Fear of full employment: Labor and inflation at the Fed

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This Version: April 2026

Abstract Does the delegation of monetary policy to independent central banks help grow the cake for all, or does it institutionalize a monetary order that allocates a larger slice to capital? At the heart of this debate lies the role of the labor market —both in central bankers' understanding of the inflationary process and in the transmission mechanism of monetary policy. With its explicit dual mandate, the Federal Reserve is a pivotal test case. We measure Fed policymakers' understanding of the labor market as a driver of inflation via LLM-assisted text classification methods, applied to the complete corpus of Fed communications during the period 1978-2019. We document a robust 'fear of full employment', a negative relationship between the rate of unemployment and the salience of labor-based explanations of inflation, even absent signals of accelerating wage growth. Going beyond rhetorics, our results show that policymakers' fear is genuine: it is more pronounced in internal deliberations than in public speeches. Lastly, the Fed's fear is political: controlling for unemployment, macroeconomic fundamentals, and proxies for the labor-policy environment, officials' attribution of inflation to labor market dynamics is systematically higher under Democratic presidents than Republican ones.

Keywords: Delegation, distribution, central banks, monetary policy, LLMs.

1. Introduction

Although the United States never built a full employment welfare state, the macroeconomic policy regime it established after World War II placed considerable emphasis on the goal of full employment (Binder & Spindel, 2017). After peaking in the early 1980s, a long period of relative macroeconomic stability, the so-called Great Moderation, somewhat blunted the political salience of labor market performance. However, following the Global Financial Crisis, in the course of which unemployment peaked at 10 percent, the issue re-emerged as a central theme in economic policy debates. These debates were fueled by growing income inequality (Piketty & Saez, 2003) and what has come to be called the "China shock"—deindustrialization driven by import competition (Autor, 2015; Autor et al., 2013). The salience of unemployment has remained high in the context of the potentially severe labor market impacts of the gig economy, automation, and artificial intelligence (Acemoglu & Restrepo, 2022; Thelen, 2019). Political science has seen a surge in interest in the consequences of unemployment on political behavior (Bisbee & Rosendorff, 2025; Cox, 2024; Margalit, 2011; Pardos-Prado & Xena, 2019).

Few policies are as decisive for employment outcomes as Federal Reserve (Fed) interest rate decisions. Current estimates suggest that contractionary monetary policy can raise unemployment by well over a percentage point within two years (Romer & Romer, 2023). The centrality of employment is reflected in the dual mandate of the Fed, which puts monetary policy in the service of both price stability and maximum employment. Yet how this power is exercised depends largely on how the Fed interprets this mandate, and specifically on how it balances its two objectives (Downey, 2024). Since the Volcker Shock of the early 1980s, the Fed has often appeared to re-arrange its two goals in a hierarchical fashion. It has done so backed by prominent but contested economic concepts like the Phillips curve, which posits accelerating inflation at low levels of unemployment (Phillips, 1958; Samuelson & Solow, 1960). Specifically, the Fed has been accused of failing its Congressional mandate by letting its monetary policy be guided by a "baseless fear of full employment" (Galbraith et al., 2007). However, despite its gravity, this claim has since received very little empirical attention.

In this paper, we ask if—and under what political configurations—the Fed has shown a fear of full employment. To do so, we deploy large language model (LLM) assisted text classification methods on a corpus of Fed communications during the period 1978-2019. This corpus includes both transcripts of the internal deliberations of the Federal Open Market Committee (FOMC) and external, public-facing speeches. We operationalize "fear of full employment" by constructing a novel indicator of the salience of labor market developments as a driver of inflation across all policymaker speech, and study the associations between relevant

macroeconomic, institutional, and political variables and this metric. First, we find that Fed policymakers do indeed place greater emphasis on labor as a driver of inflation at lower levels of unemployment, *even without signals of accelerating wage growth*. This qualification is crucial: it is being divorced from wage developments that renders policymakers' fear of full employment "baseless". This finding is robust across alternative model specifications as well as different metrics for key variables.

Second, exploiting the differences between public speeches and FOMC transcripts, we find that this fear is not merely a strategy of communication, but is rather genuinely held. Given that openly expressing fear of full employment would sit uncomfortably with the Fed's Congressional mandate to pursue maximum employment, we expect - and find - that policymakers are more restrained in public than in private, despite competing incentives to project a hawkish image. Not only are labor-based explanations of inflation less frequent in public speeches, but they barely respond to changes in unemployment. By contrast, policymakers appear highly responsive to falling unemployment in their private, policy-relevant deliberations in the FOMC, suggesting that Phillips curve-based thinking is not a strategic posture but is genuinely operative in decision-relevant settings.

Lastly, full employment is both a matter of class politics and a partisan issue (Kalecki, 1943). Left-wing governments typically place a higher premium on employment, producing systematically better labor market outcomes (Bartels, 2016; Blinder & Watson, 2016; Hibbs, 1977). We indeed find that Fed officials' attribution of inflation to labor markets is greater under Democratic presidents than under Republican ones. Going further by controlling for both macroeconomic fundamentals and the labor policy environment, we continue to find evidence that Fed officials perceive greater inflationary risk from labor when a Democrat is in the White House, even when holding constant these economic and policy conditions.

This paper makes several contributions. First, by leveraging the possibilities opened up by LLMs for the analysis of political or economic texts (Benoit et al., 2025; Cova & Schmitz, 2024), we move beyond existing approaches to studying how the Fed understands labor markets, which have relied on explicit mentions of certain concepts (Arbogast et al., 2024; Levingston, 2021). This allows us to show that regardless of *explicit* references to the "Phillips curve", the underlying logic of this concept—that low levels of unemployment are risk pushing up inflation—has remained ubiquitous in Fed deliberations and speeches across our sample period. Furthermore, while other studies have documented the relative emphasis on each half of the Fed's mandate using bag-of-words techniques (Baerg & Lowe, 2020; Kaya et al., 2019),[1]

[1]See Ferrara et al. (2022) for a study of the European Central Bank

the ability of LLMs to capture context and retain meaning allows us to study how one half of the Fed's mandate, maximum employment, may instead be understood as itself a threat to the other, price stability.

Second, our analysis carries implications both for the political economy literature on macroeconomic governance and for the broader political science literature on employment outcomes. We provide new empirical evidence on how central banks adjudicate between their competing mandates, and on how economic ideas, reputation management, and political considerations shape their calculus (Moschella, 2024) . More specifically, our finding that Fed officials have been guided by a "baseless fear of full employment" contributes to the literature on the inequality-increasing consequences of central bank independence in general (Aklin et al., 2026), and of the Fed's approach to inflation targeting in particular (Arbogast et al., 2024; Kaya, 2022; Kaya et al., 2019). It also, crucially, re-affirms earlier findings of institutionalized partisan bias at the Fed (Clark & Arel-Bundock, 2012; Cusack, 2001). Overall, our analysis bolsters the argument that the failure to achieve full employment is an outcome of political choices, and as such deserves much greater attention in political science, which in recent decades has largely ignored the question of full employment.

2. The politics of full employment

The economic policy goal of full employment has had a remarkable career. The experiences of the Great Depression and of the employment boom of the early 1940s appeared to validate Keynesian economics. By 1944, at the peak of World War II, unemployment in the UK and the United States had fallen to 0.6 per cent and 1.2 per cent, respectively. Full employment was at the core of a newly formed Keynesian policy consensus (Beveridge, 1944). In the context of the U.S. government reducing its massive wartime footprint in the economy, and of millions of soldiers returning home and re-joining the civilian labor force, Congress passed the 1946 Employment Act. Originally introduced as the Full Employment Bill, it had President Truman's support but was significantly watered down in Congress. Manufacturing and farming associations, in particular, lobbied the House and found a receptive audience in a coalition of conservative Southern Democrats and Republicans (Bailey, 1950; Binder & Spindel, 2017, p. 144-150).[2]

[2]At the time of the Employment Act's passing, full employment was a prominent topic in political science. The December 1945 issue of the *American Political Science Review* featured a symposium on "Maintaining High-Level Production and Employment" with several contributions on the topic. However, this moment was fleeting. Indeed, just like it disappeared from the legislation's name, after 1945, the phrase "full employment" never re-appeared in an APSR or AJPS research article title.

Despite this initial setback, full employment remained a central concern in US politics during the postwar decades. Public opinion surveys consistently reported strong support for full employment, and the Democratic party routinely included a full-employment plank in its national platform (Weir, 1987, p. 377). This partisan split on full employment requires explanation. As most famously articulated by Kalecki (1943, p. 324), the question of why business leaders tend to oppose Keynesian policies geared towards full employment is "not easy to explain." After all, higher economic output increases business profits. However, capitalists value the disciplining force unemployment exercises on organized labor, and fear that "under a regime of permanent full employment, 'the sack' would cease to play its role as a disciplinary measure" (Kalecki, 1943, p. 326). In describing the regularity with which successful full employment policies are squashed by business opposition, Kalecki coined the concept of a "political business cycle."

After falling throughout the 1960s, unemployment shot up during the first half of the 1970s. For the first time, the US economy experienced stagflation. Inflationary pressure escalated with the oil crisis 1973-74, during which the price of crude oil more than doubled within weeks. It was in this context of unprecedented stagflation that the Federal Reserve Act Amendments of 1977 and subsequent Humphrey–Hawkins Full Employment Act of 1978 "rejected the passive and reactive Fed" of the past and instead directed it "to foster and sustain economic conditions conducive to maximum employment, production, and purchasing power of the dollar" (Binder & Spindel, 2017, p. 150). However, the same stagflation crisis that paved the road for the original bill in 1974 also paved the road for Paul Volcker to become chairman of the Fed a mere 12 months after President Carter had signed the Humphrey–Hawkins Act into law.

Volcker's immediate embrace of a radical disinflation policy permanently relegated full employment to second place in the hierarchy of the Fed's dual mandate (Kaya et al., 2019). Volcker's Fed raised rates to create a severe recession and a surge in unemployment, a strategy recently qualified by scholars as "Keynesianism in reverse" (Best, 2020; Binder, 2021). Following a cost-push theory of inflation, according to which "labor accounts for the bulk of all costs" underpinning "the momentum of the inflationary process" (Volcker, 1981), the Fed chair was intent on breaking the structural power of organized labor in order to achieve permanent price stability (Greider, 1987, p. 431). In Volcker's view, President Reagan made an "important but little-recognized contribution to the fight against inflation" when he crushed the air traffic controller strike, thus sending "a powerful psychological message that there would be limits on wage demands" (Volcker & Harper, 2018, p. 113). In short, there can be little doubt that Volcker's anti-inflation strategy was to fundamentally reshape the U.S. economy

to the disadvantage of labor. This strategy succeeded, and the Volcker shock "all but erased" full employment as a major political issue in the United States (Weir, 1987, p. 377).

With full employment relegated as a policy priority, the labor market nevertheless remained a core concern for central bankers—this time as a threat to price stability. Underpinning this view is the "Phillips curve", which in its original formulations posited a negative relationship between unemployment and wage growth (Phillips, 1958), and subsequently the rates of unemployment and inflation (Samuelson & Solow, 1960). The microeconomic foundations were added by Milton Friedman (1968) and Edmund Phelps (1967, 1968) who, in the process, developed the notion of a "natural" rate of unemployment (NAIRU) at which inflation remains anchored, yet below which wage demands escalate and wage-price spirals become likely. In its "modern", New Keynesian form, the Phillips curve incorporates forward-looking expectations and stands for a trade-off between the amount of "slack" in the economy and inflation. From this perspective, inflation is the product of "excess" aggregate demand relative to productive capacity (Roberts, 1995).

3. Employment, monetary policy, and the Fed

The New Keynesian consensus provided a theoretical bulwark against full-employment policy by framing demand management to lower unemployment below its "natural" rate as futile (Forder, 2010, p. 330). A highly consequential development with significant implications for labor market outcomes, this consensus has been heavily contested, with calls for economists to "ditch the NAIRU" going back thirty years (Galbraith, 1997). Such criticism notwithstanding, however, the New Keynesian consensus persisted. Both Meade & Thornton (2012) and Levingston (2021) have shown that despite divisions over the usefulness of the Phillips curve and the NAIRU, and growing skepticism during the 2000s, FOMC policymakers remained committed to the core theory that inflation was determined, above all, by labor market slack. The most outspoken adherent was Fed chairman Alan Greenspan who, in a moment of unusual candor at the peak of the dotcom boom, warned of the inflationary consequences of the "steadily depleting the pool of available workers", which could not "continue without eventually putting increasing pressure on labor markets and on costs" (Greenspan, 1999). Once nominal wages would start growing faster than labor productivity, he argued, prices would "inevitably […] begin to accelerate." Greenspan's statement points to a clear trade-off in his mind between full employment and inflation.

A key development that has made the New Keynesian consensus more controversial has been the 'flattening' of the Phillips curve. This weakening of the correlation between employment levels and wage pressure—clearly visible in the data—has been explained by the secular decline

of workers' bargaining power since the 1980s, and thus of their ability to translate labor market tightness into higher wages (Ratner & Sim, 2022). Indeed, when the 2010s brought a period of steadily declining unemployment rates that did not generate upward pressure on wages or inflation, several members of the FOMC voiced increasingly stringent criticisms of the NAIRU (Arbogast et al., 2023). And yet, despite the Fed's 2019-2020 strategy review and the renewed emphasis on its maximum employment mandate, it still did not ditch the NAIRU (Arbogast et al., 2023). In short, Galbraith's exhortation that US monetary policy has been guided by a "baseless fear of full employment" still stands (Galbraith et al., 2007)—but has been subject to no further empirical testing.

This paper formulates three hypotheses to test if, and under what conditions, the Fed has been guided by a "baseless fear of full employment." If Phillips curve-based thinking shapes how policymakers interpret economic conditions, labor-based explanations of inflation should be correlated negatively with unemployment. This relationship is likely to be nonlinear, with references to labor market conditions intensifying around the natural rate of unemployment, at which theory predicts that inflation expectations become de-anchored and wage-price spirals more likely. Lastly, and crucially, for this fear of full employment to be 'baseless', the pattern should persist even after controlling for wage growth. In short, we expect Fed policymakers to place greater emphasis on labor as a driver of inflation at lower levels of unemployment, in a nonlinear fashion, and regardless of the actual contribution of wages to inflation (**H1**).

Confirming such a pattern across all Fed communications cannot, however, tell us whether it reflects genuinely held convictions or merely strategic communication. Central bankers have been shown to engage in sophisticated reputation management strategies and routinely calibrate their public statements to protect institutional legitimacy (Braun & Düsterhöft, 2025; Moschella, 2024). Discrepancies between privately held views and public pronouncements are well documented, particularly when the policy stance has adverse consequences for employment (Best, 2020; Diessner, 2023; Goutsmedt & Fontan, 2024). In our case, fear of full employment sits uncomfortably with the Fed's Congressional mandate to pursue maximum employment, giving policymakers reason to voice that fear less vocally in public than in private. If fear of full employment is more than a hawkish signal that policymakers wish to express strategically in public, and instead is embedded in their theoretical model of the economy, then it should be expressed more frequently FOMC deliberations, which are only made public after five years, and therefore largely free of reputational considerations. This allows us to formulate a more stringent second hypothesis—we expect Fed policymakers to

place greater emphasis on labor as a driver of inflation in their private deliberations in the FOMC than in their public speeches (**H2**).

In light of the strong association between full employment and class politics (Kalecki, 1943), the most politically charged question is whether, in addition to economic conditions, the Fed's view of full employment is also shaped by partisan political forces. A number of empirical studies suggest that this is the case. Studying presidential elections between 1984 and 2006, Galbraith et al. (2007) have found systematic partisan bias in the Fed's interest rate decisions, operationalized as monetary policy being more loose in the run-up to elections in which Republicans were the incumbents. Similarly, Clark & Arel-Bundock (2013) have shown that during the period from 1957 to 2004, Fed policymakers acted as "conditional inflation hawks", adopting a tighter monetary policy stance under Democratic than under Republican presidents. Focusing on monetary-fiscal coordination across countries, Cusack (2001) has demonstrated that such coordination is less likely under left-wing governments. Based on this literature, we expect that if the Fed's fear of full employment has a partisan dimension it should be more intense under Democratic presidents. However, as firmly established in the broader literature on the impact of government partisanship on macroeconomic outcomes, left-wing governments place a higher premium on employment, and US labor markets perform systematically better under Democratic administrations (Bartels, 2016; Beland, 2015; Blinder & Watson, 2016; Hibbs, 1977). Therefore, it would be rational for the Fed to pay more attention to the labor market as a driver of inflation under Democratic administrations simply because employment rates tend to be higher under them. Our third and most stringent hypothesis therefore requires that this partisan pattern holds even after controlling for partisan policy differences. Thus, we expect the Fed to perceive greater inflationary risk from the labor market under Democratic presidential administrations even when controlling for macroeconomic fundamentals and the labor-policy environment (**H3**).

4. Using LLMs to detect causal claims about inflation

To test our hypotheses, we need to detect when Fed officials discuss labor-related issues as a cause of inflation. First, we collect the full text of all public speeches by Fed officials as well as the transcripts of internal deliberations in the FOMC, and extract excerpts in which inflation is discussed. Then, we create a codebook to categorize the different drivers of inflation in Fed discourse, and use it to label a subsample of inflation excerpts. Last, we benchmark several LLMs for our classification task, and use the most capable to systematically label inflation drivers across our whole corpus of Fed discourse.

4.1. Public and private discussions of inflation

FOMC transcripts are available from March 1976 to December 2019 (as of 2025), and are released with a delay of five years.[3] There are 477 transcripts in total (367 regular meetings and 110 conference calls). After downloading these documents, we use natural language processing tools to parse these transcripts into individual speakers' interventions, retaining only those that were delivered by Board members and regional Reserve Bank presidents, excluding staff presentations. This yields 123,039 interventions averaging 96 words, leading to 12M words total.

