ECONOMIC FINDING

Diverse Policy Committees Can Reach Underrepresented Groups

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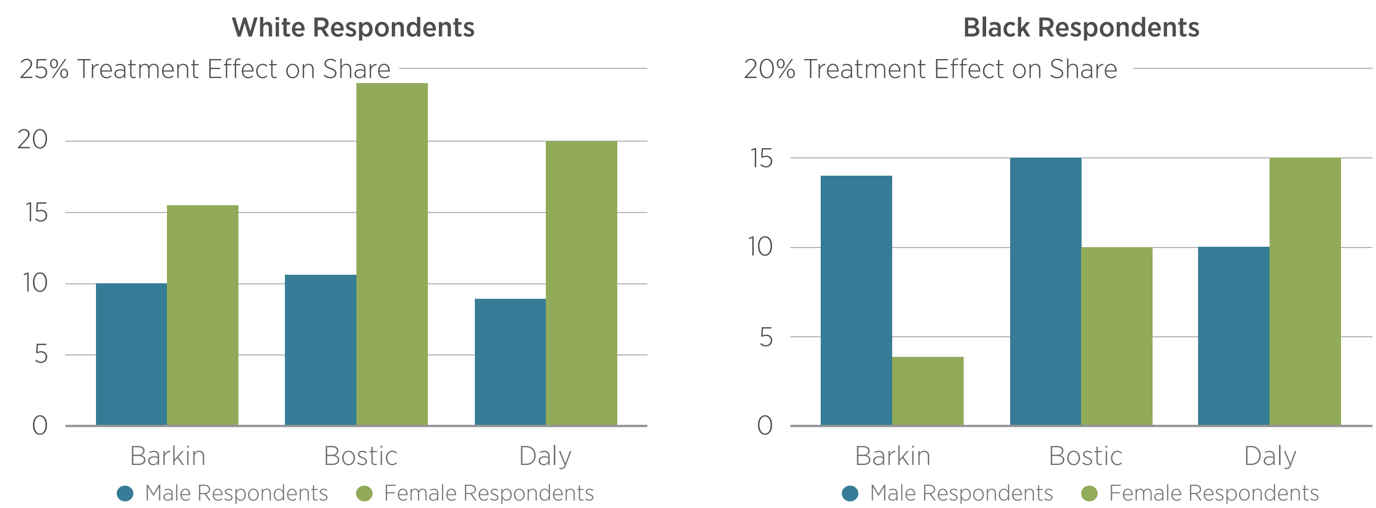
This new research finds that diverse policy committees are better able to reach underrepresented groups without inducing negative reactions by others, thereby enhancing the effectiveness of policy communication and public trust in the institution.

The lack of demographic diversity in the composition of important policy committees such as the Federal Open Market Committee (FOMC) at the US Federal Reserve or the European Central Bank's Governing Council has raised questions about equity and fairness in the policy process. Beyond equity and fairness, advocates also argue that more diverse committees reflect more viewpoints and experiences, which may lead to better decisions. Furthermore, diverse committees may be better able to relate to and talk to many different communities.

But how to measure such effects? To overcome long-standing empirical challenges, the authors built on a large body of research in social psychology and cultural economics to design an information-treatment randomized control trial (RCT) on a representative survey population of more than 9,000 US consumers. Subjects read the FOMC's medium-term macroeconomic forecasts for unemployment or inflation with the randomized inclusion of one of three faces of FOMC members (and regional Fed presidents): Thomas Barkin (White man), Raphael Bostic (Black man), and Mary Daly (White woman).

Figure 1 · Measuring Policy Committees: Exposure to Federal Open Market Committee (FOMC) Unemployment Forecasts in Relation to FOMC Member



Note: Figure reports the estimated treatment effects of exposure to the June 2020 FOMC forecasts for unemployment alongside the portrait of the FOMC member reported on the x-axis on the share of subjects with "anchored" expectations across demographic groups, relative to subjects in the control group. Subjects read the FOMC's medium-term macroeconomic forecasts for unemployment or inflation with the randomized inclusion of one of three faces: Thomas Barkin (White man), Raphael Bostic (Black man), and Mary Daly (White woman). Expectations are considered anchored if the modal bin of the posterior distribution includes at least one of the two FOMC forecasts numbers shown.

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In a separate survey, the authors verified the effectiveness of this experimental intervention, in that exposure to the Black or female committee member induces subjects of all demographics, on average, to perceive a higher presence of these traditionally underrepresented groups on the FOMC. The authors' main test compares the subjective macroeconomic expectations of consumers who belong to the same demographic group and who see the same forecast but for whom FOMC diversity salience varies. Their findings include:

- Consumers belonging to underrepresented groups who are randomly exposed to a female or Black FOMC member on average form macroeconomic expectations, especially on unemployment, closer to the FOMC forecasts. For example, 52%-56% of White female subjects form expectations within the range of the FOMC's unemployment forecasts if the presence of a White woman or a Black man on the FOMC are salient, relative to 48% if the presence of a White man is salient, and 32% when they do not receive any forecast. Effects are even stronger for Black women.
- For Black men, effects are smaller but indicate a stronger reaction when Raphael Bostic's presence on the FOMC is salient.
- The expectations of Hispanic respondents who are not represented on the FOMC and of White men do not respond differentially to the three committee members. White men's non-reaction implies increasing diversity representation does not move the expectations of the overrepresented group away from the FOMC forecast.
- For inflation expectations, the FOMC inflation forecasts affect all subjects' beliefs, and the differential effects based on exposure to diversity are weaker, consistent with the fact that realized inflation varies little by demographic groups, contrary to the unemployment rate.

The authors also measure trust in the Fed's ability to adequately manage inflation and unemployment, as well as whether the Fed acts in the interest of all Americans. Both forms of trust correlate significantly with subjects' propensity to form expectations in line with the FOMC's forecasts. Furthermore, underrepresented subjects are substantially more distrustful of the Fed in the control treatment that did not receive any forecast and did not see the picture of any policymaker. By contrast, female and Black subjects become significantly less distrustful when the presence of Mary Daly or Raphael Bostic on the FOMC is salient. Again, no offsetting negative effect on the trust of White male subjects exists, so that overall trust in the Fed increases in these treatments.

In a follow-up study to further assess the impact of diversity salience, the authors successfully contacted about one-third of the original subjects and had them read one of two articles featuring a statement about the US economy from a high-ranked policymaker, either from the Congressional Budget Office (CBO) or the Federal Reserve. Subjects were randomized into three groups where (a), the policymakers were not named; (b) both (named) policymakers were men; and (c), subjects had the choice between the same CBO male and a Fed female policymaker. The authors find that female subjects in the third group are significantly more likely to choose the article about the Fed than female subjects in the other two groups, whereas male subjects choose similarly across treatments. Higher policy committee diversity might thus increase underrepresented groups' willingness to acquire information about monetary policy.