Thinking Locally, Acting Globally: The Domestic Legitimacy of the US Federal Reserve as a Global Governor*

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September 20, 2023

Abstract

The US Federal Reserve regularly acts as the international lender of last resort, but its independence is rooted only in its legitimacy as a domestic institution. What effect does the Fed's global activism have on the US public's trust in it as an independent agency? Using two pre-registered survey experiments, we evaluate the effect of informational cues about the Fed's international lending on respondents' level of policy support and overall trust in the Fed. We find that performance- and procedural-cues affect attitudes towards policy support and overall trust differently. Policy support is influenced by performance cues concerning its effectiveness and geopolitical implications. Institutional trust is unaffected by such performance cues but is influenced by cues expressing concern for the Fed's democratic accountability. Our findings contribute to debates on the popular sources of central bank independence as well as the literature on the legitimacy of domestic institutions in global governance.

Word count: 9,865 (excl. bibliography)

*Acknowledgements: For their valuable comments on earlier versions of this paper, the authors would like to thank Mark Blyth, Nina Obermeier, David Steinberg and Sir Paul Tucker as well as the participants at the 2022 Annual Meeting of International Studies Association, the Brown University Democratic Politics of Central Banking Working Group and the Wellesley College Junior Faculty Workshop.

1 Introduction

Much of global financial governance has come to rest on the United States Federal Reserve (the Fed). During the 2008 Global Financial Crisis (GFC), international institutions, such as the IMF, proved ill-equipped to stabilize the international monetary system alone. In response, the Fed stepped in (Helleiner, 2014). As the only entity capable of providing global dollar liquidity, the Fed, a domestic, independent agency, outmatched all other international organizations in its capacity to act as the international lender of last resort. Between 2007–2010, the Fed alone injected nearly $6 trillion into the global financial system through bilateral swap agreements with partner central banks. With the expansion of its international operations, the Fed has transformed itself from the "lender of last resort" for the United States into an international lender for the globe (McDowell, 2012; Broz, 2015).

While initially portrayed as a limited, crisis-era emergency measure to promote financial stability, the Fed and its partner central banks have continued to use these instruments since the crisis. These swap lines were renewed and expanded at the outbreak of the pandemic in March 2020, for example. Dollar primacy means that the Fed regularly needs to take action to maintain international stability, which it does using instruments such as swap lines, in addition to ensuring financial stability at home. But while the international monetary system needs the leadership of a financial hegemon to maintain stability (Kindleberger, 1986), former Fed official Stanley Fischer argues that "the U.S. Federal Reserve System is not that bank" (Fischer, 2015). Indeed, many believe it should not be: its mandate is domestic, and its authority and independence rely on the support and trust of the American public.

The Fed's ability to act at home and abroad rests on its independence, which depends on public trust. But the crisis has challenged popular trust in the institution (Roth, 2009; Tucker, 2018; Schnabel, 2021). While Fed officials and others offer legal and economic justifications for the Fed's international operations, these justifications elide deeper political

concerns and skepticism.[1] Critics have called out the Fed for acting beyond its mandate, with little political accountability or transparency in a manner that is "troublesome in a democracy," and for "bailing out" foreign banks outside of its US jurisdiction (O'Driscoll, 2011). Others point to the risks of these programs to the US economy, or for exacerbating concerns of moral hazard by reducing incentives that foreign governments face to reform the banking system (Bevilacqua et al., 2021). While the independence of the Fed has a solid foundation, Congress has a history of intervening when public trust wanes (Binder and Spindel, 2017). Indeed, the Fed's extensive crisis-era programs prompted Sen Rand Paul's "Audit the Fed" plan which would have curbed the independence of the Fed, which Congress only narrowly rejected (Balls, Howat and Stansbury, 2018; Broz, 2015). To prevent such encroachments on its independence, the Fed has actively sought to secure public trust (Powell, 2018).

Given the backlash against the Fed's foreign lending during the crisis, we ask, have the Fed's international lending activities put public trust in the institution at risk? We answer this question through two pre-registered survey experiments. We provide informational cues to respondents concerning various aspects of the Fed's globalization of its jurisdiction.[2] We examine the effect of information about the Fed's international lending on support for the policy itself and overall trust in Fed as an institution. Our survey also tests whether learning of the geopolitical implications for these practices (i.e. to preserve the US dollar's financial hegemony against the rise of China) influences policy support or institutional trust. We find that policy support is influenced by informational cues concerning the effectiveness and geopolitical implications of international lending but is unaffected by potential costs. Only procedural cues influence overall institutional trust.

Our findings contribute to two broad debates around central bank independence (CBI),

[1] For a debate over conflicting views on the legality of the Fed's authority in this arena see Dudley (2012*b*); Baker (2013); Perry (2020)

[2] Preregistration materials can be found at `https://osf.io/axq5c/` (for the Lucid Sample conducted in February 2022) and `https://aspredicted.org/aw87j.pdf` (for the Prolific Sample conducted in June 2023).

and the emerging politics of domestic institutions' influence over global economic governance (Farrell and Newman, 2014). Early scholarship focused on the rationale of CBI to insulate monetary policy from inflationary political pressures (Goodman, 1991; Bernhard, Broz and Clark, 2002). We build on work from other scholars who have argued that these studies ignore questions of the democratic legitimacy of this institutional choice even though CBI relies on the public's acceptance of its legitimacy and authority (McNamara, 2002). In this vein, more recent studies evaluate the impact of domestic policy effectiveness (Wälti, 2012; Ehrmann, Soudan and Stracca, 2013), transparency and accountability (van der Cruijsen and Eijffinger, 2010; Kaltenhaler, Anderson and Miller, 2010), and representativeness (McDowell and Steinberg, 2023), on public trust in independent central banks. Our study contributes to this growing discourse by identifying the impact of the Fed's role in global financial governance on public trust. We evaluate policy support and public trust in the Fed's foreign operations to maintain global liquidity during crises, and its second-order consequences of reaffirming US primacy in global finance while seemingly expanding its mandate and its jurisdiction.

Second, our findings contribute to the growing literature on the legitimacy of global governance institutions (Hooghe, Lenz and Marks, 2019; Hurd, 2019) and the growing backlash against international institutions (Colantone and Stanig, 2018). These questions engendered a series of studies on the legitimacy of international organizations (IOs) (Dellmuth and Tallberg, 2015; Dellmuth, Scholte and Tallberg, 2019) and the effects of international organizations on domestic politics (Anderson, Bernauer and Kachi, 2019; Madsen et al., 2021). We present a new angle on this question. We shift our focus instead onto an increasingly important source of authority in global governance: *domestic* institutions that—through transnational cooperation and expansive jurisdictional claims—extend their domestic authorities abroad (Slaughter, 2002; Farrell and Newman, 2014).

