** (0.060)	0.757*** (0.076)
Election × Democrat	0.112*** (0.026)	0.103*** (0.026)	0.023 (0.021)	0.031 (0.021)
$\pi$		0.098** (0.035)	0.071* (0.031)	0.073* (0.030)
Y-gap			0.254*** (0.041)	0.257*** (0.040)
Surplus/GDP				-0.090 (0.064)
$N$	185	185	185	185
$R^2$	0.985	0.986	0.990	0.990
adj. $R^2$	0.983	0.984	0.989	0.989
Resid. sd	0.689	0.672	0.573	0.570

OLS regression with FFR as dependent variable. Administration dummies omitted.

Robust standard errors in parentheses

<sup>†</sup> significant at  $p < .10$ ; \* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$

Table 2: Fed reaction to changes in output gap and inflation, conditional on electoral cycles and party of the president. Volcker chairmanship omitted.

	$\pi$	$\pi_t - \pi_{t-4}^e$	$\pi^e$
$\pi$	0.137 <sup>†</sup> (0.080)	0.109 (0.089)	0.318 (0.202)
$\pi \times \text{Election}$	-0.008 (0.007)	-0.007 (0.010)	-0.016 (0.020)
$\pi \times \text{Democrat}$	-0.301** (0.111)	-0.303* (0.135)	-0.475* (0.216)
$\pi \times \text{Election} \times \text{Democrat}$	0.034*** (0.010)	0.045** (0.016)	0.047* (0.021)
Y-gap	0.184 <sup>†</sup> (0.102)	0.129 (0.133)	0.164 (0.124)
Y-gap $\times$ Election	0.013 (0.012)	0.019 (0.015)	0.014 (0.011)
Y-gap $\times$ Democrat	0.051 (0.110)	0.068 (0.139)	0.038 (0.130)
Y-gap $\times$ Election $\times$ Democrat	-0.020 (0.014)	-0.027 (0.017)	-0.019 (0.013)
Election	-0.005 (0.027)	-0.054* (0.022)	0.013 (0.084)
Democrat	1.643*** (0.417)	1.023** (0.381)	2.058*** (0.490)
Election $\times$ Democrat	-0.038 (0.032)	0.110** (0.036)	-0.092 (0.086)
Surplus/GDP	-0.064 (0.070)	-0.058 (0.083)	-0.056 (0.088)
FFR <sub>t-1</sub>	0.697*** (0.086)	0.701*** (0.093)	0.655*** (0.112)
$N$	185	160	164
$R^2$	0.991	0.991	0.991
adj. $R^2$	0.989	0.989	0.990
Resid. sd	0.559	0.587	0.569

OLS regression with FFR as dependent variable. Administration dummies omitted.

Robust standard errors in parentheses

<sup>†</sup> significant at  $p < .10$ ; \* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$

2 BASE AND TAYLOR MODELS, EXCLUDING THE VOLCKER CHAIRMANSHIP AND THE LAST 2 QUARTERS OF EACH ELECTION CYCLE.

Figure 3: Base specification excluding the Volcker chairmanship and the last 2 quarters of each election cycle.

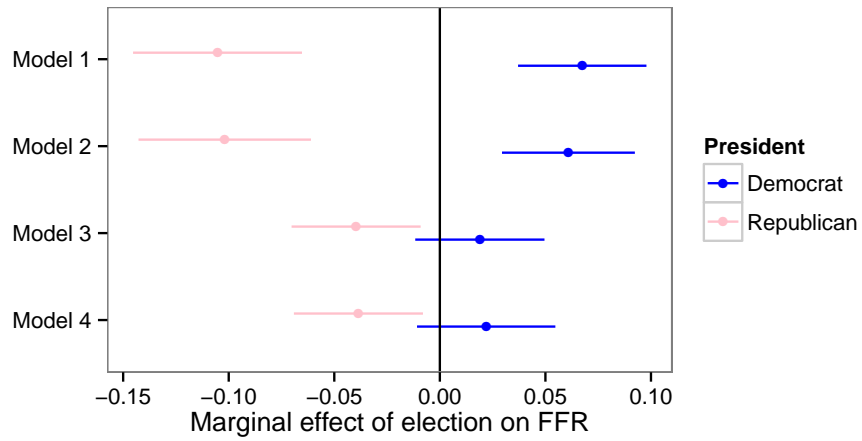


Figure 4: Taylor specification excluding the Volcker chairmanship and the last 2 quarters of each election cycle.

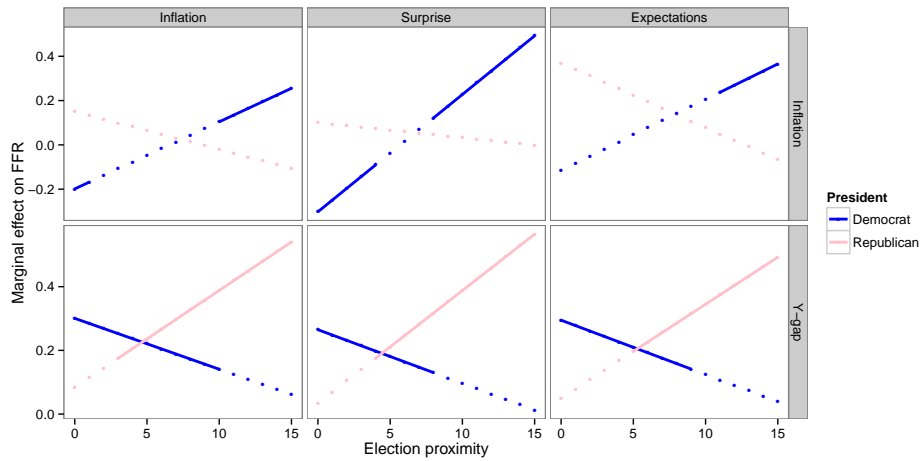


Table 3: Taylor specification, omitting the Volcker chairmanship

	$\pi$	$\pi_t - \pi_{t-4}^e$	$\pi^e$
$\pi$	0.150 (0.101)	0.101 (0.117)	0.370 <sup>†</sup> (0.222)
Election	0.003 (0.047)	-0.083** (0.029)	0.034 (0.103)
Democrat	1.024 (2.423)	0.953 (2.452)	1.287 (2.803)
Y-gap	0.084 (0.124)	0.034 (0.147)	0.049 (0.154)
Expenditure/GDP	0.047 (0.115)	0.010 (0.119)	0.047 (0.147)
FFR <sub>t-1</sub>	0.617*** (0.073)	0.610*** (0.070)	0.576*** (0.085)
$\pi \times$ Election	-0.017 (0.015)	-0.007 (0.017)	-0.029 (0.025)
$\pi \times$ Democrat	-0.349* (0.138)	-0.403** (0.146)	-0.484 <sup>†</sup> (0.280)
Election $\times$ Democrat	-0.034 (0.053)	0.175*** (0.040)	-0.103 (0.106)
Y-gap $\times$ Election	0.030 <sup>†</sup> (0.018)	0.035 (0.021)	0.030 (0.019)
Y-gap $\times$ Democrat	0.217 (0.140)	0.231 (0.157)	0.246 (0.165)
$\pi \times$ Election $\times$ Democrat	0.047** (0.016)	0.060** (0.019)	0.061* (0.026)
Y-gap $\times$ Election $\times$ Democrat	-0.046* (0.020)	-0.052* (0.024)	-0.047* (0.023)
$N$	161	140	142
$R^2$	0.991	0.991	0.991
adj. $R^2$	0.989	0.989	0.990
Resid. sd	0.577	0.599	0.583