In addition to these private deliberations, Fed officials give public speeches, in which they explain their decisions in order to guide the expectations of markets and citizens. We collect the text of these speeches from two sources. First, we use the Central Bank Speeches (CBS) database by Campiglio et al. (2025), which aggregates Fed speeches from 1986 onward from three sources: the Bank of International Settlements repository, Federal Reserve websites (Board and regional Feds), and the St. Louis Fed FRASER archives. Second, we extend coverage to 1970-1986 through additional FRASER scraping, matching the existing data format. Limiting our sample to Board members and regional presidents yields 8,253 speeches averaging 3,010 words, or approximately 24M words.

We then need to separate text about inflation and price-related issues from other irrelevant discussions. To do so, we split our collection of interventions and speeches into sentences,[4] and then implement a keyword-based search to identify those that discuss inflation or price dynamics using a list of 16 common expressions including, for example, *inflation*, *pce*, and a range of bigrams including *price* (a full list of dictionary terms and the methodology used to identify them is available in Appendix A.1). This search yields 129,457 relevant sentences containing one or several of our inflation-related keywords.

Since discussions of inflation drivers often extend beyond individual sentences, we adopt a common method in computational text analysis, aggregating relevant sentences with the sentence before and after to create sentence triplets, providing more context.[5] To prevent double-coding when sentences appear as context in multiple excerpts, we then aggregate consecutive

[3]FOMC transcripts began to be made public in 1993. The FOMC consists of twelve members: the seven members of the Federal Reserve Board of Governors, the president of the Federal Reserve Bank of New York, and four of the remaining eleven Reserve Bank presidents serving one-year rotating terms, while the rest participate in meetings but do not vote. The FOMC meets at least eight times a year.

[4]We use the python package *spacy* and its largest parsing-trained model *en_core_web_lg* to do this.

[5]We tested larger windows (two or three sentences on either side) but found they increased coding volume without capturing additional relevant information. Subsequent relevant sentences typically contained our target keywords and were already identified.

and near-consecutive relevant sentences into cohesive, longer excerpts. This methodology yields 60,150 inflation excerpts containing our 129,457 inflation-related sentences.

4.2. LLM classification of inflation drivers

Our goal with our corpus of inflation excerpts is to detect when Fed officials discuss labor market dynamics as causing price increases. A naive approach would simply count mentions of labor-related keywords within these inflation excerpts. Yet keyword co-occurrence cannot distinguish between fundamentally different semantic relationships: "Rising wages are driving inflation" attributes causality to labor, while "Inflation is eroding workers' wages" discusses the consequences of price increases for labor. Words do not exist in isolation: their meaning emerges from the web of relationships they form with other concepts in discourse, something that legacy natural language processing techniques based on bag-of-words approaches are largely unable to detect, but that LLMs may be capable of identifying (Garg & Fetzer, 2025).

Using LLMs for text annotation tasks requires substantial human work to ensure that model outputs are indeed satisfactory approximations of what researchers aim to capture. Following emerging best practices in the literature, we implement a robust pipeline including (1) exploring a *test sample* of several hundred inflation excerpts to design a codebook, (2) classifying a larger *validation sample* to benchmark model performances against a set of human labels and select an LLM, and (3) exploring several avenues to further validate and enhance performance (Benoit et al., 2025; Cova & Schmitz, 2024; Grimmer et al., 2022; Törnberg, 2024).

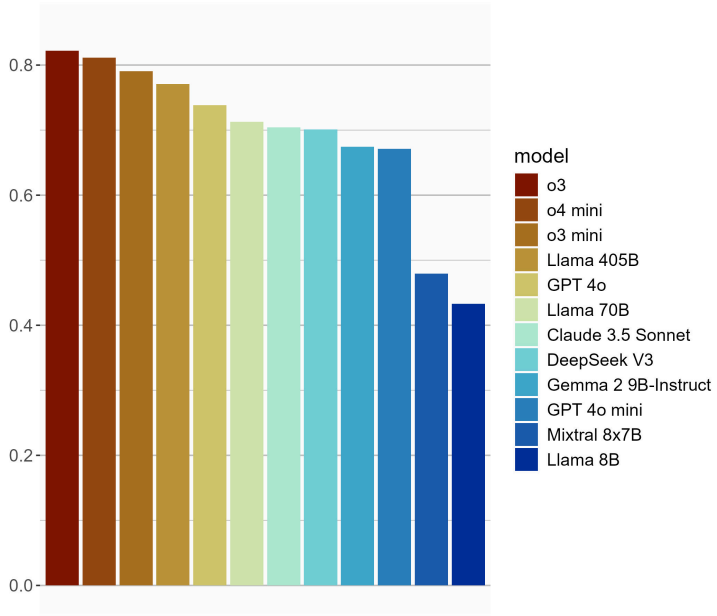
Our first step is to build a codebook of inflation drivers. Since labor-related factors represent only one potential explanation for inflation among many, we construct a categorization capable of capturing the full range of causes cited by central bankers to account for price increases. We build a preliminary codebook that includes not only labor, but also other prevalent explanations of price increases that occur in the literature on historical episodes of inflation in the US, for example the government's fiscal stance, the exchange rate, as well as energy and commodity prices (Blyth & Fraccaroli, 2025; Drechsler et al., 2022; Fraccaroli et al., 2025; Goutsmedt, 2021; Judge, 2023). We then progressively drew a *test sample* of 275 inflation excerpts, which were coded independently by each of the three authors to iteratively refine our codebook until classifications appeared consistent. Our final categorization includes six main inflation drivers (including "Labor") and a residual category aimed at capturing other, less frequent explanations for inflation (see Appendix A.1 for the full codebook).

We then move to selecting a model. We first manually coded a new *validation sample* of 800 randomly drawn inflation excerpts to serve as a benchmark to assess the performance of

different LLMs. Based on our test sample, we accurately anticipated that only approximately a quarter of inflation excerpts would contain inflation causes, and with 800 excerpts we achieved the guideline provided by Törnberg (2024) that LLM performance should be validated on a minimum of 20-30 examples per category. For our "Labor" code, we had 71 positively coded excerpts in this sample. Each excerpt was coded independently by two different authors, with disagreements resolved through consensus with the third author. Disagreements are not very frequent: the inter-coder reliability score (Krippendorff's Alpha) for Labor was 0.81.

We test twelve different generative LLMs from different providers, including closed and open source models (e.g. DeepSeek-V3 vs Claude Sonnet 3.5), as well as reasoning or legacy models (e.g. o4-mini vs GPT4o). Closed-source models may offer superior performance but present reproducibility challenges and privacy concerns, while open-source alternatives improve transparency to varying degrees at the cost of potential performance limitations. All models are given the same prompt (provided in Appendix A.1), and their output is compared against our validation sample. The performance of each model is measured for each binary task (e.g. is the excerpt discussing labor as driving inflation?) with *F1 scores* (the harmonic mean of *precision* and *recall*) rather than a simple accuracy metric.[6] Figure 1 displays the F1 scores across all twelve models.

Figure 1: F1 scores



Note: Weighted averages across the six categories in our codebook.

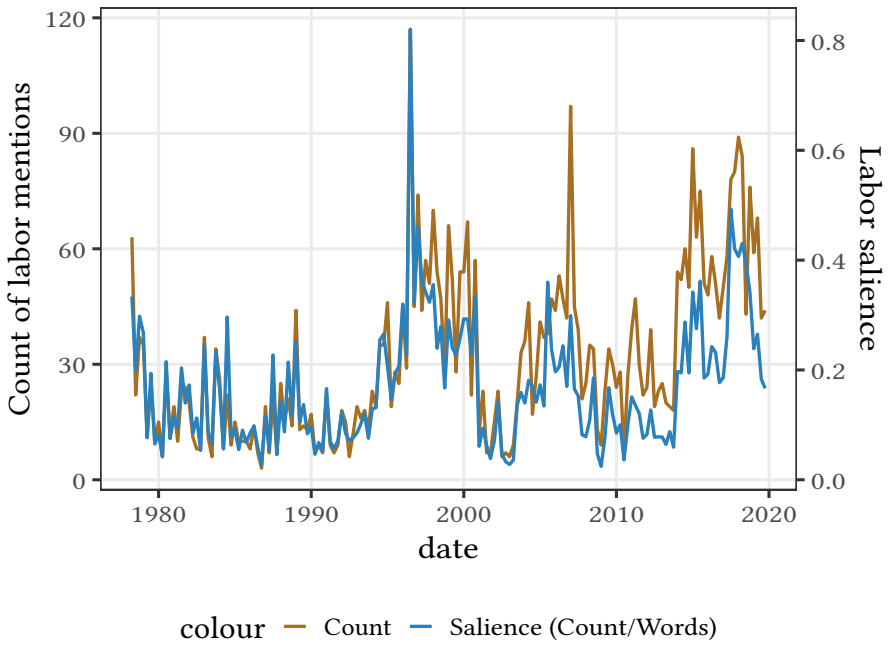
[6]This is particularly important for our classification task in which the prevalence of each individual inflation driver is low: a model could achieve high accuracy by never predicting a category, making F1 scores more meaningful than simple accuracy.

Unfortunately, open source models are largely outperformed by closed competitors, and do not systematically score above 0.7, which leads us to select *o4-mini*. We provide detailed performance metrics for our top performing closed (o4-mini) and open-source models (Llama-3.1-405B and DeepSeek-V3) in Appendix A.1.

We conduct a last step of performance validation and explore possibilities to further improve o4-mini's performance. This included prompt tuning, few shot promoting (where example excerpts are included in the prompt), mixture-of-experts majority voting using three of our highest performing models (o3-mini, GPT4o, and Llama-3.1-405B), and single-model majority voting. However, none of these measures yielded a significant performance increase compared to a single run of o4-mini. As a final step, we also used the *promptstability* package from Barrie et al. (2025) to test the stability of our task across multiple runs of our model for our validation sample, with intra-prompt stability scores reported in Appendix A.1.

The output of the classification by *o4-mini* includes 23,259 excerpts with at least one inflation driver, out of the 60,150 inflation related excerpts in our corpus. *Labor* appears as a cause of inflation in 6,172 excerpts (about 10%) of inflation excerpts, making *Labor* the main explanation of inflation in our Fed corpus. Figure 2 plots both the absolute quarterly count and relative salience (the count divided by total words spoken) of excerpts mentioning Labor as a driver of inflation.

Figure 2: Labor time series

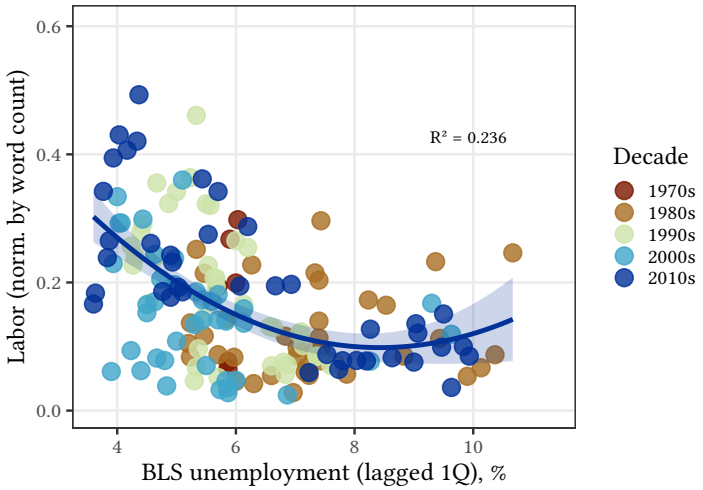


Note: Count of labor mentions over time (left) and relative importance of inflation drivers (right)

5. Evidence for fear of full employment

The aggregate quarterly count of mentions of Labor as a driver of inflation is plotted in Figure 3. The count is divided by the number of total quarterly words in our corpus, with unemployment figures coming from the Bureau of Labor Statistics.[7] Already, the existence of at least a rhetorical Phillips curve seems plausible: there is a clear inverse relationship, with an apparent elbow around 6%, below which Labor mentions increase substantially.

Figure 3: A rhetorical Phillips curve?

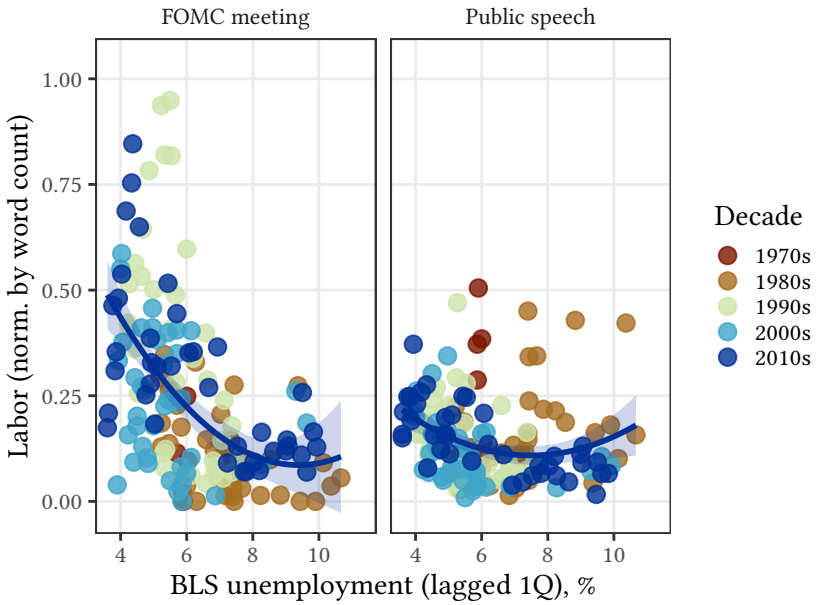


Note: One Labor outlier removed

Figure 4 creates the same plots, but this time disaggregated by forum. Mentions of Labor as an inflation driver in the plot on the left, for FOMC meetings, increase much more steeply at low levels of unemployment as compared to the plot on the right, for public speeches, which looks relatively flat in comparison. This is consistent with our expectation that if the fear of full employment is genuine, we would expect a more intense pattern of communication in internal FOMC policy deliberations, compared to publicly facing speeches.

[7] As explained in Section 5.1, we lag many of our macroeconomic variables by one quarter to account for release dates.

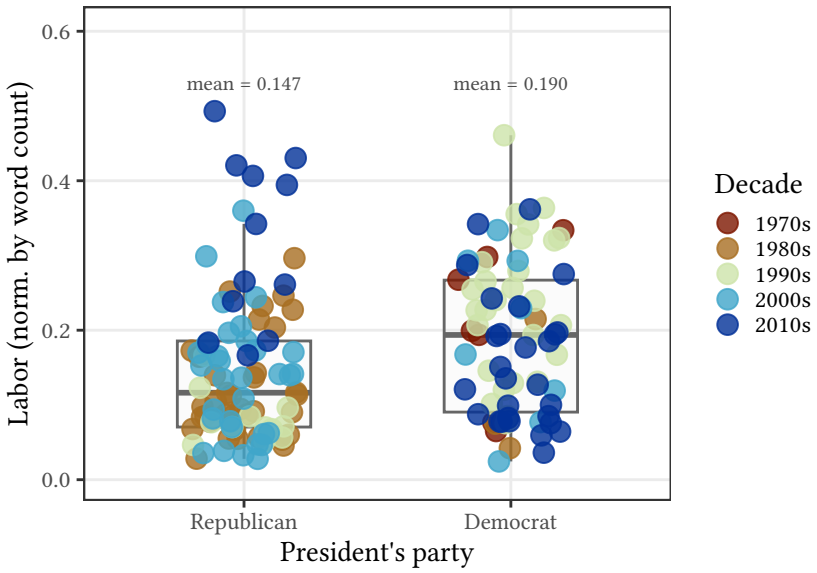
Figure 4: Labor salience by forum



Note: One Labor outlier removed (forum: FOMC)

Finally, our third hypothesis posits a partisan fear of full of full employment: that is, Fed officials' attention to labor as a driver of inflation may vary with presidential party. While the simple bivariate plot in Figure 5 suggests a possible relationship, we explore this more rigorously controlling for other macroeconomic and political variables in the sections that follow.

Figure 5: Labor salience by presidential party



Note: One Labor outlier removed (party: Democrat)

5.1. Empirical strategy

While these plots provide compelling descriptive evidence, we now move to formally test our hypotheses. We estimate three different sets of models to correspond with the three hypotheses presented in Section 3. Our analysis spans from 1978-Q2 until 2019-Q4.[8] We begin with a baseline specification that corresponds with H1: do Fed officials exhibit a fear of full employment? More specifically, we examine the effect of changes in the unemployment rate and wage growth on *Labor* mentions in Fed communications. We estimate the following model:

$$\text{Labor}_t = \beta_0 + \beta_1 U_{t-1} + \beta_2 U_{t-1}^2 + \Omega X_{t-1} + \beta_3 N_t + \alpha_c + \varepsilon_t \tag{1}$$

Our dependent variable, Labor_t, is the count of Labor-coded excerpts aggregated for a given quarter t in all Fed communications. Summary statistics for our dependent variable are presented in Table 1.