The crisis highlighted the pivotal role and power of the Federal Reserve in global financial

governance. We argue that the Fed's power to influence economies overseas has blurred its jurisdictional boundaries. The legitimacy of such arrangements depends crucially on domestic public support for these global governance initiatives. While some have examined the effects of transnationalization of domestic authority on behavior or political outcomes abroad (e.g., Kalyanpur and Newman, 2019), we evaluate the second-order effects of the transnationalization of domestic authority on policy support and institutional legitimacy that is key to maintaining this new and increasingly prominent form of global governance.

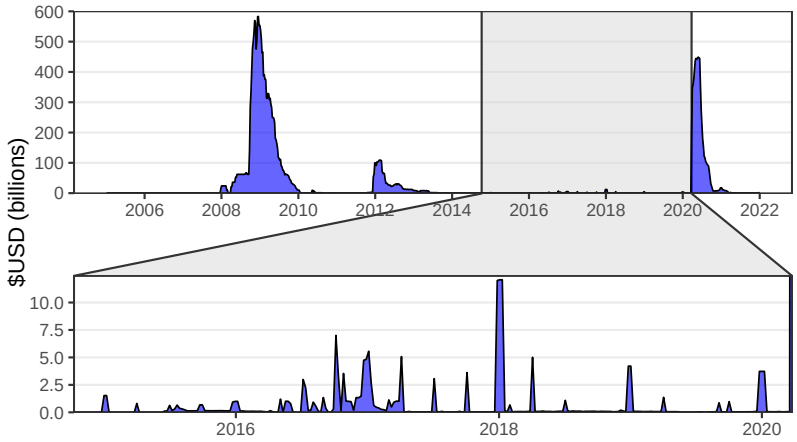
Next, we elaborate on the Fed's position as an acutely powerful domestic institution in global governance. In Section 3, we evaluate the scholarship on CBI, trust and institutional legitimacy. We the set out our hypotheses in Section 4. In Section 5, we describe our survey design and question wording. We present our results in Section 6 before concluding.

2 The Fed & Global Economic Governance

The US dollar's reserve status affords the Fed the unique ability to govern global liquidity. The Fed's dollar swap lines have become a more permanent feature of the global financial safety net since the GFC. The Fed provided dollar liquidity to foreign banking systems through these selective central bank lending arrangements. In doing so, it repeatedly expanded the size of its balance sheet to pursue its swap program, the Fed's single largest program during the crisis (Bernanke, 2015).[3] Although these swaps generally peak in crisis conditions, they have been consistently used, albeit in smaller amounts, through the 2010s (see Figure 1). Foreign central banks have been quietly tapping into these lines to sustain their financial systems in the last decade.

In effect, the Fed has not relinquished this role of central banker to the world, nor does it save this role for crises only. If anything, recent crises have enhanced the Fed's domestic and global authority (Johnson, Arel-Bundock and Portniaguine, 2019). When asked what the

[3]Before the crisis, the Fed already had $800 billion on its balance sheet at its disposal.



Note: Weekly average value of outstanding swap lines between the Federal Reserve and foreign central banks. Data retrieved from FRED, Federal Reserve Bank of St. Louis.

Figure 1. Weekly Value of the Fed's Liquidity Swap Lines

Fed could do to support the economy as the pandemic escalated, Powell explained, "There is no limit on how much of that we can do" (quoted in Smialek, 2023, 1). As the sole entity capable of issuing US Dollars, when faced with global dollar shortages, only the Fed can step in, as it did again, in March 2020, following the outbreak of the Covid-19 pandemic. Through its swap program, the Fed, a domestic and independent US agency, acts with the capacity and influence far greater than any international organization. These swap lines are selective and used by the world's largest and most systemically important economies, and outmatched the IMF's crisis-era programs in number and value (Vaughn, 2020).

The swap program in its current form is not without issues, and its creation has been controversial. These international operations incited criticisms of the program's legal basis, and for its domestic costs and economic risks, from all sides of the political spectrum. Even those who agree with the Fed's need to play the role of an international lender of last resort have expressed concerns with the potential risks and public costs associated with these arrangements in their current form (Baker, 2013). The Fed also does not rely on any emergency legal or Congressional authority to activate these lines, but instead on the Fed's interpretation of statutory provisions in the Federal Reserve Act signed in 1913. The relevant provisions of this act are "primarily focused on market activities with private actors, but the

current swap lines are with public actors" (Baker, 2013, 610). Obstfeld (2009, 44) suggests that the expansion of these facilities in the crisis represented an "unprecedented delegation of the Fed's powers to foreign policymakers." Even stronger accusations have been made by O'Driscoll (2011), a former Dallas Fed official, for bailing out the European economy, or for overstepping and expanding its mandate with no legal basis (Perry, 2020).

The Fed has justified the use of these swaps as critical to protecting the US economy (Dudley, 2012*a*,*b*). Bill Dudley, then president of the New York Fed, emphasized that swaps play a key role in insulating US markets from financial pressures in Europe and for ensuring the supply of credit to American households and businesses. These instruments successfully protect these financial interests "while fully protecting the taxpayer." Dudley (2012*b*) further noted about the swap lines that "their current use is consistent with the Federal Reserve's mandated responsibility to provide liquidity to the financial system in times of stress in order to shield the U.S. economy."

These crisis-time efforts have expanded the reach of the Fed's direct influence overseas. Fleming and Klagge (2010) at the New York Fed portray the swap lines as an extension of the Term Auction Facility (TAF), part of the Fed's domestic lender of last resort program. These interventions "stood out for their size, scope, and departure from past precedents" (Jacobs and King, 2016, 31), and the radical expansion of its jurisdiction outside the US is politically controversial.

By acting as a de facto international lender of last resort, the Fed embodies the distinctive role identified in Farrell and Newman's (2014) *new interdependence approach*, as a domestic institution with an increasing ability to govern interdependent economic relations and influence policy making in foreign jurisdictions. Others even suggest that through its swap program, the Fed engages in geopolitics to support US allies (Sahasrabuddhe, 2019; Vaughn, 2020). In fact, the geopolitics of central bank swaps is not limited to the Fed: a key element of China's campaign to promote the international use of the Renminbi is the People's Bank

of China's expanding swap network (Liao and McDowell, 2015; Prasad, 2017).

