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Televised Inflation: Measuring TV News Coverage and Its Effect on Household Expectations

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Televised Inflation: Measuring TV News Coverage and Its Effect on Household Expectations*

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Abstract

This paper introduces a novel TV news index specifically designed to track coverage of rising inflation across major US TV channels: ABC, CBS, CNN, and Fox News. The index is generated daily and aggregated into a monthly measure. Using this index, we analyze the impact of TV news on inflation expectations based on both aggregated monthly and micro-level daily data. We find that only CNN and Fox coverage have significant effects on inflation expectations, and that responses are stronger among women, younger, poorer, and less-educated households. Moreover, the effects are larger when inflation is rising and the inflationary episode is prolonged. The micro data confirm these findings and reveal a partisan bias: Republicans respond more strongly to TV news than Democrats and the effects are larger for Fox than for CNN.

Keywords: Inflation Expectations, Expectation Formation, TV News, Text Analysis.
JEL classification: E31, D84, E58.

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1 Introduction

Inflation expectations play a central role in economic decision-making across all sectors of the economy and have been measured using a variety of methods. Policymakers have been monitoring these measures for a long time. In addition to a few market-based measures such as those based on inflation-protected securities, inflation expectations are primarily gauged through surveys. These surveys target either professionals, like the Survey of Professional Forecasters (SPF), or households, such as those conducted by the University of Michigan Surveys of Consumers (MSC), among others.

In recent years, inflation expectations have received increasing attention due to two opposing developments. On one hand, in the aftermath of the Great Recession, fears of deflation and deflationary expectations became widespread among major economies. As a result, central banks have increasingly aimed not only to monitor but also to actively shape and guide inflation expectations, utilizing tools such as forward guidance. On the other hand, following the pandemic, inflation rates, and with them, inflation expectations, have surged, leading the U.S. to experience its highest inflation rates since the 1980s. These developments have underscored the importance of understanding and managing inflation expectations and have raised an important question: how are inflation expectations formed, and what factors are significant in the expectation formation process?

To address this question, we examine to what extent TV news affect households' inflation expectations. To do so, we construct a novel daily TV news index tracking inflation coverage on ABC, CBS, CNN, and Fox News, aggregated to a monthly measure. Using aggregated monthly time-series regressions, we find that TV news and inflation expectations co-move in the aggregate, with only CNN and Fox News coverage showing significant effects. We further find stronger responses among women, younger, poorer, and less-educated households. Moreover, the effects are, in particular, larger when inflation is rising and the inflationary episode is prolonged. Our micro-level regressions on a daily frequency confirm these patterns and reveal a partisan bias: Republicans respond more strongly to TV news than Democrats and the effects are larger for Fox News than for CNN.

Related Literature. The role of media on inflation expectations has received considerable attention in recent years. In his seminal work, Carroll (2003) uses the intensity of coverage of inflation-related topics in newspapers, such as the *New York Times* and *Washington Post*, and analyzes whether more intense coverage leads to a lower gap between the inflation expectations of professionals, as measured by the SPF, and households, as measured by the MSC. Using a similar setup, Lamla & Lein (2014) focus on the rationality of expectations, employing TV transcripts and inflation expectations of consumers in Germany to show that a higher volume of news leads consumers to be more inclined to update their expectations, which in turn results in more accurate inflation forecasts. Dräger (2015) reports similar findings for Sweden, using the volume of newspaper articles on inflation. More recently, Angelico *et al.* (2022) and Born *et al.* (2023) analyze the occurrence of inflation and inflation-related topics on social media platforms to show that the discussion of these topics is correlated with inflation expectations of households.

Various surveys indicate that television plays a major role as a source of information for households. In a household survey, Blinder & Krueger (2004) find that 47% of respondents report TV news as their primary source of information on economics or economic policy. In more recent studies Stantcheva (2024) and D'Acunto *et al.* (2019) find that survey participants report TV as the most important source of formal news about inflation and Hsu (2024) reports that mainstream news, which includes national TV channels, is a major source of economic information.

Despite the relevance of the topic, there are only a few papers that discuss the role of TV news in the formation of inflation expectations. Hirsch *et al.* (2023) use TV news in Eurozone countries within a difference-in-differences approach and find that when news outlets report on a monetary policy measure of the ECB, household inflation expectations adjust more strongly compared to periods without such media coverage. Similarly, Lamla & Lein (2015) examine the influence of media coverage on inflation perceptions in Germany following the introduction of the Euro and find that TV news related to rising inflation significantly affect consumers' inflation perceptions. The authors highlight that the media serves as a low-cost information source for consumers, who do not constantly update their macroeconomic models. Using expectations

data for households and professional forecasters, Lamla & Maag (2012) investigate the role of media coverage in shaping inflation forecast disagreement in Germany. They find that media coverage significantly influences disagreement among households, while professional forecasters are largely unaffected. This difference is attributed to the fact that professional forecasters rely more on their own models and have stronger incentives for information acquisition, irrespective of media coverage. These findings underscore the role of TV news in shaping households' inflation perceptions.

While the aforementioned studies examine the role of TV news in shaping household inflation expectations from various angles, they do not quantify the direct effect of such news. We fill this gap by constructing a novel daily TV news index measuring the intensity of coverage on rising inflation across four major US cable channels, ABC, CBS, CNN, and Fox News, which is aggregated to a monthly frequency. We then link this index to household inflation expectations using five approaches: (i) aggregate time-series regressions using monthly data to estimate static responses to study heterogeneity across channels in the index and across demographic groups in the MSC; (ii) local projections to trace dynamic effects; (iii) two-state local projections distinguishing periods of sustained inflation increases from others to study state dependence; (iv) a four-state specification to evaluate anticipation vs. exposure effects; and (v) micro-level regressions with daily data by matching MSC interview dates to our daily news indices, which sharpens the timing between news exposure and the formation of expectations, reducing potential simultaneity.

Our results show that TV news significantly shape household inflation expectations, with substantial heterogeneity across channels and demographic groups. We find that only CNN and Fox News have significant effects on expectations and that women, younger, less-educated, and income-poorer households react more strongly to TV news. Aggregate local projections indicate persistent effects, with peak responses considerably larger than the initial OLS estimates. The two-state analysis reveals state-dependent effects, with peak effects in states with increasing inflation that are more than three times larger and more persistent than in other states. The four-state model shows stronger reactions at the end of inflationary periods than at the beginning,

consistent with an exposure effect. Micro-level daily regressions confirm these findings and highlight partisan differences. Across all specifications, women, less-educated, and lower-income respondents tend to have higher inflation expectations. Republicans respond more strongly than Democrats to inflation-related news on both Fox and CNN, with a much larger gap for Fox. During the Biden presidency, baseline partisan differences reverse, with Republicans reporting higher inflation expectations than Democrats. Moreover, Fox inflation coverage lifts expectations for both partisan groups, with Democrats' response to Fox nearly doubling compared to the full sample, while CNN's influence remains weak. Our findings underscore that the relationship between news and expectations is complex and varies with time, economic conditions, and the governing party.

The remainder of the paper is structured as follows. Section 2 outlines the construction, description, and validation of the TV news index. Section 3 examines the relationship between the TV news index and inflation expectations using aggregate monthly time series regressions. Section 4 complements this analysis with micro-level evidence based on daily data. Section 5 concludes.

2 The TV News Index

In this section, we introduce our novel TV news index specifically designed to track news related to increasing inflation. Our index is constructed on a daily basis and subsequently aggregated into a monthly index. To validate our index, we compare the monthly index against monthly data on inflation and inflation expectations from the MSC.

2.1 Construction

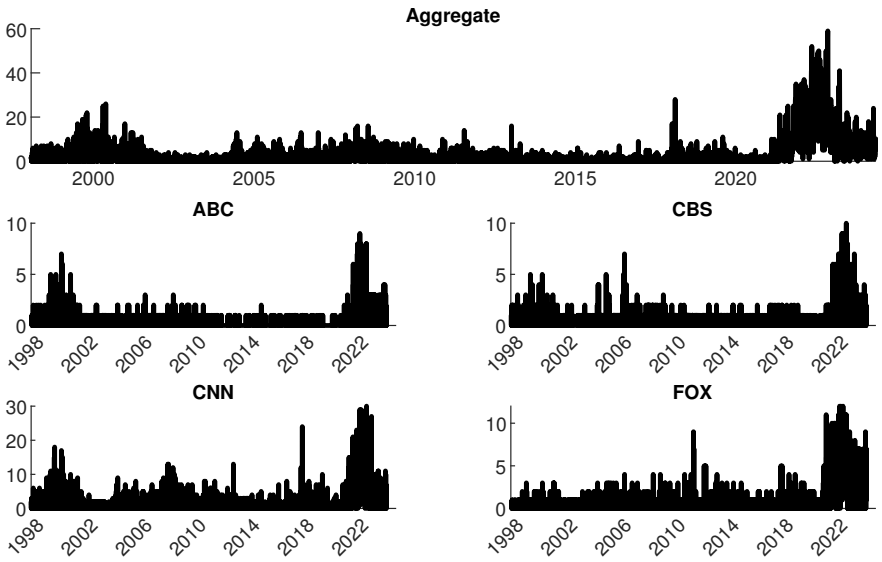
We analyze approximately 1.3 million transcripts from four major US TV channels, ABC, CBS, CNN, and Fox News, between January 1998 and April 2024, sourced from the Nexis Uni database. We focus on transcripts containing the term "inflation", specifically targeting those discussing rising inflation rates. To achieve this, we exclude reports mentioning terms associated with falling inflation rates in the vicinity of the search term. Additionally, to filter out non-US inflation coverage, we exclude transcripts mentioning other countries. This process

results in around 25,000 news reports addressing increasing inflation rates in the US.[1]

To construct a daily index for each individual channel, we use the sum of the daily counts of news that are related to increasing inflation using the methodology outlined above. The aggregate daily index is constructed as the sum of the individual channel counts. Finally, we derive for both the individual channels and the aggregate index monthly indices by aggregating daily counts within each month. The resulting daily indices are shown in Figure 1 and the aggregated monthly indices are shown in Figure 2.