Table 1: Dependent variable summary statistics

Variable	Mean	SD	Min	Max	Variance
Labor	31.4	21.87	3	117	478.45

The main independent variable, U_{t-1}, is the unemployment rate provided by the Bureau of Labor Statistics (BLS), lagged by one quarter to reflect the delay in release dates (see Appendix A.2 for further details on all data sources). U_{t-1} is centred on its mean.[9] We also test all of our specifications using projected unemployment rates for a given quarter t, provided contemporaneously to Fed policymakers by staff in Tealbooks (formerly Greenbooks) ahead of FOMC meetings (see Appendix). We further test the significance of a quadratic term for unemployment, U_{t-1}^2, given the focus of the economics literature on the presence of a NAIRU, the unemployment rate below which inflation is expected to rapidly increase. If Fed officials do indeed have a fear of full employment, we would expect the coefficient on U_{t-1} to be negative and significant (as unemployment falls, *Labor* mentions should increase). If this effect accelerates as unemployment falls, we would expect the coefficient on U_{t-1}^2 to be positive and significant. To capture the possibility of shifting structural conditions in labor markets over time, we also test specifications that instead substitute a metric for the *Unemployment gap*, which we explain in further detail in Section 5.2.

[8] We begin our analysis in 1978-Q2 instead of 1978-Q1, even though the Fed's dual mandate had already been signed into law as of Q1, because 1978-Q1 is the last quarter where Arthur Burns was Chair before the end of his tenure. Given our examination of speech dynamics under different Chair periods, we begin our analysis with the tenure of G. William Miller in 1978-Q2, the first full quarter where he was Chair.

[9] We centre macroeconomic variables on their means to reduce multicollinearity issues as we progressively add quadratic and interaction terms to our model specification.

We also estimate specifications that include further macroeconomic covariates, X_{t-1}, which may influence the extent to which Fed officials discuss Labor as a driver of inflation. First, and crucially, we include specifications that account for the effect of wage growth. If the mechanism by which Fed officials are concerned that falling unemployment may increase inflation is wage growth, we would expect coefficients on wage growth variables to be positive and significant. We test two specifications that include variables for *Nominal wage growth* and *Real wage growth*, respectively. In the main specifications text, we use Average Hourly Earnings (AHE) data provided by the BLS to create our wage growth variables, which we lag by one quarter.[10] In the Appendix we also test wage growth variables using Median Weekly Earnings (MWE).[11] Second, we also include *Inflation* as a covariate, given that we may expect more frequent references to Labor as a driver of inflation when inflation rates are higher.[12] Finally, we also include *GDP growth*, as Fed officials may be more concerned about Labor as a driver of inflation in periods where output growth is high. All macroeconomic covariates are also centred on their means. The models estimated in the main text use data from the Bureau of Economic Analysis (BEA) for *Inflation* and *GDP growth* (lagged by one quarter). We also estimate models using Tealbook projections for these variables in the Appendix. The vector Ω contains the coefficient estimates for these covariates. See Appendix A.2 for further details on macroeconomic variables and their sources.

Finally, we also include a control for the volume of total communication, N_t, which is the logged word count for our entire corpus of Fed communication in a given quarter, given that the number of mentions of Labor as a driver of inflation in a quarter is likely to correspond with the overall volume of communication. We also include dummies for Fed Chairs, α_t, in each of our specifications.[13] This allows us to control both for structural breaks in the relationships between these variables over our entire sample, as well as the hypothesis that different Chairs are influential in the shape that communication at the Fed takes in aggregate during their tenures. β_0 is a constant, and ε_t is the error term.

Given that Labor_t is a count variable and exhibits overdispersion (see Table 1), we estimate Equation (1) using a negative binomial regression, as well as all subsequent model iterations

[10] AHE data is collected monthly. For *Nominal wage growth*, we average wage data across the quarter, and then take the percentage change from four quarters ago. For *Real wage growth*, we deflate nominal wages using the CPI to convert them into constant 1982-84 dollars, and then follow the same methodology.

[11] MWE data is also provided by the BLS, but is only available beginning in 1979, so in these specifications we drop the first year from our dataset and begin our analysis in 1979-Q1.

[12] However, we do not include a control for *Inflation* in specifications that include *Nominal wage growth*.

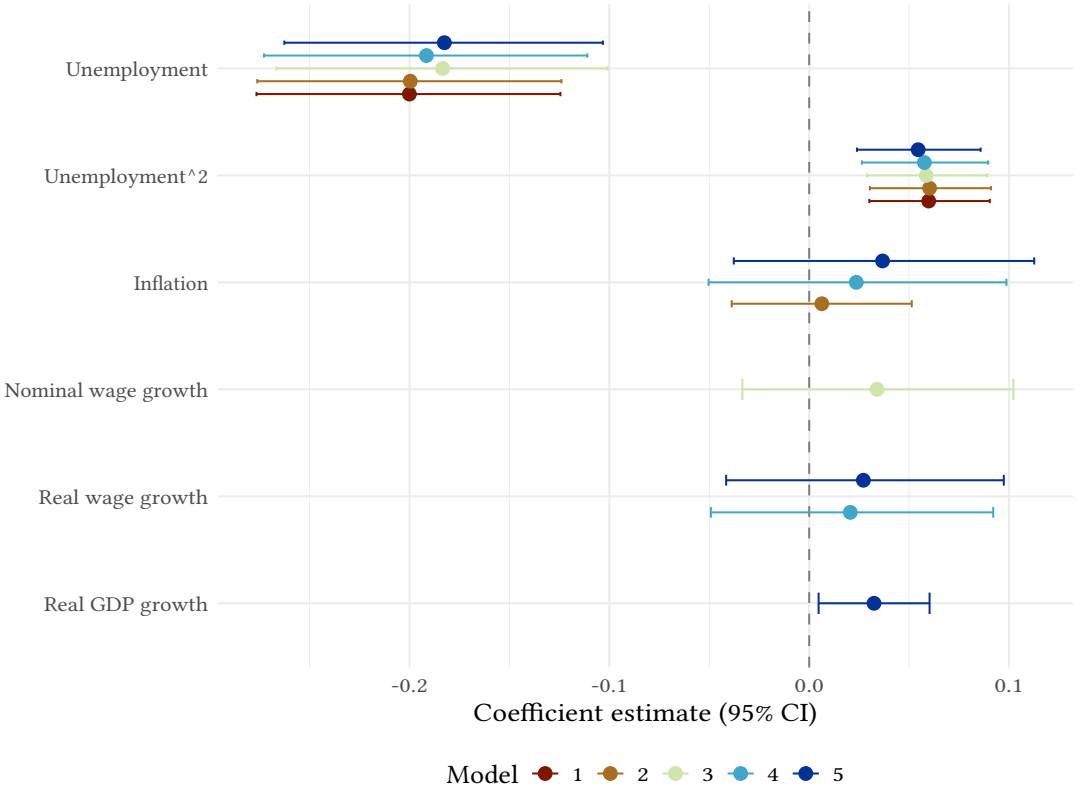
[13] There are six Fed Chairs during our sample period: G. William Miller, Paul Volcker, Alan Greenspan, Ben Bernanke, Janet Yellen, and Jerome Powell.

included in the main text. However, we also estimate our specification using several different models (including Poisson and quasi-Poisson) in the Appendix.

5.2. A fear of full employment

Figure 6 presents the results for the model specifications described in Section 5.1. All models include *Unemployment* variables, with model specifications progressively including other key macroeconomic variables including *Inflation*, *Wage growth*, and *GDP growth*.[14] All models include controls for total volume of words, as well as Chair fixed effects. Full model results are available in Table 4.

Figure 6: Model coefficients for H1, 1978-2019



Both *Unemployment* variables are highly consistent in sign and significance across all specifications. The sign on *Unemployment* is negative, indicating that mentions of Labor as a driver of inflation increase in Fed speech when *Unemployment* falls. Furthermore, the sign on the quadratic *Unemployment* variable is positive, indeed indicating accelerating attention to Labor at lower values of *Unemployment*. For example, the model estimates that a fall in unemployment from its mean in our sample (6.22%) to 1 percentage point below its mean is associated with an increase from approximately 29 mentions of Labor as a driver of inflation

[14]The model in column 3 contains only nominal wage growth, which is constituted by effects from both inflation and real wage growth, whereas the model in column 4 includes variables for real wage growth and inflation separately.

in a quarter to 36 (an increase of 24%). A further drop in unemployment from 1 to 2 percentage points below mean results in a further increase to 52 Labor mentions (an increase of 44%).

Notably, none of the wage growth variables in any of the specifications achieve significance. This is particularly surprising given that wage growth is ostensibly the transmission channel by which low levels of unemployment lead to rising inflation. However, when looking at the simple bivariate plots of real and nominal wages against *Labor* salience in Appendix A.31 (where we would expect to see a positive relationship if wage growth were significant), this result seems entirely plausible. Furthermore, including these and additional covariates (inflation, GDP growth) does not diminish the significance of the *Unemployment* variables in our model.[15] Taken together, these results provide support for a fear of full employment at the Fed. Not only is the effect of *Unemployment* consistent across all specifications, but it is a better predictor of the volume of speech on Labor as a driver of inflation than other key macroeconomic indicators. While *Labor* speech shows a robust relationship with unemployment rates, wage growth has no significant effect on Fed officials' concerns.

We conduct several robustness checks on this analysis in Appendix A.3. First, as elaborated in Section 5.1, our results are also robust to other modeling strategies (Table 5). Second, these results are also robust to alternative data sources, including both Tealbook forecasts for macroeconomic variables (Table 7), and an alternative metric of wage growth, the MWE, both of which yield results consistent with those in the main text (Table 8).

We also test robustness by substituting our unemployment variables for the unemployment gap (U-GAP) — the difference between the unemployment rate and the Congressional Budget Office's estimated NAIRU for each period (Figure 17). This provides an additional avenue to capture the possibility of structural, supply-side shifts in labor market dynamics over the course of our sample, which may affect how Fed officials react to different levels of unemployment over time. This matters because the NAIRU fell steadily over our sample period, from approximately 6.2% in 1978 to 4.4% in 2019. The U-GAP metric thus captures unemployment relative to what policymakers at the time would have considered full employment—a rate of 5%, for instance, represented a tight labor market by 2015 standards but slack conditions in 1982. We find similar results when substituting the U-GAP metric in our model specification, providing evidence that our findings are not being driven by the secular decline in the NAIRU (Table 9).

[15]The only macroeconomic control for which we find consistent significance is GDP growth.

5.3. Genuine fear of full employment

It is possible that results for the entire corpus are driven by what policymakers say in public, which may not be consistent with their genuinely held views. Fortunately, dividing the corpus into private FOMC deliberations and publicly delivered speeches allows us to test a stronger version of our hypothesis: If the Fed's fear of full employment is genuine, we might expect a larger effect in FOMC deliberations compared to public speeches, or at least not a weaker effect. We test this by running our regressions from Section 5.2 again, but this time with our dependent variable separated by forum (creating a balanced panel dataset with one observation for FOMC and public speeches in each quarter). We include a dummy for *Forum* (Forum = 1 for FOMC) interacted with *Unemployment* to test whether Fed policymakers' reaction to changes in the unemployment rate differs between public and private settings. Table 2 presents these results.

Table 2: Results on H2, a genuine fear of full employment, 1978-2019

	1	2	3	4	5
Unemployment	−0.124‡	−0.124‡	−0.110†	−0.119‡	−0.107†
	(0.042)	(0.043)	(0.045)	(0.044)	(0.043)
Unemployment^2	0.059‡‡	0.060‡‡	0.059‡‡	0.058‡	0.055‡
	(0.017)	(0.017)	(0.018)	(0.018)	(0.018)
Forum (FOMC=1)	0.193	0.195	0.204	0.197	0.178
	(0.112)	(0.112)	(0.111)	(0.112)	(0.110)
Unemp*Forum	−0.162‡	−0.162‡	−0.159‡	−0.161‡	−0.167‡
	(0.051)	(0.051)	(0.051)	(0.051)	(0.051)
Real wage growth				0.015	0.021
				(0.030)	(0.030)
Nominal wage growth			0.032		
			(0.031)		
Inflation		0.005		0.018	0.029
		(0.019)		(0.032)	(0.032)
Real GDP growth					0.032†
					(0.013)
Num.Obs.	334	334	334	334	334
AIC	2361.6	2363.5	2362.5	2365.3	2361.5
BIC	2411.1	2416.9	2415.9	2422.5	2422.4
Chair dummies	✓	✓	✓	✓	✓
Log(total words)	✓	✓	✓	✓	✓

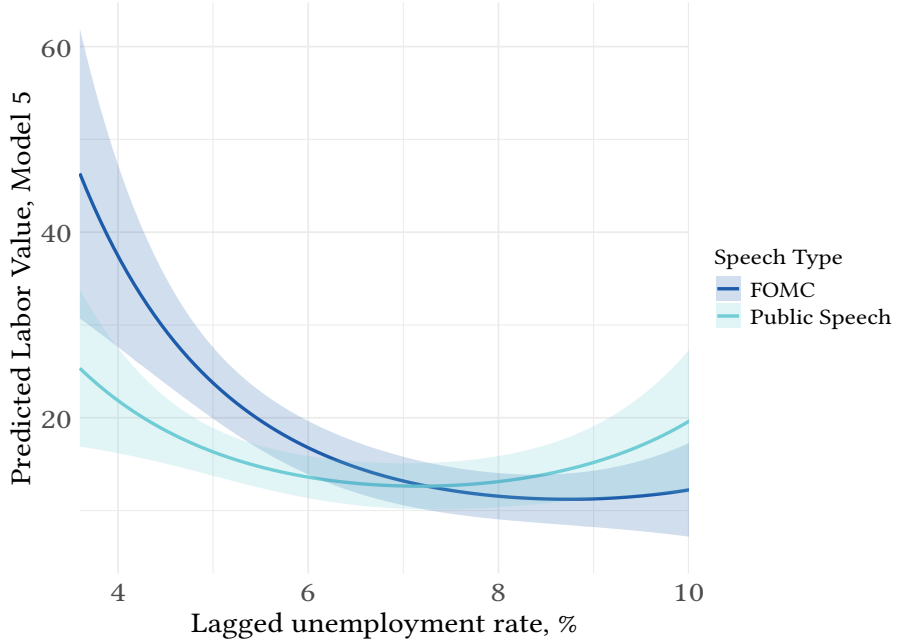
† p < 0.05, ‡ p < 0.01, ‡‡ p < 0.001

Note: Interaction term $Unemp^2 \cdot Forum$ is included in model but does not have significant effects and is omitted from the table for simplicity.

As before, the coefficients on the *Unemployment* variables, which now represent the effect for public speeches, are significant and maintain the same signs across all specifications: negative on the linear term, reflecting more *Labor* mentions as unemployment falls, and positive on the quadratic term, reflecting an exponential increase in *Labor* mentions at low levels of unemployment. The coefficient on the interaction term *Unemp*Forum* is also negative and significant across all specifications. This provides evidence that Fed officials do indeed react more aggressively to falling unemployment rates in the FOMC than they do in public speeches. While a drop in unemployment rates from 1 to 2% below mean is associated with only five additional Labor mentions in public speeches, it is associated with approximately 12 additional mentions in FOMC deliberations in a given quarter. We again do not find statistical significance for the wage variables included in any of the specifications in Table 2.

We visualize this difference in effects in Figure 7. While the model predicts a similar volume of discussion of Labor as a driver of inflation in both forums when unemployment is near its mean, as unemployment falls below its mean the rate at which Fed officials begin to discuss Labor (the slope in Figure 7) in private FOMC deliberations accelerates dramatically compared to public speeches. In line with H2, this provides evidence for a *genuine* fear of full employment: while Fed officials may be more cautious in their public communications, they privately express ample concern that labor market dynamics may be inflationary at low levels of unemployment, uncorrelated with wage growth.

Figure 7: Predictions, Model 5



Note: Model predictions calculated while holding other variables at their means and averaging across chairs.

We run several robustness checks on these results in Appendix A.4, again using alternative metrics for our variables including Tealbook data (Appendix A.42) and an alternative wage metric, the MWE (Appendix A.43), and the U-GAP (Appendix A.44). We find no change in our substantive results: the *Unemployment* and *Forum* variables remain significant in all and of comparable effect size, and wage variables do not gain significance. We also include dummies alternatively for *tighten* and *loosen*, which take the value of 1 when the Fed has raised or lowered its policy rate, respectively, in the previous quarter.[16] The sign on both coefficients is as we would expect if we were indeed capturing inflationary fears, with a positive sign on *tighten* (indicating inflationary fears, and more communication about labor as a driver of inflation) and a negative sign on *loosen* (indicating less inflationary fear, and thus less communication about labor as a driver of inflation).[17]

Differences in observed communication patterns in FOMC meetings versus public speeches could stem from differences in speaker composition rather than from the effect of the forum itself. For example, if regional Fed presidents are thought to more closely represent business interests, they might be more hawkish on labor than Board members. It could be possible that

[16]While including policy variables in our regression design raises some concerns for simultaneity bias given that these policy decisions are the outcome of a similar process as the one that produces Fed speak on inflation drivers, lagging these variables to the previous quarter helps to mitigate this risk.

[17]While *tighten* does not achieve significance at the 5% level, *loosen* does. This helps to affirm that we are not capturing discussion relating to weakness in labor markets in our LLM-coded time series. If this were the case, we would not expect the clear negative relationship with *loosen* that we observe.

labor-hawkish regional presidents speak in similar volumes about labor as a driver of inflation in each forum, but they speak relatively less in total volume in public speeches (or vice versa). If this were the case, we would expect (1) a substantively different speaker distribution in each forum, and (2) the significance of *Forum* to disappear in subgroup regressions. However, we do not find evidence of either. While the plot in Appendix A.46 shows long-run trends in the relative share of words spoken by Board members versus regional presidents, the distribution between these two groups looks similar when we compare FOMC meetings or public speeches in any given year. Furthermore, when we re-run our regression from Section 5.3 separately for the Fed Board and regional presidents as subgroups, *Forum* remains significant in both (Appendix A.46).[18]

Lastly, it only became known to policymakers in 1993 that, going forward, FOMC transcripts would be made public with a five-year lag. While we would expect this development to make Fed officials *less* likely to discuss Labor as a driver of inflation in FOMC transcripts, bringing them more in alignment with public speeches, we nonetheless tested the inclusion of a dummy that takes the value of one beginning in 1993-Q4 in our regressions for Section 5.3. Our results on the significance of *Unemployment*Forum* do not change (see Appendix A.47).