The Fed's active role in global governance carries new risks for its domestic legitimacy. The Fed is keenly aware of the domestic concerns among both policymakers and the public of its global activism. In a Congressional hearing in July 2009, when Ben Bernanke, then chair of the Fed's Board of Governors, was questioned about who received the money from the swaps, he acknowledged that he did not know (Baker, 2013; Perry, 2020). The Fed has also indicated its concerns over declining public support for its lack of transparency and accountability, and has taken active steps to enhance its legitimacy and popular trust in the institution. In a 2010 discussion on reopening the swap lines with a few advanced economy central banks, the Fed's Director of Communications, Michelle Smith, said to the Federal Open Markets Committee (FOMC), "If we could somehow say that we're doing this in some newer, more transparent, quicker way, I think that would help us to mitigate some of the political risk," going on to note, "You saw the kinds of things that members of the Congress said in some of the hearings. Anything that we're keeping secret is just going to fuel their speculation" (FOMC, 2010, 21-22). Even about its specific policies, Bernanke (2013) noted, "Ultimately, the legitimacy of our policies rests on the understanding and support of the broader American public, whose interests we are working to serve."

To protect their independence, IMF economists have suggested that accountability through greater transparency is "a vital component allowing independent central banks to prove their effectiveness and public accountability" (Adrian and Khan, 2019). And since the crisis, the Fed has been working to repair its reputation, to be more open and transparent amid threats to squash its independence. As Binder and Spindel (2017) suggest, these heightened pressures from Congress have forced the Fed to become more transparent about its unconventional practices. The growing list of responsibilities and activities undertaken by central banks, together with their expanding balance sheets has created a strong demand for central banks to better explain their roles to the public. While practitioners tend to assume that central

bank legitimacy comes from particular institutional features like transparency, in our view, legitimacy is ultimately a function of public perceptions.

But despite the vital position the Fed occupies in the global financial governance system, we have little sense of whether the globalization of the its jurisdiction shapes public trust in the central bank. Specifically, we have a limited understanding of the public's perception towards the Fed's international operations, despite the scale of these programs and the backlash they incited at home. Our study joins the existing literature on central bank independence, public trust and the legitimacy of both domestic and global governance institutions.

We find that this literature overlooks the role of key domestic institutions such as the Fed as a global governance actor and contend that such institutions are distinct to both domestic and international institutions: the legitimacy of such globalized domestic institutions relies on the support of its domestic constituents even though the effects of its policies are felt at home and abroad. In the next section, we thus situate our focus on the Fed's international policies within this discussion, given its position as a key institution in the global financial governance system, but with a domestic mandate.

3 Trust & Legitimacy of Independent Institutions

Political science research has identified key normative sources of institutional legitimacy based on two broad aspects of institutional governance—performance (or effectiveness, or substantive concerns) and procedure—or input and output legitimacy (Scharpf, 1999). Procedural concerns are premised on the notion that institutional processes are important for legitimacy; democratic governance qualities—representation, transparency and accountability—foster institutional legitimacy. Dellmuth, Scholte and Tallberg (2019, 630) suggest that the support for an institution's exercise of authority is based on "how it is set up and operates." Performance, or output legitimacy is premised on the idea that perceptions of legitimacy and institutional trust are rooted in "audience evaluations of the governing institution's

outcomes" (Dellmuth, Scholte and Tallberg, 2019, 631). Institutions can gain legitimacy if their audience sees it as providing problem-solving outcomes, and lose it when the audience believes the institution has failed to do so.

Essentially, legitimacy in democratic governance is thus evaluative and relies on *public trust* in policy-making institutions (Kaltenhaler, Anderson and Miller, 2010; Tucker, 2018). Several studies have found that public trust "is essential for the successful conduct and implementation of monetary policy" (Schnabel, 2021). A lack of public trust can undermine the authority and legitimacy of an institution, and this is especially pertinent for independent agencies, such as central banks. Dietsch (2020) highlights the distributional impact of the post-2007 unconventional monetary policies to argue that the independence of central banks can in fact undermine their legitimacy. Similarly, a former Fed economist, Adam Posen, observed that "too much discretion over too many instruments is likely to lead to distrust about motives" (in Balls, Howat and Stansbury, 2018). Thus, the impact of central banks' expanding mandates and discretion through their international crisis policies on public trust has important implications for their legitimacy and independence today.

In the domestic context, a growing literature has emerged to understand public trust and central bank legitimacy, focusing primarily on declining public trust in central banks since the GFC (Wälti, 2012). Roth (2009) argues that this decline in trust threatens the democratic legitimacy of these independent governance institutions. Declining trust in the European Central Bank (ECB) has been attributed to inflation, unemployment, and economic distress (Wälti, 2012), or the large and sudden economic contraction following the crisis, and because the ECB may be viewed as responsible for bailing out banks (Ehrmann, Soudan and Stracca, 2013). On the other hand, van der Cruijsen and Eijffinger (2010) find that greater transparency is positively correlated with trust in the ECB among Dutch households. Kaltenhaler, Anderson and Miller (2010) find that concerns around accountability and policy outcomes shape public support for the ECB.

Despite a similar decline in trust in the Fed since the crisis, we know little of what about the Fed's policies and practices shape public trust in the institution. Indeed, similar concerns to those in Europe—inflation, unemployment, bank bailouts, or not preventing the crisis in the first place—all signalling the loss of the Fed's output legitimacy, are apparent. However, others point to the Fed's lack of *input* legitimacy (Jacobs and King, 2016). The secrecy surrounding the Fed's crisis activities and expanding its discretion to undertake unilateral actions has undermined its accountability and trust in the Fed on which its legitimacy depends. Even Fed Officials, including the current Chair of the Board of Governors, Jerome Powell, have acknowledged this concern. Powell (2018) notes that central to the Fed's financial stability and monetary policy mandates is transparency and accountability, and the Fed now works "hard to explain them to the public."

Despite the apparent public backlash to the Fed's crisis policies, we know little of the American public's support for these policies and how they shape popular trust in its central bank. And because the Fed's footprint in the global financial governance framework has increased via the continuation of its largest crisis-era program, the Fed swap network, we focus on trust in the Fed and support for its international lending policies during the crisis.