Robust standard errors in parentheses

<sup>†</sup> significant at  $p < .10$ ; \* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$

### 3 BASE AND TAYLOR MODELS WITH CHAIRMEN DUMMY VARIABLES

Figure 5: Base specification with chairmen dummy variables

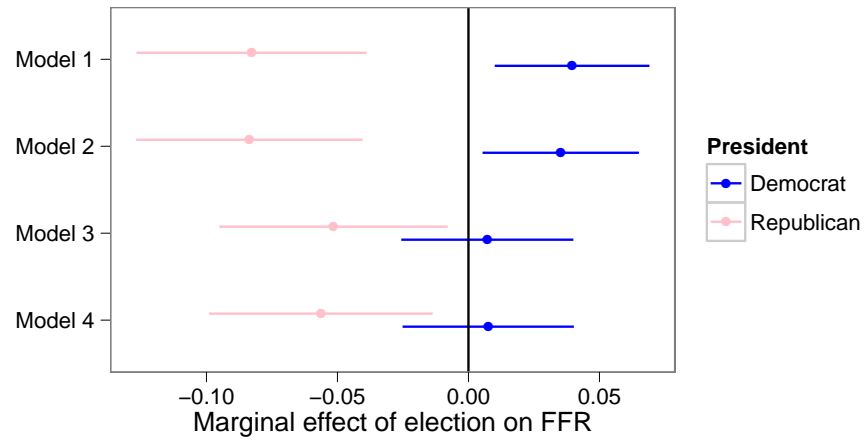


Figure 6: Taylor specification with chairmen dummy variables

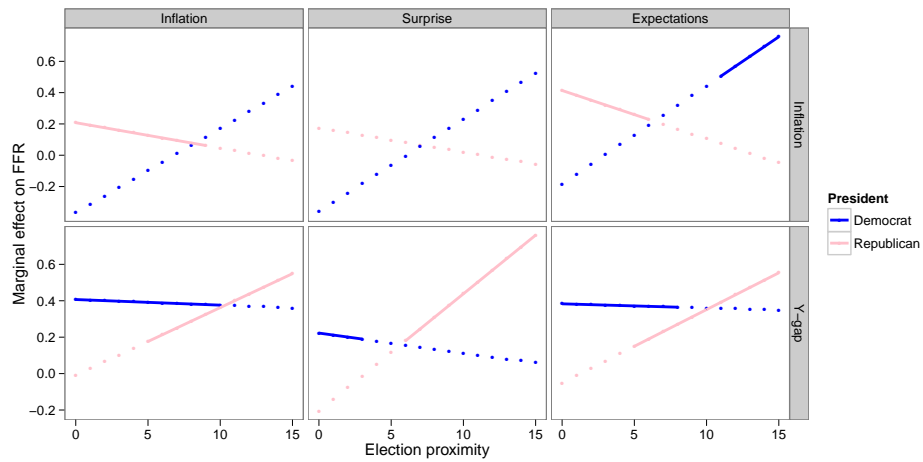


Table 4: Base specification including chairmen dummies

	Model 1	Model 2	Model 3	Model 4
Election	-0.083** (0.027)	-0.084** (0.026)	-0.052 <sup>†</sup> (0.027)	-0.056* (0.026)
Democrat	1.283*** (0.351)	1.432*** (0.352)	1.208*** (0.339)	1.167** (0.354)
FFR <sub>t-1</sub>	0.723*** (0.081)	0.639*** (0.085)	0.651*** (0.081)	0.664*** (0.088)
Election × Democrat	0.122** (0.040)	0.119** (0.039)	0.059 (0.041)	0.064 (0.040)
$\pi$		0.144** (0.047)	0.104* (0.044)	0.106* (0.043)
Y-gap			0.240*** (0.048)	0.244*** (0.048)
Surplus/GDP				-0.049 (0.058)
$N$	217	217	217	217
$R^2$	0.985	0.986	0.989	0.989
adj. $R^2$	0.983	0.984	0.987	0.987
Resid. sd	0.856	0.822	0.741	0.742

OLS regression with FFR as dependent variable. Administration dummies omitted.

Robust standard errors in parentheses

<sup>†</sup> significant at  $p < .10$ ; \* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$

Table 5: Taylor specification, adding chairman dummy variables.

	$\pi$	$\pi_t - \pi_{t-4}^e$	$\pi^e$
$\pi$	0.208** (0.072)	0.174 (0.129)	0.414** (0.158)
Election	-0.002 (0.027)	-0.122** (0.045)	0.037 (0.072)
Democrat	2.549* (1.018)	1.740** (0.595)	2.897* (1.402)
Y-gap	-0.010 (0.137)	-0.206 (0.182)	-0.052 (0.141)
Surplus/GDP	-0.019 (0.064)	-0.010 (0.076)	-0.002 (0.072)
FFR <sub>t-1</sub>	0.545*** (0.116)	0.481** (0.145)	0.467*** (0.136)
$\pi \times$ Election	-0.016* (0.006)	-0.015 (0.019)	-0.031* (0.015)
$\pi \times$ Democrat	-0.575 (0.379)	-0.533* (0.244)	-0.598 (0.372)
Election $\times$ Democrat	-0.126 (0.098)	0.221* (0.087)	-0.249* (0.119)
Y-gap $\times$ Election	0.037* (0.018)	0.064** (0.023)	0.040* (0.016)
Y-gap $\times$ Democrat	0.417 <sup>†</sup> (0.249)	0.429* (0.204)	0.435* (0.220)
$\pi \times$ Election $\times$ Democrat	0.070 <sup>†</sup> (0.037)	0.074 <sup>†</sup> (0.044)	0.094** (0.036)
Y-gap $\times$ Election $\times$ Democrat	-0.040 <sup>†</sup> (0.024)	-0.075* (0.031)	-0.043 <sup>†</sup> (0.023)
$N$	217	192	196
$R^2$	0.990	0.991	0.991
adj. $R^2$	0.989	0.989	0.989
Resid. sd	0.691	0.723	0.706

OLS regression with FFR as dependent variable. Administration dummies omitted.

