

POLITICAL PRESSURE ON THE FED

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Keynote Presentation @ 2nd Kiel-CEPR Conference on Monetary Policy
Central Bank Independence in the Spotlight

May 5, 2026

PLAN FOR TODAY

1. Presentation of “Political Pressure on the Fed”
(Drechsel (2026), forthcoming at the Review of Economic Studies)
2. Some ongoing research and thoughts on current situation
3. Time for questions

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 - ▶ Estimated regime-switching models, e.g. Bianchi and Ilut (2017)
- ▶ This paper:
 - ▶ Identifies shocks to political pressure on the Fed over time
 - ▶ Quantifies effects on inflation and other macro variables

THIS PAPER

- ▶ Newly collected archival data
 - ▶ Personal interactions between U.S. Presidents and Fed Officials 1933–2016
 - ▶ Amount, length, type of interactions → construct long time series
- ▶ Narrative identification
 - ▶ Exploit variation from Nixon and Johnson administrations
 - ▶ SVAR with narrative sign restrictions → “political pressure shocks”

PREVIEW OF FINDINGS

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2. Insignificant response of real economic activity
3. Transmission is different from typical monetary policy expansion

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50% as much pressure as Nixon, for six months, raises U.S. price level by 7%

DATA CONSTRUCTION AND DESCRIPTIVE EVIDENCE

DATA SOURCE

- ▶ Daily calendars of U.S. Presidents provided by *Presidential Libraries*
- ▶ Available online or on site – quality varies
- ▶ With RAs, collect **all interactions of Presidents with Fed Officials 1933-2016**

EXAMPLE OF PRESIDENTIAL SCHEDULE

THE WHITE HOUSE				THE DAILY DIARY OF PRESIDENT JIMMY CARTER	
LOCATION		DATE (Mo., Day, Yr.)			
THE WHITE HOUSE WASHINGTON, D.C.		JULY 19, 1980			
		TIME DAY			
		5:30 a.m. SATURDAY			
TIME	PERSONS BY NAME	ACTIVITY			
		From	To		
5:30	R		The President received a wake up call from the White House signal board operator.		
6:06			The President went to the Oval Office.		
8:00	8:01 P		The President talked with the First Lady.		
8:08			The President returned to the second floor Residence.		
8:15			The President and the First Lady had breakfast.		
8:31			The President returned to the Oval Office.		
9:10	9:12		The President participated in a photo opportunity with: Mrs. Carol Anderson, Plains, Georgia Jill Anderson, daughter Tim Lawson, Americus, Georgia Mrs. Tim (Peggie) Lawson Wendi Lawson, daughter Hazel Lawson, daughter Lorri Lawson, daughter		
9:12			The President went to the South Grounds.		
9:13	9:20		The President motored from the South Grounds to the Shoreham Hotel.		
9:20			The President was greeted by: Clifford L. Alexander, Secretary of the Army Robert McIntosh, General Manager, Shoreham Hotel		
			The President, escorted by Secretary Alexander, went to the VIP Room.		
9:22	9:29		The President met with: Secretary Alexander Mrs. Clifford L. (Adele) Alexander Gen. Edward C. Meyer, Chief of Staff, U.S. Army Mrs. Edward C. (Carol) Meyer Lt. Col. Matt Urban, U.S. Army and recipient of the Medal of Honor Mrs. Matt (Jennie) Urban Jennifer Urban, daughter Eris Johnson, daughter Ms. Sophia Rockwell, governess		
9:29	9:49		The President participated in a ceremony to present the Medal of Honor to Lt. Col. Urban. Members of the press		