2.2 Description and Validation

Figure 1: Daily Indices

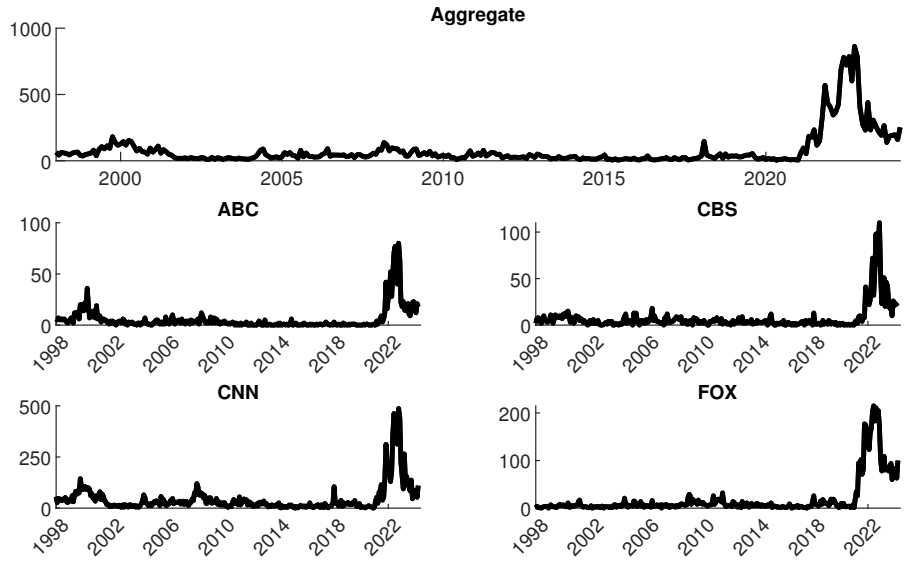


Notes: The aggregate index shows the sum of the count of daily TV news reports on increasing inflation on four major US TV channels ABC, CBS, CNN, and Fox News.

Our indices show several increases around the year 2000, mostly related to Federal Reserve comments on rising inflation and their effects on stock markets, such as the May 16, 2000, interest rate hike in the aftermath of the dot-com bubble. Similarly, the index rises before and around the 2008 financial crisis, when reporting on inflationary concerns intensified. While there are also isolated dates with sharp increases in reporting, such as February 5, 2018, when Jerome Powell was appointed Federal Reserve Chair, the overall steep rise occurs in early 2021. Our index closely tracks the inflationary episode that started during this period, showing a substantial rise

[1]Details of our search methodology are provided in Appendix A.1.

Figure 2: Monthly Indices

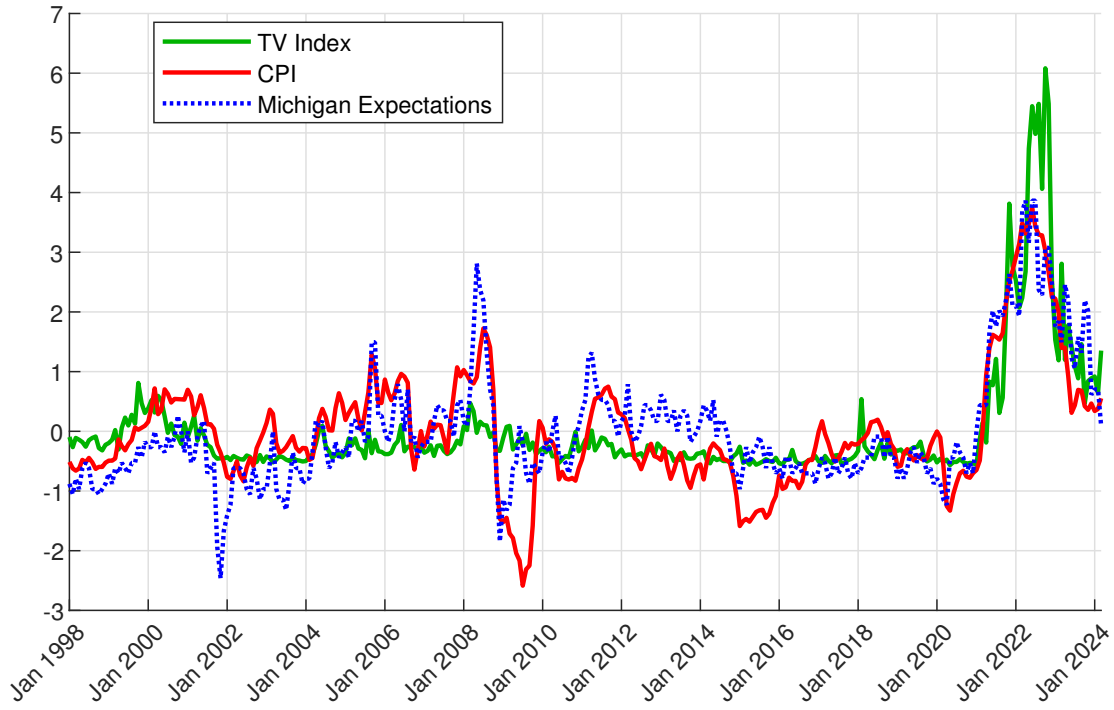


Notes: The aggregate index shows the sum of the count of monthly TV news reports on increasing inflation on four major US TV channels ABC, CBS, CNN, and FOX News.

in news reports mentioning inflation as early as February 2021. This increase largely reflects financial market concerns about inflationary pressures from the pandemic stimulus package. Notably, the February 2021 reporting surge preceded the release of that month's CPI figure on March 10, 2021. For the remainder of our observation period, the daily index remains high relative to the pre-2021 period. The highest daily count, 59 reports, occurred on November 8, 2022, the day of the US midterm elections, highlighting the relevance of the topic for voters. Other notable peaks include May 10, 2022, when President Biden delivered a speech on inflation (52 reports), and March 22, 2023, when the Federal Reserve raised interest rates and expressed concern about elevated inflation (41 reports).

To make a visually accessible comparison between our monthly TV news index, CPI inflation and mean inflation expectations of households as reported by the MSC data, we plot the standardized series in Figure 3. During the period covered in our analysis, our index shows a strong co-movement with both the inflation rate and households' inflation expectations and accurately captures the inflation fluctuations around the year 2000, the inflationary episode post-2021, and the subsequent decline. Table 1 reports correlations between various TV news indices, the CPI inflation rate, and household inflation expectations from the MSC, broken down by demographic groups. Across all groups, correlations of expectations with CPI and the TV news indices are

Figure 3: TV News Index, CPI, and Inflation Expectations



Notes: The TV news index is the aggregate index on a monthly basis, inflation expectations show the mean of all respondents from the MSC expectations data, and inflation is calculated as the annualized percentage change of the Consumer Price Index.

generally high, especially for Fox and CNN, with slightly stronger correlations for women, less-educated, and lower-income respondents. In the next section, we use our TV news indices in aggregate time series regressions to analyze to which extent inflation-related news affect inflation expectations of households in the US.

3 TV News and Inflation Expectations

In this section, we examine the relationship between the monthly TV news indices and inflation expectations. Specifically, we regress the inflation expectations of various demographic subgroups from the MSC on both the aggregate monthly index and the individual monthly indices for each TV channel. This approach allows us to assess whether, and to what extent, inflation expectations co-move with TV news coverage in general, and to explore how different demographic groups are associated with coverage from specific channels.

Table 1: Correlation Matrix

$\pi_t^{(e)} \setminus TV_t$	ABC	CBS	CNN	FOX	AGG	CPI
CPI	0.68	0.64	0.73	0.73	0.75	1
All	0.65	0.66	0.70	0.77	0.74	0.79
Female	0.66	0.67	0.69	0.77	0.74	0.77
Male	0.62	0.62	0.67	0.75	0.71	0.77
18-34	0.63	0.62	0.64	0.70	0.68	0.69
35-54	0.64	0.65	0.70	0.76	0.74	0.79
55+	0.60	0.61	0.65	0.73	0.69	0.74
Bottom 1/3	0.65	0.69	0.69	0.76	0.73	0.73
Middle 1/3	0.60	0.59	0.65	0.71	0.69	0.75
Top 1/3	0.57	0.54	0.62	0.69	0.66	0.77
≤High School	0.67	0.73	0.72	0.81	0.77	0.72
Some College	0.62	0.63	0.67	0.76	0.72	0.74
College Degree	0.56	0.52	0.60	0.65	0.63	0.77

Notes: The table shows correlations between the TV news indices and CPI inflation on one side and the CPI inflation rate and household inflation expectations from the University of MSC for all subgroups on the other side.

3.1 Baseline Regressions

To understand how inflation expectations are associated with TV news, we conduct the following regressions, which can be written in their general form as:[2]

$$\pi_t^e = \beta_0 + \beta_1 \pi_{t-1}^e + \beta_2 \pi_{t-3} + \beta_3 TV_{t-1} + \epsilon_t. \tag{1}$$

Here, π_t^e denotes 12-month-ahead inflation expectations, π_t denotes CPI inflation, and TV_t denotes one of our TV news indices.[3] More specifically, π_t^e is either the mean expectation across all households (All) or the mean for a specific subgroup. Subgroups are defined by gender (Female, Male), age (18-34, 35-54, 55+), income (bottom, middle, and top third of the distribution), and education (high school or less, some college, college degree). For the TV news index TV_t, we use either the aggregate measure (AGG) or the individual measures for each of the four channels, ABC, CBS, CNN, and Fox News.

Our setup implies that, at the time of an interview, the typical respondent's information set contains TV news, the latest available CPI inflation number, and past expectations. Interviews

[2] We compute heteroskedasticity- and autocorrelation-consistent (HAC) standard errors to account for possible serial correlation and heteroscedasticity in the residuals.

[3] Similar regression setups to assess the impact of news on expectations are used by, e.g., Carroll (2003), Lamla & Lein (2014), and Born *et al.* (2023).

for a given month are conducted throughout the entire month. To ensure that all TV news are in the information set of all respondents, and to avoid simultaneity between expectations and TV reporting, we include TV_{t-1} in Equation (1). For our sample period, the average CPI release date by the BLS is the 15th of the subsequent month. This means that the most recent CPI figure available to all respondents is from period $t-2$. However, because this figure is released at the same time as TV_{t-1}, we instead include π_{t-3} in Equation (1) to minimize contemporaneous correlations among the independent variables.

Table 2: Baseline OLS Estimation Results.