Robust standard errors in parentheses

<sup>†</sup> significant at  $p < .10$ ; \* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$



## 4 BASE AND TAYLOR MODELS, INCLUDING THE OBAMA PRESIDENCY

Figure 7: Base specification including the Obama presidency

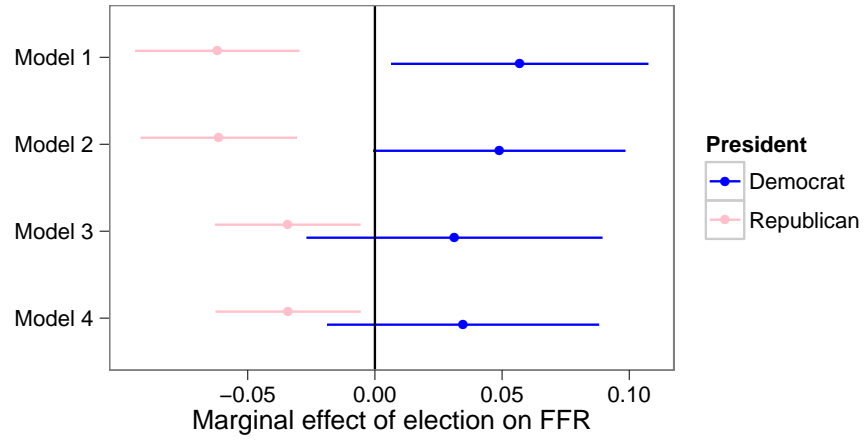


Figure 8: Taylor specification including the Obama presidency

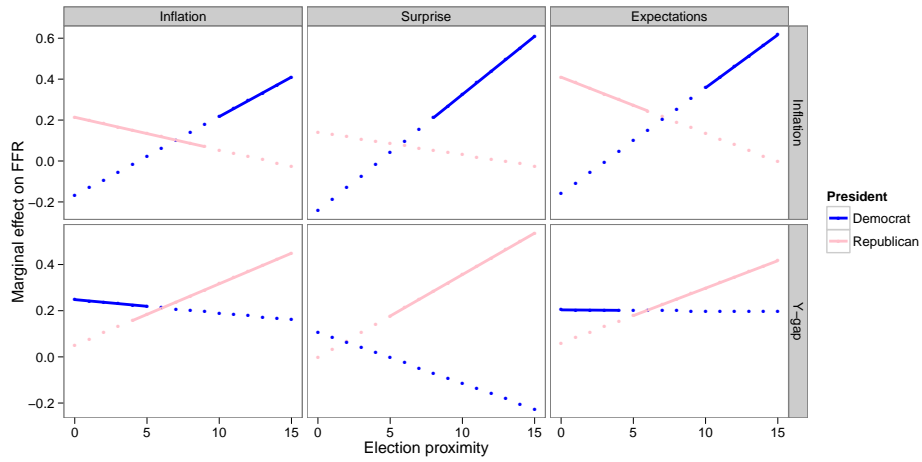


Table 6: Base specification including the Obama presidency.

	Model 1	Model 2	Model 3	Model 4
Election	-0.062** (0.020)	-0.061** (0.019)	-0.034† (0.017)	-0.038* (0.017)
Democrat	0.752* (0.379)	0.934* (0.364)	0.636* (0.310)	0.587† (0.320)
FFR <sub>t-1</sub>	0.797*** (0.063)	0.710*** (0.065)	0.731*** (0.057)	0.750*** (0.061)
Election × Democrat	0.119** (0.038)	0.110** (0.037)	0.066 (0.045)	0.067 (0.045)
$\pi$		0.149*** (0.038)	0.112** (0.036)	0.113** (0.036)
Y-gap			0.208*** (0.057)	0.216*** (0.056)
Surplus/GDP				-0.065 (0.043)
$N$	225	225	225	225
$R^2$	0.983	0.985	0.987	0.987
adj. $R^2$	0.982	0.983	0.986	0.986
Resid. sd	0.869	0.832	0.769	0.769

OLS regression with FFR as dependent variable. Administration dummies omitted.

Robust standard errors in parentheses

† significant at  $p < .10$ ; \* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$

Table 7: Taylor specification including the Obama presidency.

	$\pi$	$\pi_t - \pi_{t-4}^e$	$\pi^e$
$\pi$	0.217** (0.074)	0.143 (0.116)	0.417* (0.165)
Election	0.007 (0.021)	-0.076* (0.030)	0.052 (0.063)
Democrat	2.170** (0.821)	1.293** (0.405)	2.719† (1.475)
Y-gap	0.071 (0.118)	0.010 (0.147)	0.081 (0.124)
Surplus/GDP	-0.002 (0.049)	-0.027 (0.054)	0.046 (0.061)
FFR <sub>t-1</sub>	0.579*** (0.105)	0.631*** (0.100)	0.528*** (0.123)
$\pi \times$ Election	-0.016* (0.006)	-0.011 (0.016)	-0.028† (0.015)
$\pi \times$ Democrat	-0.403 (0.279)	-0.393* (0.198)	-0.614 (0.416)
Election $\times$ Democrat	-0.093† (0.055)	0.195* (0.088)	-0.224** (0.083)
Y-gap $\times$ Election	0.026† (0.015)	0.036* (0.018)	0.024† (0.013)
Y-gap $\times$ Democrat	0.218 (0.155)	0.131 (0.162)	0.168 (0.156)
$\pi \times$ Election $\times$ Democrat	0.056* (0.024)	0.068* (0.027)	0.081* (0.031)
Y-gap $\times$ Election $\times$ Democrat	-0.032 (0.022)	-0.059* (0.029)	-0.025 (0.019)
$N$	225	200	203
$R^2$	0.990	0.989	0.990
adj. $R^2$	0.988	0.987	0.988
Resid. sd	0.697	0.756	0.720

OLS regression with FFR as dependent variable. Administration dummies omitted.

Robust standard errors in parentheses

† significant at  $p < .10$ ; \*  $p < .05$ ; \*\*  $p < .01$ ; \*\*\*  $p < .001$

## 5 FORWARD-LOOKING TAYLOR MODELS WITH ALTERNATIVE MEASURES OF INFLATIONARY EXPECTATIONS

Figure 9: Taylor specification with chairmen dummy variables

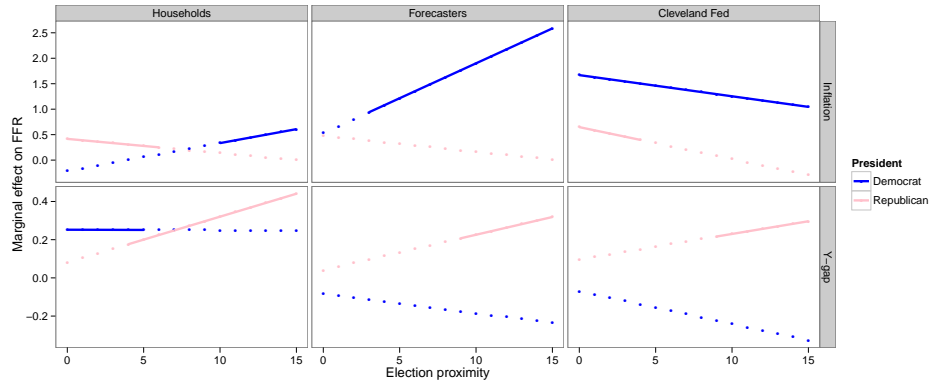


Table 8: Forward-looking Taylor rule model with alternative measures of inflationary expectations

	Households	Forecasters	Cleveland Fed
$\pi$	0.417* (0.165)	0.568 (0.435)	0.652† (0.364)
Election	0.052 (0.063)	-0.029 (0.082)	0.078 (0.095)
Democrat	2.775† (1.462)	0.871 (2.335)	-1.542 (1.320)
Y-gap	0.080 (0.124)	0.138 (0.184)	0.164 (0.180)
Surplus/GDP	0.054 (0.067)	-0.028 (0.119)	0.057 (0.123)
FFR <sub>t-1</sub>	0.525*** (0.125)	0.540*** (0.131)	0.529*** (0.146)
$\pi \times$ Election	-0.028† (0.015)	-0.004 (0.024)	-0.033 (0.031)
$\pi \times$ Democrat	-0.631 (0.413)	-0.031 (0.878)	0.681 (0.486)
Election $\times$ Democrat	-0.229** (0.086)	-0.199 (0.277)	0.008 (0.171)
Y-gap $\times$ Election	0.024† (0.013)	0.020 (0.020)	0.024 (0.017)
Y-gap $\times$ Democrat	0.172 (0.154)	-0.004 (0.237)	0.010 (0.213)
$\pi \times$ Election $\times$ Democrat	0.083** (0.031)	0.112 (0.094)	0.015 (0.055)
Y-gap $\times$ Election $\times$ Democrat	-0.024 (0.020)	-0.031 (0.023)	-0.041* (0.019)
$N$	196	110	107
$R^2$	0.990	0.994	0.995
adj. $R^2$	0.989	0.993	0.994
Resid. sd	0.732	0.557	0.471

OLS regression with FFR as dependent variable. Administration dummies omitted.