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THE WHITE HOUSE				THE DAILY DIARY OF PRESIDENT JIMMY CARTER	
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SHOREHAM HOTEL WASHINGTON, D.C.		JULY 19, 1980			
		TIME DAY			
		9:29 a.m. SATURDAY			
TIME	PERSONS BY NAME	ACTIVITY			
		From	To		
			The President went to the offstage announcement area.		
9:30			The President went to the podium inside the Regency Ballroom.		
9:32	9:38		The President addressed approximately 1,200 guests attending the presentation.		
9:44			The President presented the Medal of Honor to Lt. Col. Urban.		
			The President returned to his motorcade. He was escorted by Secretary Alexander.		
9:49	9:53		The President motored from the Shoreham Hotel to the South Grounds of the White House.		
9:54			The President returned to the Oval Office.		
10:15	10:35		The President met with Chairman of the Board of Governors of the Federal Reserve System, Paul A. Volcker.		
10:37	10:38	P	The President talked with the First Lady.		
10:40		P	The President telephoned his daughter, Amy Carter. The call was not completed.		
10:44			The President went to the doctor's office.		
10:52	10:57	H	The President talked with Amy Carter.		
10:59			The President returned to the Oval Office. Enroute, he greeted: Richard I. Queen, released U.S. Hostage Barold Queen, father, resident of Lincolnville Beach, Maine Mrs. Harold (Jeanne) Queen Alexander Queen, brother Warren M. Christopher, Deputy Secretary of State.		
11:02			The Presidential party went to the Oval Office.		
			The President met with: Mr. Queen Mr. and Mrs. Harold Queen Mr. Alexander Queen Deputy Secretary Christopher The First Lady		
11:02	11:50				
11:02	11:40				
11:02	11:40				
11:02	11:50				
11:13	11:50				

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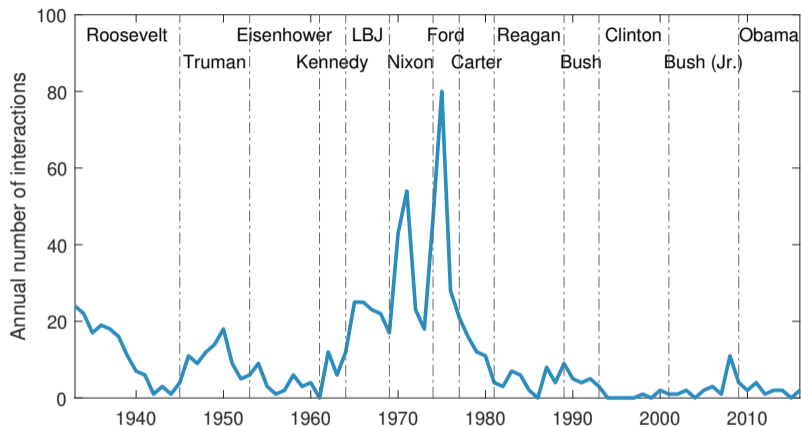
EXAMPLE OF PRESIDENTIAL SCHEDULE (ZOOMED IN)

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BASIC STATISTICS

- ▶ 857 personal interactions from 1933 to 2016
- ▶ Average length 53 minutes
- ▶ 92% with Fed chair, 8% with other Fed Officials
- ▶ 36% are 1-on-1 interactions
- ▶ 11% are on Saturdays or Sundays
- ▶ **Enormous variation through time...**

PRESIDENT-FED INTERACTION COUNT THROUGH TIME



- ▶ Clinton: 6 interactions in 8 years; Nixon: 160 interactions in 5.5 years
- ▶ Second half of 1971: Nixon speaks with Burns on average every 5 days

IDENTIFICATION STRATEGY

NARRATIVE IDENTIFICATION

- ▶ **Challenge:** personal interactions do not necessarily capture political pressure
- ▶ **Solution:** find increases in President-Fed interactions that ...
 - ▶ ... took place for political reasons only, i.e. is plausibly exogenous
 - ▶ ... arguably impacted monetary policy
- ▶ Exploit two historical episodes in SVAR
 - ▶ Main specification: Nixon's pressure on Burns in 1971
 - ▶ Additional variation: LBJ's pressure on Martin in 1967