$\pi_t^e \setminus TV_t$	ABC	CBS	CNN	FOX	AGG
All	0.013	0.024	0.088**	0.148***	0.105**
	(0.046)	(0.038)	(0.043)	(0.048)	(0.044)
Female	0.051	0.070	0.136**	0.215***	0.166***
	(0.047)	(0.045)	(0.053)	(0.06)	(0.056)
Male	0.02	0.032	0.093**	0.171***	0.116**
	(0.041)	(0.043)	(0.045)	(0.052)	(0.046)
18-34	0.121*	0.100*	0.183***	0.272***	0.226***
	(0.065)	(0.058)	(0.067)	(0.076)	(0.073)
35-54	0.035	0.077*	0.142***	0.207***	0.167***
	(0.041)	(0.048)	(0.050)	(0.061)	(0.054)
55+	0.051	0.056	0.116**	0.217***	0.151***
	(0.042)	(0.050)	(0.051)	(0.051)	(0.050)
Bottom Third	0.119***	0.081	0.184***	0.278***	0.225***
	(0.045)	(0.062)	(0.048)	(0.059)	(0.053)
Middle Third	0.008	0.045	0.101*	0.182***	0.126**
	(0.049)	(0.053)	(0.055)	(0.064)	(0.056)
Top Third	-0.006	0.066	0.077*	0.145***	0.10**
	(0.049)	(0.047)	(0.045)	(0.050)	(0.047)
≤High School	0.067	0.067	0.127**	0.255***	0.176***
	(0.046)	(0.061)	(0.054)	(0.066)	(0.051)
Some College	0.050	0.098***	0.126***	0.233***	0.166***
	(0.043)	(0.034)	(0.043)	(0.056)	(0.047)
College Degree	0.020	0.027	0.113**	0.160***	0.124**
	(0.050)	(0.048)	(0.050)	(0.055)	(0.052)

Notes: The table reports OLS estimates of Equation (1) for β_3, relating TV news indices to inflation expectations of various demographic groups from the MSC. All variables are standardized. *** denotes significance at the 1% level, ** at 5%, and * at 10%.

Table 2 reports the baseline OLS estimates of Equation (1), focusing on β_3, which measures the co-movement of the TV news indices with the 12-month-ahead inflation expectations π_t^e. All variables are standardized, and the analysis is disaggregated by the given demographic groups.

The results indicate a significant positive relationship between the aggregate TV news index (AGG) and aggregate inflation expectations (All): a one-standard deviation increase in the index is associated with a 0.105-standard deviation increase in inflation expectations. By gender, both male and female respondents' expectations are significantly associated with the aggregate index, with a larger association for females (0.166, significant at 1%) than for males (0.116, significant at 5%). For the remaining subgroups, the association between TV news and inflation expectations is stronger and more significant the younger, poorer, and less educated the respondents are. For individuals aged 18-34, the coefficient is $\beta_3 = 0.226$, compared with 0.167 for those aged 35-54 and 0.151 for those aged 55+, all significant at the 1% level. For the bottom third of the income distribution, we observe $\beta_3 = 0.225$ (significant at 1%), while for the top third it is 0.100, less than half as large and significant only at the 5% level. A similar pattern appears for education: respondents with a high school degree or less have $\beta_3 = 0.176$ (1% level), compared with 0.166 (1% level) for those with some college and 0.124 (5% level) for those with a college degree.

Finally, by individual channels, all demographic groups show a strong and significant association with Fox News. The CNN index is also positively and significantly associated with inflation expectations, though with smaller coefficients than Fox News. In contrast, the coefficients for ABC and CBS are way smaller and generally insignificant. As with the aggregate index, the same subgroup patterns hold: associations are stronger for women, younger respondents, less educated, and lower-income households.

These findings are consistent with recent research documenting heterogeneity in expectations of various subgroups of the population. Among these, Das *et al.* (2020) suggest that there is substantial heterogeneity in macroeconomic expectations across households. For inflation expectations specifically, D'Acunto *et al.* (2021) and Weber *et al.* (2022*a*) find that women tend to report higher inflation expectations than men. Angelico & Di Giacomo (2019) show that households across the income distribution exhibit significant differences in their inflation expectations, driven by personal shopping experiences and selective recall of price changes. Similarly, Weber *et al.* (2022*b*) analyze the Covid pandemic and find that it exacerbated the dispersion in inflation expectations, particularly among households with lower income, less education, or

different racial backgrounds.

Our results align with this growing body of literature, showing heterogeneity in the response to external informational signals in the form of media news. In addition to the heterogeneity of inflation expectations across households, our results highlight the role specific media outlets potentially play in the expectations formation process. This topic has been analyzed in a more generalized context by various authors. Alesina *et al.* (2020) argue that the US population is polarized with regard to various subjects, including economic policy, while Mian *et al.* (2023) argue that this polarization leads to a partisan bias in reported macroeconomic expectations: individuals tend to hold a more favorable outlook on future economic conditions when their political affiliation aligns more closely with the party in control of the White House.[4]

Alongside the polarization of households, cable TV news providers are concentrated among a few organizations. According to Prat (2018), Fox News is the most relevant cable news provider, followed by CNN, ABC and CBS (among the channels considered here). DellaVigna & Kaplan (2007) argue that the effect of the introduction of Fox News in the late 1990s had a significant effect on electoral outcomes, likely through persuasion, as greater exposure to Fox News influenced voting behavior. Coibion *et al.* (2020) show in a survey that Republicans prefer Fox News while Democrats prefer CNN, providing evidence that households are more exposed to the news of specific media outlets according to their political views.

3.2 Impulse Response Functions

To gain further insights, we compute impulse response functions for our TV news index measures applying the local projections method of Jordà (2005). Specifically, we extend Equation (1) and estimate the following equation for each horizon h:[5]

$$\pi^e_{t+h} = \beta_{0,h} + \beta_{1,h}\pi^e_{t-1} + \beta_{2,h}\pi_{t-3} + \beta_{3,h}TV_{t-1} + \epsilon_{t+h}. \tag{2}$$

Figure 4 plots the impulse responses of inflation expectations to the aggregate TV news index,

[4]The Michigan Survey began reporting individual respondents' political affiliations in 2017. Indeed, prior to 2020, Republicans consistently reported lower inflation expectations compared to Democrats and Independents. However, beginning in 2020, this trend reversed, with Republicans expressing consistently higher inflation expectations. See Binder *et al.* (2024) for a detailed analysis of this aspect.

[5]For all of our local projection regressions, we compute HAC standard errors to account for possible serial correlation and heteroscedasticity in the residuals.

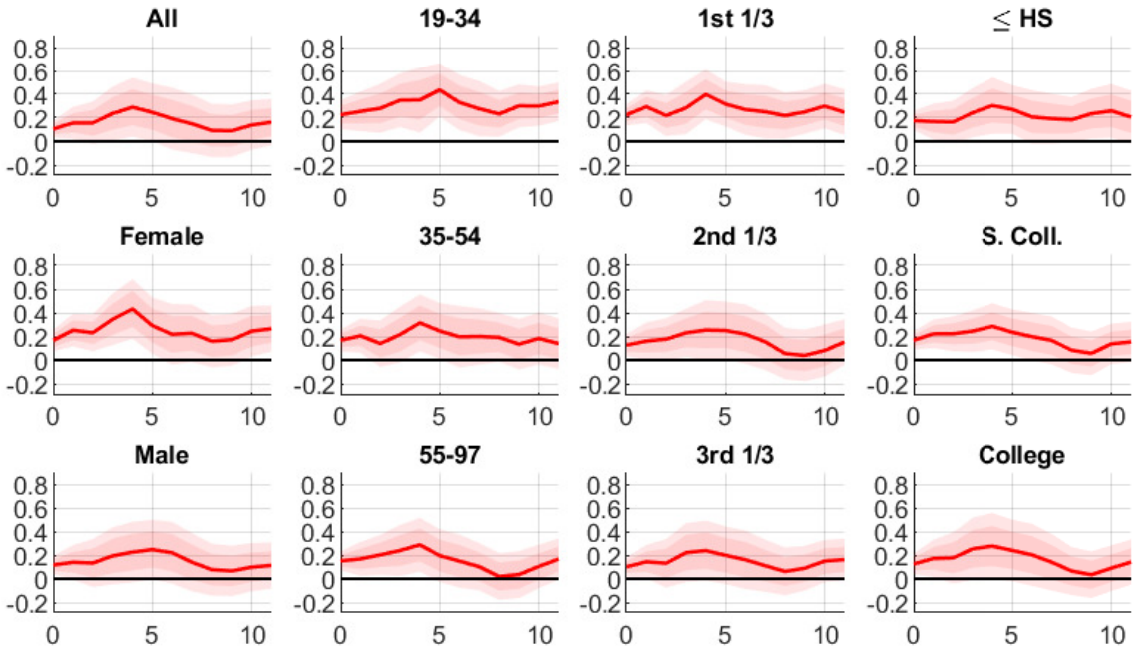
both for aggregate expectations and by subgroups. Solid lines represent the mean response, and shaded areas indicate 68% and 90% confidence bands, respectively. The horizontal axis denotes the horizon, i.e. months after the TV news shock, whereby for $h = 0$ the OLS estimate results. The first column of Figure 4 plots aggregate expectations in the first row, female respondents' expectations in the second row and those of male respondents in the third row. The second column shows inflation expectations by age groups (18-34, 35-54, 55+); the third column by income groups (bottom, middle, and top third of the distribution); and the fourth column by education levels (high school or less, some college, college degree).

For aggregate inflation expectations, we observe a significant effect at the 90% level for 6 months following a TV news shock, except for the second month. The mean effect peaks in the fourth month ($h = 3$) at about 0.29, roughly three times the size of the initial OLS coefficient (0.105 in $h = 0$). By gender, women's responses are more significant and persistent, with peak responses being larger as well: 0.43 for women and 0.25 for men. Across other subgroups, the estimated responses are negatively correlated with age, income, and education. The largest effects in Figure 4 appear in the top row and the smallest ones in the bottom, indicating that younger, less educated, and lower-income households show stronger responses to TV news.

Figures A.1 to A.4 in Appendix A.2 plot the responses of the same expectation measures by individual channels, ABC, CBS, CNN, and Fox News. The patterns mirror those in the aggregate results: women, younger, less educated, and lower-income households exhibit larger responses. For ABC and CBS, the estimated associations are largely insignificant, while they are larger and more significant for CNN, and even more so for Fox News. This suggests that the aggregate results are primarily driven by CNN and Fox News.

In addition to point estimates of the association between TV news and inflation expectations, we document that the duration of this association also varies across households. For example, a one-standard deviation increase in the aggregate TV news index is associated with a significant rise in the expectations of females for six months, compared with only one month for males. A similar pattern appears across other demographic groups: younger individuals and individuals from lower socioeconomic backgrounds not only show larger responses but also more persistent

Figure 4: Effects of TV News on Inflation Expectations, All Channels.