Robust standard errors in parentheses

† significant at  $p < .10$ ; \* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$

## 6 INFLATIONARY SURPRISE TAYLOR MODELS WITH ALTERNATIVE MEASURES OF INFLATIONARY EXPECTATIONS

Figure 10: Taylor specification with chairmen dummy variables

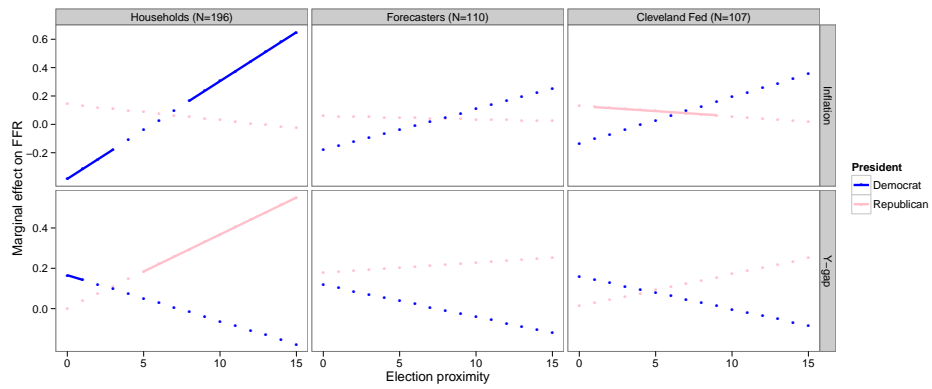


Table 9: Inflationary surprise Taylor rule model using alternative measures of inflationary surprise.

	Households	Forecasters	Cleveland Fed
$\pi$	0.144 (0.119)	0.093 (0.084)	0.156** (0.057)
Election	-0.075* (0.030)	-0.031 (0.025)	-0.029 (0.025)
Democrat	1.135** (0.417)	1.130* (0.562)	0.825† (0.419)
Y-gap	0.001 (0.149)	0.229 (0.195)	0.080 (0.144)
Surplus/GDP	0.018 (0.069)	-0.082 (0.057)	-0.090† (0.052)
$\text{FFR}_{t-1}$	0.612*** (0.108)	0.708*** (0.091)	0.783*** (0.059)
$\pi \times \text{Election}$	-0.011 (0.017)	-0.006 (0.008)	-0.009 (0.007)
$\pi \times \text{Democrat}$	-0.528* (0.205)	-0.273 (0.208)	-0.291 (0.180)
Election $\times$ Democrat	0.203* (0.092)	0.071 (0.048)	0.053 (0.045)
Y-gap $\times$ Election	0.037* (0.018)	0.010 (0.018)	0.018 (0.016)
Y-gap $\times$ Democrat	0.165 (0.164)	0.012 (0.300)	0.196 (0.247)
$\pi \times \text{Election} \times \text{Democrat}$	0.080** (0.028)	0.033 (0.023)	0.041† (0.021)
Y-gap $\times$ Election $\times$ Democrat	-0.059† (0.032)	-0.024 (0.020)	-0.033† (0.019)
$N$	192	106	103
$R^2$	0.989	0.995	0.995
adj. $R^2$	0.988	0.994	0.994
Resid. sd	0.766	0.466	0.437

OLS regression with FFR as dependent variable. Administration dummies omitted.

Robust standard errors in parentheses

† significant at  $p < .10$ ; \* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$

7 BASE AND TAYLOR MODELS WITH FOUR LAGGED DV.  
BASE MODELS WITH ARIMA.

Figure 11: Base specification with additional lagged DV

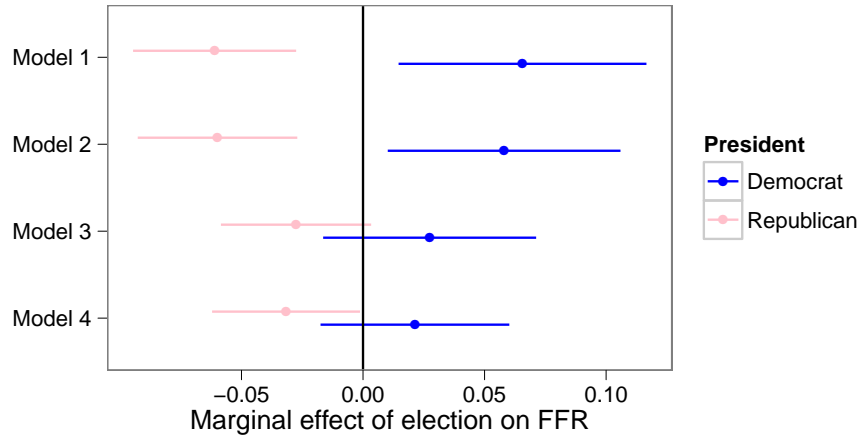


Figure 12: Taylor specification with additional lagged DV

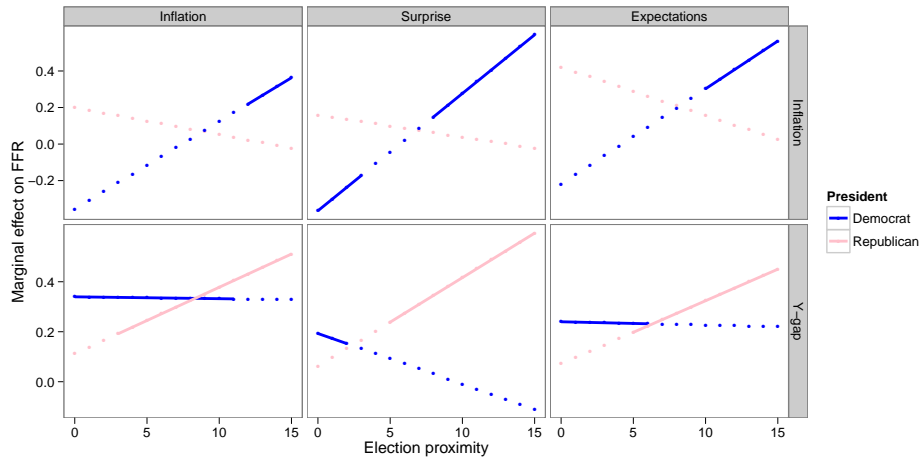




Table 10: Base specification with additional lagged DV.