As the reach of IOs has increased in response to a growing number of transnational policy challenges, scholars have turned their attention to evaluating public trust and support in global governance institutions (Zürn, 2018; Hooghe et al., 2017). We propose expanding the scope of this scholarship to include other forms of global governance institutions and actors like central banks. We therefore adopt Anderson, Bernauer and Kachi's (2019) broader conceptualization of global governance institutions to include private, bilateral and informal pacts, certain central banks also fit this role, and thus face unique legitimacy concerns. We see this jurisdictional expansion across a growing set of domestic institutions including national courts (Kahraman, Kalyanpur and Newman, 2020), anti-corruption law enforcement (Kaczmarek and Newman, 2011; Brewster, 2017; Acorn, 2018), securities regulation

(Kalyanpur and Newman, 2019), product standards bodies (Mattli and Büthe, 2003), and others. Section 2 illustrates that the Fed plays such a role as a domestic institution that is also a pivotal global governance institution, that acts with the capacity and reach that exceeds key economic IOs such as the IMF. Studies on IO legitimacy thus also inform our question of public trust and support for the Fed's international operations.

Tallberg and Zürn (2019) distinguish sources of IO legitimacy between decision-making procedures and performance in undertaking effective policies. Dellmuth, Scholte and Tallberg (2019) find that both procedure- and performance-based elite-cues regarding IO policy-making matter for legitimacy perceptions among the public. Similarly, Anderson, Bernauer and Kachi (2019) find that in the context of climate governance, it is neither the shift of authority to the international level nor the implementation of international policy that affects public perceptions of the legitimacy of global governance institutions. Rather, even at the IO level, legitimacy perceptions are shaped by performance and procedure qualities (Scharpf, 1999; Dellmuth, Scholte and Tallberg, 2019). However, Dellmuth, Scholte and Tallberg (2019) do find that institutions with farther-reaching authority and pursuing more contested goals, especially economic governance IOs such as the IMF, tend to incite more criticisms of injustices, policy ineffectiveness and democratic deficit.

The international reach and expansion of central bank jurisdictions calls for similar analyses of their popular institutional legitimacy in global governance. For instance, the European Central Bank is essentially a supranational central bank, with a cross-border reach and a "domestic" mandate in the euro area. During the crisis, the ECB, like the Fed, took on range of activities that expanded the interpretation of its mandate and engaged in redistributive policies, undermining the provisions of the Maastricht Treaty: "the ECB's nonconventional monetary policies and the perception thereof increasingly undermined the traditional basis of its legitimacy: the clarity and transparency of the central bank's mandate; the redistributive implications of its policies; and the non-politicization of its policy-making" (Högenauer and

Howarth, 2019, 82).

The Fed's toeing this line between its domestic mandate and its transnational reach is even more complex. The bilateral swap network fills a similar position of a global governance institution as defined by Anderson, Bernauer and Kachi (2019) and was one of the Fed's numerous "unconventional" tools deployed during the crisis. The Fed varies from most IOs in that it's consensus rules and other procedures are domestic, but swap agreements require the support of its bilateral counterparty. The "implementation" of these agreements essentially occurs overseas—the counterparty assumes the risks associated with the loans it makes to institutions in its jurisdiction. The Fed also differs from most global governance institutions in that although the impact of its policies is transnational, its primary audience is the American public, and concerns around these policies are felt at home. Thus, whether legitimacy concerns are derived from procedure or performance, the legitimacy of the institution and its policies depends on the the American public.

4 Hypotheses

The Fed's international policies generate new concerns for institutional legitimacy as it shifts global policy-making to national institutions. Few studies have considered how performance and procedure shape legitimacy beliefs when domestic agencies play the role of an IO. The swap program has been criticised for being undemocratic, bailing out foreign banks, and putting the US economy at risk. However, the program also served to reinforce dollar centrality in the international monetary system and fulfils US geopolitical goals (FOMC, 2008*b*, 2009). We evaluate how the public responds to cues about accountability and effectiveness concerns around the Fed's international activities such as moral hazard or risks to the US economy. We also evaluate the effect of additional information on the geopolitical implications of the swap network—securing dollar primacy against the rise of China—shapes support for the policies and trust in the Fed.

4.1 Risk

Our first hypothesis is based on Tucker's 2018 addendum to the Alesina-Tabellini (2007; 2008) model of delegated authority to independent agencies: that policies should be "confidently expected to work" and deploying instruments where there is uncertainty about its costs and benefits is unacceptable. Regarding the Fed swaps, in addition to admitting that he did not know which foreign banks benefited from the swap lines, FOMC officials were uncertain whether these policies would work. The Fed Chair during the GFC, Ben Bernanke, wrote about the Fed's crisis-fighting measures: "this may not work. I don't want to oversell it, ... If we do it, we are just going to have to give it a try and see what happens" (Bernanke, 2015).

The uncertainty around the policies deployed during the crisis challenges a core tenet of delegating authority to an independent agency. While the Fed mitigates this risk by denominating its agreements in US dollars, it still bears the risk of the recipient failing to make whole on the swap or facing a currency collapse (Allen and Moessner, 2010). Such a collapse would decrease the value of the collateral held by the Fed and increase the odds of the recipient bank being unable to pay back the Fed, leading to our first hypothesis:

> **Hypothesis 1a (Risk):** When informed about the domestic costs and risks of the Fed's foreign lending practices to the US economy, the public is less likely to trust the Federal Reserve.

4.2 Moral Hazard

Our second hypothesis is grounded in general moral hazard concerns around lending. Bevilacqua et al. (2021) argue that the COVID-19 central bank response has strengthened the Fed's global role, possibly at the cost of increased moral hazard, thus reinforcing the global role of the Fed. This echoes concerns voiced in the wake of the Fed's announcements of its domestic and international lending programs during the crisis, viewed by some as bailouts. Scholars and even some Fed officials feared that the swap lines extended overseas removes incentives

for foreign banks to guard against the risks of the reckless practices that led to the crisis (FOMC, 2008*a*). The Fed's swap lines, while effective, required no policy conditionality or reform away from pre-crisis practices, raising concerns for the longer-term effectiveness of central bank policy and their ability to prevent future crises, which generates our second hypothesis on policy effectiveness:

> **Hypothesis 1b (Moral Hazard):** When informed about the moral hazard concerns of the Fed's foreign lending practices, the public is less likely to trust the Federal Reserve.

4.3 Democratic Accountability

Our third hypothesis turns to evaluate how procedural concerns affect public perceptions of central banks. We draw on the discussions above suggesting that the democratic legitimacy of political institutions is derived from transparency and accountability. Concerns ranging from the lack of accountability to the questionable legal basis of the Fed's swap lines indicate that policymakers and the public are troubled by the undemocratic nature of the Fed's crisis practices. These debates on the role of accountability and transparency in fostering public trust in institutions inform our third hypothesis:

> **Hypothesis 1c (Accountability):** When informed about the lack of transparency and undemocratic nature of the Fed's foreign lending practices, the public is less likely to trust the Federal Reserve.