Notes: IRFs from Local Projections: Effect of an increase in TV news about inflation (all channels) on inflation expectations. Solid lines show means and shaded areas show 68% and 90% confidence bands, respectively.

ones.

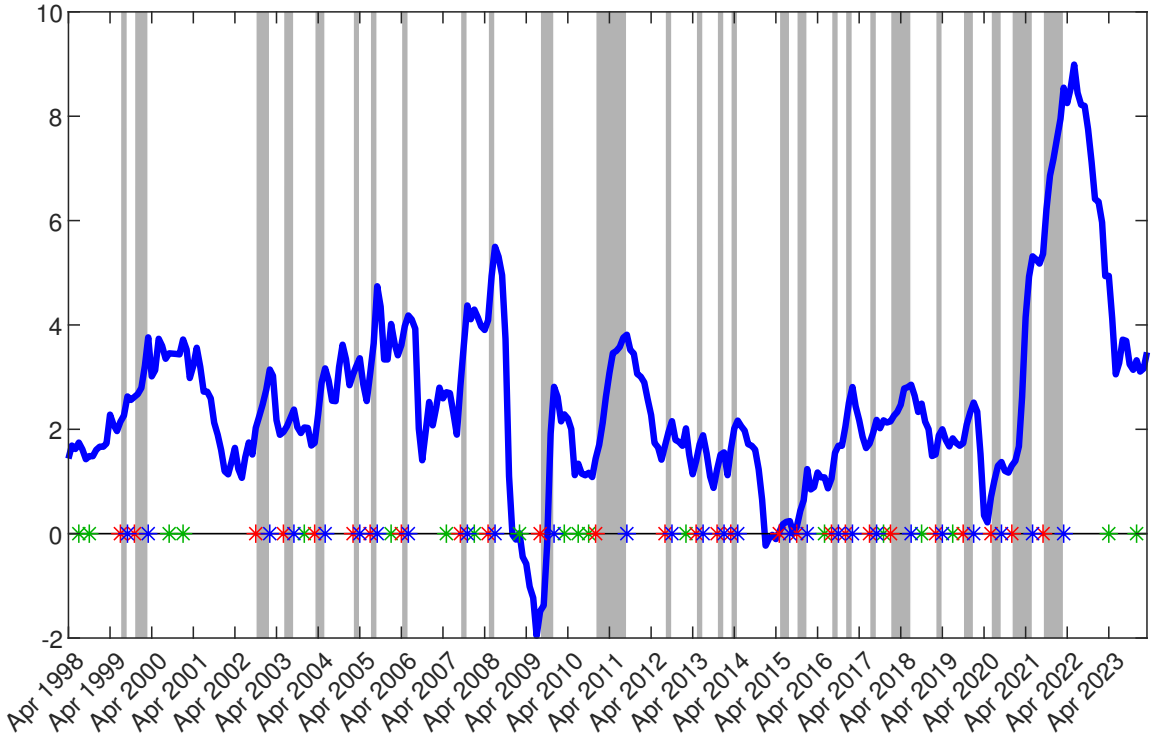
3.3 State-Dependent Effects of TV News

As shown in the previous section, the aggregate results are mainly driven by two channels, CNN and Fox News. In this section, we examine whether these results are also driven by certain sub-periods in which household responses to news about inflation are more pronounced. To this end, we divide our sample into two states. The "high" state includes months in which inflation has increased for at least three consecutive months and the "low" state includes all other months. This classification reflects the idea that households may be more sensitive to news about inflation when they observe a sustained increase in inflation. We choose three consecutive months to ensure that the switch between the states is not too frequent.[6] This definition implies that out of the 312 months considered, 112 months (36%) are classified as high states and 200 months (64%) as low states.

Figure 5 plots the resulting high and low states, defined by whether inflation increases for at

[6]Our results are robust to using two consecutive months to define the states.

Figure 5: Defining High vs. Low States.

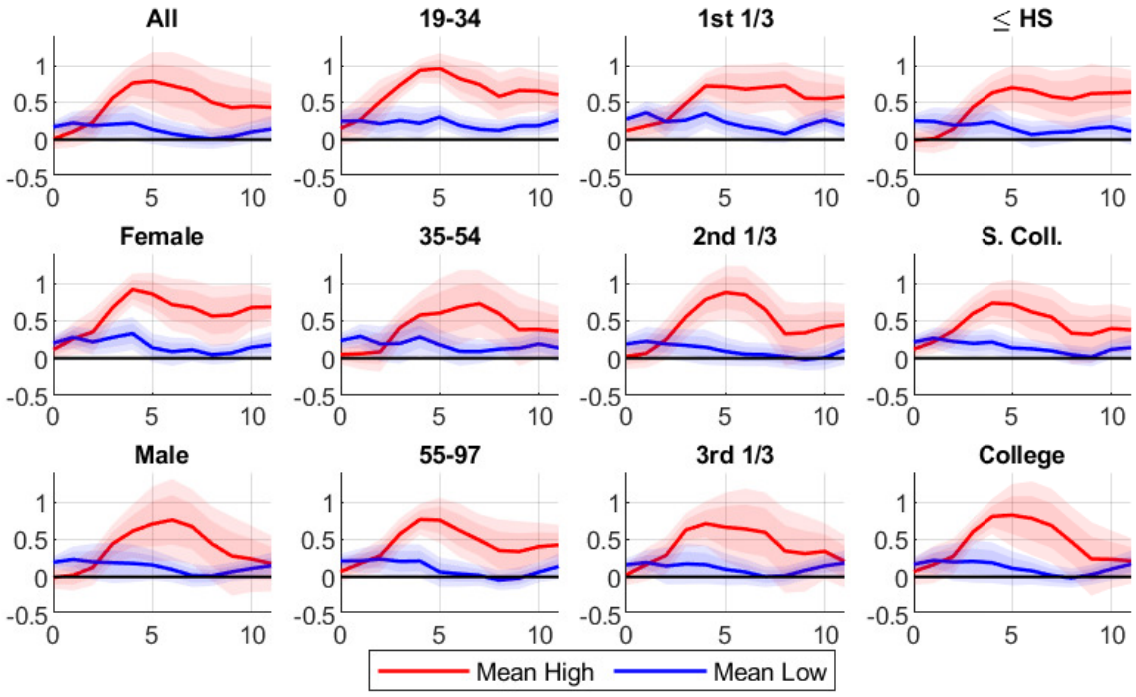


Notes: High vs. low states. The line shows CPI inflation and shaded ares indicate "high" states. Red (blue) stars depict the first (last) month of a period in which inflation increases for three months in a row or more. Green stars depict months in which inflation increases only in that month.

least three consecutive months. The solid line shows CPI inflation, and shaded areas indicate high states, which generally appear more frequently after the Global Financial Crisis. The longest episodes of non-increasing inflation occur at the beginning of the sample (April 2000 to September 2002, 30 months) and at the end of it (April 2022 to March 2024, 24 months). The longest periods of consecutive increases in inflation are between December 2010 and September 2011 (10 months) in the aftermath of the Global Financial Crisis, between January and July 2018 (7 months), and two episodes in the aftermath the Covid pandemic: between December 2020 and June 2021 and between September 2021 and March 2022 (both 7 months). These episodes provide a setting to test whether household inflation expectations are more responsive to news when inflation has been rising persistently.

To examine whether the effects of TV news about inflation on inflation expectations differ across the states defined above, we apply a state-dependent local projections approach following Ramey & Zubairy (2018). Specifically, we extend Equation (2) by incorporating an indicator

Figure 6: State-Dependent Effects of TV News on Inflation Exp., All Channels.



Notes: IRFs from Local Projections: Effect of an increase in TV news about inflation (all channels) on inflation expectations. Solid lines show means and shaded areas show 68% and 90% confidence bands, respectively.

variable I_t for the two states and estimate the following equation for each horizon h:

$$\begin{aligned} \pi^e_{t+h} &= I_{t-1}\left[\beta^H_{0,h} + \beta^H_{1,h}\pi^e_{t-1} + \beta^H_{2,h}\pi_{t-3} + \beta^H_{3,h}TV_{t-1}\right] \\ &+ (1 - I_{t-1})\left[\beta^L_{0,h} + \beta^L_{1,h}\pi^e_{t-1} + \beta^L_{2,h}\pi_{t-3} + \beta^L_{3,h}TV_{t-1}\right] + \epsilon_{t+h}. \end{aligned} \tag{3}$$

Here, I_t is a dummy variable that equals one when inflation increases for at least three consecutive months and zero otherwise. We include a one-period lag of the indicator variable such that the state classification is based only on information available prior to the period in which expectations are measured. This avoids simultaneity between the state indicator and the dependent variable, reduces endogeneity from current inflation influencing both the classification and expectations, and aligns the timing of the classification with that of the TV news index. In this framework, $\beta^H_{3,h}$ captures the effect of TV news on inflation expectations at horizon h in increasing-inflation periods (high state, H), while $\beta^L_{3,h}$ measures the effect in the remaining periods (low state, L).

Figure 6 presents the estimated responses for the aggregate TV news index when allowing

for state-dependence. The results for the individual channel indices are reported in Appendix A.2. Solid lines denote mean responses and shaded areas the 68% and 90% confidence bands, respectively. The red lines correspond to the high state and the blue lines to the low state. The responses differ substantially across states. In periods of increasing inflation, the reaction of households' inflation expectations to TV news is not only stronger but also more persistent. The mean response in the high state remains statistically significant for six months and peaks at 0.78, which is 2.7 times as large as the peak of the average full-sample response (0.29) in Figure 4. In contrast, in the low state, the effect of TV news on expectations is smaller and short-lived, with significance only for two months and a peak of about 0.22. Comparing states, the peak in the high state is 3.5 times as large as the peak in the low state. These results indicate that the responsiveness of household inflation expectations to TV news is state-dependent, with larger and more persistent effects during sustained periods of rising inflation.