	Model 1	Model 2	Model 3	Model 4
Election	-0.061** (0.020)	-0.060** (0.020)	-0.028 (0.019)	-0.032† (0.019)
Democrat	0.933† (0.477)	1.035* (0.448)	0.408 (0.476)	0.268 (0.537)
Election × Democrat	0.127*** (0.036)	0.118*** (0.035)	0.055† (0.031)	0.053† (0.030)
$\pi$		0.114** (0.040)	0.105* (0.040)	0.112** (0.042)
Y-gap			0.232*** (0.055)	0.262*** (0.064)
Surplus/GDP				-0.113 (0.081)
FFR <sub>t-1</sub>	1.107*** (0.136)	0.988*** (0.155)	0.844*** (0.163)	0.848*** (0.162)
FFR <sub>t-2</sub>	-0.516 (0.323)	-0.451 (0.320)	-0.321 (0.311)	-0.302 (0.313)
FFR <sub>t-3</sub>	0.348 (0.420)	0.337 (0.410)	0.291 (0.391)	0.297 (0.396)
FFR <sub>t-4</sub>	-0.192 (0.184)	-0.184 (0.183)	-0.039 (0.175)	-0.028 (0.176)
$N$	214	214	214	214
$R^2$	0.986	0.986	0.988	0.988
adj. $R^2$	0.984	0.985	0.987	0.987
Resid. sd	0.828	0.808	0.762	0.759

OLS regression with FFR as dependent variable. Administration dummies omitted.

Robust standard errors in parentheses

† significant at  $p < .10$ ; \* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$

Table 11: Taylor specification with additional lagged DV

	$\pi$	$\pi_t - \pi_{t-4}^e$	$\pi^e$
$\pi$	0.200 (0.127)	0.159 (0.128)	0.421 <sup>†</sup> (0.253)
$\pi \times \text{Election}$	-0.015 (0.012)	-0.012 (0.016)	-0.026 (0.026)
$\pi \times \text{Democrat}$	-0.555 (0.407)	-0.524* (0.229)	-0.642 (0.484)
$\pi \times \text{Election} \times \text{Democrat}$	0.063 <sup>†</sup> (0.033)	0.076** (0.028)	0.079 <sup>†</sup> (0.040)
Y-gap	0.112 (0.118)	0.060 (0.145)	0.072 (0.134)
Y-gap $\times$ Election	0.027 (0.016)	0.036 <sup>†</sup> (0.019)	0.025* (0.012)
Y-gap $\times$ Democrat	0.228 (0.155)	0.133 (0.158)	0.168 (0.160)
Y-gap $\times$ Election $\times$ Democrat	-0.027 (0.021)	-0.056* (0.028)	-0.027 (0.017)
Election	0.012 (0.038)	-0.064* (0.028)	0.051 (0.109)
Democrat	2.126** (0.736)	0.783 <sup>†</sup> (0.440)	2.661* (1.146)
Election $\times$ Democrat	-0.126 (0.081)	0.177** (0.067)	-0.213 (0.140)
Surplus/GDP	-0.016 (0.063)	-0.027 (0.076)	0.042 (0.080)
FFR <sub><i>t</i>-1</sub>	0.671** (0.235)	0.710*** (0.191)	0.682** (0.221)
FFR <sub><i>t</i>-2</sub>	-0.253 (0.333)	-0.276 (0.295)	-0.350 (0.324)
FFR <sub><i>t</i>-3</sub>	0.231 (0.376)	0.260 (0.402)	0.276 (0.352)
FFR <sub><i>t</i>-4</sub>	-0.011 (0.179)	-0.004 (0.185)	-0.055 (0.165)
<i>N</i>	214	192	196
<i>R</i> <sup>2</sup>	0.991	0.990	0.991
adj. <i>R</i> <sup>2</sup>	0.989	0.988	0.989
Resid. sd	0.688	0.740	0.704

OLS regression with FFR as dependent variable. Administration dummies omitted.

Robust standard errors in parentheses

<sup>†</sup> significant at  $p < .10$ ; \* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$

8 BASE AND TAYLOR MODELS, USING FEDERAL GOVERNMENT EXPENDITURES AS FISCAL CONTROL

Table 12: Base specification including control for federal government expenditures.

	Model 1	Model 2	Model 3	Model 4
Election	-0.062** (0.020)	-0.062** (0.019)	-0.035* (0.018)	-0.050* (0.024)
Democrat	0.748† (0.380)	0.936* (0.366)	0.633* (0.312)	1.016 (2.952)
Election × Democrat	0.120** (0.039)	0.112** (0.038)	0.068 (0.046)	0.094† (0.053)
$\pi$		0.156*** (0.040)	0.115** (0.039)	0.085* (0.039)
Y-gap			0.207*** (0.057)	0.173* (0.070)
Expenditure/GDP				-0.011 (0.140)
$FFR_{t-1}$	0.796*** (0.063)	0.704*** (0.066)	0.727*** (0.058)	0.760*** (0.061)
$N$	217	217	217	192
$R^2$	0.983	0.985	0.987	0.987
adj. $R^2$	0.982	0.983	0.986	0.985
Resid. sd	0.884	0.844	0.781	0.832

OLS regression with FFR as dependent variable. Administration dummies omitted.

Robust standard errors in parentheses

† significant at  $p < .10$ ; \* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$

Table 13: Taylor specification including control for federal government expenditures.

	$\pi$	$\pi_t - \pi_{t-4}^e$	$\pi^e$
$\pi$	0.212** (0.075)	0.138 (0.117)	0.408* (0.165)
$\pi \times \text{Election}$	-0.016* (0.006)	-0.011 (0.016)	-0.028† (0.014)
$\pi \times \text{Democrat}$	-0.588 (0.404)	-0.546** (0.194)	-0.593 (0.483)
$\pi \times \text{Election} \times \text{Democrat}$	0.067* (0.031)	0.081** (0.027)	0.081* (0.033)
Y-gap	0.045 (0.119)	-0.015 (0.146)	0.057 (0.124)
Y-gap $\times$ Election	0.026† (0.014)	0.036* (0.018)	0.024† (0.013)
Y-gap $\times$ Democrat	0.235 (0.176)	0.140 (0.162)	0.141 (0.151)
Y-gap $\times$ Election $\times$ Democrat	-0.026 (0.021)	-0.057† (0.033)	-0.023 (0.021)
Election	0.007 (0.020)	-0.074* (0.031)	0.052 (0.063)
Democrat	4.916* (2.068)	3.146 (2.320)	5.539* (2.407)
Election $\times$ Democrat	-0.120* (0.060)	0.207* (0.090)	-0.217* (0.087)
Expenditure/GDP	-0.121 (0.111)	-0.102 (0.122)	-0.144 (0.168)
FFR <sub>t-1</sub>	0.568*** (0.097)	0.612*** (0.094)	0.534*** (0.111)
$N$	217	192	196
$R^2$	0.990	0.989	0.990
adj. $R^2$	0.989	0.988	0.989
Resid. sd	0.700	0.765	0.730

OLS regression with FFR as dependent variable. Administration dummies omitted.

Robust standard errors in parentheses

† significant at  $p < .10$ ; \* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$

## 9 BASE AND TAYLOR MODELS, EXCLUDING THE LAST QUARTER BEFORE EACH ELECTION

Figure 13: Base specification excluding the last quarter before each election.