NIXON'S APPOINTMENT OF ARTHUR BURNS

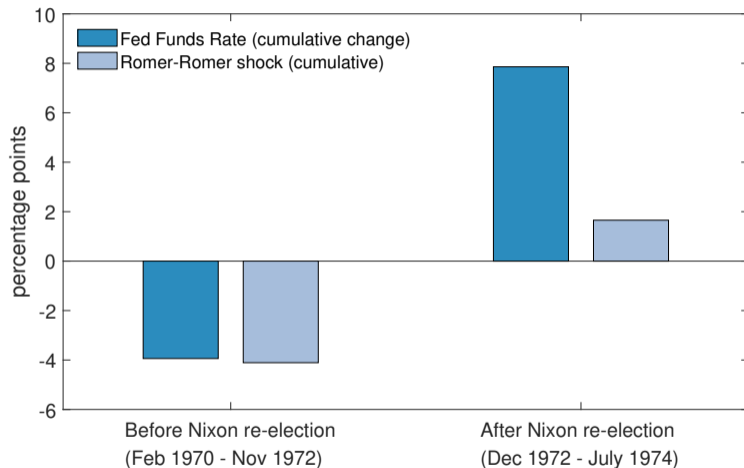


- ▶ Nixon during Arthur Burns' swearing-in ceremony in 1970:
"I respect his independence. However I hope that – *independently* – he will conclude that my views are the ones that should be followed."

SOME QUOTES FROM ARTHUR BURNS' DIARY

- ▶ “I am convinced the President will do anything to be reelected.” (March 1971)
- ▶ “I watched his face, as he spoke, with a feeling of dismay; for his features became twisted and what I saw was uncontrolled cruelty.” (July 1971)
- ▶ “I got a stern letter from the President urging me start expanding the money supply and predicting disaster if this didn't happen.” (Oct 1971)
- ▶ “President at this meeting again expressed his concern about the money supply. I reminded him that I was looking after that properly.” (Nov 1971)

NARRATIVE IDENTIFICATION: CORROBORATING EVIDENCE



DEFINITION OF POLITICAL PRESSURE SHOCK

- ▶ Long quarterly data (Ramey and Zubairy, 2018) + President-Fed interactions
- ▶ Narrative sign restrictions (Antolin-Diaz and Rubio-Ramirez, 2018)

Variable	Traditional sign restrictions	Narrative restrictions
President-Fed interaction count	+	1971:Q3, 1971:Q4
3-month T-bill rate	-	
Log GDP deflator	+	
Log real GDP		
Log government expenditures		
Nom. Deficit / Nom. GDP		

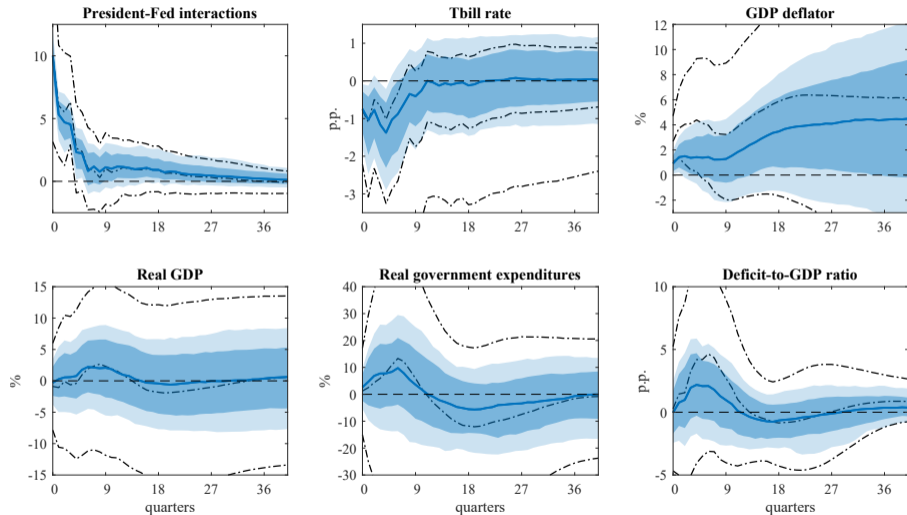
- ▶ SVAR different from event study: can 'detect' shock anywhere in sample