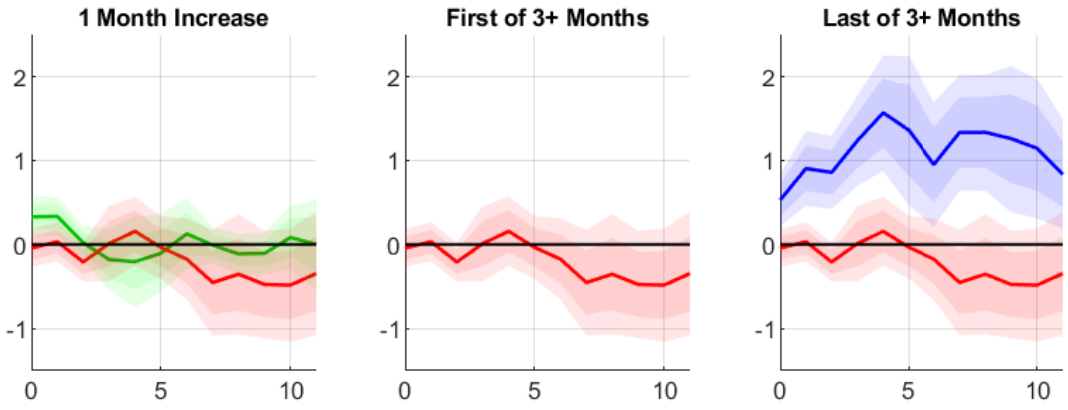
3.4 Anticipation vs. Exposure

In this section, we examine whether households are forward- or backward-looking by dividing our sample into four states. The green state (denoted with a G) includes months in which inflation increases only in that month (depicted with a green star in Figure 5). The red state (R) includes the first month of all periods in which inflation rises for at least three consecutive months, corresponding to the first month in the gray areas (red stars in Figure 5). The blue state (B) includes the last month of such periods, corresponding to the last month in the gray areas (blue stars in Figure 5). Finally, the black state (K) comprises all remaining months.

We extend Equation (3) to incorporate three indicators, I_t^G, I_t^R, and I_t^B for the green, red, and blue states, respectively. The resulting local projections framework estimates the following equation for each horizon h:

$$\begin{aligned}
\pi_{t+h}^e &= I_{t-1}^G \left[\beta_{0,h}^G + \beta_{1,h}^G \pi_{t-1}^e + \beta_{2,h}^G \pi_{t-3} + \beta_{3,h}^G TV_{t-1}\right] \\
&+ I_{t-1}^R \left[\beta_{0,h}^R + \beta_{1,h}^R \pi_{t-1}^e + \beta_{2,h}^R \pi_{t-3} + \beta_{3,h}^R TV_{t-1}\right] \\
&+ I_{t-1}^B \left[\beta_{0,h}^B + \beta_{1,h}^B \pi_{t-1}^e + \beta_{2,h}^B \pi_{t-3} + \beta_{3,h}^B TV_{t-1}\right] \\
&+ (1 - I_{t-1}^G - I_{t-1}^R - I_{t-1}^B) \left[\beta_{0,h}^K + \beta_{1,h}^K \pi_{t-1}^e + \beta_{2,h}^K \pi_{t-3} + \beta_{3,h}^K TV_{t-1}\right] + \epsilon_{t+h}. \qquad (4)
\end{aligned}$$

Figure 7: Forward- and Backward-Looking Behavior, All Channels.



Notes: IRFs from Local Projections: Effect of an increase in TV news about inflation on all channels on inflation expectations. Solid lines show means in green, red, or blue state, respectively. Shaded areas show 68% and 90% confidence bands, respectively.

Figure 7 reports the estimates for $\beta^G_{3,h}$ (first panel), $\beta^R_{3,h}$ (second panel), and $\beta^B_{3,h}$ (third panel). For comparison, $\beta^R_{3,h}$ is also plotted in the first and third panels. We first compare the response of inflation expectations on TV news in the green state, $\beta^G_{3,h}$, with that in the red state, $\beta^R_{3,h}$. Both states correspond to months in which households observe an increase in inflation in that particular month. However, in the green state no further increases follow, while in the red state the increase persists for at least two more months. Since this persistence is unknown to households at that time, any difference in responses would indicate an anticipation effect. If $\beta^R_{3,h} > \beta^G_{3,h}$, this would indicate that households anticipate inflation will remain relevant in the following months and therefore respond more strongly to news about inflation, given the increase they observe in the current month. As can be observed, the responses in both states are similar and mostly insignificant, suggesting no evidence for an anticipation effect.

Second, we compare $\beta^R_{3,h}$ and $\beta^B_{3,h}$ to assess whether households react differently to TV news at the beginning versus the end of a prolonged period of increasing inflation. If $\beta^B_{3,h} > \beta^R_{3,h}$, this would indicate stronger reactions the longer households are exposed to an inflationary environment, which we interpret as backward-looking behavior. We observe, that the responses in the red and blue state differ notably: in the red state, they are mostly insignificant, whereas in the blue state they are very large and remain significant for the entire horizon of 12 months. The peak effect is 1.56, which is more than five times larger than the peak of the average full-sample response in Figure 4. This result suggests that households behave in a backward-looking

manner and being exposed to an inflationary environment increases their reaction to TV news.

These results relate to recent work on household attention. Weber *et al.* (2023) use a multi-country randomized control trial to show that households pay more attention to news when inflation is higher. For the United States, Pfäuti (2024) finds that consumer attention rose significantly during the Great Inflation of the 1970s and 1980s and declined thereafter. Regarding the post-pandemic inflation, Pfäuti (2023) reports that attention increased again substantially and Bracha *&* Tang (2024) find an association between increased inflation reporting and attention. Our findings are consistent with this evidence. Households become more attentive and react more strongly during periods of high inflation, when news reporting on inflation also increases.

4 Micro-Level Evidence

In the previous section, we documented that monthly TV news indices co-move with average one-year inflation expectations. However, aggregate time-series regressions cannot rule out the possibility that macroeconomic shocks simultaneously drive both news coverage and expectations. We therefore turn to the micro dimension of the MSC, which records the exact interview date for each respondent and merge these data with our daily TV news indices. This alignment allows us to measure news exposure at the individual level and to sharpen the timing between exposure and expectation formation, mitigating simultaneity and measurement concerns. Conditional on calendar day, cross-sectional variation in the number of inflation-related news reports is plausibly orthogonal to respondents' latent beliefs.

In this section, we use a micro-level setup with daily data to examine whether the effects of TV news on inflation expectations differ across partisan lines. We focus on CNN and Fox News, the main drivers of the aggregate effects in the previous section, and compare respondents who identify as (or lean) Republican versus Democrat. The link between partisan affiliation and heterogeneous expectations is well documented in recent years by various authors and surveys (see discussion at the end of Section 3.1 and Binder *et al.* (2024)). This question is particularly relevant given that, according to Stantcheva (2024), both Democrats and Republicans ranked inflation to be the most important economic and social issue between December 2023 and January

2024. Moreover, survey evidence shows systematic partisan differences in news consumption: Republicans tend to prefer and trust Fox News, while Democrats rely more on CNN.[7]

To this end, we exploit the fact that the MSC records each respondent's partisan affiliation. Respondents can identify as Republican, Democrat, Independent, or "Don't Know," and are also asked the follow-up question: *"Do you think of yourself as closer to the Republican Party or to the Democratic Party?"* We classify as "Republicans" all respondents who either identify as Republican or report being closer to the Republican Party, and analogously for "Democrats."

In our empirical analysis we examine the relationship between TV news and inflation expectations. In particular, we test whether Republicans and Democrats respond differently to the intensity of news coverage on Fox versus CNN. In this framework, the interaction between news intensity and partisan affiliation identifies heterogeneous treatment effects. The following subsection describes the data and empirical strategy in detail.

4.1 Data and Empirical Specification

Sample. Our micro dataset contains every MSC interview conducted between January 26, 2017 and April 29, 2024 ($N = 42,432$). The start date is set at January 2017 because political affiliation has been recorded without gaps only from that point forward and the end date reflects the last data available to us. The dependent variable π^e_{it} is respondent i's one-year ahead inflation expectation when interviewed on day t. We truncate these to lie between -50 and $+90$ percentage points, but no additional trimming is imposed. We retain the extreme tails because much of the cross-sectional and day-to-day variation originates precisely in those outlying observations (Coibion & Gorodnichenko (2025)).

Baseline Model. For respondent i interviewed on day t, we estimate

$$\pi^e_{it} = \beta_0 + \beta_1 \,\mathrm{REP}_i + \beta_2 \,\mathrm{FOX}_t + \beta_3 \,\mathrm{CNN}_t + \beta_4 \big[\mathrm{CNN}_t \times \mathrm{REP}_i\big] + \beta_5 \big[\mathrm{FOX}_t \times \mathrm{REP}_i\big] + \varepsilon_{it}. \quad (5)$$

Here, REP_i equals 1 if the respondent self-identifies as Republican and 0 if the respondent self-identifies as Democrat. FOX_t and CNN_t measure the number of inflation-related news items

[7] See survey data by Pew Research Center (2014), Pew Research Center (2020), and Pew Research Center (2025).

aired that day on Fox News and CNN, respectively. The coefficients on the interaction terms $\text{CNN}_t \times \text{REP}_i$ and $\text{FOX}_t \times \text{REP}_i$, i.e., β_4 and β_5, capture whether Republicans respond differently to inflation coverage on each channel compared to Democrats.

Equation (5) is estimated by OLS. Our baseline inference uses date-clustered standard errors, treating each calendar day as one cluster. Classical White standard errors and Newey-West HAC standard errors produce the same qualitative results.[8]

Model with Covariates. To account for potential confounding factors, we augment the specification with demographic controls, as in Section 3. Thus, the estimated model reads

$$\begin{aligned} \pi_{it}^{e} &= \beta_0 + \beta_1 \,\text{REP}_i + \beta_2 \,\text{FOX}_t + \beta_3 \,\text{CNN}_t + \beta_4 \big[\text{CNN}_t \times \text{REP}_i\big] + \beta_5 \big[\text{FOX}_t \times \text{REP}_i\big] \\ &+ \beta_6 \,\text{SEX}_i + \beta_7 \,\text{EDUCATION}_i + \beta_8 \,\text{INCOME}_i + \beta_9 \,\text{AGE}_i + \varepsilon_{it} \,. \end{aligned} \tag{6}$$

Here, SEX_i denotes the respondent's gender, EDUCATION_i the total years of schooling completed, INCOME_i the respondent's annual income and AGE_i the respondent's age.