5.4. Partisan fear of full employment

Finally, we test our third hypothesis, that is that the fear of full employment varies based on which party controls the White House. We create a dummy variable, *President*, that takes the value of 1 when a Democrat is President and 0 when a Republican is President. Building on the models in Section 5.3, we study the effect that the Presidential party has when considering the differential reaction in FOMC meetings versus public speeches to changes in unemployment. In Table 3, we interact *President* with *Unemployment* and *Forum*. In doing this, we test the hypothesis that Fed officials react to changes in *Unemployment* based not only on *Forum*, but that these effects are also conditional on which party is in the White House.

The model results in Table 3 suggest that these party effects are highly significant. The coefficient on *President* in model 1 is statistically significant and of considerable relative magnitude, and when testing interaction terms in models 2 and 3 we also see statistical significance on the coefficient for the two-way interaction between *Forum* and *President*, and the three-way interaction including *Unemployment*. This suggests that *President* moderates the effect

[18]While it does not affect the significance of *Forum*, there is some interesting heterogeneity between Board members and regional presidents in Appendix A.46. While the interaction term *Unemp*Forum* is negative and significant for Board members (stronger reactions to low levels of unemployment in FOMC meetings), for regional presidents it is instead the main effect term *Forum* which is positive and significant (more *Labor* discussion across levels of unemployment in the FOMC). *Unemployment* remains highly significant in both.

of *Forum* on how Fed officials react to changes in *Unemployment*. A joint Wald test confirms that presidential party is a significant determinant of Federal Reserve communication, with all six partisanship-related terms in model 3 jointly significant ($p < 0.001$). We again find no significance on the wage variables included in all regressions in Table 3. Given the challenges of interpreting the effects of this interaction directly from the table given the several interaction and quadratic terms, the results of the interaction model 3 are visualized in Figure 8 and Figure 9.

Figure 8 shows predictions from model 3 for the volume of discussion of *Labor* at different levels of *Unemployment*, comparing both across public speeches and FOMC meetings as well as when the president is a Democrat versus Republican. The predicted values are somewhat similar in public speeches across presidential party, with the shape of the curve slightly steeper when a Democrat is in the White House. However, the effect is much more pronounced in FOMC meetings, where at almost any level of unemployment the model predicts there will be more discussion of Labor as an inflation driver. Figure 9 plots the conditional effects of the president being a Democrat compared to a Republican in each forum, with the y-axis displaying the difference in Labor mentions due to this variable at a given level of unemployment. The lines are solid when the difference in Labor mentions based on *President* is statistically significant. While this difference is positive and significant at almost any level of unemployment in the FOMC, it is limited to significance only at low levels of unemployment in public speeches. This also provides evidence that there is not only a partisan fear of full employment across communication, but that this partisan fear is also genuine. It is in private policy deliberations, rather than public communications, where the partisan effect is strongest.

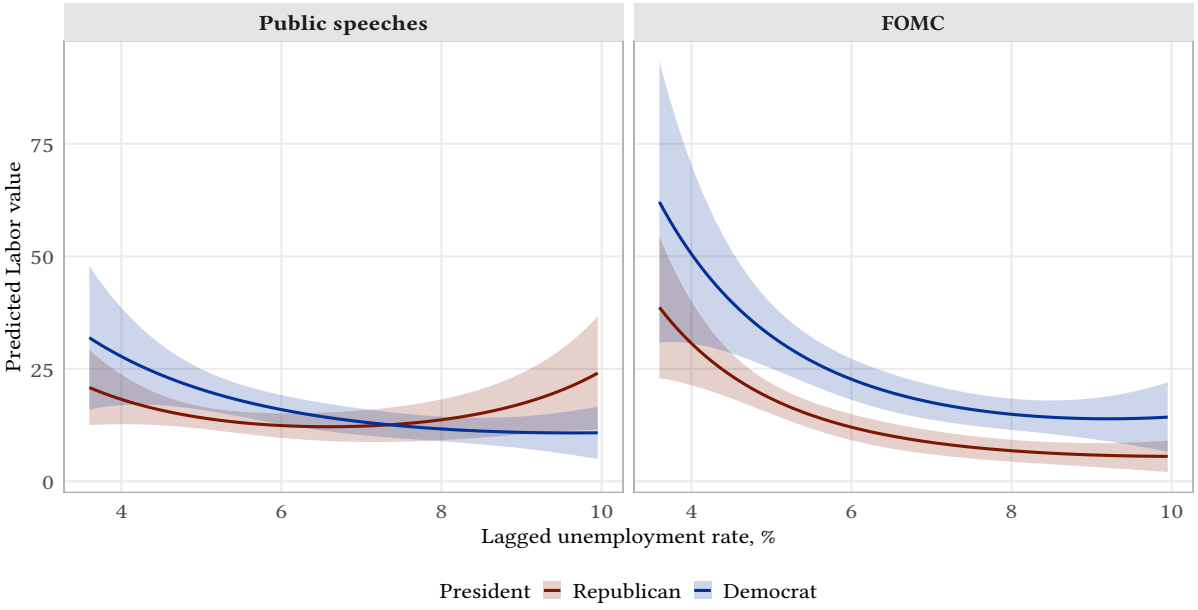
Table 3: Results on H3, a partisan fear of full employment, 1978-2019

	1	2	3
Unemployment	−0.137‡	−0.135‡	−0.049
	(0.042)	(0.041)	(0.064)
Unemployment^2	0.054‡	0.053‡	0.061‡
	(0.017)	(0.017)	(0.022)
Forum (FOMC=1)	0.139	−0.111	−0.087
	(0.107)	(0.126)	(0.140)
Unemp*Forum	−0.173‡‡	−0.198‡‡	−0.311‡‡
	(0.049)	(0.049)	(0.063)
President (Dem=1)	0.407‡‡	0.160	0.224
	(0.077)	(0.101)	(0.135)
Pres*Forum		0.495‡‡	0.424†
		(0.136)	(0.182)
Pres*Unemp			−0.157
			(0.090)
Unemp*Forum*Pres			0.229†
			(0.098)
Num.Obs.	334	334	334
AIC	2337.2	2326.4	2322.7
BIC	2402.0	2395.0	2406.5
Chair dummies	✓	✓	✓
Macro controls	✓	✓	✓
Log(total words)	✓	✓	✓

† p < 0.05, ‡ p < 0.01, ‡‡ p < 0.001

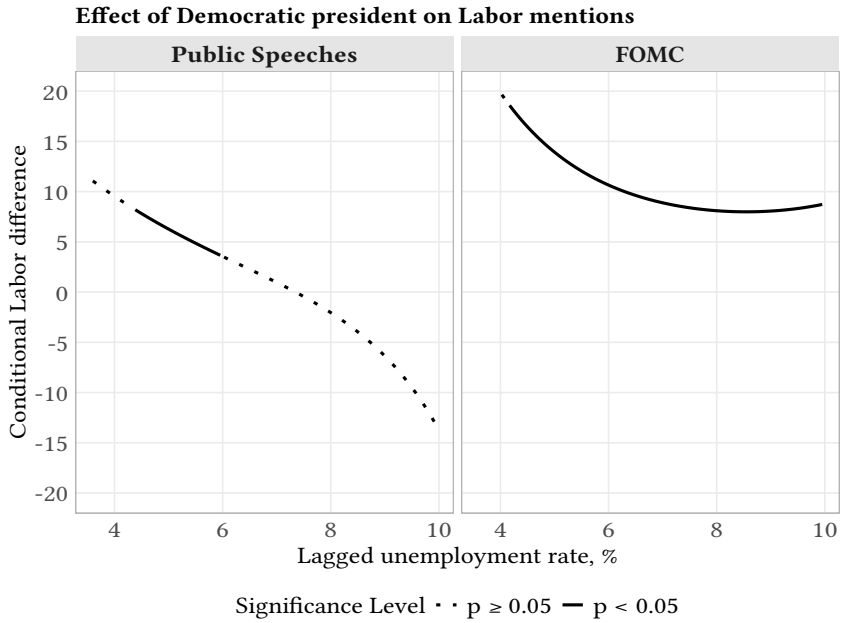
Note: Macro controls include real wage growth, inflation, and real GDP growth. As in other specifications, only GDP growth reaches significance. All interaction terms including *Unemployment^2* are included in model but do not have significant effects and are omitted from the table for simplicity.

Figure 8: Predictions, Model 3



Note: Model predictions calculated while holding other variables at their means and averaging across chairs. Plot created using the marginaleffects package (Arel-Bundock et al., 2024).

Figure 9: Conditional effects, Model 3



Note: Plot shows the conditional effect of the President being a Democrat (compared to a Republican) on Labor mentions, while holding other variables at their means and averaging across chairs. Plot created using the marginaleffects package (Arel-Bundock et al., 2024).

As in the other sections, we run a range of robustness checks on these regressions in Appendix A.5, including the use of Tealbook data and substituting the unemployment gap as our

Unemployment variable. We also include an additional control for the cyclically-adjusted fiscal balance in Appendix A.53, to capture the possibility that our presidential variable is primarily capturing the effects of an expansionary or contractionary fiscal stance associated with a particular party, rather than party itself.[19] If fiscal stimulus boosts aggregate demand, Fed officials may turn to concern over labor market dynamics as another demand-side component of inflation which the Fed has some influence over compared to fiscal policy. We do find small positive effects for the fiscal balance but results on the presidential variables remain robust to including this control.

To further probe the third hypothesis, we examine if this partisan effect on Fed officials' stance is driven by *actual* policy changes enacted under Democratic administrations. This task is complicated by the infrequency of major shifts in US labor policy. Out of four major indices of labor policy, only two register any changes between 1978 and 2019 (Billa et al., 2023; Duval et al., 2018; OECD, 2020; OECD & AIAS, 2025).[20] To overcome this challenge, we use two variables as proxies for the broader labor policy environment. To capture the *legislative* environment, we use the number of years elapsed since the last increase in the federal minimum wage. The federal minimum wage is governed by the Fair Labor Standards Act (FLSA), which over the course of the sample period has been amended several times to increase the statutory minimum. Notwithstanding the decrease of the inflation-adjusted minimum wage over time, these amendments (and the period elapsed since the last increase) nonetheless reflect the legislative environment at any given time. If this policy channel were influential, Fed discussions of labor as an inflation driver should be positively correlated with recent increases in the minimum wage.

To capture *regulatory* developments, we use the number of investigators in the Wage and Hour Division (WHD) of the Department of Labor. The WHD is tasked with enforcing compliance with labor law, including minimum wage and various worker protections contained in the FLSA and other relevant legislation, making its headcount a suitable proxy for the level of regulatory intensity. Specifically, we use the number of private sector employees per WHD investigator to capture relative capacity (Mangundayao et al., 2021). As displayed in Figure 21, the number of workers per investigator has trended upward over time, from 81,717 in 1979 to 189,878 in 2019. To account for variation in the pace and direction of this trend, we use the first difference of this time series.[21] Thus, the growth rate of the WHD ratio serves as a proxy

[19]We use data from the Congressional Budget Office for the Cyclically Adjusted Primary Balance (CAPB) adjusted by potential GDP.

[20]The ICTWSS database registers a decline in the level of wage coordination in the early 1980s, and the 1988 Worker Adjustment and Retraining Notification Act, which created notice and severance pay requirements for mass layoffs (Billa et al., 2023).

for the stringency of the regulatory environment. If this policy channel were effective, Fed officials should speak less about labor as a driver of inflation at higher values of this variable.

Results from regressions containing labor policy variables are displayed in Appendix A.54. When included without partisan variables, both labor policy variables have coefficient values close to zero and are statistically insignificant. When partisan variables are added, all partisan coefficients remain consistent in significance and magnitude. Together, these results support the conclusion that the party effect is not reducible to differences in actual labor policies across administrations.[22]

Lastly, we perform regressions that include party control of both Congress and the presidency. Results are presented in Appendix A.55. While we find mixed results on the significance of Congressional party control, the effects of the president's party remain significant in all Congressional specifications, with consistent sign and comparable effect size. The effects of Congressional parties are highly sensitive to variations of the sample period. Rolling 15-year regressions including Congressional variables reveal that significance on House and Senate party variables is primarily driven by the party in power during the 1990s, whereas the presidential variable is consistently significant in sub-samples over the entire period of analysis. We explore this observation in greater depth in Section 5.5.

5.5. Further considerations

Thus far our analysis has accounted for potential changes over the course of the sample period through the use of Fed chair dummies as well as other strategies, such as the unemployment gap variable. However, some changes in relationships between variables may be of empirical and theoretical interest. In particular, given the small number of presidential administrations in our sample, it is possible that the partisan effect is driven by particular presidencies.

To perform this sensitivity check, we conduct a leave-one-out analysis, iteratively re-estimating models 1 and 2 in Table 3 with one presidential administration excluded at a time. Figure 10 plots the coefficient estimates for the *Forum* and *Forum*Unemployment* variables from model 1 (which controls for the main effect from *President*), and Figure 11 plots the coefficient estimates for the *President* and *President*Forum* variables from model 2.[23]

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[21]We also include a dummy for periods of recession during which the number of private sector workers declines. Results remain robust to excluding fiscal year 2009, the major outlier in this series.

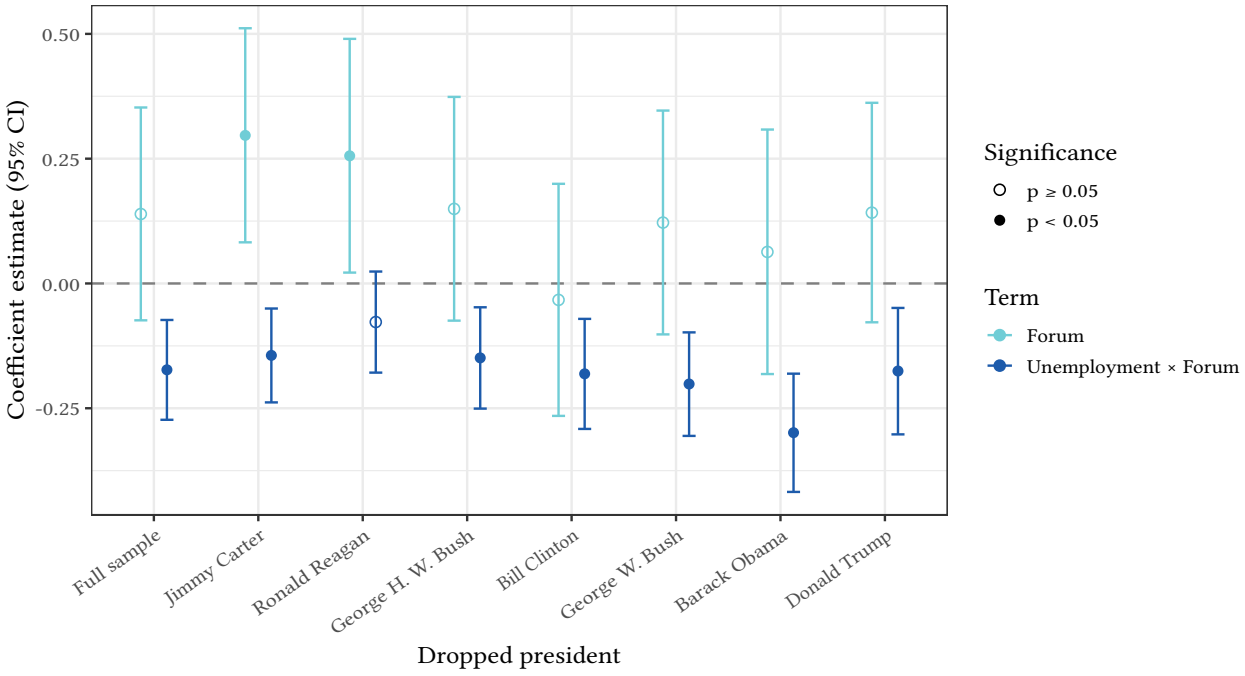
[22]The *WHD* variable remains insignificant across all specifications, a clear null result. The minimum-wage variable exhibits a small positive effect when partisan variables are added, the opposite of the expected direction. This is likely due to variation regarding the timing of minimum wage increases within administrations once *president_dem* is considered.

[23]Estimates for each of these variables are mostly consistent in sign and significance in a leave-one-out analysis of model 4. However, the three-way *Unemployment*Forum*President* interaction is less stable.

On the whole, our primary findings are largely consistent across iterations, with a few important observations. First, our finding on the differential response to unemployment across FOMC meetings compared to public speeches is highly robust across each model in Figure 10 (*Unemployment*Forum*). While this interaction term loses significance when the Reagan presidency is dropped, the *Forum* main effect is significant at the 5% level, and the sign and direction of the interaction remains consistent. These results are further corroborated by a leave-one-out analysis of Model 5 from Table 2 (without a presidential variable), dropping one Fed Chair at a time (see Appendix A.6). On the whole, these analyses suggest that the differential effect of *Forum* on Fed communication is not driven by any single period.

However, a closer look reveals a more nuanced picture for the 1980s. The period from approximately 1978 to 1982 is the only one in our sample where *Labor* discussion in public speeches consistently outstrips that in FOMC meetings, strikingly so during a period of high unemployment (see Figure 18). This likely reflects a deliberate communicative strategy by the Volcker Fed, which publicly framed wage and labor cost dynamics as the primary transmission mechanism of inflation, requiring sustained external justification as unemployment climbed (Mitchell & Erickson, 2005; Volcker, 1981).