RESULTS

IMPULSE RESPONSE FUNCTIONS

CHOLESKY

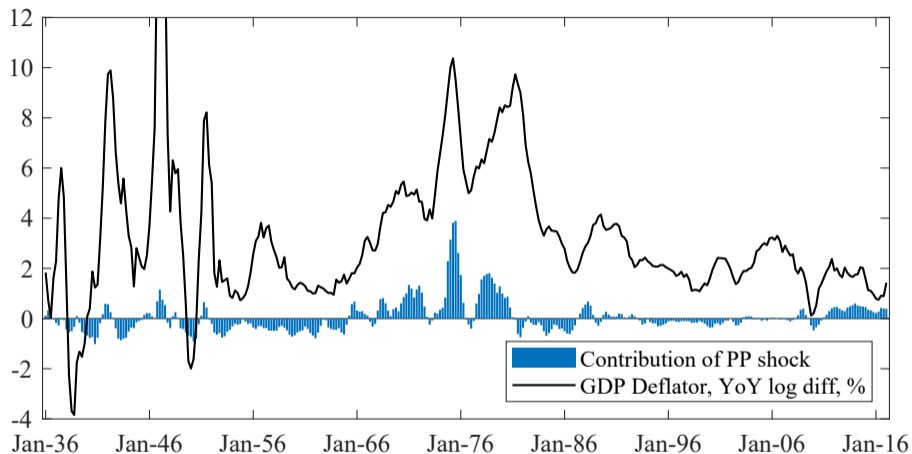
EVENT STUDY



HISTORICAL VARIANCE DECOMPOSITION

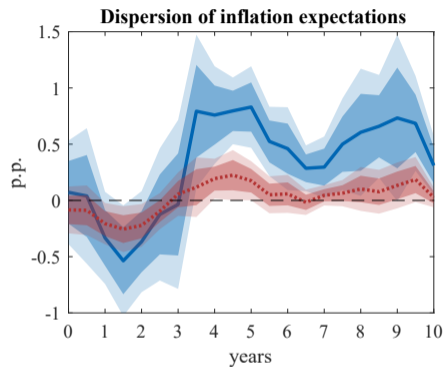
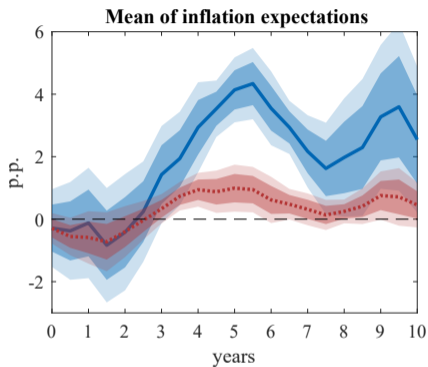
SHOCK SERIES

OTHER DECOMPS



- Evidence of political pressure shock affecting 1970s inflation, less elsewhere

EFFECTS ON INFLATION EXPECTATIONS



- ▶ Political pressure shock (blue) raises inflation expectations and disagreement
- ▶ Stronger effect than for monetary policy shock (red)

IS POLITICAL PRESSURE PUBLICLY OBSERVED?

INSIDE THE MARKET: Wall Street Fears Whiplash From Nixon-Burns Collision

Schonberger, Ernest A

Los Angeles Times (1923-1995); Feb 28, 1971; ProQuest Historical Newspapers: Los Angeles Times
pg. J1

INSIDE THE MARKET

Wall Street Fears Whiplash From Nixon-Burns Collision

BY ERNEST A. SCHONBERGER, Times Staff Writer

INVESTORS are suddenly casting a watchful eye for signs of just how serious a confrontation might be brewing between the Federal Reserve Board and economic officials within the Nixon Administration.