4.4 Performance versus Procedure

We also seek to identify whether policy support and trust in the Fed are rooted more in performance or procedural concerns. We draw on the global governance backlash literature, which identify IOs' lack of representation and accountability, and the domestic backlash against the Fed for acting without any transparency and over-stepping its mandate. We expect that among these three treatments, given concerns around the contradictions between

CBI and democratic governance, the magnitude of the effect of the Accountability treatment on low support in the Fed's international activities and lower trust in the Fed will be greater than among respondents who receive the Risk and Moral Hazard treatments:

> **Hypothesis 1d (Procedural Concerns):** The negative effect of procedural concerns (Accountability) on public trust will be great than that of the performance concerns (Risk and Moral Hazard.)

4.5 Geopolitics and RMB Internationalization

Finally, the Fed's pivotal role in the global financial system emerges from the US dollar's position as a global reserve currency. Since the crisis, however, new concerns have emerged regarding the decline of dollar hegemony, and more so from the internationalization of China's RMB. The crisis generated a new debate about the resilience of the United States as a global financial leader, and the strength of the US dollar as a global reserve currency.

In the last decade, the People's Bank of China (PBOC) has extensively deployed bilateral currency swaps denominated in its local currency, the renminbi (RMB). These policies directly support China's policy of increasing the RMB's international use in its efforts to enhance its currency's power, and reduce its dependence on the US and the dollar. While these agreements remain relatively small, this swap network has incorporated several key US economic allies, and US rivals. We therefore explore the question of whether public support for the Fed's foreign lending may be increased when the public is exposed to the geopolitical consequences for these activities, to secure US financial hegemony against the threat of China's economic rise.

One positive second-order effect of these swap instruments for the US is that the Fed swap network also plays an important geopolitical role in protecting the dollar's central position. Indeed, as several former FOMC and New York Fed officials shared, any actions that the Fed takes in ensuring domestic or international financial stability, invariably strengthens the

dollars position as the global anchor.[4] In turn, it is yet another tool to strengthen the dollar's global reserve position in global finance. We therefore evaluate whether trust and support for the Fed changes when situated in a context of geopolitical rivalry and US decline.

> **Hypothesis 2 (China):** Respondents will report increased trust in the Federal Reserve when informed about the role of the Fed's foreign lending practices in upholding the US dollar's leadership against the rise of China.[5]

4.6 Heterogeneous Treatment Effects

Economic policies and institutions are often perceived with more attention to the distributional consequences of policies. Trade is often viewed as zero-sum, thereby shaping attitudes as "us versus them" concerns. Mutz and Kim (2017) find that respondents prefer policies that not only maximize the well-being of other Americans, but also support policies that hurt trading partners to increase relative gains for the US. Mansfield and Mutz (2009) argue that trade preferences in the US are shaped by anxieties about engagement with out-groups within and outside the country and concerns for the US economy are more prominent than for individual welfare. Sentiments of national superiority and preferences towards overseas engagement may therefore also have bearing on how the public responds to cues regarding the Fed's international lending activities. We therefore expect that the magnitude of this support for the Fed's international practices will vary by respondents' nationalist and internationalist sentiments and zero-sum perceptions of economic globalization:

> **Hypothesis 3a (Heterogeneity: National Superiority):** More nationalistic respondents will be more likely to support the Fed's lending after receiving the China treatment than those with less nationalistic sentiment
>
> **Hypothesis 3b (Heterogeneity: Internationalism):** More internationalist respondents will be more likely to support the Fed's lending after receiving the China treatment than those with less internationalist sentiments.
>
> **Hypothesis 3c (Heterogeneity: Zero-sum):** Respondents with zero-sum

[4] See FOMC (2009) for more general discussions of dollar centrality and Fed swaps.
[5] This hypothesis is labelled as Hypotheses 1 and 2 in our second pre-registration materials.

perceptions will be more supportive of the Fed's international lending after receiving the China treatment than those who do not have zero-sum economic perceptions

5 Data

To test these hypotheses we conducted a preregistered survey experiment on a nationally representative sample of United States adults using the Lucid Theorem platform. We surveyed roughly 4,200 respondents in early February 2022. We then conducted a follow-up survey using Prolific, on 3,640 respondents in June 2023, to explore additional heterogeneous treatment effects of geopolitics on attitudes towards the Fed's international lending operations. In this section, we describe the text-based treatments employed in our two surveys.

We first describe our control condition before discussing the two treatment arms—labelled Policy and Geopolitical arms—designed to evaluate Hypotheses 1a-d and Hypotheses 2, respectively, and the wording of our outcome questions on policy support and institutional trust. We then discuss our follow up survey on just the Geopolitical arm, with added questions to evaluate heterogeneous treatment effects (Hypotheses 3a-c).

5.1 Control Condition

All respondents are first given a brief paragraph explaining what the Federal Reserve is and does.[6] On the next page, all respondents are then shown the following text:

> Since the financial crisis in 2008, the Federal Reserve has lent billions of dollars to foreign central banks. Some experts say these activities are necessary to stabilize global financial markets.

Those in the control condition are only shown this text, all other treatments are appended to this sentence. This statement was designed to provide a simple overview of the Fed's foreign lending activities, along with the Fed's most common justification for the policy.

[6] For the full text see Section A in the Supplementary Material.

This was done in order to present text similar to what respondents might see written about the Fed's policies in popular media. For that reason, we chose to include the Fed's standard justification for its actions (i.e. promoting financial stability) within the control condition.[7] This way we do not present respondents with criticisms out of context from the Fed's own messaging. That is, we are estimating the effect of *additional* information about the Fed's international operations when set against the Fed's standard messaging.

5.2 Policy Treatment Arm

We randomly assigned the remaining three-fourths of the sample to one of three treatment conditions. In the first treatment condition, we treat respondents with information about the potential for domestic costs associated with global governance (Hypothesis 1a). In the case of central bank liquidity swaps, these domestic costs come from the risk of counterparty default (Allen and Moessner, 2010). Respondents assigned to this treatment condition will be shown the following sentence immediately following the control condition:

> **Risk treatment:** Other experts have expressed concerns that the Fed is taking on too much risk by lending so much money to foreign governments.