4.2 Results

The third column of Table 3 ("Baseline") displays the results of our OLS estimates of Equation (5) with date-clustered standard errors. They show that a Democrat interviewed on a day with no inflation stories on Fox or CNN predicts about $\beta_0 = 3.46$ percent inflation for the coming year. Republicans, on similarly "quiet" days, start roughly $\beta_1 = -0.31$ percentage points lower than Democrats. Both coefficients are highly significant, implying that mean inflation expectations differ across affiliations. Each additional Fox News inflation segment lifts Democrats' expectations by about $\beta_2 = 0.07$ percentage points, and Republicans react even more strongly: the FOX $\times$ REP interaction adds another $\beta_5 = 0.63$ percentage points, making their total response roughly 0.7 points per segment. Hence, Republicans react about ten times as strongly as Democrats to inflation-related news on FOX. CNN coverage, by contrast, has no clear average effect on Democrats (a modest $\beta_3 = 0.02$ points, statistically insignificant). Again Republicans react stronger to TV news, even when aired on CNN, $\beta_4 = 0.04$, making their total response

[8] Available upon request.

roughly 0.06 points per segment. However, their reaction to FOX News is ten times as large.

The fourth column of Table 3 ("Baseline + X_i") presents the results of estimating Equation (7). The results remain qualitatively similar to those in the baseline model, with the only noticeable difference being a higher constant, $\beta_0 = 5.71$. In addition, the results once more confirm that females and those with lower education and income levels tend to have higher inflation expectations in comparison to their counterparts.

Table 3: Micro-OLS Results.

		Dependent variable: Inflation expectations in t			
Coeff.	Regressor	Baseline	Baseline + X_i	Biden Period	Biden + X_i
β_0	Intercept	3.456***	5.7154***	3.1288***	7.0156***
		(0.0405)	(0.2928)	(0.1046)	(0.5402)
β_1	REP	−0.3062***	−0.2742***	2.6551***	2.6799***
		(0.0687)	(0.0706)	(0.1566)	(0.1612)
β_2	FOX	0.0685**	0.0636**	0.1167***	0.1036***
		(0.0283)	(0.0258)	(0.0351)	(0.032)
β_3	CNN	0.0185	0.0171	0.0214	0.0204
		(0.0158)	(0.0148)	(0.0177)	(0.0165)
β_4	CNN × REP	0.0445*	0.044*	0.0495*	0.05**
		(0.0263)	(0.0252)	(0.0265)	(0.0253)
β_5	FOX × REP	0.6255***	0.6256***	0.1514***	0.1526***
		(0.0448)	(0.0432)	(0.0495)	(0.0479)
β_6	SEX		0.7938***		1.1909***
			(0.0646)		(0.1211)
β_7	EDUCATION		−0.2047***		−0.3033***
			(0.0183)		(0.033)
β_8	INCOME $\times 10^{-6}$		−2.9754***		−4.1279***
			(0.2572)		(0.4841)
β_9	AGE		0.0008		−0.0092***
			(0.0016)		(0.0029)
	Start Date	26.01.2017	26.01.2017	03.11.2020	03.11.2020
	End Date	29.04.2024	29.04.2024	29.04.2024	29.04.2024
	# Observations	42,432	40,495	20,185	19,183

Notes: OLS coefficients with date-clustered standard errors. Colums with "+ X_i" refer to models with demographic controls, where X_i= [SEX_i, $EDUCATION_i$, $INCOME_i$, AGE_i]. *** denotes significance at the 1% level, ** at 5%, and * at 10%.

Robustness. We also estimate the setups in Equations (5) and (7) restricting the sample to the presidency of Joseph Biden, i.e. from November 3, 2020 to April 29, 2024.[9] Using date-clustered standard errors, the OLS estimates for the Biden period, reported in column five ("Biden Period") of Table 3, show that a Democrat interviewed on a day with no inflation stories on Fox News or CNN expects about $\beta_0 = 3.13$ percent inflation over the next year. Republicans, on the same quiet days, expect about $\beta_1 = 2.66$ percentage points more than Democrats, a highly significant difference. Unlike the full-sample results that include Donald Trump's administration, Republican expectations during the Biden period are higher on average, a well-documented pattern in the literature (see, e.g., Bachmann *et al.* (2021), Binder *et al.* (2024)). Each additional Fox inflation segment raises Democrats' expectations by about $\beta_2 = 0.12$ points, while Republicans respond even more strongly: the FOX $\times$ REP interaction adds another $\beta_5 = 0.15$ points, so their total Fox response is roughly 0.27 points per segment. In this period, the Republican response is only about twice that of Democrats, as Democrats themselves react strongly to Fox coverage. Compared to the full sample, the response of Democrats to Fox nearly doubles. By contrast, CNN coverage has no statistically significant average effect on Democrats. Its $\beta_3 = 0.02$ point coefficient is insignificant and the extra Republican response to CNN, $\beta_4 = 0.05$, is only marginally significant. Overall, Fox inflation coverage lifts expectations for both partisan groups and modestly widens the partisan gap, whereas CNN's influence remains weak.

The last column ("Biden + X_i") of Table 3 reports the results from estimating Equation (7) for the Biden period. Including the control variables leaves the results largely unchanged, with the only noticeable difference being a higher constant, $\beta_0 = 7.02$.[10]

The micro estimations indicate that conditional on shared calendar-day information, more inflation talk on Fox News boosts individual inflation expectations, especially among Republican viewers. These findings confirm the aggregate correlations reported earlier and highlight partisan media as a potent amplifier of inflationary sentiment.

[9] This period spans from the 2020 presidential election date to the last day for which observations are available.

[10] Further robustness checks confirm these results: alternative truncation measures for inflation expectations and the inclusion of month-fixed effects do not result in any qualitative change of our findings. The results are available upon request.

5 Conclusion

News matter in the expectation formation process of households. This paper examines the influence of TV news on U.S. households' inflation expectations and finds that it is both statistically significant and economically meaningful. Regression results reveal that the impact of inflation-related TV coverage on households' inflation expectations is particularly pronounced among certain demographic groups, women, younger, poorer, and less educated individuals, highlighting heterogeneity in information processing and expectation formation across the population. Moreover, the effects differ across channels, with Fox News and CNN exerting substantially stronger influences than ABC or CBS.

Our local projections approach shows that the duration of TV news effects also varies across households and depends on the inflationary environment. In a state-dependent framework, periods of consecutive inflation increases elicit significantly stronger and more persistent responses in expectations than periods without such trends, underscoring the importance of economic context in shaping sensitivity to media coverage. Further, our forward- versus backward-looking analysis indicates that households react more strongly at the end of inflationary episodes, consistent with an exposure effect and backward-looking behavior, whereby expectations adjust as the episode unfolds and intensify the longer households are exposed to such an environment.

Finally, micro-level evidence confirms these findings and reveals a partisan dimension: Republicans respond more strongly than Democrats when Fox News airs additional inflation segments, whereas reactions to CNN coverage remain largely muted. Under Biden's presidency, Republicans' average inflation expectations are higher than those of Democrats, and Democrats become more responsive to Fox News. These findings suggest that media outlets with strongly partisan audiences can serve as powerful expectation multipliers, potentially amplifying the transmission of inflationary sentiment along ideological lines.

Our findings have important implications for both economic theory and policy. From a theoretical perspective, they contribute to the literature on expectation formation by highlighting the significant role of media, particularly TV news, in disseminating information that shapes households' beliefs about future inflation. The documented heterogeneity across demographic

groups is consistent with models that incorporate differences in information acquisition costs, cognitive processing abilities, or varying degrees of media consumption.

For policymakers, understanding the channels through which inflation expectations are formed and adjusted is crucial for effective monetary policy transmission. Our findings demonstrate that TV news coverage significantly shapes household inflation expectations, with effects varying by demographic characteristics, economic conditions, and partisan affiliation. This suggests that media channels act as important, sometimes amplifying, transmission mechanisms in the expectations formation process, particularly in high-inflation environments.

To address these challenges, central banks and public institutions may benefit from proactive, targeted communication strategies that consider the media landscape's structure and audience segmentation. Engaging directly with a range of outlets, especially those with strong partisan followings, can help counteract bias or selective framing. Additionally, economic literacy initiatives targeting groups more responsive to media cues, such as younger, poorer, and less educated households, may strengthen the resilience of expectations. Given the asymmetric responsiveness during sustained inflationary episodes, monetary authorities should be particularly vigilant in such periods, as households' heightened sensitivity to news can accelerate shifts in sentiment. Clear, consistent, and accessible communication can help anchor expectations, reduce ideological polarization, and improve the effectiveness of monetary policy.

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Appendix

A.1 Search Methodology

This Appendix describes our search methodology. We search for the term "inflation" in the Nexis Uni Database and exclude (i) terms associated with falling inflation rates in the neighborhood (10 words) of the search term and (ii) country names other than US.

In particular, for (i) we exclude all words related to the following terms, where ! is a placeholder for different endings of the term:

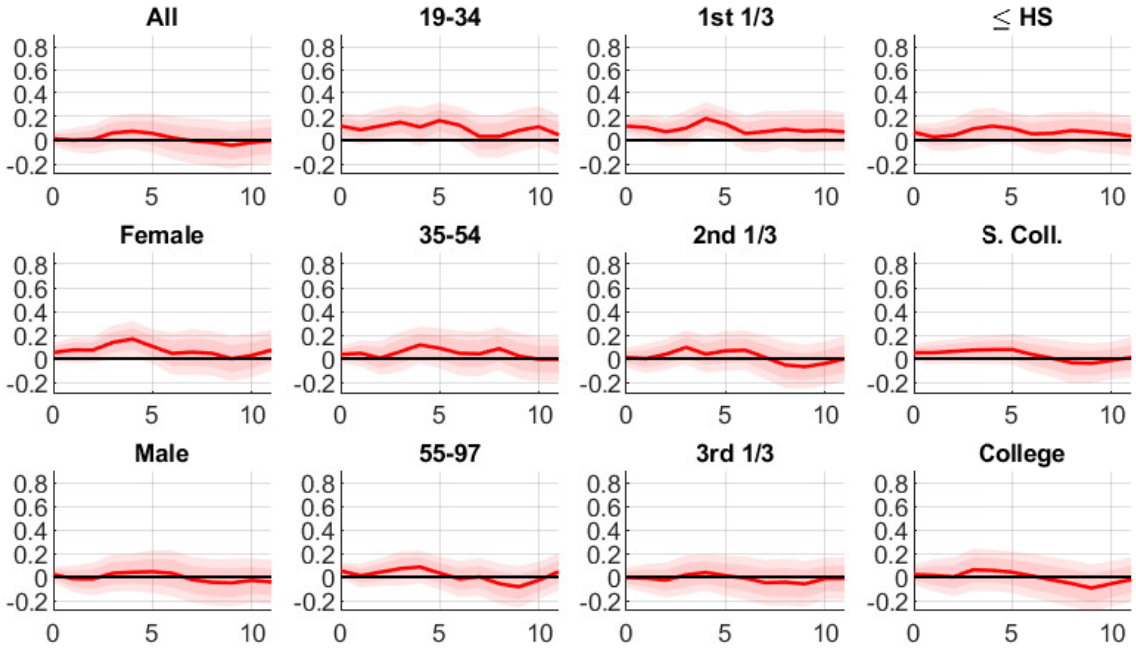
`down!, low!, plung!, reduc!, declin!, cool!, slow!, decreas!, drop!, easing, soften!, moderat!, decelerat!, flatten!, stabiliz!, taper!, abate!, diminish!, improv!, ameliorat!, diminish!, mitigat!, wane!, alleviat!, ebb!, deflat!, good!, better!, optimis!`.