The issue: Just how rapidly should the economy be pumped up?

Some expect a head-to-head fight. Others shrug it off.

Most agree there's little likelihood of an immediate blow to the stock market.

Fed Chairman Arthur F. Burns brought it into the open last week by refusing to pledge further expansion of the money supply in support of President Nixon's goal of rapid economic growth for 1971. The Fed, although it sometimes acts hand-in-glove with a presidential administration, is a completely independent, semigovernmental agency. Its policies determine the supply of money and credit.

Administration officials have been

claiming the money supply would have to grow 6 to 9% this year to meet their economic target.

In testimony before the Joint Economic Committee of Congress Burns said rates above 5 or 6% have historically "intensified inflationary pressures" if continued "for a long period of time." He labeled the Administration's goal of a \$1.065 trillion Gross National Product for 1971 "optimistic."

"You would have to term it (Burns' testimony) something of a confrontation," says Richard B. Bailey, a trustee for the \$2 billion Massachusetts Investors Trust mutual fund.

That would seem to be the case. Both John B. Connally, secretary of the Treasury, and Herbert Stein, a member of the President's Council of Economic Advisors, have already reacted to Burns' testimony contentiously. They insist that the money

supply should be expanded more rapidly.

WALL STREETERS have been saying for a year that the Nixon Administration would pull all economic stops early enough to do some good for the 1972 elections. And the same observers have been saying that this is not in step with the generally conservative Fed whose members enjoy long term appointments and don't have to seek election.

Claude Rosenberg, president of Rosenberg Capital Management Co. of San Francisco and author of the book, "Stock Market Primer," says future developments between Burns and the Administration will be "very much a key to the stock market."

He thinks a confrontation, although not a monumental one, is brewing. Underlying this will probably be the Administration's fear that unemployment won't come down, says the money manager.

Rosenberg notes that "business can improve on the order of 5 or 10%—without very much increase in employment." And the corollary to that would be little help for the unemployed.

For now, Rosenberg isn't letting the hassle alter his positive attitude toward the stock market and the \$60 million he manages in it.

BUT IT'S HIS feeling that if and when the Administration succeeds in getting business rolling—"let's say in the fall"—the Fed will counteract by hitting the brakes on the money supply.

At that juncture, investors may have to be quick on the trigger and move at least partly out of stocks and into cash, he feels.

William G. Wagner of Janus Management Co. of Los Angeles is less concerned about the ramifications of Burns' statements.

"I don't think there's any significant conflict," he says. "It's not important if they're going to push up the money supply greatly (5 or 6%) or very greatly (more than 6%). Who cares—so long as it's going up a large amount."

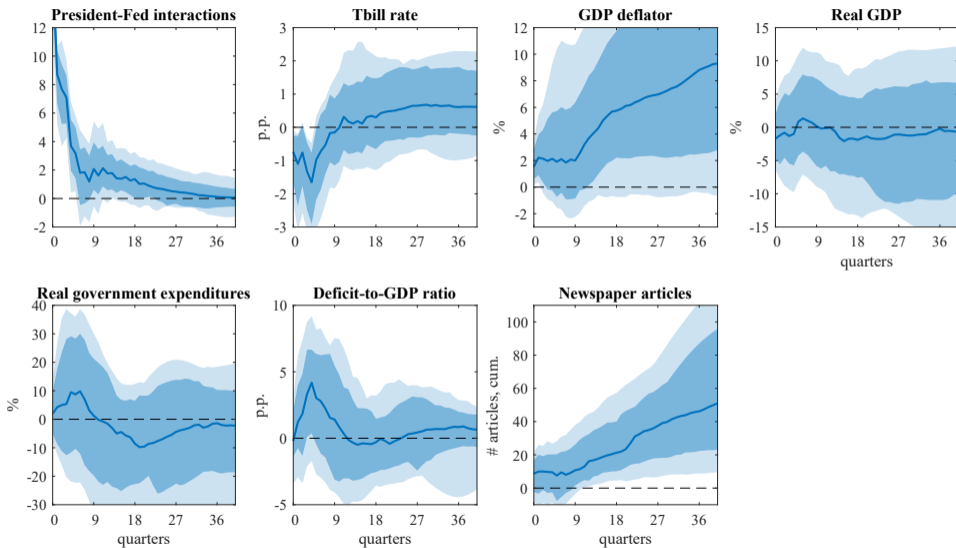
At any rate, that influences his stock market thinking for much of 1971 and into 1972. He recognizes that any money management errors are apt to be on the side of overexpansion. However, "after the election, we've got to watch out," he says.