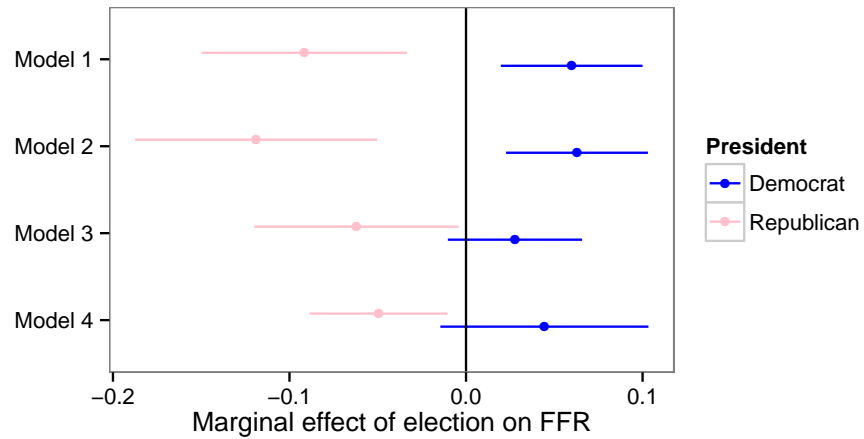


Figure 14: Taylor specification excluding the last quarter before each election.

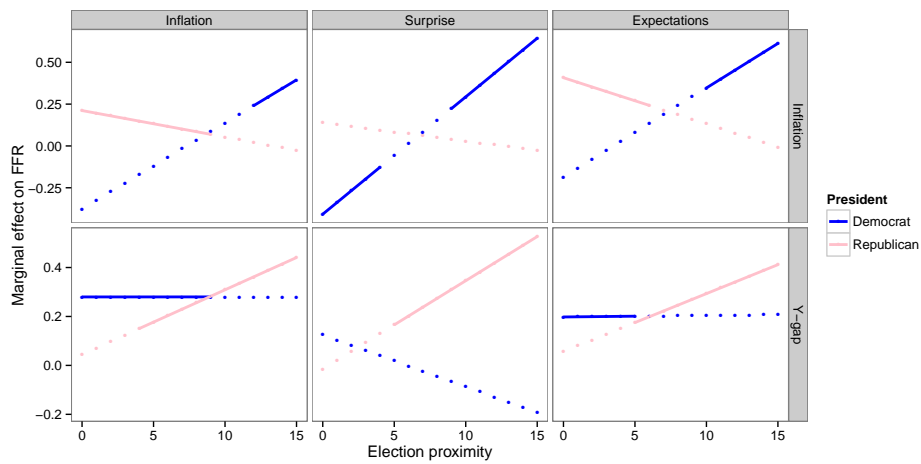


Table 14: Relationship between Election cycles and the federal funds rate (FFR), conditional on the party of the incumbent president. OLS regression with FFR as dependent variable. Presidential dummies omitted. Excluding the last quarter before each Election.

	Model 1	Model 2	Model 3	Model 4
Election	-0.092*	-0.119**	-0.062 <sup>†</sup>	-0.050*
	(0.035)	(0.042)	(0.035)	(0.024)
Democrat	1.194**	1.777***	1.093**	1.016
	(0.393)	(0.425)	(0.387)	(2.952)
Election $\times$ Democrat	0.151**	0.182**	0.090 <sup>†</sup>	0.094 <sup>†</sup>
	(0.050)	(0.058)	(0.050)	(0.053)
$\pi$		0.189***	0.088 <sup>†</sup>	0.085*
		(0.045)	(0.045)	(0.039)
Y-gap			0.268***	0.173*
			(0.059)	(0.070)
Expenditure/GDP				-0.011
				(0.140)
FFR <sub><i>t</i>-1</sub>	0.714***	0.640***	0.699***	0.760***
	(0.079)	(0.086)	(0.078)	(0.061)
<i>N</i>	203	180	180	192
<i>R</i> <sup>2</sup>	0.982	0.985	0.988	0.987
adj. <i>R</i> <sup>2</sup>	0.980	0.984	0.986	0.985
Resid. sd	0.921	0.873	0.803	0.832

Robust standard errors in parentheses

<sup>†</sup> significant at  $p < .10$ ; \* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$

Table 15: Fed reaction to changes in output gap and inflation, conditional on electoral cycles and party of the president. OLS regression with FFR as dependent variable. Excluding the last quarter before each Election.

	$\pi$	$\pi_t - \pi_{t-4}^e$	$\pi^e$
$\pi$	0.212** (0.075)	0.138 (0.117)	0.408* (0.165)
$\pi \times \text{Election}$	-0.016* (0.006)	-0.011 (0.016)	-0.028† (0.014)
$\pi \times \text{Democrat}$	-0.588 (0.404)	-0.546** (0.194)	-0.593 (0.483)
$\pi \times \text{Election} \times \text{Democrat}$	0.067* (0.031)	0.081** (0.027)	0.081* (0.033)
Y-gap	0.045 (0.119)	-0.015 (0.146)	0.057 (0.124)
Y-gap $\times$ Election	0.026† (0.014)	0.036* (0.018)	0.024† (0.013)
Y-gap $\times$ Democrat	0.235 (0.176)	0.140 (0.162)	0.141 (0.151)
Y-gap $\times$ Election $\times$ Democrat	-0.026 (0.021)	-0.057† (0.033)	-0.023 (0.021)
Election	0.007 (0.020)	-0.074* (0.031)	0.052 (0.063)
Democrat	4.916* (2.068)	3.146 (2.320)	5.539* (2.407)
Expenditure/GDP	-0.121 (0.111)	-0.102 (0.122)	-0.144 (0.168)
Election $\times$ Democrat	-0.120* (0.060)	0.207* (0.090)	-0.217* (0.087)
FFR <sub>t-1</sub>	0.568*** (0.097)	0.612*** (0.094)	0.534*** (0.111)
$N$	217	192	196
$R^2$	0.990	0.989	0.990
adj. $R^2$	0.989	0.988	0.989
Resid. sd	0.700	0.765	0.730

Robust standard errors in parentheses

† significant at  $p < .10$ ; \* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$



## 10 BASE AND TAYLOR MODELS, EXCLUDING THE LAST TWO QUARTERS BEFORE EACH ELECTION

Figure 15: Base specification excluding the last two quarters before each election.

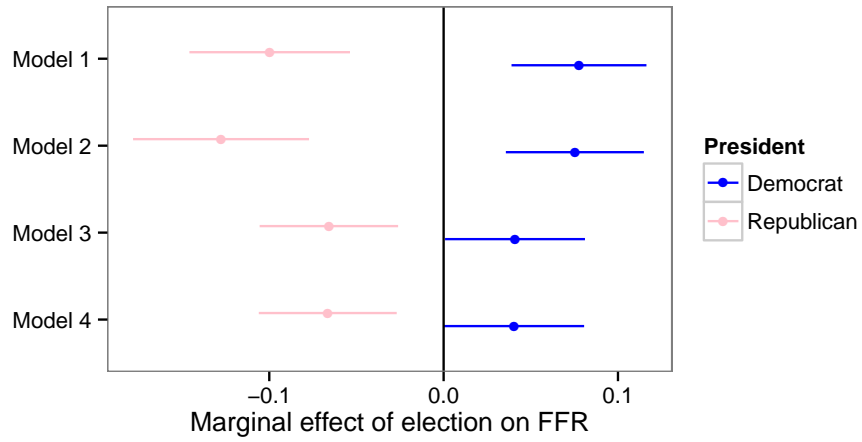


Figure 16: Taylor specification excluding the last two quarters before each election.