Figure 10: Leave-one-out analysis, forum variables, Model 1

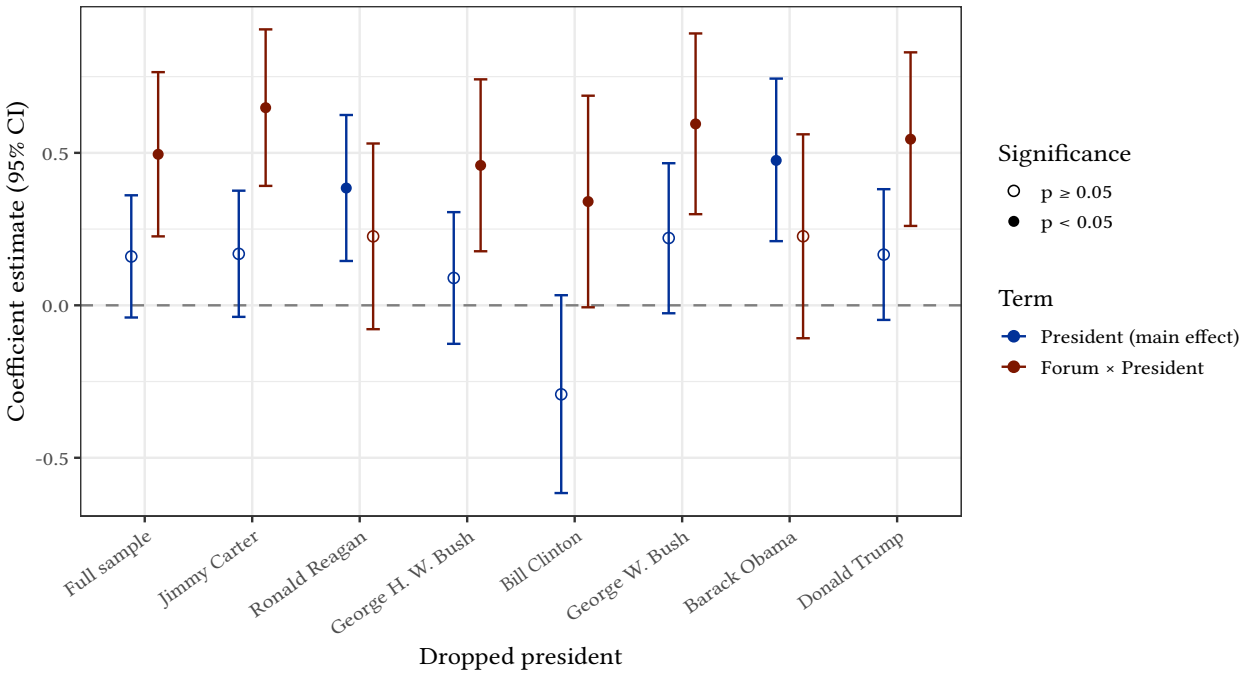


While the sign is consistent in six out of seven runs, significance at the 5% level of the interaction term is lost when Reagan, Clinton, or Obama are removed.

Second, the leave-one-out analysis also reinforces our finding that Fed officials' internal deliberations are more sensitive to partisan context than their public speeches. As in Figure 11, the partisan effect remains significant regardless of which presidential administration is dropped. However, we observe some heterogeneity that points to two distinct dynamics. First, when Reagan or Obama are dropped, the *President* main effect becomes significant at the 5% level and the *President*Forum* term loses significance, though the sign remains consistent. Second, when Clinton is dropped, the interaction effect remains significant and positive, but the main effect of *President* switches sign, albeit without achieving significance. These observations reflect the importance of each of these three sample periods in our overall results. They demonstrate the influence of the Reagan and Obama presidencies for the *President*Forum* effect, which is reasonable given their long tenures. Without these presidencies included, the partisan signal that was captured by the interaction term is instead reflected in the main effect. However, that the interaction estimate remains positive in all specifications even when insignificant demonstrates that the direction of the interaction is consistent.

The effect of removing the Clinton presidency is especially informative to our findings, given that it coincided with the most intense period of *Labor* discussion (see Figure 18). The *President*Forum* interaction remains positive and significant even in the absence of the Clinton period, providing an important robustness check on how meaningful these results are across our entire sample period. The sign flip on the main effect for *President*, while not statistically significant, reflects the importance of the Clinton era's contribution to the average volume of *Labor* communication under Democratic presidents. However, the forum-specific partisan effect remains present even with the Clinton presidency excluded.

Figure 11: Leave one-out-analysis, presidential variables, Model 2



6. Conclusion

The Fed has a dual mandate for price stability and maximum employment. However, its *de facto* preference has been for the former ever since the Volcker Fed engineered a recession and spike in unemployment to reign in inflation in the early 1980s. The theoretical basis for this preference was embodied in the expectation-augmented Phillips curve, positing a natural rate of unemployment below which inflation would rapidly spiral. While this arrangement has attracted myriad public, policymaker, and academic criticism, the Fed's ostensible "fear of full employment" has not been subjected to a systematic empirical test.

Our analysis fills this gap. Deploying LLMs to code Fed speeches and FOMC transcripts from 1978 to 2019, we construct a time series of instances where Fed officials point to labor market dynamics as drivers of inflation. We test three hypotheses of increasing stringency on the presence of a fear of full employment, with significant positive results on all three. First, we find that Fed officials place a greater emphasis on labor as a driver of inflation at lower levels of unemployment, regardless of actual growth in wages. Second, we document what we term *genuine* fear of full employment: that Fed officials are much more reactive to low levels of unemployment as inflationary in private policy deliberations (FOMC meetings) than in public speeches. Finally, we find evidence for a *partisan* fear of full employment: Fed officials place greater emphasis on labor as driving inflation when the president is a Democrat, holding

constant macroeconomic conditions. These findings are robust to multiple model specifications, the use of alternative data sources, and a battery of other validation techniques.

We make several contributions to the literature. First, methodologically, we demonstrate how political scientists can apply LLMs in their work to generate new data which would have been previously too onerous to complete manually, and too complex for alternative natural language processing techniques. We employ a strict methodological pipeline which allows us to validate our results and use them as an input to our statistical analysis. Second, we offer new insights on the politics of full employment in the United States, finding strong empirical support for the charge that the Fed's monetary policy has been guided by a "baseless fear of full employment" (Galbraith et al., 2007). We show that Fed policymakers have remained fearful of full employment despite prolonged wage stagnation. This result bolsters the critique of the anti-worker bias of the inflation targeting regime in general, and of the Phillips curve and NAIRU concepts in particular (Arbogast et al., 2024; Galbraith, 1997). Given the importance of central bank choices for labor market outcomes, our findings also have broader relevance for a plethora of other effects linked to labor market experiences, from political attitudes to policy preferences and voting patterns (Bisbee & Rosendorff, 2025; Cox, 2024; Margalit, 2011; 2013; Pardos-Prado & Xena, 2019).

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A Appendix

A.1 Additional information on large language models

A.11 Keyword list of inflation related terms

The 16 expressions used to identify inflation-related sentences are:

"inflation", "cpi", "pce", "price increas", "price stab", "overall price", "price level", "consumer price", "producer price", "price index", "price pressure", "price shock", "higher price", "raise price", "raising price", "rising price".

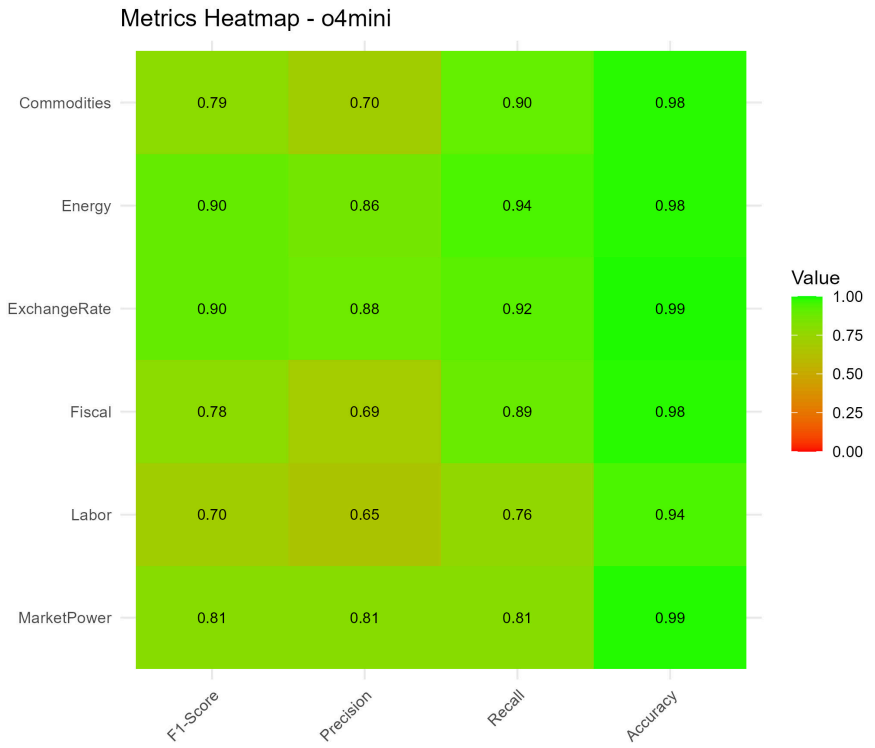
We first identified basic inflation expressions (inflation, cpi, pce), then examined the top 50 bigrams containing "price" in our corpus and retained all salient terms, to minimize false positives while being certain to not miss any relevant discussions.

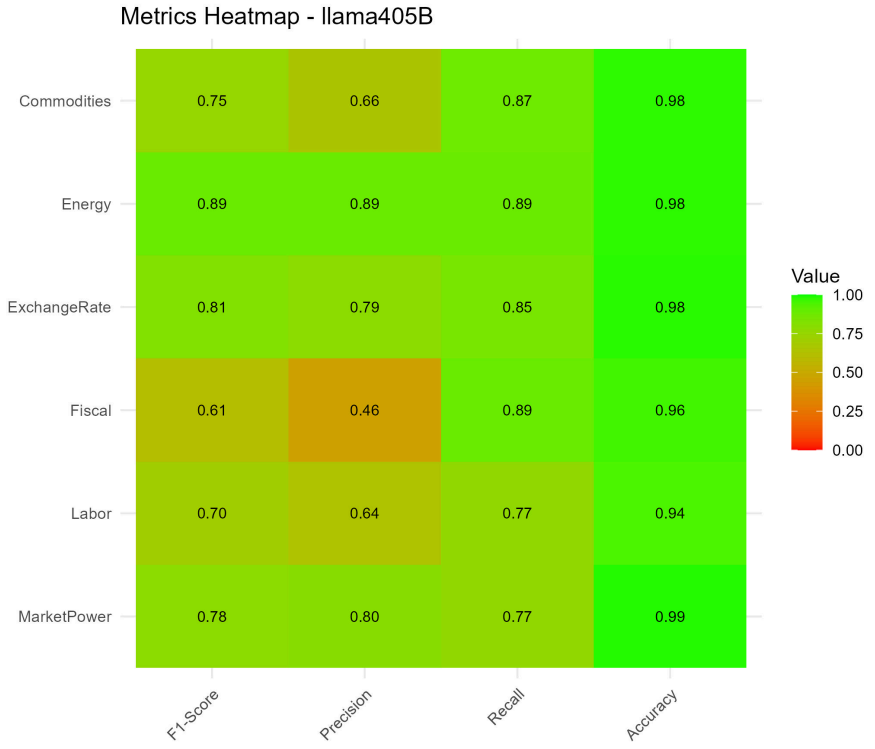
A.12 Full codebook

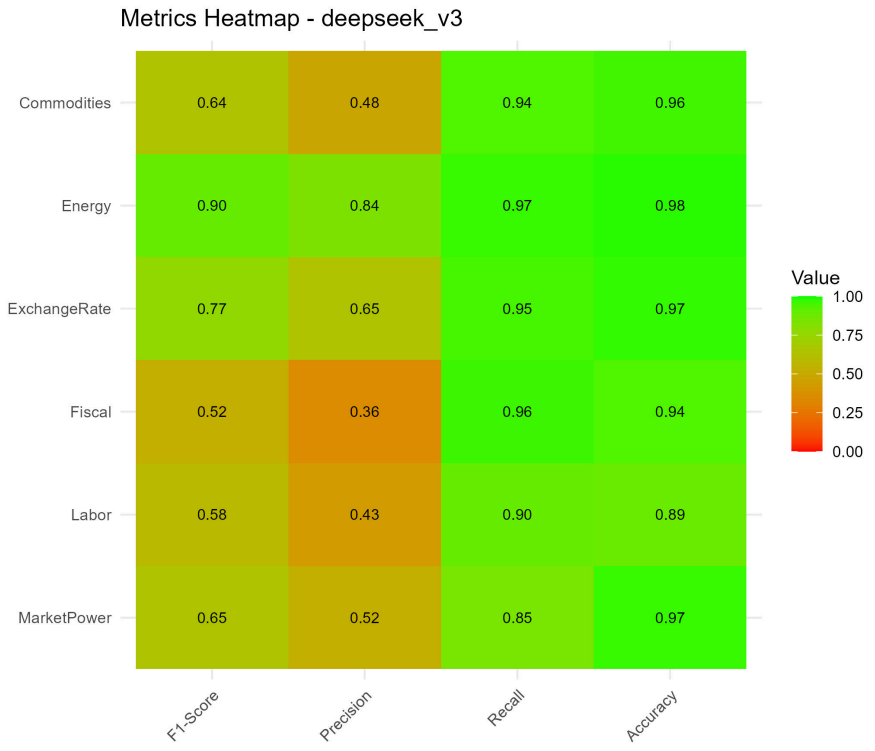
- "*Labor*" if the excerpt states that wages, workers' demands, or other developments in labor markets cause inflation.
- "*Market power*" if the excerpt states that business' price-setting behaviour, profits, markups or competition dynamics cause inflation.
- "*Fiscal*" if the excerpt states that government spending, deficit, public expenses, taxes, and other fiscal or budgetary considerations cause inflation.
- "*Energy*" if the excerpt states that changes in the price or supply of energy cause inflation.
- "*Commodities*" if the excerpt states that changes in the price of non-energy commodities (such as food, agriculture, raw materials, etc.) cause inflation.
- "*Exchange rate*" if the excerpt states that the value of the dollar against other currencies causes inflation.
- "*Other*" if the excerpt discusses other causes of inflation that are not captured by the previous categories (such as supply chain bottlenecks, regulations, productivity, credit dynamics, shelter, healthcare costs, or anything not listed here).

Excerpts can have zero labels (when inflation is mentioned without discussing its drivers), or multiple labels (when several causes are discussed in turn).

A.13 Detailed model performance metrics: o4-mini, Llama 3.1 405B, and DeepSeek-V3

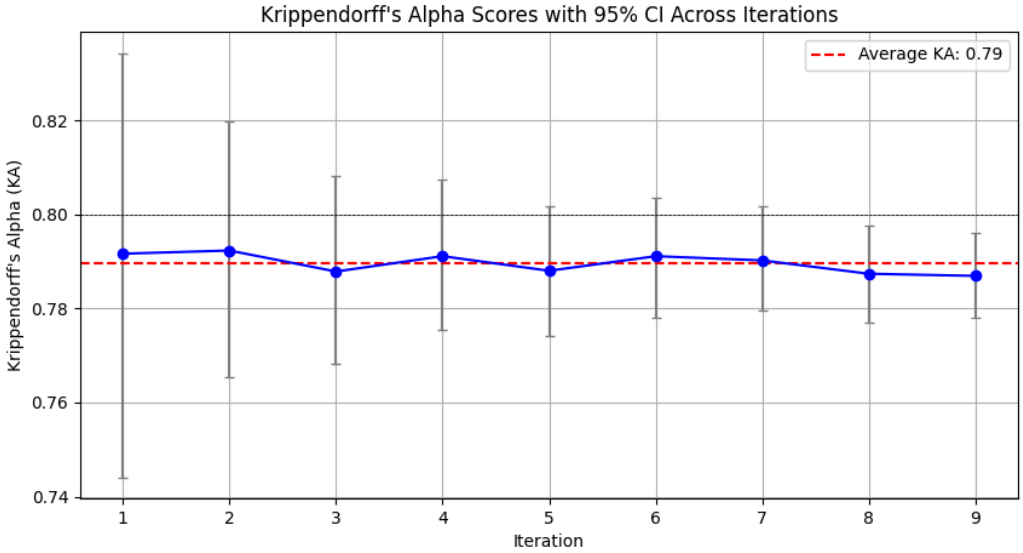






A.14 Prompt stability results

Figure 15: o4 mini



A.15 Final prompt to LLMs

```
We are exploring central bank communication by looking at central banker
policy deliberations. We want to understand how they discuss the causes of
inflation.
    Please read the excerpt, and classify it using the following labels:
```

```
- "None" if the excerpt does not discuss inflation.
- “None” if the excerpt describes inflation but does not make any reference to the causes of inflation.
- “Labor” if the excerpt states that wages, workers' demands, or other developments in labor markets cause inflation.
- “Market power” if the excerpt states that business' price-setting behaviour, profits, markups or competition dynamics cause inflation.
- “Fiscal” if the excerpt states that government spending, deficit, public expenses, taxes, and other fiscal or budgetary considerations cause inflation.
- “Energy” if the excerpt states that changes in the price or supply of energy cause inflation.
- “Commodities" if the excerpt states that changes in the price of non-energy commodities (such as food, agriculture, raw materials, etc.) cause inflation.
- “Exchange rate" if the excerpt states that the value of the dollar against other currencies causes inflation.
- “Other" if the excerpt discusses other causes of inflation that are not captured by the previous categories (such as supply chain bottlenecks, regulations, productivity, credit dynamics, shelter, healthcare costs, or anything not listed here).

You can give excerpts multiple labels (for example, “Market power, Fiscal”).

IF the excerpt has the label "None", it should have no other labels.

Reply ONLY with the assigned label(s) (for example, "Labor, Other"). DO NOT EXPLAIN YOUR ANSWER. This is the excerpt:
```

A.2 Details on data sources for variables

Tealbook (formerly Greenbook) variables

Tealbooks are produced by staff at the Board of Governors, and are provided to FOMC members in advance of FOMC meetings, often one to two weeks ahead. Prior to 2010, detailed analysis of economic conditions was instead contained in Greenbooks (which merged with Bluebooks in June 2010 to become the Tealbook). Like FOMC transcripts, they are released publicly with a five-year lag. The Philadelphia Fed has consolidated the forecast values from historical Tealbooks and Greenbooks into a dataset that can be download from their website, which we use as our source (link). We refer to this data from Tealbooks and Greenbooks collectively here (and throughout the paper) as “Tealbooks”.