Joseph F. Dorsey, president of Argus Research Co. in New York, thinks there's "no big dispute." As he sees it, the Fed has been working on conservative projections—"don't forget that the money supply grew very slowly in January." Therefore, the Fed has leeway to move more in the direction of the Administration's goals and still stay within the annual rate of 5 or 6%, he says.

Please Turn to Page 2, Col. 3

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IRFS WITH SIGN RESTRICTION ON NEWS ARTICLES



ADDITIONAL RESULTS IN THE PAPER

- ▶ Controlling for oil prices; controlling for other early 1970s shocks
- ▶ Modeling President-Fed interactions as count data
- ▶ Allowing for political pressure to be latent
- ▶ Theoretical discussion:
 - ▶ Simple New Keynesian mechanics
 - ▶ More explicit models of political pressure

SUMMARY OF THE PAPER

- ▶ Novel data and narrative identification → political pressure shocks
- ▶ **Quantitative results**
 - ▶ President acts 50% as bad as Nixon for 6 months ⇒ price level rises by 7%
- ▶ Benefits of central bank independence often highlighted using cross-country data; I provide supporting evidence **for the US through time**
- ▶ I make the new data and estimated shocks available on my website

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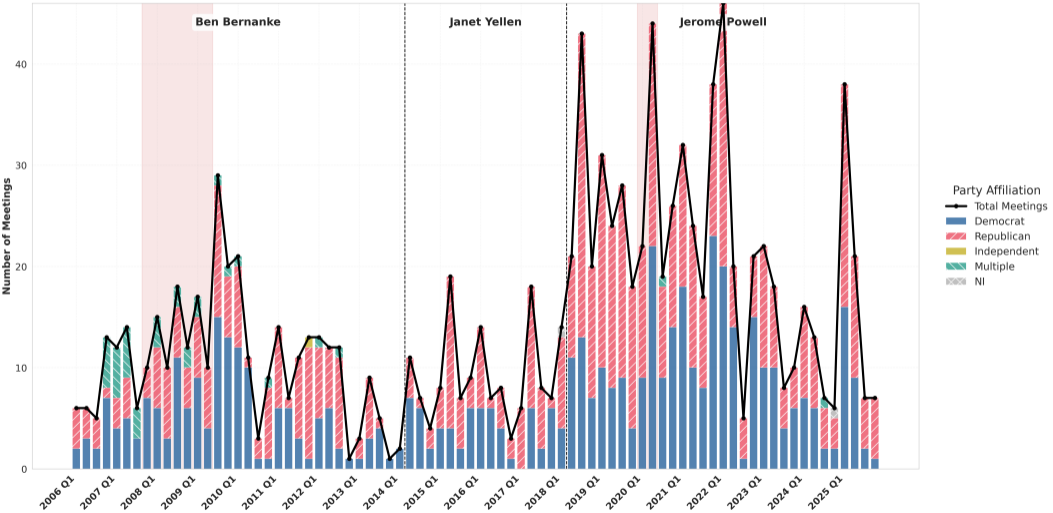
ANALYZING FED CHAIR CALENDERS