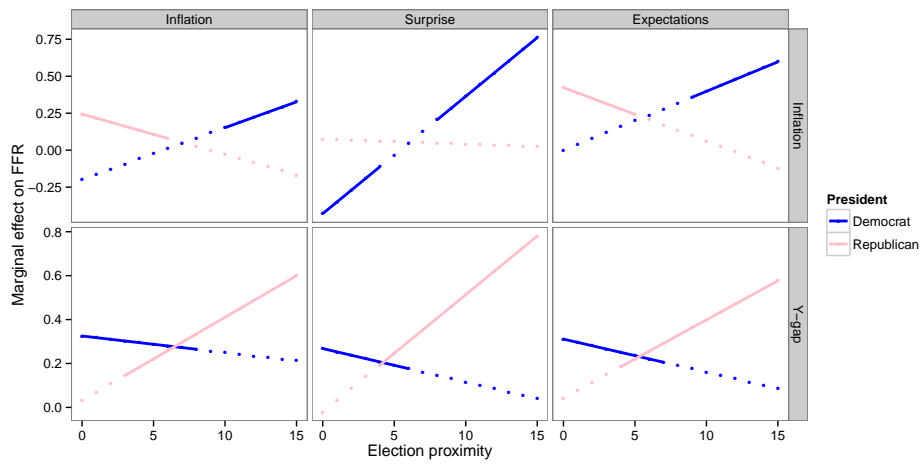


Table 16: Relationship between Election cycles and the federal funds rate (FFR), conditional on the party of the incumbent president. OLS regression with FFR as dependent variable. Presidential dummies omitted. Excluding the last two quarters before each Election.

	Model 1	Model 2	Model 3	Model 4
Election	-0.100*** (0.028)	-0.128*** (0.031)	-0.066** (0.024)	-0.066** (0.024)
Democrat	0.896* (0.361)	1.489*** (0.388)	0.863* (0.383)	0.844* (0.405)
FFR <sub>t-1</sub>	0.749*** (0.066)	0.677*** (0.067)	0.730*** (0.062)	0.735*** (0.073)
Election × Democrat	0.177*** (0.038)	0.203*** (0.042)	0.107** (0.037)	0.107** (0.038)
$\pi$		0.161*** (0.043)	0.069 (0.047)	0.069 (0.047)
Y-gap			0.255*** (0.065)	0.258*** (0.066)
Surplus/GDP				-0.018 (0.078)
$N$	189	168	168	168
$R^2$	0.985	0.987	0.989	0.989
adj. $R^2$	0.983	0.986	0.988	0.988
Resid. sd	0.857	0.817	0.753	0.756

Robust standard errors in parentheses

† significant at  $p < .10$ ; \* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$

Table 17: Fed reaction to changes in output gap and inflation, conditional on electoral cycles and party of the president. OLS regression with FFR as dependent variable. Excluding the last two quarters before each Election.

	$\pi$	$\pi_t - \pi_{t-4}^e$	$\pi^e$
$\pi$	0.244** (0.093)	0.074 (0.131)	0.424* (0.170)
Election	0.040 (0.044)	-0.082** (0.025)	0.082 (0.079)
Democrat	2.188*** (0.463)	1.251** (0.433)	2.258** (0.692)
Y-gap	0.031 (0.112)	-0.021 (0.127)	0.042 (0.125)
Surplus/GDP	0.022 (0.065)	0.057 (0.074)	0.093 (0.086)
FFR <sub>t-1</sub>	0.551*** (0.076)	0.543*** (0.084)	0.492*** (0.092)
$\pi \times$ Election	-0.027* (0.012)	-0.003 (0.018)	-0.036* (0.018)
$\pi \times$ Democrat	-0.442** (0.167)	-0.503** (0.166)	-0.424 (0.274)
Election $\times$ Democrat	-0.097 <sup>†</sup> (0.054)	0.193*** (0.045)	-0.192* (0.089)
Y-gap $\times$ Election	0.038* (0.017)	0.053** (0.020)	0.036 <sup>†</sup> (0.019)
Y-gap $\times$ Democrat	0.294* (0.145)	0.289 <sup>†</sup> (0.152)	0.269 (0.174)
$\pi \times$ Election $\times$ Democrat	0.062*** (0.018)	0.083*** (0.023)	0.076*** (0.022)
Y-gap $\times$ Election $\times$ Democrat	-0.045* (0.022)	-0.069** (0.024)	-0.051* (0.024)
$N$	189	168	170
$R^2$	0.992	0.992	0.992
adj. $R^2$	0.990	0.990	0.991
Resid. sd	0.650	0.681	0.660

Robust standard errors in parentheses

<sup>†</sup> significant at  $p < .10$ ; \* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$

# 11 BASE AND TAYLOR MODELS, CONTROLLING FOR THE PARTY WHICH FIRST APPOINTED THE SITTING FED CHAIRMAN

Figure 17: Base specification excluding the last quarter before each election.

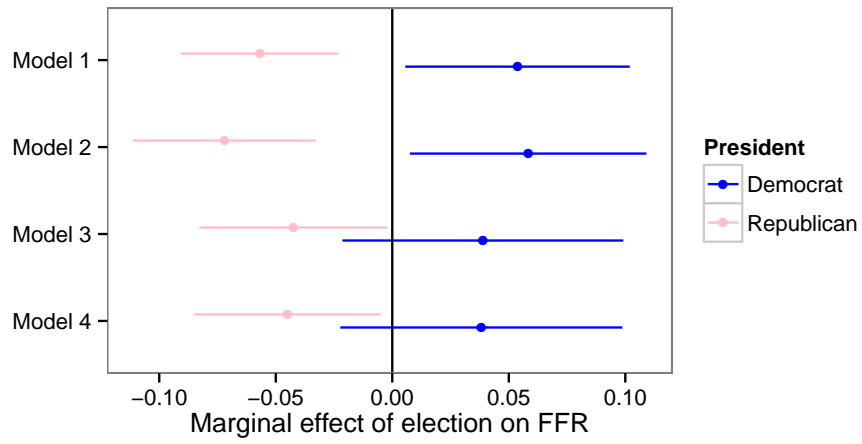


Figure 18: Taylor specification excluding the last quarter before each election.