To probe respondents' sensitivity to concerns about the effectiveness of the Fed as a global governance actor (Hypothesis 1b), we present criticisms regarding potential for creating a moral hazard. We modelled our text partly on a widely-cited op-ed published in the *Wall Street Journal*, in which Gerald O'Driscoll, a former vice-president of the Federal Reserve Bank of Dallas, criticized the crisis-era swap agreements for creating a moral hazard. He wrote, "No matter the legalistic interpretation, the Fed is working through the ECB, bailing

[7] See an article called "What Are Fed Swap Lines and What Do They Do?" from the *Wall Street Journal*, which notes in its lede that "The Federal Reserve moved in coordinated action with foreign central banks this morning in order to provide a pressure-release valve for funding markets without exposing the U.S. central bank to much risk." Or this a letter by the President of the Federal Reserve Bank of New York responding to an op-ed critical of the Fed, "Their [i.e. swaps] current use is consistent with the Federal Reserve's mandated responsibility to provide liquidity to the financial system in times of stress in order to shield the U.S. economy, to the extent possible, from the severe effects of financial instability, regardless of its source." see https://www.newyorkfed.org/newsevents/statements/2012/0105_2012

out European banks and, indirectly, spendthrift European governments."[8] Our treatment condition reads as follows:

> **Moral Hazard treatment:** Other experts say that these activities bail out foreign governments without requiring them to change the economic policies that led to the crisis.

Our last policy-oriented treatment does not concern the effect of the policy itself but instead emphasizes procedural concerns (Hypothesis 1c), namely the non-transparent and undemocratic character of the Fed's foreign lending operations. This was a common criticism of the Fed's handling of the crisis and its swap program in particular. Indeed, it is a long-standing criticism against many elements of the transnational regulation of international finance (Porter, 2001). The concern is not purely academic, either. It is also political. Take, for example, a 2009 Congressional hearing concerning the Fed's foreign lending activities during the GFC. In a widely-publicized and heated exchange, Representative Alan Grayson, Democrat from Florida, asked Ben Bernanke, then Chair of the Fed: "Do you think its consistent with the spirit of that provision of the Constitution for a group like the FMOC [sic] to hand out a half trillion dollars to foreigners without any action by this Congress?" Our Accountability treatment reads as follows:

> **Accountability treatment:** Other experts say that the Fed's international operations are undemocratic because they lack transparency and do not require Congress to approve them.

5.3 Geopolitical Treatment Arm

Our final treatment arm is assigned independently of the Policy treatment arm. We refer to this treatment arm as the Geopolitical treatment arm as it is designed to cue respondents to the potential geopolitical consequences of the Fed's foreign lending operations.

We prime respondents to the geopolitical benefits of Fed swaps by noting their ability to

[8] https://www.wsj.com/articles/SB10001424052970204464404577118682763082876

support the US Dollar's role as the world's preeminent reserve and cross-border settlement currency against the growth of the Renminbi. We constructed this treatment condition as a separate treatment arm on half (versus one fourth) of the sample in order to increase the statistical power of our design as we planned to analyze the interaction between this treatment and the National Superiority Index. The text reads as follows:

> **China treatment:** Still others argue that these activities are crucial for preserving the US Dollar's global leadership against the rise of China.

Our first survey design yields 8 distinct treatment blocks. Table 1 provides the number of respondents assigned to each treatment block in the final sample. In the analysis below, we compare respondents in the Policy arm's control group (the column labeled $\text{Control}_{\text{Pol.}}$) against the Accountability, Moral Hazard and Risk columns to evaluate Hypotheses 1a-d. And in the Geopolitical treatment arm, we compare the row in Table 1 that did not receive the China treatment (the row labeled $\text{Control}_{\text{Geo.}}$) against the row that did receive the China treatment to evaluate Hypotheses 2a and b.

	$\text{Control}_{\text{Pol.}}$	Accountability	Moral Hazard	Risk	$\text{N}_{\text{Geo.}}$
$\text{Control}_{\text{Geo.}}$	410	391	379	414	1,594
China	417	422	393	394	1,626
$\text{N}_{\text{IntPol.}}$	827	813	772	808	3,220

Table 1. Overview of Treatment Assignment (Lucid Sample)

5.4 Follow-up Survey

Following our initial survey, and to further unpack the nuances of public attitudes regarding the geopolitics of Fed international lending, we ran a follow-up survey with the survey firm Prolific on 3,640 respondents in June 2023. Specifically, we were interested in understanding a broader range of heterogeneous treatment effects, namely Internationalist sentiments and Zero-sum perceptions, in addition to National Superiority, to replicate our initial findings

with respect to Hypothesis 2 and test Hypotheses and 3a-c. Our second survey design was limited in its design to replicate and evaluate the Geopolitical treatment arm only. In this survey, we treated half our respondents with only the Geopolitics treatment discussed above, while the other half received the same control as in our initial survey. We asked respondents the same outcome questions on policy support and on trust in the Fed. Prior to treatment, we also asked an additional set of questions to gauge the moderating effects given in Hypotheses 3a-c.

Feelings of nationalism or national superiority have been shown to predict attitudes towards various international economic issues such as trade (Mayda and Rodrik, 2005; Mutz and Kim, 2017). We use three questions derived from Mutz and Kim (2017) to measure respondents' level of *National Superiority*. We ask respondents to rate how many things about America make them feel ashamed; how superior the United States is compared to other countries; and whether they would rather be a citizen of the United States versus another country. Each of these questions provides four response options. We assign each response option an integer value from 0 to 3, sum them up and divide by 9 to get a scale running from 0 to 1, with greater values indicating greater national superiority sentiment. These survey items yield a Cronbach's alpha of .79.

Preferences towards US *Active Engagement* overseas, or internationalism versus isolationism, have also been shown to predict attitudes on international economic issues (Mansfield and Mutz, 2009). We use five questions derived from this work to measure respondents preferences towards more US isolationism versus more active engagement. These questions get to whether the US should stay out of other country's affairs, or has a responsibility to intervene or assist. We assign each response option an integer value from 0 to 4, sum them up and divide by 20 to get a scale running from 0 to 1, with greater values indicating more nationalistic sentiment. The resulting index has a good degree of internal validity (Cronbach's alpha = .84).

We also assess whether respondents view issues related to economic globalization as zero-sum or positive sum, that is, does the US lose as other countries benefit, or are the benefits of globalization shared? Per Mutz and Kim (2017), *Zero Sum Perception* is constructed as a dummy variable: 1 if a respondent answered that international trade decreased the number of jobs available in the United States and increased the number of jobs available in other countries; 0 otherwise.[9]

5.5 Outcome Variables

In both surveys, we include two outcomes variables to measure policy-specific and generalized trust: respondents' support for the individual policy of foreign lending as well as their overall level of trust in the Fed to carry out its mandate. After presenting the control or treatment text, we ask:

> Do you support or oppose the Federal Reserve's policy of providing financial assistance to foreign central banks during times of crisis?