We use a similar syntax to exclude not only country or region names but also related words, e.g. `German!, Euro!`.

A.2 Additional Figures

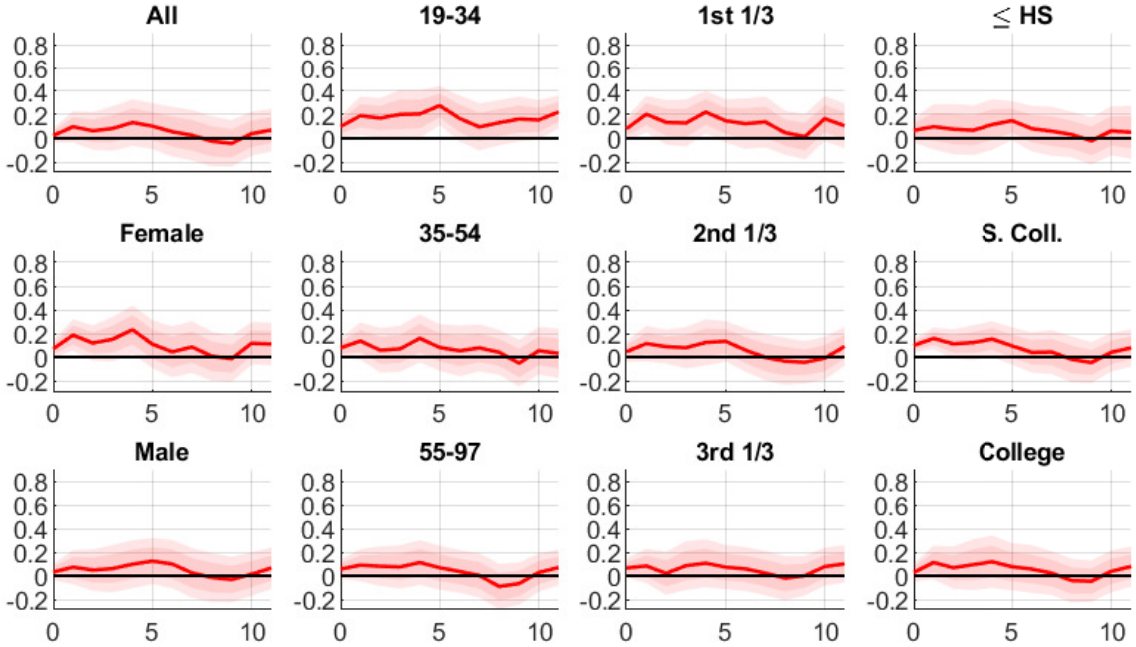
This Appendix contains the figures plotting the results from the standard and state-dependent local projections for the individual channels, ABS, CBS, CNN and FOX News.

Figure A.1: Effects of TV News on Inflation Expectations, ABC.



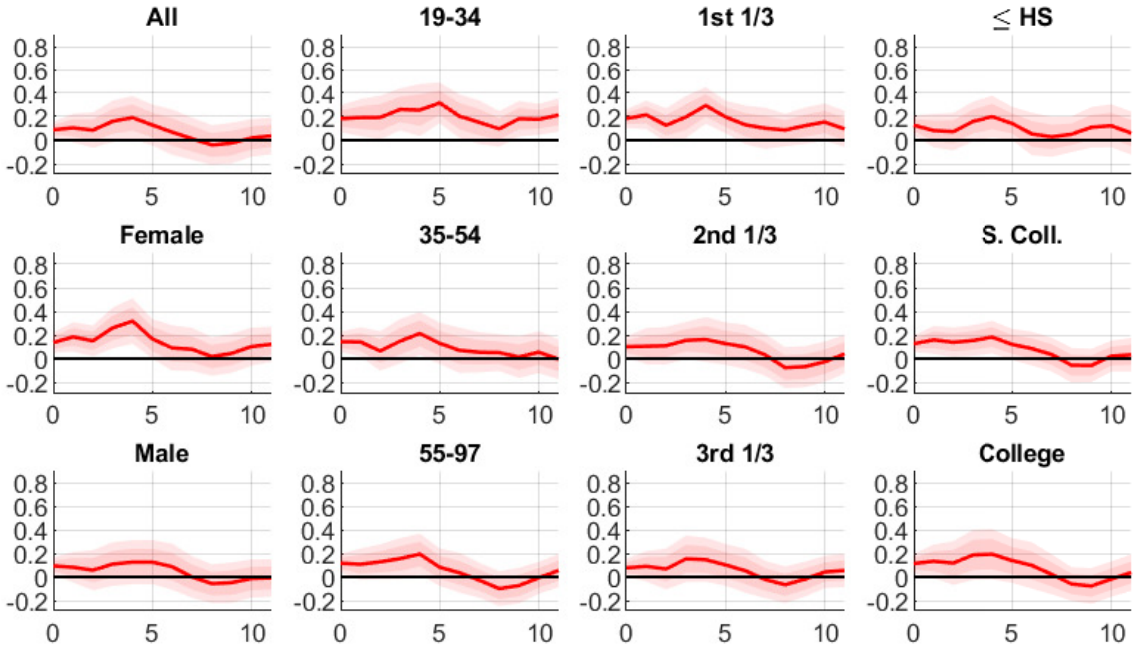
Notes: IRFs from Local Projections: Effect of an increase in TV news about inflation on ABC on inflation expectations. Solid lines show means and shaded areas show 68% and 90% confidence bands, respectively

Figure A.2: Effects of TV News on Inflation Expectations, CBS.



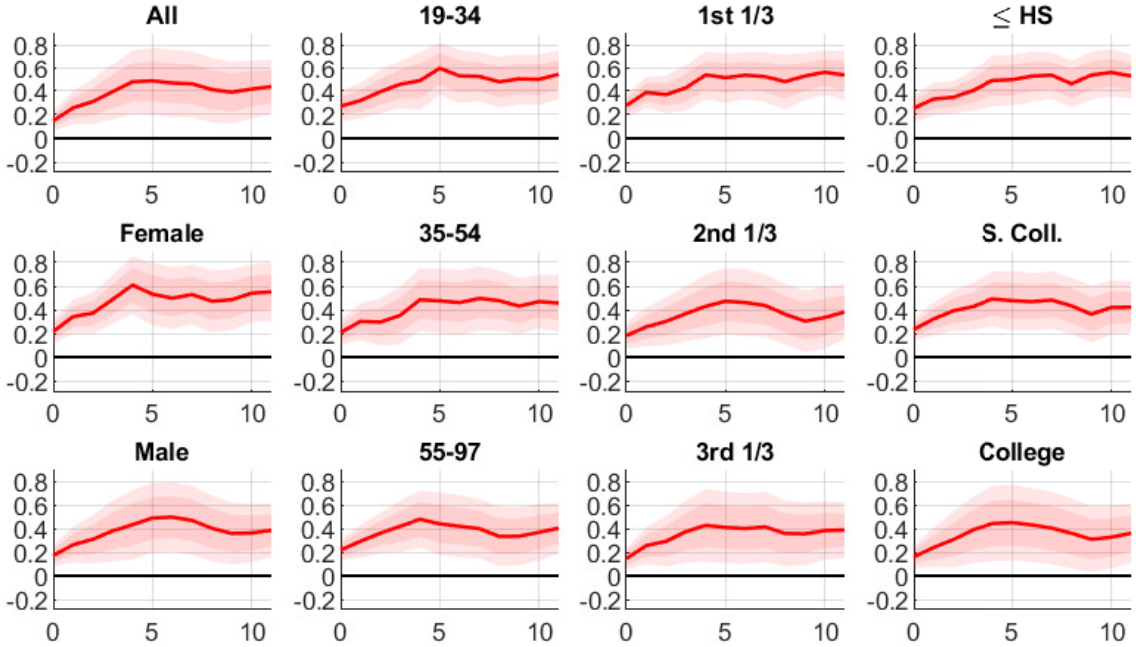
Notes: IRFs from Local Projections: Effect of an increase in TV news about inflation on CBS on inflation expectations. Solid lines show means and shaded areas show 68% and 90% confidence bands, respectively.

Figure A.3: Effects of TV News on Inflation Expectations, CNN.