- ▶ Presidential calendars currently end in 2016
- ▶ The Fed releases calendars of the Chair until more recently
- ▶ In new work, we analyze these calendars in detail ([Drechsel and Tsakadze, 2026](#))
 - ▶ Interactions with media, financial sector, international counterparts, ...
 - ▶ Also study interactions with different political entities

RECENT PRESIDENT-FED MEETINGS

Year	U.S. President	Federal Reserve Chair	Personal Interactions
2017	Donald J. Trump	Janet Yellen	1
2018	Donald J. Trump	Jerome Powell	0
2019	Donald J. Trump	Jerome Powell	5
2020	Donald J. Trump	Jerome Powell	3
2021	Joseph R. Biden	Jerome Powell	2
2022	Joseph R. Biden	Jerome Powell	1
2023	Joseph R. Biden	Jerome Powell	0
2024	Joseph R. Biden	Jerome Powell	0
2025	Donald J. Trump	Jerome Powell	2

CONGRESSIONAL MEETINGS – A SHIFT UNDER POWELL



THOUGHTS ABOUT CURRENT SITUATION

- ▶ Jerome Powell has lobbied for Fed independence in Congress
- ▶ Monetary policy independence will probably prevail

THOUGHTS ABOUT CURRENT SITUATION

- ▶ Jerome Powell has lobbied for Fed independence in Congress
- ▶ Monetary policy independence will probably prevail
- ▶ Political pressure remains extremely strong. What gives?
- ▶ My guess for a good place to look: banking supervision

Fed Vice Chair Barr Steps Down to Sidestep Potential Legal Battle With Trump

Barr will resign from his position in February while staying on as a Fed governor



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By [Dylan Tokar](#) [Follow](#)

Updated Jan. 6, 2025 4:47 pm ET

Wall Street banks score win as Fed unveils plan to ease capital

By Pete Schroeder

March 12, 2026 11:02 AM EDT · Updated March 12, 2026



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Federal Reserve unveils its proposal for lower bank capital requirements

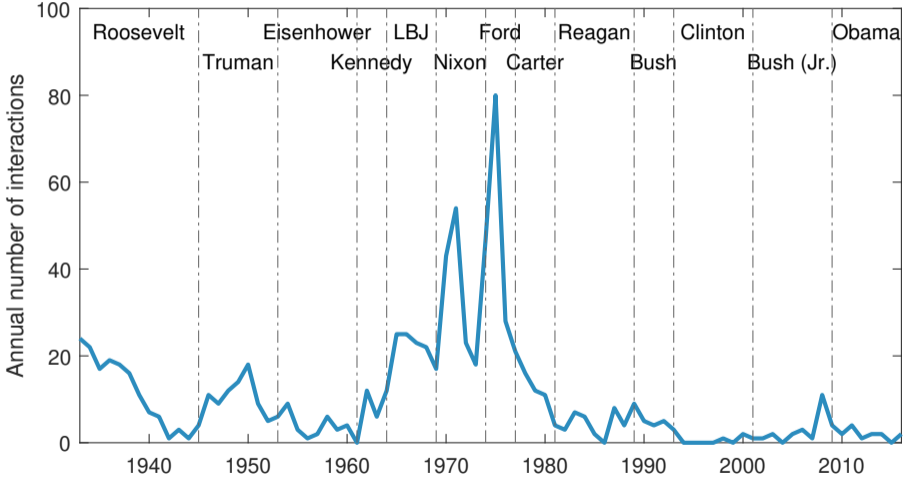
Federal Reserve to Reduce Bank Supervision Staff by 30%

Story by Dylan Tokar, Nick Timiraos • 5mo • 2 min read

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PRESIDENT-FED INTERACTION COUNT THROUGH TIME



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