Respondents can answer on a six-point scale from strongly support to strongly oppose (we did not provide "do not know" or "neither agree nor disagree" options). We construct a binary variable equal to 1 if the respondent supports the policy and 0 if they oppose. To measure the level of trust respondents have in the institution itself we ask respondents to rate their level of trust on a scale from 0 (no trust at all) to 10 (complete trust). This is meant to measure the overall level of trust the public has in the institution to perform, distinct from any immediate opinion on some specific policy. It is this long-term trust that is tied to respondents overall attitudes towards the viability of the Fed as an independent and autonomous government agency. This wording allows us to relate our findings not only to the broad literature on CBI but also studies on institutional trust in other domains (e.g., Voeten, 2013; Dellmuth, Scholte and Tallberg, 2019).

[9]For more information, including the full question wording, see Section A in the Supplementary Material.

For each treatment category (Policy and Geopolitical), we estimate a separate equation of the following form using OLS:[10]

$$Y_i = \alpha + \beta D_i + \theta \mathbf{X}_i + \varepsilon_i$$

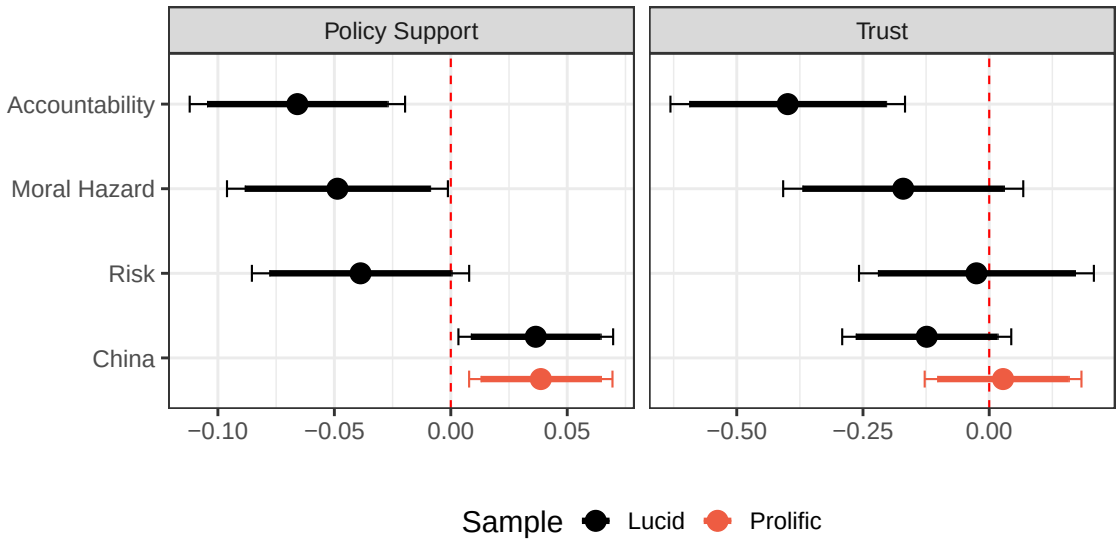
Y_i denotes the outcome variable, which is either a binary variable indicating support for the policy or the 11-point trust scale. D_i denotes a vector containing either the 3 Policy treatment indicator variables or the China treatment indicator. We interact D_i with the moderating variables given in Section 5.4 to evaluate Hypotheses 3a-c. In order to improve the precision of our estimates, we also include a vector of preregistered pre-treatment covariates, denoted $\mathbf{X}_i$.[11] We cluster standard errors at the respondent level. Finally, we drop all respondents who did not pass two attention checks included in the survey (Aronow et al., 2020). Dropping inattentive respondents reduces our Lucid sample by roughly 21%, resulting in a final samples of 3,220 respondents (Lucid) and 3,640 (Prolific).

6 Results & Discussion

The average treatment effects are presented in Figure 2. Beginning with the dichotomous Policy Support outcome, we find that all Policy treatments are associated with a decline in support for the Fed's foreign lending operations. Accountability and Moral Hazard exert the largest effects. Each is associated with a decline in support for the Fed's foreign lending operations by roughly 6.6 ($se = 0.024, p = .005$) and 4.9 ($se = 0.024, p = .044$) percentage points, respectively, relative to the control. We find a smaller but still negative effect for

[10] We also estimate a combined model, see Table A4. The results are not sensitive to either specification.

[11] The covariates are gender, partisanship, age, income level, college completion and stock ownership. Given our relatively large sample size, we believe the potential bias introduced from covariate adjustment does not outweigh the efficiency gains from adjustment. To assess the sensitivity of our results to alternative specifications, we report the results from three robustness checks that were not preregistered. Unadjusted estimates can be found in Table A8. Table A9 presents estimates using the estimator proposed by Lin (2013). Table A11 reports results after weighting the data across various factors to US population targets using entropy balancing (Hainmueller, 2012). The results hold across all alternative specifications.



Note: This graph plots the average treatment effect across the policy support and institutional trust outcomes. Standard errors are clustered on respondent. Full table of results can be found in Tables A4 and A5.

Figure 2. Main Results

the Risk treatment, equal to a 3.9 percentage point reduction, though this estimate does not achieve conventional levels of statistical significance ($se = 0.024, p = .103$). We also find no evidence for Hypothesis 1d with respect to the Policy Support outcome (see the first 2 columns of Table 2). The differences between the Accountability treatment and the Moral Hazard and Risk treatments are on the order of 2-3 percentage points though both estimates are statistically insignificant. Finally, for the Geopolitical treatment arm, we find that the China treatment is estimated to increase support for the policy by 3.6 percentage points and does achieve statistically significance ($se = 0.017, p = .031$). The red dot presents the estimate from our second survey, where we find results that are essentially equivalent to our initial survey.