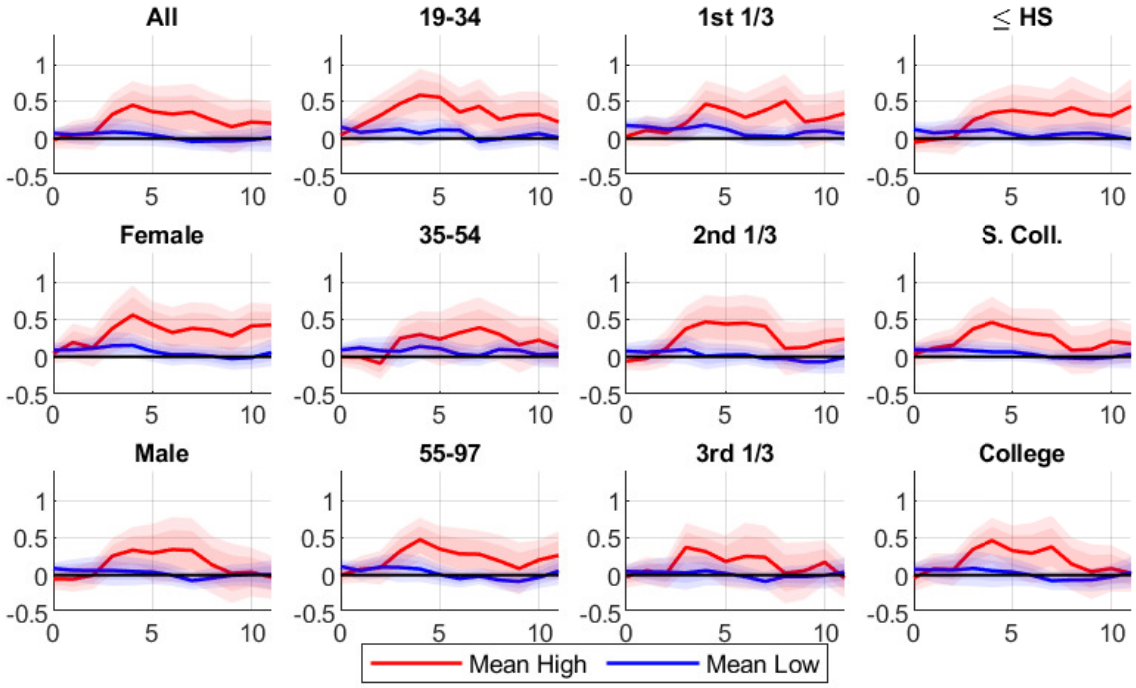
Notes: IRFs from Local Projections: Effect of an increase in TV news about inflation on CNN on inflation expectations. Solid lines show means and shaded areas show 68% and 90% confidence bands, respectively.

Figure A.4: Effects of TV News on Inflation Expectations, FOX.



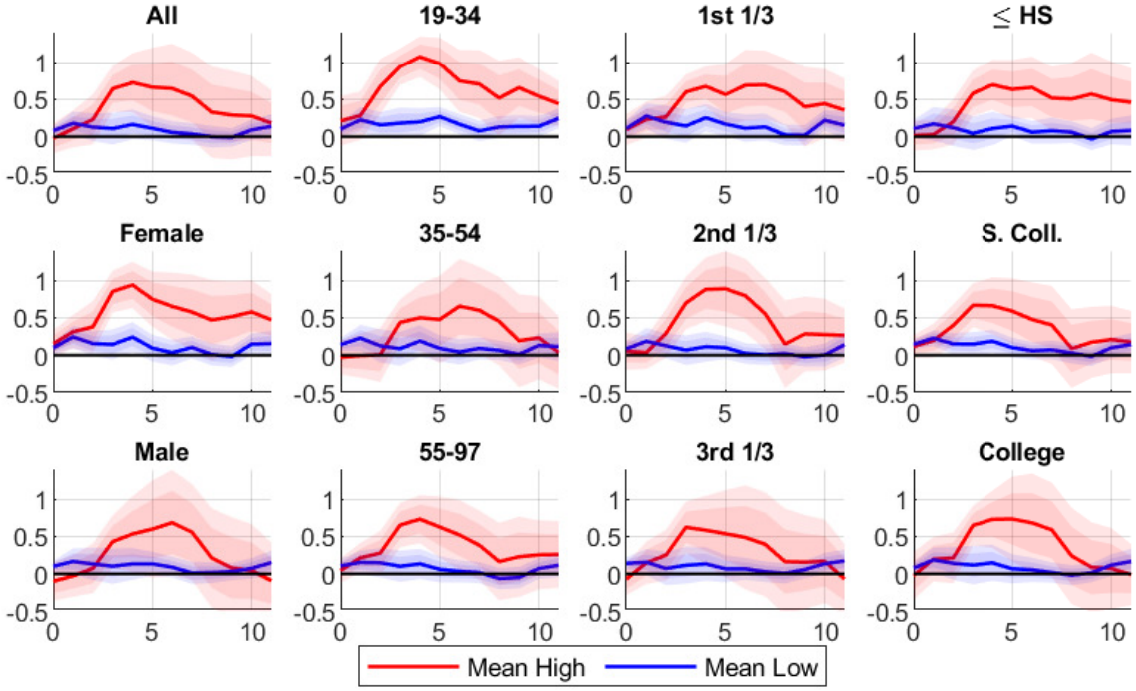
Notes: IRFs from Local Projections: Effect of an increase in TV news about inflation on FOX on inflation expectations. Solid lines show means and shaded areas show 68% and 90% confidence bands, respectively.

Figure A.5: State-Dependent Effects of TV News on Inflation Expectations, ABC.



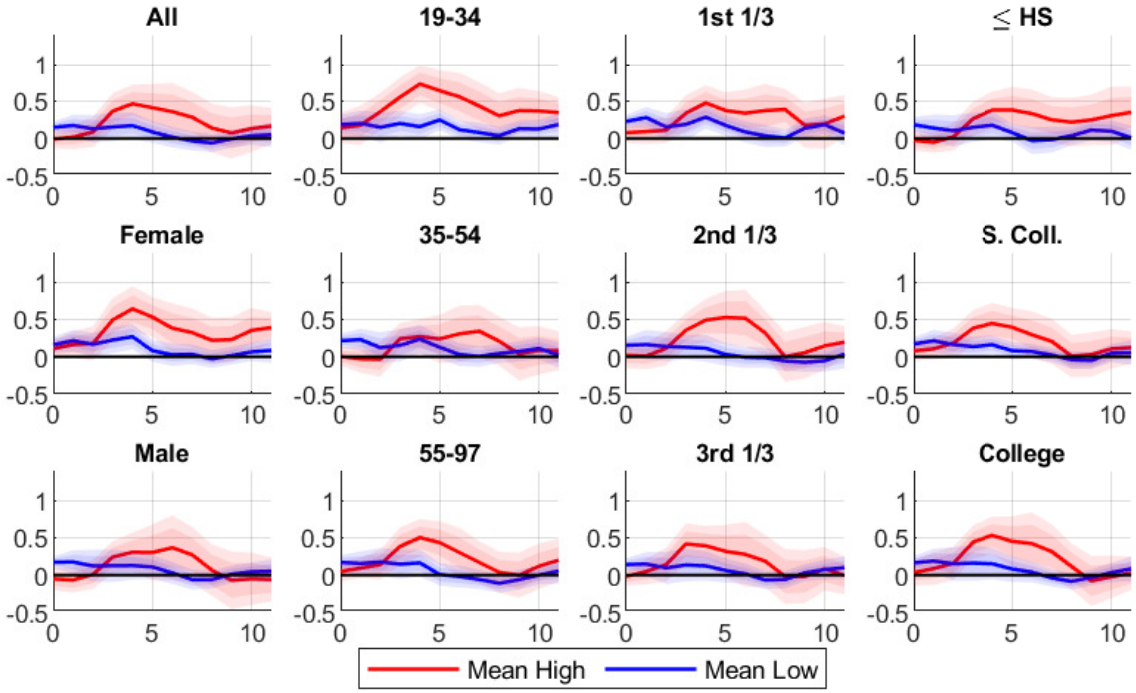
Notes: IRFs from Local Projections: Effect of an increase in TV news about inflation on ABC on inflation expectations. Solid lines show means and shaded areas show 68% and 90% confidence bands, respectively

Figure A.6: State-Dependent Effects of TV News on Inflation Expectations, CBS.



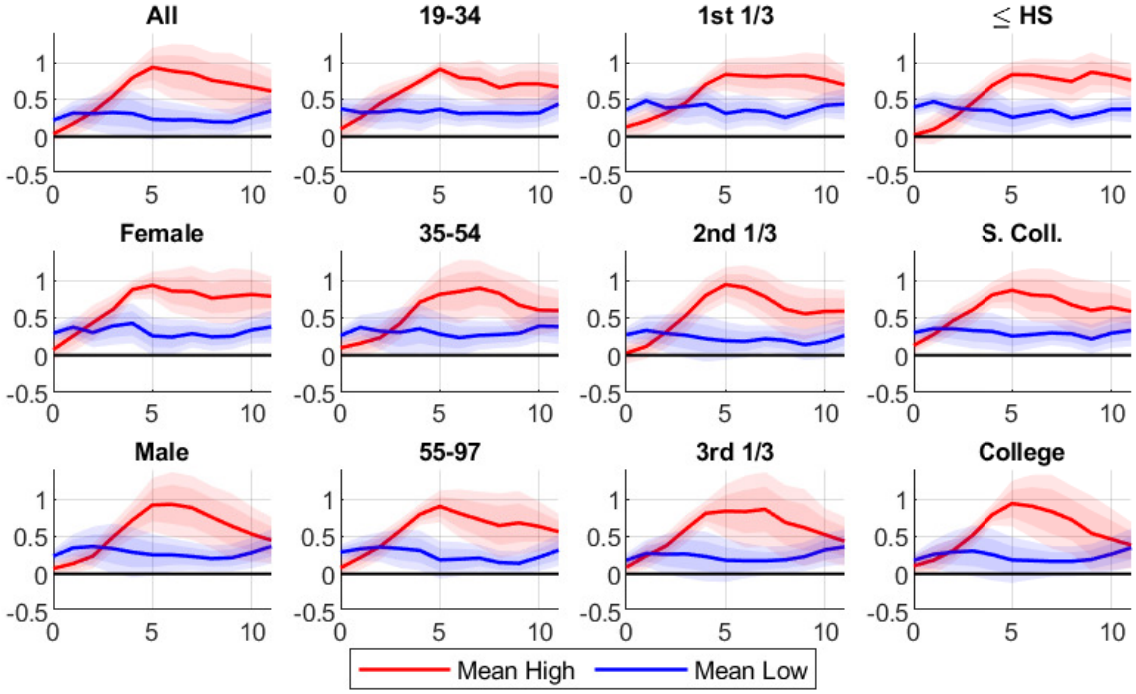
Notes: IRFs from Local Projections: Effect of an increase in TV news about inflation on CBS on inflation expectations. Solid lines show means and shaded areas show 68% and 90% confidence bands, respectively.

Figure A.7: State-Dependent Effects of TV News on Inflation Expectations, CNN.



Notes: IRFs from Local Projections: Effect of an increase in TV news about inflation on CNN on inflation expectations. Solid lines show means and shaded areas show 68% and 90% confidence bands, respectively.

Figure A.8: State-Dependent Effects of TV News on Inflation Expectations, FOX.



Notes: IRFs from Local Projections: Effect of an increase in TV news about inflation on FOX on inflation expectations. Solid lines show means and shaded areas show 68% and 90% confidence bands, respectively.

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