All Tealbooks contain “nowcasts” (forecasts) for the current quarter. They also contain historical values (which, once available, are the actual values drawn from the BEA or BLS),

as well as forecasts for future quarters. To obtain our quarterly variables for our economic indicators, we average these "nowcast" values for a given quarter. For our unemployment variable, we use "UNEMP" values from the Philadelphia Fed dataset (unemployment rate). For our real GDP growth variable, we use "gRGDP" (quarter-over-quarter growth in real GDP, annualized percentage points). For our inflation variable, we use "gPGDP" (quarter-over-quarter growth in price index for GDP, annualized percentage points). Alternative Greenbook inflation metrics (CPI and PCE) are not available for our entire sample period.

Historical macroeconomic variables

In addition to the Tealbook "nowcasts", we also use actual historical values for macroeconomic variables. We download the dataset for the unemployment rate from the U.S. Bureau of Labor Statistics (BLS) via FRED. Unemployment data from the BLS is typically released for each month on the first Friday of the month following. We average monthly unemployment figures to create a quarterly rate.

We download data for the percentage change in the Personal Consumption Expenditures (PCE) index (quarter-over-quarter change, annualized percentage points) and real GDP growth (quarter-over-quarter change, annualized percentage points) from the U.S. Bureau of Economic Analysis (BEA) via DBnomics. For both, the first estimate for the quarter is usually released by the BEA at the end of the first month of the following quarter.[24]

Wage variables

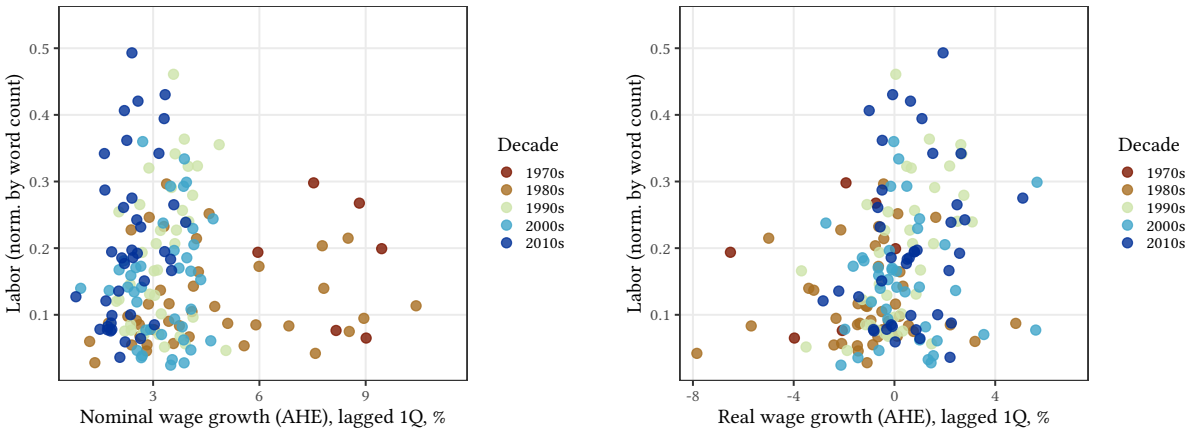
We use two different metrics of wage growth in our analysis, Average Hourly Earnings (AHE, "Average Hourly Earnings of Production and Nonsupervisory Employees, Total Private") and Median Weekly Earnings (MWE, "Employed full time: Median usual weekly real earnings: Wage and salary workers: 16 years and over"). MWE is only available beginning in 1979. Both are released by the BLS, and downloaded via FRED. MWE is released quarterly in the month following the end of the quarter as part of the Current Population Survey. AHE is released monthly, usually around the mid-point of the month following, as part of the Current Employment Statistics. MWE is available for download on FRED in both nominal and real (1982-84 CPI Adjusted Dollars) units. AHE is only available to download in nominal units; we deflate nominal wages using the CPI (CPIAUCSL on FRED) to convert values into constant 1982-1984 dollars for our real AHE variable. To convert AHE from monthly to quarterly, we average values across the quarter. We then take quarter-over-quarter growth rates, annualized percentage points, for both AHE and MWE.

[24]There are also monthly releases of PCE data, in addition to a quarterly figure being included in the GDP release. These monthly releases also usually happen at the end of the month following.

A.3 Robustness checks for models in Section 5.2

A.31 Wage plots

Figure 16: Wage growth bivariate plots



Note: One Labor outlier removed; one real wage growth outlier removed

A.32 Full results for specifications in main text

Table 4: Results on H1, a fear of full employment, 1978-2019

	1	2	3	4	5
Unemployment	−0.200‡‡	−0.200‡‡	−0.183‡‡	−0.192‡‡	−0.183‡‡
	(0.038)	(0.038)	(0.041)	(0.039)	(0.039)
Unemployment^2	0.060‡‡	0.060‡‡	0.059‡‡	0.058‡‡	0.055‡‡
	(0.015)	(0.015)	(0.015)	(0.015)	(0.015)
Real wage growth				0.021	0.027
				(0.033)	(0.032)
Nominal wage growth			0.034		
			(0.034)		
Inflation		0.006		0.024	0.037
		(0.021)		(0.035)	(0.035)
Real GDP growth					0.032†
					(0.014)
Quarterly word count (log)	0.542‡	0.546‡	0.545‡	0.543‡	0.556‡
	(0.171)	(0.172)	(0.171)	(0.172)	(0.169)
Num.Obs.	167	167	167	167	167
AIC	1357.0	1358.9	1358.0	1360.6	1357.5
BIC	1388.2	1393.2	1392.3	1398.0	1398.0
Chair dummies	✓	✓	✓	✓	✓

† p < 0.05, ‡ p < 0.01, ‡‡ p < 0.001

A.33 Alternative modelling strategies

To ensure that the negative binomial specification is the optimal choice for modelling our data, we also run model 5 from Section 5.2 using three other types of models commonly used with count data: Poisson, Poisson with sandwich standards errors, and quasi-Poisson.

Table 5: Results on H1, a fear of full employment, 1978-2019

	NB	Poisson	Poisson Sandwich	Quasi Poisson
Unemployment	−0.183‡‡	−0.169‡‡	−0.169‡‡	−0.169‡‡
	(0.039)	(0.013)	(0.033)	(0.038)
Unemployment^2	0.055‡‡	0.045‡‡	0.045‡	0.045‡
	(0.015)	(0.006)	(0.016)	(0.016)
Real wage growth	0.027	0.029†	0.029	0.029
	(0.032)	(0.013)	(0.034)	(0.037)
Inflation	0.037	0.020	0.020	0.020
	(0.035)	(0.015)	(0.033)	(0.043)
Real GDP growth	0.032†	0.043‡‡	0.043†	0.043‡
	(0.014)	(0.006)	(0.020)	(0.016)
Quarterly word count (log)	0.556‡	0.530‡‡	0.530‡‡	0.530‡
	(0.169)	(0.063)	(0.155)	(0.178)
Num.Obs.	167	167	167	167
AIC	1357.5	2022.5	2022.5	
BIC	1398.0	2059.9	2059.9	
Chair dummies	✓	✓	✓	✓

† p < 0.05, ‡ p < 0.01, ‡‡ p < 0.001

Note: Model 5 from main text; "NB" is negative binomial.

As can be seen in Table 5, our results from the main text (column 1) hold with other model types. However, the negative binomial specification offers a superior fit when comparing AIC and BIC values, as well as the −2 x log likelihood figures in Table 6.

Table 6: −2x log likelihoods

Model	2 x Log-Likelihood
NB	−1331.46
Poisson	−1998.48

Note: "NB" is negative binomial.

A.34 Tealbook data

We also test the specification in Section 5.2 using Tealbook (formerly Greenbook) forecasts for a given quarter. Unlike the models using actual data sources, we do not lag Tealbook variables, given that they are intended to give Fed policymakers a contemporaneous idea of what macroeconomic indicators are likely to be for a given quarter ahead of policy meetings. More detail on these variables is available in Appendix A.2. The results in Table 7 are consistent with those in Table 4.

Table 7: Results on H1, a fear of full employment, 1978-2019

	1	2	3	4	5
Unemployment (TB)	−0.239‡‡	−0.239‡‡	−0.230‡‡	−0.239‡‡	−0.225‡‡
	(0.037)	(0.037)	(0.040)	(0.037)	(0.036)
Unemployment^2 (TB)	0.068‡‡	0.070‡‡	0.067‡‡	0.070‡‡	0.064‡‡
	(0.014)	(0.014)	(0.014)	(0.014)	(0.014)
Real wage growth (AHE)				−0.001	0.001
				(0.020)	(0.020)
Nom wage growth (AHE)			0.021		
			(0.032)		
Inflation (TB)		0.019		0.018	0.067†
		(0.026)		(0.028)	(0.029)
GDP growth (TB)					0.083‡‡
					(0.021)
Quarterly word count (log)	0.529‡	0.528‡	0.531‡	0.529‡	0.492‡
	(0.165)	(0.165)	(0.165)	(0.166)	(0.158)
Num.Obs.	167	167	167	167	167
AIC	1344.6	1346.1	1346.2	1348.1	1335.8
BIC	1375.8	1380.4	1380.5	1385.5	1376.4
Chair dummies	✓	✓	✓	✓	✓

† p < 0.05, ‡ p < 0.01, ‡‡ p < 0.001

Note: "TB" stands for Tealbook. Tealbook variables are not lagged; wage variables are lagged by one quarter to account for release dates.

A.35 Alternative wage data

Table 8: Results on H1, a fear of full employment, 1979-2019, alt. wage metric

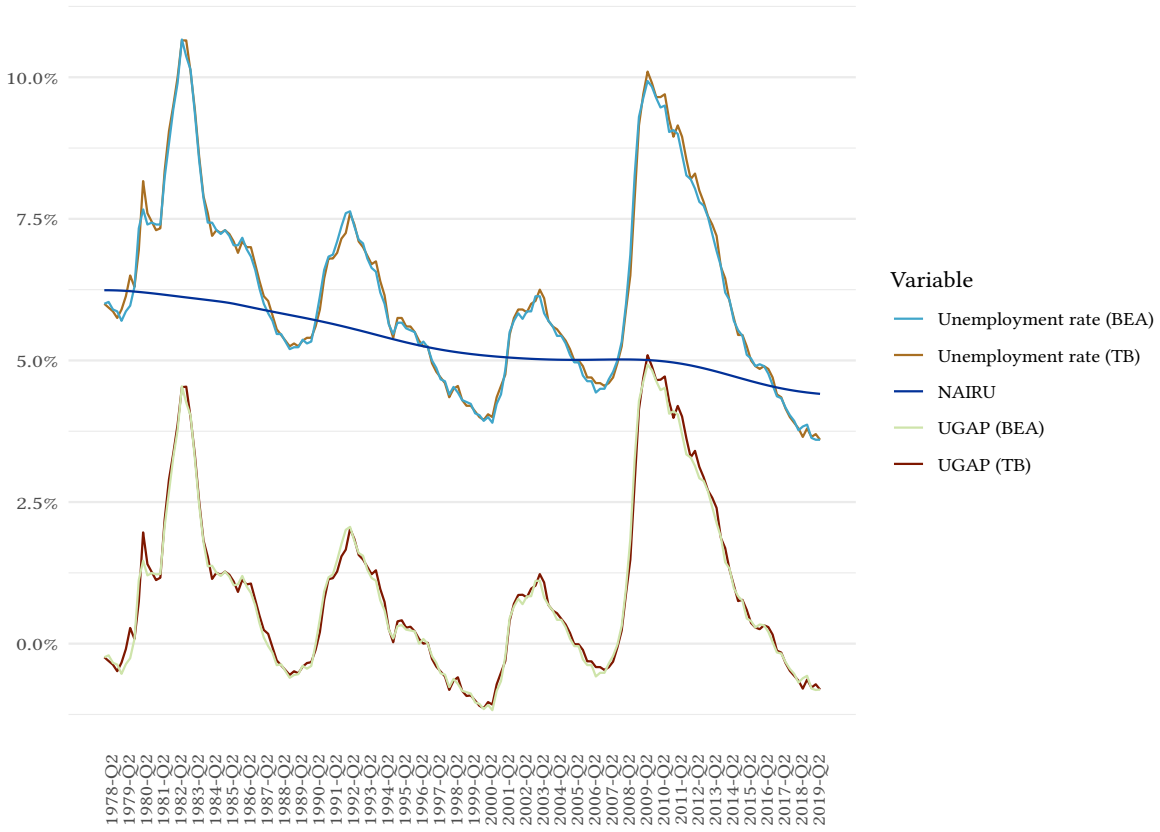
	1	2	3
Unemployment	−0.206‡‡	−0.206‡‡	−0.197‡‡
	(0.039)	(0.038)	(0.038)
Unemployment^2	0.061‡‡	0.062‡‡	0.059‡‡
	(0.015)	(0.015)	(0.015)
Real wage growth (MWE)		−0.009	−0.005
		(0.013)	(0.013)
Nominal wage growth (MWE)	−0.007		
	(0.013)		
Inflation		0.001	0.012
		(0.024)	(0.024)
Real GDP growth			0.037†
			(0.015)
Quarterly word count (log)	0.511‡	0.519‡	0.520‡
	(0.173)	(0.173)	(0.169)
Num.Obs.	162	162	162
AIC	1315.0	1316.7	1312.7
BIC	1345.9	1350.7	1349.7
Chair dummies	✓	✓	✓

† p < 0.05, ‡ p < 0.01, ‡‡ p < 0.001

Note: “MWE” stands for Median Weekly Earnings. MWE data is only available from 1979-Q2; with lag, analysis begins in 1979-Q3.

A.36 U-GAP regressions

Figure 17: Comparison of U-GAP and unemployment variables



Note: "TB" stands for Tealbook. NAIRU rates drawn from Congressional Budget Office estimates.

Table 9: Results on H1, a fear of full employment, 1978-2019

	1	2	3	4	5
UGAP	−0.308‡‡	−0.311‡‡	−0.284‡‡	−0.287‡‡	−0.270‡‡
	(0.069)	(0.070)	(0.074)	(0.071)	(0.071)
UGAP^2	0.060‡	0.060‡	0.058‡	0.056‡	0.052‡
	(0.018)	(0.018)	(0.019)	(0.019)	(0.018)
Real wage growth				0.038	0.044
				(0.033)	(0.033)
Nominal wage growth			0.031		
			(0.035)		
Inflation		−0.010		0.023	0.038
		(0.022)		(0.037)	(0.036)
Real GDP growth					0.033†
					(0.015)
Quarterly word count (log)	0.586‡‡	0.580‡‡	0.587‡‡	0.572‡	0.584‡‡
	(0.174)	(0.175)	(0.174)	(0.175)	(0.172)
Num.Obs.	167	167	167	167	167
AIC	1364.8	1366.6	1366.0	1367.5	1364.3
BIC	1396.0	1400.9	1400.3	1404.9	1404.8
Chair dummies	✓	✓	✓	✓	✓

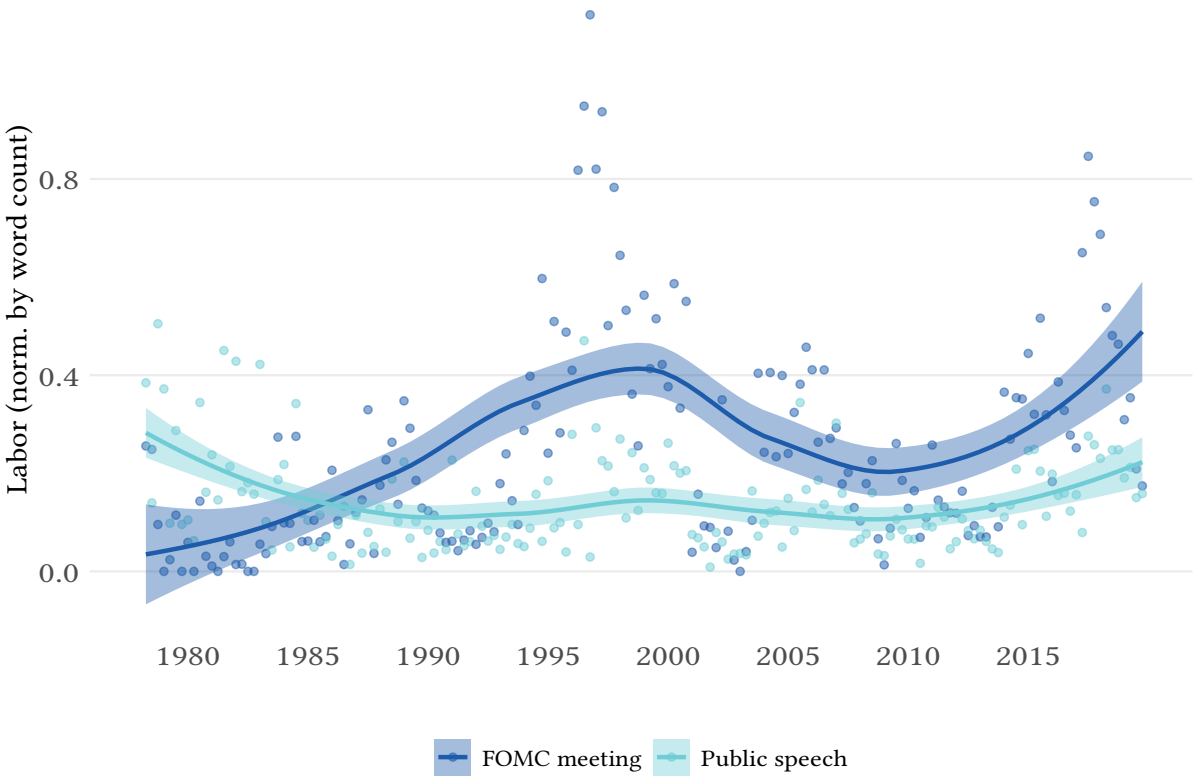
† p < 0.05, ‡ p < 0.01, ‡‡ p < 0.001

Note: U-GAP estimates using BEA unemployment data and NAIRU rates drawn from Congressional Budget Office estimates lagged by one quarter.