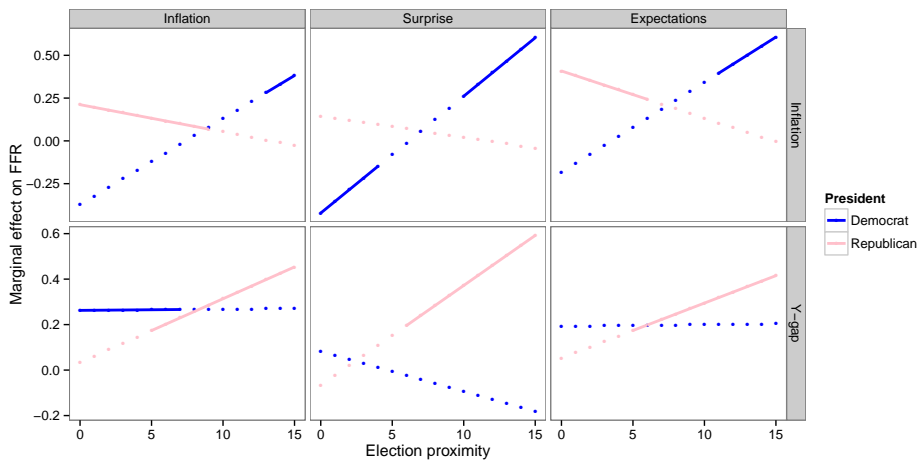


Table 18: Relationship between Election cycles and the federal funds rate (FFR), conditional on the party of the incumbent president. OLS regression with FFR as dependent variable. Presidential dummies omitted. Controlling for the party which first appointed the sitting Fed chairman

	Model 1	Model 2	Model 3	Model 4
Election	-0.057** (0.021)	-0.072** (0.024)	-0.042† (0.025)	-0.045† (0.024)
Democrat	0.811* (0.369)	1.252** (0.407)	0.838* (0.353)	0.800* (0.367)
Fed appt party	0.332 (0.329)	0.238 (0.314)	0.337 (0.286)	0.291 (0.296)
$\pi$		0.151*** (0.041)	0.083* (0.039)	0.085* (0.039)
Y-gap			0.181* (0.070)	0.187* (0.072)
Surplus/GDP				-0.042 (0.063)
Election $\times$ Democrat	0.111** (0.035)	0.130** (0.041)	0.081 (0.051)	0.083 (0.051)
FFR <sub>t-1</sub>	0.790*** (0.064)	0.732*** (0.067)	0.757*** (0.061)	0.771*** (0.070)
$N$	217	192	192	192
$R^2$	0.983	0.986	0.987	0.987
adj. $R^2$	0.982	0.984	0.985	0.985
Resid. sd	0.883	0.862	0.828	0.830

Robust standard errors in parentheses

† significant at  $p < .10$ ; \* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$

Table 19: Fed reaction to changes in output gap and inflation, conditional on electoral cycles and party of the president. OLS regression with FFR as dependent variable. Controlling for the party which first appointed the sitting Fed chairman.

	$\pi$	$\pi_t - \pi_{t-4}^e$	$\pi^e$
$\pi$	0.212** (0.075)	0.145 (0.117)	0.409* (0.164)
$\pi \times \text{Election}$	-0.016** (0.006)	-0.012 (0.017)	-0.028† (0.014)
$\pi \times \text{Democrat}$	-0.584 (0.406)	-0.567** (0.196)	-0.593 (0.486)
$\pi \times \text{Election} \times \text{Democrat}$	0.066* (0.032)	0.081** (0.028)	0.080* (0.034)
Y-gap	0.034 (0.118)	-0.068 (0.151)	0.054 (0.123)
Y-gap $\times$ Election	0.028† (0.014)	0.044* (0.020)	0.024† (0.013)
Y-gap $\times$ Democrat	0.229 (0.179)	0.152 (0.162)	0.140 (0.155)
Y-gap $\times$ Election $\times$ Democrat	-0.027 (0.021)	-0.062† (0.034)	-0.023 (0.021)
Election	0.011 (0.020)	-0.063* (0.031)	0.054 (0.064)
Democrat	5.148* (2.027)	4.196† (2.225)	5.602* (2.383)
Election $\times$ Democrat	-0.119† (0.062)	0.195* (0.087)	-0.216* (0.090)
Expenditure/GDP	-0.131 (0.110)	-0.151 (0.116)	-0.147 (0.170)
Fed appt party	0.153 (0.289)	0.473 (0.298)	0.044 (0.309)
FFR <sub>t-1</sub>	0.564*** (0.096)	0.594*** (0.097)	0.534*** (0.109)
$N$	217	192	196
$R^2$	0.990	0.989	0.990
adj. $R^2$	0.988	0.988	0.988
Resid. sd	0.702	0.762	0.732

Robust standard errors in parentheses

† significant at  $p < .10$ ; \* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$

12 BASE MODEL, ESTIMATED IN SUBSAMPLES OF FED  
CHAIRMAN APPOINTED BY EITHER DEMOCRATIC OR  
REPUBLICAN PRESIDENTS.

Table 20: Relationship between Election cycles and the federal funds rate (FFR), conditional on the party of the incumbent president. OLS regression with FFR as dependent variable. Presidential dummies omitted. Model estimated in subsamples depending on whether the Fed chairman was initially appointed by Democrats or Republicans.

	R appointed	D appointed	Full sample
Election	-0.038 <sup>†</sup> (0.021)	-0.039 (0.033)	-0.039* (0.018)
Democrat	0.495 (0.365)	0.287 (0.460)	0.577 <sup>†</sup> (0.323)
$\pi$	0.042 (0.030)	0.205* (0.081)	0.119** (0.038)
Y-gap	0.299*** (0.067)	0.138 (0.093)	0.217*** (0.056)
Surplus/GDP	-0.181* (0.085)	-0.034 (0.127)	-0.079 (0.051)
FFR <sub>t-1</sub>	0.813*** (0.070)	0.635*** (0.124)	0.749*** (0.063)
Election $\times$ Democrat	0.050 (0.037)	0.088 (0.075)	0.070 (0.046)
$N$	116	100	217
$R^2$	0.991	0.985	0.987
adj. $R^2$	0.990	0.983	0.986
Resid. sd	0.570	0.972	0.780

Robust standard errors in parentheses

<sup>†</sup> significant at  $p < .10$ ; \* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$



## 13 ALTERNATIVE EXPLANATION

Table 21: Effect of match between the sitting President’s party and the party that initially appointed the Fed chairman on the Federal funds rate. ARIMA models estimated using a Kalman filter. Autoregressive order and moving average selected using the algorithm of Hyndman and Khandakar (2008)

	Least squares			ARIMA		
	M1	M2	M3	M4	M5	M6
$\pi$	0.115 (0.025)	0.131 (0.026)	0.115 (0.034)	0.124 (0.028)	0.130 (0.024)	0.129 (0.029)
Y-gap	0.157 (0.027)	0.168 (0.028)	0.239 (0.036)	0.192 (0.038)	0.150 (0.026)	0.229 (0.027)
Fed match $\times$ Election (D)	-0.178 (0.131)			-0.103 (0.131)		
Election		0.007 (0.013)	-0.016 (0.020)		0.007 (0.012)	0.001 (0.012)
Fed match		-0.176 (0.177)	0.124 (0.336)		-0.164 (0.164)	0.311 (0.236)
Fed match $\times$ Election		-0.019 (0.022)	0.008 (0.029)		-0.016 (0.020)	-0.020 (0.018)
Surplus/GDP	-0.123 (0.036)	-0.139 (0.037)	-0.065 (0.074)	-0.160 (0.047)	-0.118 (0.034)	-0.186 (0.036)
FFR <sub>t-1</sub>	0.895 (0.021)	0.890 (0.023)	0.790 (0.042)	0.868 (0.029)	0.895 (0.022)	0.894 (0.024)
AR(1)				0.766 (0.162)		-0.021 (0.067)
AR(2)						-0.359 (0.065)
MA(1)				-0.585 (0.152)	0.179 (0.067)	
MA(2)				-0.322 (0.078)	-0.247 (0.062)	
MA(3)				0.316 (0.067)		
N	217	217	217	217	217	217
Adm. Dummies	No	No	Yes	No	No	Yes