A.4 Robustness checks for models in Section 5.3

A.41 Time series by forum

Figure 18: Labor salience, 1978-2019



A.42 Tealbook data

Table 10: Results on H2, a genuine fear of full employment, 1978-2019

	1	2	3	4	5
Unemployment (TB)	−0.158‡‡	−0.158‡‡	−0.150‡‡	−0.159‡‡	−0.139‡‡
	(0.041)	(0.041)	(0.043)	(0.041)	(0.040)
Unemployment^2 (TB)	0.070‡‡	0.071‡‡	0.069‡‡	0.072‡‡	0.066‡‡
	(0.016)	(0.016)	(0.016)	(0.016)	(0.016)
Forum (FOMC=1)	0.208	0.215†	0.215†	0.215†	0.194
	(0.109)	(0.109)	(0.109)	(0.109)	(0.106)
Unemp*Forum	−0.173‡‡	−0.171‡‡	−0.171‡‡	−0.172‡‡	−0.181‡‡
	(0.048)	(0.048)	(0.048)	(0.048)	(0.047)
Real wage growth (AHE)				−0.003	−0.001
				(0.018)	(0.018)
Nominal wage growth (AHE)			0.019		
			(0.029)		
Inflation (TB)		0.017		0.016	0.066†
		(0.024)		(0.025)	(0.026)
Real GDP growth (TB)					0.089‡‡
					(0.020)
Num.Obs.	334	334	334	334	334
AIC	2341.4	2343.0	2343.1	2345.0	2327.2
BIC	2391.0	2396.3	2396.4	2402.1	2388.2
Chair dummies	✓	✓	✓	✓	✓
Log(total words)	✓	✓	✓	✓	✓

† p < 0.05, ‡ p < 0.01, ‡‡ p < 0.001

Note: "TB" stands for Tealbook. Tealbook variables are not lagged; wage variables are lagged by one quarter to account for release dates. Interaction term Unemp^2*Forum is included in regression but not statistically significant and omitted from table for simplicity.

A.43 Alternative wage data

Table 11: Results on H2, a genuine fear of full employment, 1979-2019, alt. wage metric

	1	2	3
Unemployment	−0.137‡	−0.137‡	−0.126‡
	(0.042)	(0.042)	(0.041)
Unemployment^2	0.065‡‡	0.066‡‡	0.064‡‡
	(0.017)	(0.017)	(0.017)
Forum (FOMC=1)	0.249†	0.254†	0.233†
	(0.112)	(0.112)	(0.111)
Unemp*Forum	−0.149‡	−0.149‡	−0.155‡
	(0.050)	(0.050)	(0.050)
Real wage growth (MWE)		−0.009	−0.006
		(0.012)	(0.012)
Nominal wage growth (MWE)	−0.007		
	(0.011)		
Inflation		−0.000	0.010
		(0.022)	(0.021)
Real GDP growth			0.037‡
			(0.014)
Num.Obs.	324	324	324
AIC	2278.3	2279.9	2274.3
BIC	2327.4	2332.8	2331.0
Chair dummies	✓	✓	✓
Log(total words)	✓	✓	✓

† p < 0.05, ‡ p < 0.01, ‡‡ p < 0.001

Note: "MWE" stands for Median Weekly Earnings. MWE data is only available from 1979-Q2; with lag, analysis begins in 1979-Q3. Interaction term Unemp^2*Forum is included in regression but not statistically significant and omitted from table for simplicity.

A.44 Unemployment gap

Table 12: Results on H2, a genuine fear of full employment, 1978-2019

	1	2	3	4	5
UGAP	−0.244‡	−0.248‡	−0.224‡	−0.229‡	−0.208†
	(0.083)	(0.084)	(0.086)	(0.085)	(0.084)
UGAP^2	0.055†	0.056†	0.054†	0.052†	0.048†
	(0.022)	(0.022)	(0.022)	(0.022)	(0.022)
Forum (FOMC=1)	0.278‡	0.275‡	0.284‡	0.276‡	0.260†
	(0.105)	(0.105)	(0.105)	(0.105)	(0.104)
UGAP*Forum	−0.147	−0.147	−0.139	−0.141	−0.150
	(0.111)	(0.111)	(0.111)	(0.111)	(0.110)
Real wage growth				0.035	0.040
				(0.030)	(0.030)
Nominal wage growth			0.032		
			(0.032)		
Inflation		−0.011		0.020	0.033
		(0.020)		(0.033)	(0.033)
Real GDP growth					0.031†
					(0.013)
Num.Obs.	334	334	334	334	334
AIC	2380.5	2382.3	2381.6	2383.2	2379.9
BIC	2430.1	2435.6	2434.9	2440.3	2440.8
Chair dummies	✓	✓	✓	✓	✓
Log(total words)	✓	✓	✓	✓	✓

† p < 0.05, ‡ p < 0.01, ‡‡ p < 0.001

Note: U-GAP estimates using BEA unemployment data and NAIRU rates drawn from Congressional Budget Office estimates lagged by one quarter. Interaction term Unemp^2*Forum is included in regression but not statistically significant and omitted from table for simplicity.

A.45 Policy rate

Table 13: Results on H2, a genuine fear of full employment, 1982-2019

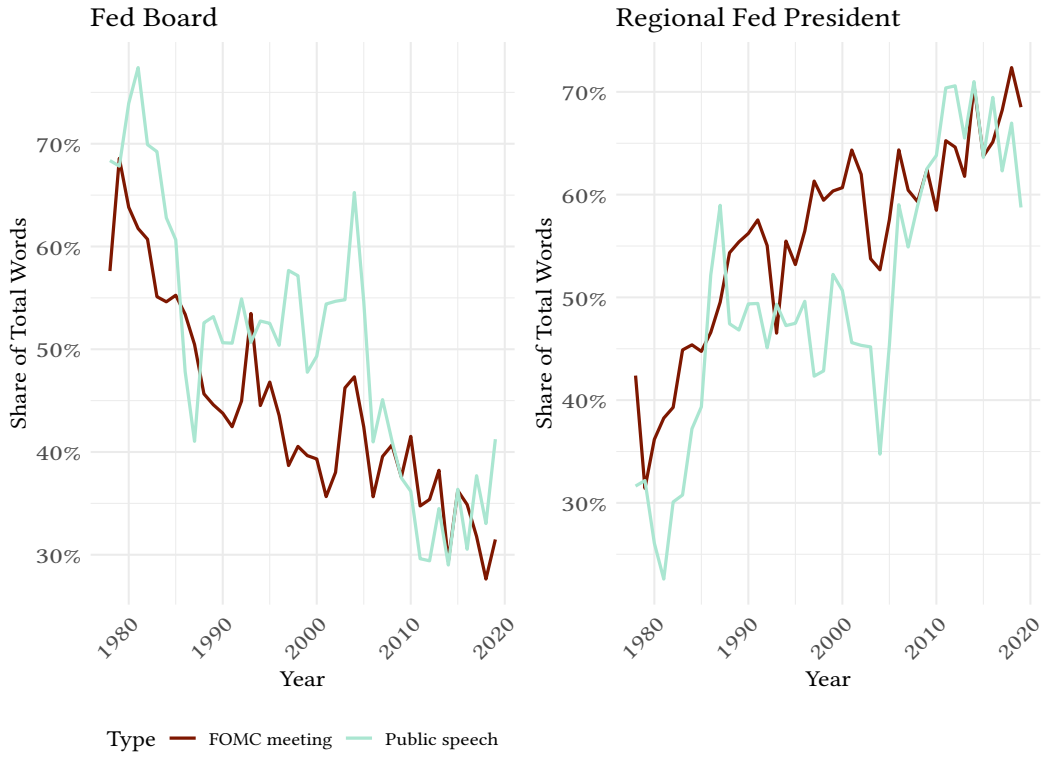
	1	2	3	4
Unemployment	−0.168‡‡	−0.154‡‡	−0.177‡‡	−0.160‡‡
	(0.040)	(0.041)	(0.038)	(0.039)
Unemployment^2	0.082‡‡	0.081‡‡	0.079‡‡	0.078‡‡
	(0.017)	(0.017)	(0.016)	(0.017)
Forum (FOMC=1)	0.559‡‡	0.524‡‡	0.509‡‡	0.496‡‡
	(0.116)	(0.111)	(0.111)	(0.109)
Unemp*Forum	−0.069	−0.080	−0.074	−0.081
	(0.048)	(0.046)	(0.046)	(0.045)
Real wage growth		−0.002		0.006
		(0.037)		(0.036)
Inflation		−0.019		−0.005
		(0.049)		(0.047)
Real GDP growth		0.076‡‡		0.059‡‡
		(0.015)		(0.016)
Tighten FFR (1 = tighten)	0.121	0.083		
	(0.082)	(0.081)		
Loosen FFR (1 = loosen)			−0.440‡‡	−0.337‡‡
			(0.083)	(0.086)
Num.Obs.	298	298	298	298
AIC	2087.8	2069.4	2064.2	2056.0
BIC	2135.9	2128.6	2112.3	2115.2
Chair dummies	✓	✓	✓	✓
Macro controls		✓		✓
Log(total words)	✓	✓	✓	✓

† p < 0.05, ‡ p < 0.01, ‡‡ p < 0.001

Note: Tighten FFR takes the value of 1 if the policy rate is higher on the first day of the current quarter than it was on the first day of the last quarter, reflecting tightening over the last quarter. Loosen FFR takes the value of 1 if the policy rate is lower on the first day of the current quarter than it was on the first day of the last quarter, reflecting loosening over the last quarter. Interaction term Unemp^2*Forum is included in regression but not statistically significant and omitted from table for simplicity.

A.46 Speaker distribution

Figure 19: Total Fed Corpus by Position, Percentage



Note: Includes entire corpus (all inflation and non-inflation speech. Fed Board includes all members of the Board of Governors, including the Chair and Vice Chair.)

Table 14: Results for H2, subgroup regression

	Fed Board		Regional Presidents	
	1	2	3	4
Unemployment	−0.166‡	−0.125†	−0.139‡‡	−0.149‡‡
	(0.059)	(0.059)	(0.042)	(0.043)
Unemployment^2	0.086‡‡	0.070‡	0.011	0.011
	(0.023)	(0.023)	(0.020)	(0.020)
Forum (FOMC=1)	0.234	0.218	0.327‡	0.306‡
	(0.151)	(0.149)	(0.110)	(0.108)
Unemp*Forum	−0.224‡	−0.221‡	−0.064	−0.069
	(0.071)	(0.070)	(0.051)	(0.050)
Num.Obs.	334	334	334	334
AIC	1858.6	1856.7	1993.2	1986.1
BIC	1908.1	1917.6	2042.7	2047.1
Chair dummies	✓	✓	✓	✓
Macro controls		✓		✓
Log(total words)	✓	✓	✓	✓

† p < 0.05, ‡ p < 0.01, ‡‡ p < 0.001

Note: Fed Board includes all members of the Board of Governors, including the Chair and Vice Chair. Macro variables include inflation, real wage growth, and GDP growth. Interaction term Unemp^2*Forum is included in regression but not statistically significant and omitted from table for simplicity.

A.47 Dummy for 1993-Q4

Table 15: Results for H2, with dummy beginning in 1993-Q4

	1	2	3	4	5
Unemployment	−0.068	−0.061	−0.043	−0.049	−0.038
	(0.043)	(0.043)	(0.045)	(0.044)	(0.044)
Unemployment^2	0.042†	0.043†	0.041†	0.039†	0.036†
	(0.017)	(0.017)	(0.017)	(0.017)	(0.017)
Forum (FOMC=1)	0.130	0.139	0.145	0.140	0.124
	(0.108)	(0.108)	(0.108)	(0.108)	(0.107)
Unemp*Forum	−0.159‡	−0.157‡	−0.154‡	−0.155‡	−0.161‡‡
	(0.050)	(0.050)	(0.049)	(0.049)	(0.049)
Real wage growth				0.030	0.036
				(0.029)	(0.029)
Nominal wage growth			0.050		
			(0.030)		
Inflation		0.034		0.060	0.071†
		(0.020)		(0.032)	(0.032)
Real GDP growth					0.030†
					(0.012)
1993-Q4	0.621‡‡	0.681‡‡	0.645‡‡	0.693‡‡	0.684‡‡
	(0.123)	(0.128)	(0.124)	(0.128)	(0.127)
Quarterly word count (log)	0.407‡‡	0.413‡‡	0.410‡‡	0.410‡‡	0.400‡‡
	(0.098)	(0.098)	(0.098)	(0.098)	(0.097)
Num.Obs.	334	334	334	334	334
AIC	2339.4	2338.6	2338.6	2339.7	2336.0
BIC	2392.7	2395.8	2395.8	2400.7	2400.8
Chair dummies	✓	✓	✓	✓	✓

† p < 0.05, ‡ p < 0.01, ‡‡ p < 0.001

Dummy beginning in 1993-Q4 corresponds to the quarter when it became known to Fed officials that FOMC trancripts would be made public with a five-year lag. Note that effects on *Unemp*Forum* remain significant in all specifications. While the dummy on 1993-Q4 is significant, we tested other models with dummies beginning in 1991-Q4 and 1995-Q4 as placebos and got similar significance, indicating that this significance instead more likely reflects the longer-term shifts captured in Section 5.5.

A.5 Robustness checks for models in Section 5.4

A.51 Tealbook data

Table 16: Results on H3, a partisan fear of full employment, 1978-2019

	1	2	3
Unemployment (TB)	−0.162‡‡	−0.162‡‡	−0.081
	(0.038)	(0.038)	(0.060)
Unemployment^2 (TB)	0.061‡‡	0.060‡‡	0.070‡‡
	(0.015)	(0.015)	(0.020)
Forum (FOMC=1)	0.153	−0.093	−0.020
	(0.102)	(0.118)	(0.131)
Unemp*Forum	−0.186‡‡	−0.205‡‡	−0.336‡‡
	(0.045)	(0.044)	(0.059)
President (Dem=1)	0.423‡‡	0.176	0.264†
	(0.073)	(0.095)	(0.129)
Pres*Forum		0.498‡‡	0.354†
		(0.127)	(0.172)
Pres*Unemp			−0.141
			(0.082)
Unemp*Forum*Pres			0.233‡
			(0.088)
Num.Obs.	334	334	334
AIC	2297.6	2284.8	2275.0
BIC	2362.4	2353.4	2358.8
Chair dummies	✓	✓	✓
Macro controls	✓	✓	✓
Log(total words)	✓	✓	✓

† p < 0.05, ‡ p < 0.01, ‡‡ p < 0.001

Note: "TB" stands for Tealbook. Tealbook variables are not lagged; wage variables are lagged by one quarter to account for release dates. Macro controls include real wage growth, inflation, and real GDP growth. All interaction terms including *Unemployment^2* are included in model but do not have significant effects and are omitted from the table for simplicity.

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A.52 Unemployment gap

Table 17: Results on H3, a partisan fear of full employment, 1978-2019

	1	2	3
UGAP	−0.187†	−0.214‡	0.091
	(0.082)	(0.081)	(0.121)
UGAP^2	0.033	0.042†	0.025
	(0.022)	(0.022)	(0.034)
Forum (FOMC=1)	0.232†	0.026	0.170
	(0.101)	(0.116)	(0.120)
UGAP*Forum	−0.160	−0.134	−0.338†
	(0.107)	(0.105)	(0.148)
President (Dem=1)	0.366‡‡	0.121	0.406‡‡
	(0.082)	(0.108)	(0.119)
Pres*Forum		0.484‡‡	0.202
		(0.144)	(0.155)
Pres*UGAP			−0.520‡
			(0.162)
UGAP*Forum*Pres			0.456†
			(0.205)
Num.Obs.	334	334	334
AIC	2362.7	2353.7	2337.0
BIC	2427.5	2422.3	2420.9
Chair dummies	✓	✓	✓
Macro controls	✓	✓	✓
Log(total words)	✓	✓	✓

† p < 0.05, ‡ p < 0.01, ‡‡ p < 0.001

Note: Macro controls include real wage growth, inflation, and real GDP growth. All interaction terms including *Unemployment^2* are included in model but do not have significant effects and are omitted from the table for simplicity.

A.53 Fiscal balance

Table 18: Results on H3, a partisan fear of full employment, 1978-2019

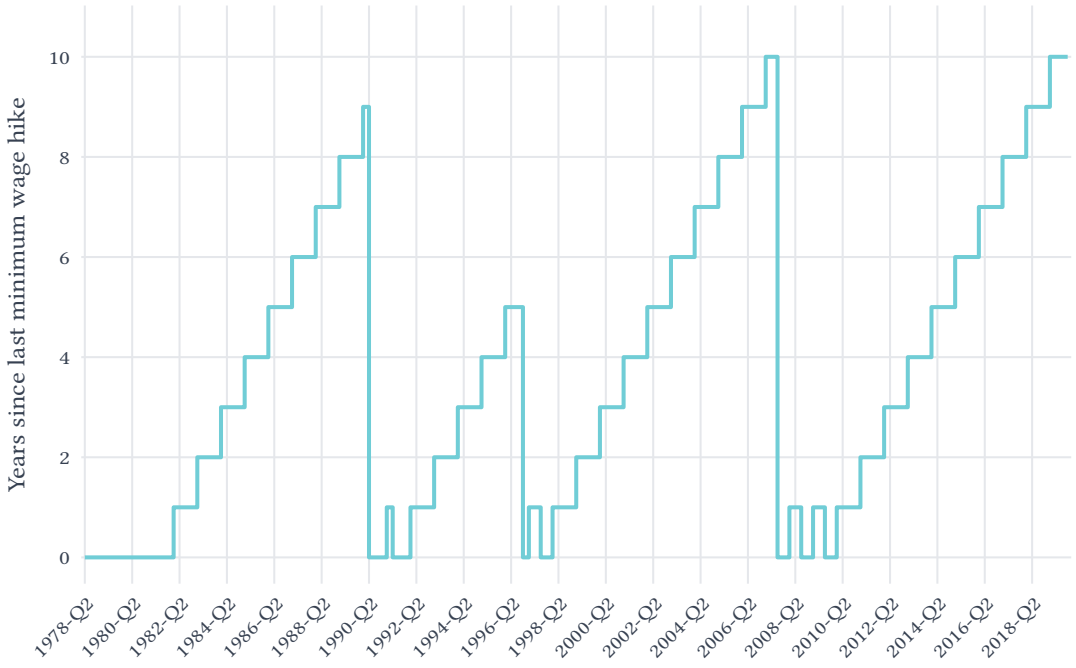
	1	2	3
Unemployment	−0.134‡	−0.132‡	−0.044
	(0.041)	(0.041)	(0.064)
Unemployment^2	0.056‡‡	0.055‡‡	0.063‡
	(0.017)	(0.017)	(0.022)
Forum (FOMC=1)	0.148	−0.098	−0.070
	(0.106)	(0.124)	(0.138)
Unemp*Forum	−0.172‡‡	−0.196‡‡	−0.305‡‡
	(0.048)	(0.048)	(0.063)
President (Dem=1)	0.347‡‡	0.107	0.173
	(0.081)	(0.104)	(0.135)
Pres*Forum		0.487‡‡	0.407†
		(0.135)	(0.180)
Pres*Unemp			−0.158
			(0.089)
Unemp*Forum*Pres			0.220†
			(0.097)
Δ CAPB	0.074†	0.072†	0.070†
	(0.030)	(0.030)	(0.029)
Num.Obs.	334	334	334
AIC	2333.6	2323.0	2319.2
BIC	2402.2	2395.4	2406.9
Chair dummies	✓	✓	✓
Macro controls	✓	✓	✓
Log(total words)	✓	✓	✓

† p < 0.05, ‡ p < 0.01, ‡‡ p < 0.001

Note: Macro controls include real wage growth, inflation, and real GDP growth. All interaction terms including *Unemployment^2* are included in model but do not have significant effects and are omitted from the table for simplicity. Δ CAPB is the first difference in the Cyclically Adjusted Primary Balance (CAPB) as a percentage of potential GDP from the CBO.

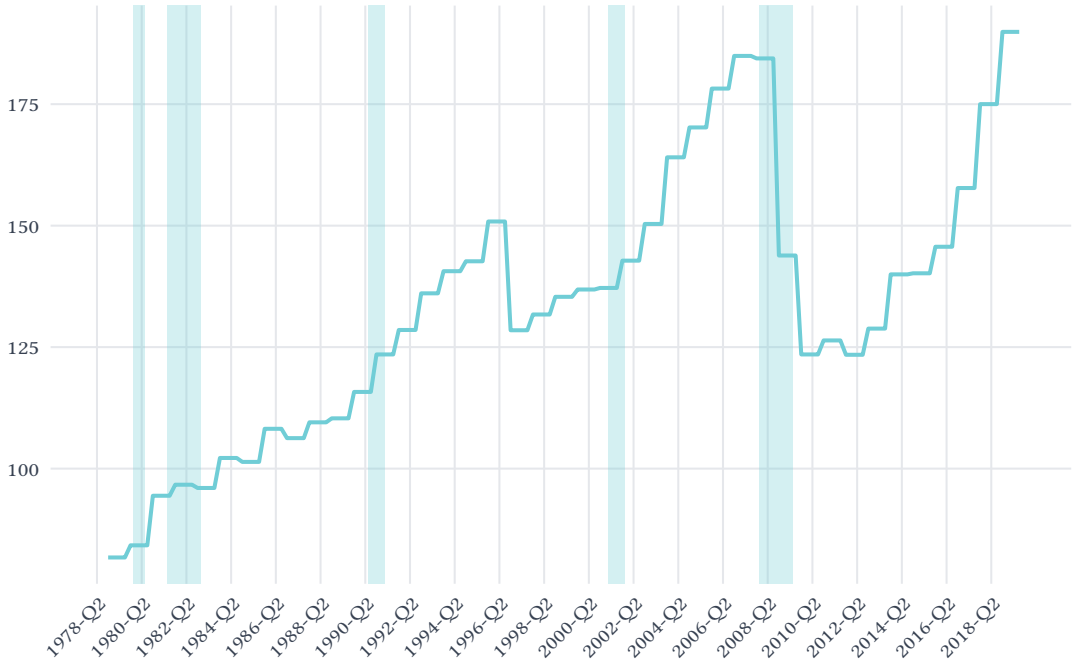
A.54 Labor policy

Figure 20: Number of years since last minimum wage hike



Source: FRED

Figure 21: Private sector workers per WHD investigator, thousands



Source: EPI based on Department of Labor, Bureau of Labor Statistics. WHD = Wage and Hour Division. Shaded areas indicate recessions (NBER).

Table 19: Results on H3, a partisan fear of full employment, 1979-2019

	1	2	3	4	5	6
Unemployment	−0.114‡	−0.121‡	−0.129‡	−0.129‡	0.020	−0.054
	(0.043)	(0.042)	(0.042)	(0.041)	(0.065)	(0.062)
Unemployment^2	0.061‡‡	0.058‡‡	0.060‡‡	0.060‡‡	0.051†	0.061‡
	(0.017)	(0.017)	(0.017)	(0.016)	(0.021)	(0.021)
Forum (FOMC=1)	0.256†	0.251†	0.196	−0.092	−0.126	−0.100
	(0.111)	(0.110)	(0.106)	(0.121)	(0.133)	(0.135)
Unemp*Forum	−0.160‡	−0.167‡‡	−0.169‡‡	−0.194‡‡	−0.325‡‡	−0.318‡‡
	(0.051)	(0.050)	(0.048)	(0.047)	(0.062)	(0.062)
President (Dem=1)			0.496‡‡	0.192	0.152	0.120
			(0.092)	(0.110)	(0.134)	(0.133)
Pres*Forum				0.612‡‡	0.663‡‡	0.639‡‡
				(0.132)	(0.178)	(0.181)
Pres*Unemp					−0.268‡	−0.172†
					(0.089)	(0.087)
Unemp*Forum*Pres					0.283‡	0.276‡
					(0.093)	(0.095)
Real wage growth	0.023	0.020	0.018	0.012	0.005	0.002
	(0.030)	(0.029)	(0.028)	(0.028)	(0.028)	(0.028)
Yrs min wage	−0.006		0.038†	0.039†	0.047†	
	(0.015)		(0.018)	(0.018)	(0.018)	
Δ Workers per WHD		−0.006	−0.001	−0.001	−0.003	
		(0.004)	(0.004)	(0.004)	(0.004)	
Num.Obs.	320	320	320	320	320	320
AIC	2244.9	2239.0	2217.0	2198.0	2190.7	2196.4
BIC	2305.2	2303.1	2288.6	2273.3	2281.2	2275.5
Chair dummies	✓	✓	✓	✓	✓	✓
Macro controls	✓	✓	✓	✓	✓	✓
Recession dummy		✓	✓	✓	✓	
Log(total words)	✓	✓	✓	✓	✓	✓

† p < 0.05, ‡ p < 0.01, ‡‡ p < 0.001

Note: "Yrs min wage" is the number of years elapsed since the last increase in the federal minimum wage; "Δ Workers per WHD" is the change in the number of private sector workers per WHD investigator. All interaction terms including *Unemployment^2* are included in model but do not have significant effects and are omitted from the table for simplicity. Based on WHD data availability, regression runs 1979-Q4 to 2019-Q3. We include recession dummies in WHD regressions to control for unusual declines in

private sector worker volume, and we also re-run these regressions excluding FY 2009, with consistent results.

A.55 Congressional regressions

Table 20: Results on H3, a partisan fear of full employment, 1978-2019

	1	2	3
Unemployment	−0.102†	−0.100†	−0.015
	(0.049)	(0.048)	(0.069)
Unemployment^2	0.047‡	0.046‡	0.054†
	(0.017)	(0.017)	(0.021)
Forum (FOMC=1)	0.129	−0.124	−0.102
	(0.105)	(0.124)	(0.138)
Unemp*Forum	−0.163‡‡	−0.188‡‡	−0.300‡‡
	(0.048)	(0.048)	(0.062)
President (Dem=1)	0.333‡‡	0.084	0.155
	(0.080)	(0.103)	(0.138)
Pres*Forum		0.499‡‡	0.438†
		(0.134)	(0.180)
Pres*Unemp			−0.147
			(0.089)
Unemp*Forum*Pres			0.229†
			(0.097)
House (Dem=1)	−0.270†	−0.274†	−0.237
	(0.122)	(0.120)	(0.122)
Senate (Dem=1)	−0.024	−0.023	−0.065
	(0.143)	(0.140)	(0.146)
Num.Obs.	334	334	334
AIC	2331.7	2320.3	2316.9
BIC	2404.1	2396.5	2408.3
Chair dummies	✓	✓	✓
Macro controls	✓	✓	✓
Log(total words)	✓	✓	✓

† p < 0.05, ‡ p < 0.01, ‡‡ p < 0.001

Note: Macro controls include real wage growth, inflation, and real GDP growth. All interaction terms including *Unemployment^2* are included in model but do not have significant effects and are omitted from the table for simplicity.

Figure 22: Controlling party of US Congress and president (quarterly)

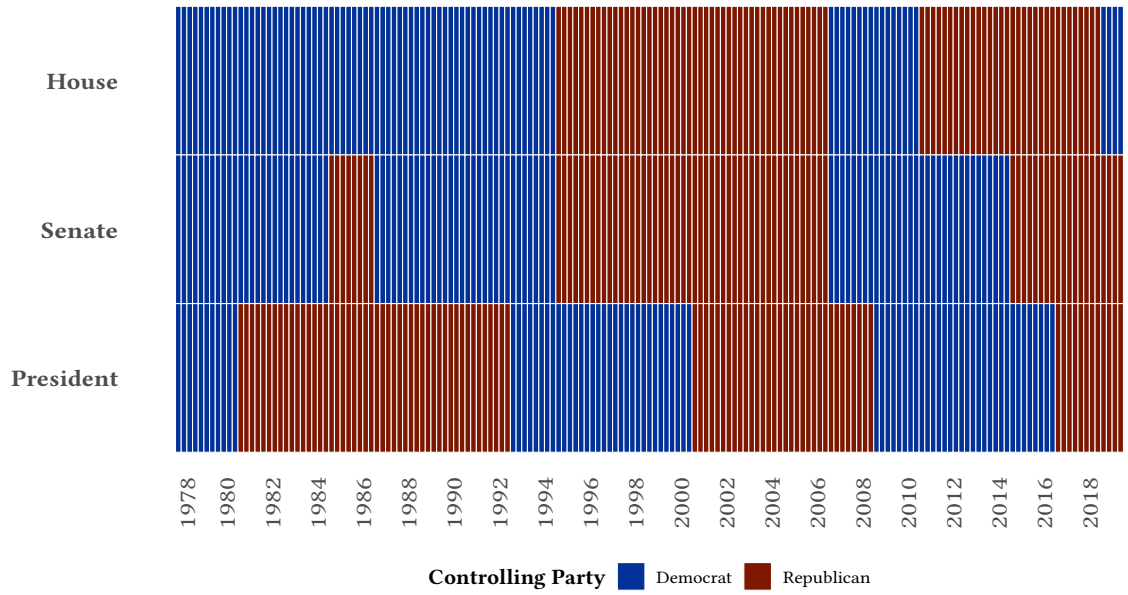
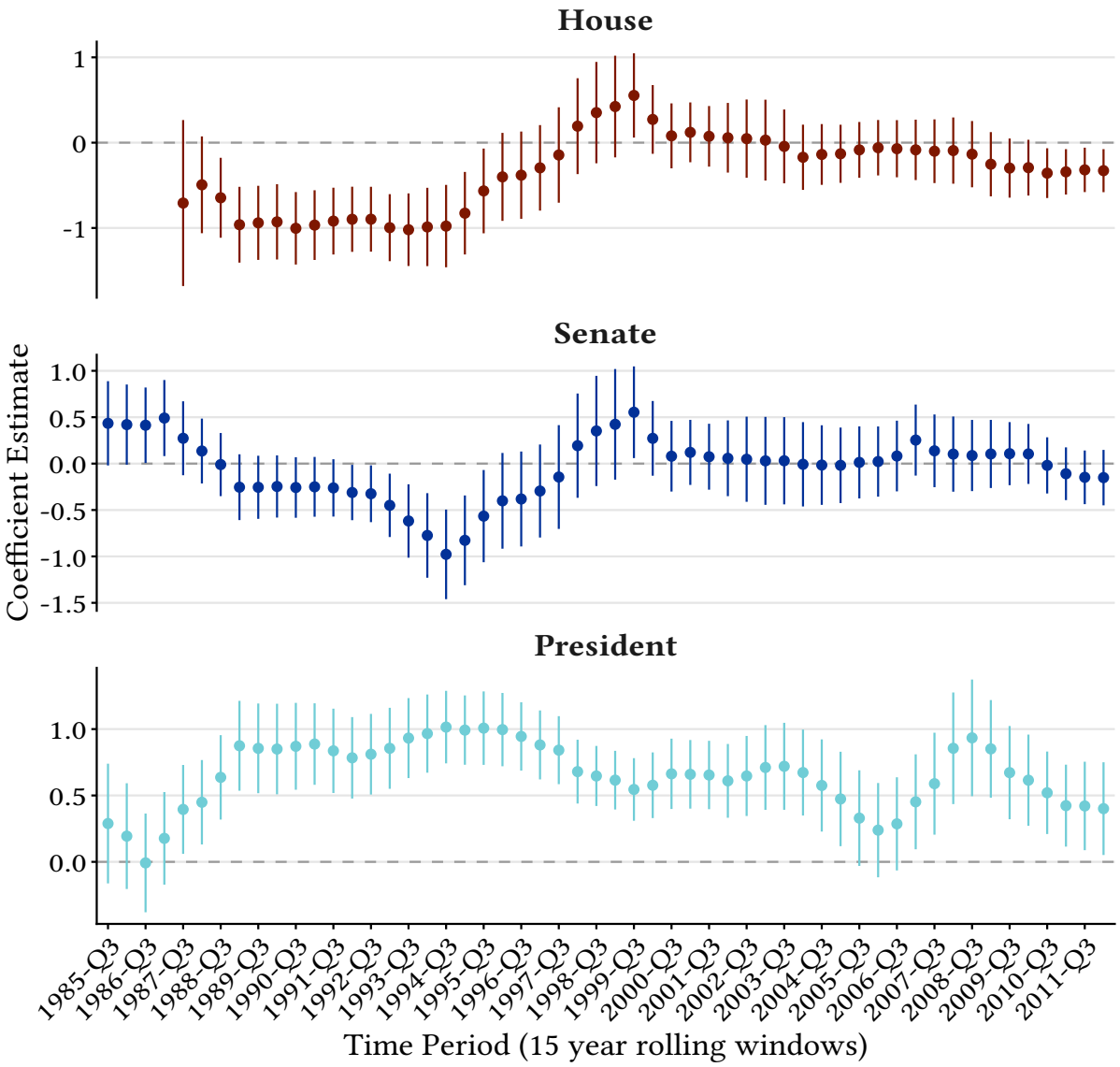


Figure 23: Rolling 15-year regressions, partisan variables



Note: Regression specifications include variables for unemployment, unemployment^2, inflation, real wage growth, real GDP growth, and logged word count, in addition to each political variable in turn, with one added to the regression at a time. Quarter on x-axis is midpoint of 15-year window. With shorter windows, party control variables are for stretches perfectly collinear, which is why we adopt this singular analysis. Analysis only begins with a midpoint of 1987 for House regressions because the Democratic party had consistent control until the 1994 elections.

A.6 Further robustness from Section 5.5

Figure 24: Leave-one-out analysis, model 5 in Table 2