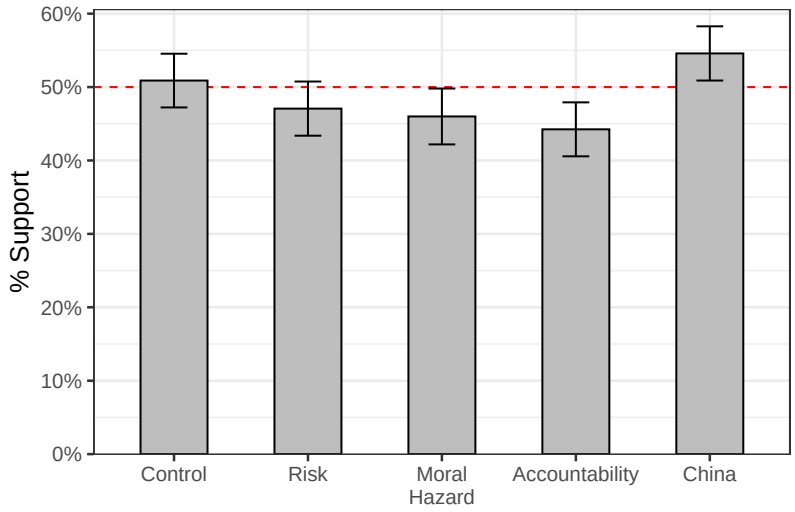
In the right panel of Figure 2, we see a different picture on the institutional trust outcome. Here we only estimate a treatment effect that is statistically distinguishable from 0 for the Accountability treatment. We estimate a reduction in institutional trust of about 0.399 points ($se = 0.118, p = .001$). While all other treatment groups also exhibit lower Trust scores, none is statistically significant at conventional levels. The Moral Hazard treatment

$H_0: \beta_{\text{Accountability}} - \beta_X = 0$				
	Policy Support		Trust	
β_X :	β_{Risk}	$\beta_{\text{Moral Hazard}}$	β_{Risk}	$\beta_{\text{Moral Hazard}}$
Estimate	−0.027	−0.017	−0.374	−0.229
p-value	0.254	0.476	0.002	0.063

Table 2. Estimated differences between treatment effects

effect is less than half that of the Accountability treatment, with an estimated reduction of 0.17 points ($se = 0.121, p = .160$). As with the Policy Support outcome, the Risk treatment group exhibits the smallest treatment effect, about −0.025 points ($se = .119, p = .831$). The China treatment group too is only weakly negative and is insignificant at the 10% level. Moreover, and in support of Hypothesis 1d, we find that the Accountability treatment effect is also significantly larger than the effects of the other treatments (see Table 2). We estimate that the Accountability treatment exerts a further roughly 2-4 tenths of a point reduction relative to the Risk and Moral Hazard treatments. These estimates are significant at the 1% and 10% levels, respectively.

These estimates suggest that respondents do indeed respond negatively to common criticisms of the Fed's lending practices, even when paired with the Fed's standard defense of the practice (i.e. promoting global financial stability). We see the largest effects when the treatments concern either procedural concerns (Accountability treatment) or the potential for the policy to be ineffective or even counter-productive (the Moral Hazard treatment), while finding no effect for the Risk treatment, meant to cue respondents to the potential costs of the policy. We consider three explanations for this null finding. First, respondents may simply find the benefits to outweigh the risks—they support the policy despite being informed of the potential costs. Second, because the risks of the Fed's foreign lending were not actualized in the US economy, they may not contribute to the public's evaluation of these policies. Alternatively, it is possible that the Risk treatment is not contributing much to respondents' assessments of the policy because they think any loan is inherently risky. Per-



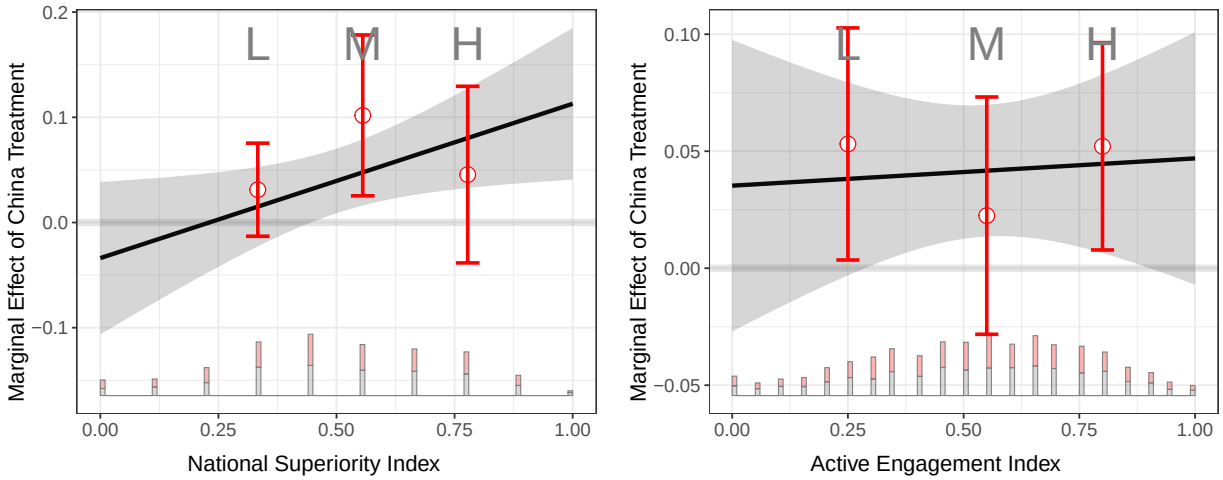
Note: Predictions calculated using estimates from combined model, see Column 5 of Table A4.

Figure 3. Predicted probability of support for average respondent concerning the Fed's foreign lending operations across treatment conditions

haps respondents are intuiting the risks involved in these transactions from the information provided in the control condition. If so, this may mitigate any effect of the Risk treatment as the treatment may not be perceived by many respondents as providing additional information. Finally, the increased support found in the China treatment group suggests that respondents find value in the side-benefit of maintaining the US Dollar's position as world's preeminent currency.

Taken together with the Policy Support estimates, we find that while various informational treatments influence respondents' support for the Fed's foreign lending operations (both positively and negatively), institutional trust is only affected by information pertaining to how the Fed operates (i.e. the Accountability treatment). This suggests that the debates surrounding the Fed's international operations may nevertheless be limited to influencing the public's attitudes towards the policies themselves. But when those criticisms reach areas concerning the governance of the Fed itself—e.g. its lack of transparency—they risk harming public trust in it as an autonomous and independent government agency.

To illustrate the substantive significance our of findings, we plot the model predictions



(a) National Superiority **(b)** Active Engagement

Note: We plot both the standard conditional marginal effects with 95% confidence intervals (black line and shaded region), as well as the results from the binning estimator proposed by Hainmueller, Mummolo and Xu (2018), which segments the data based on terciles of the National Superiority Index labelled L(ow), M(edium), and H(igh). At the base of the graph we plot stacked histograms of the moderating variable, shaded by treatment status.

Figure 4. Marginal effect of China treatment conditional on national superiority and active engagement indices, Prolific Sample

of level of support for the Fed's foreign lending operations across all treatment groups, holding all covariates at their mean (see Figure 3). In the base Control condition, support sits just below 51% with a 95% confidence interval of $[.472, .545]$. The Moral Hazard and Accountability treatments bring the estimates and the upper bounds of their confidence intervals below 50%: 44% $[.406, 0.479]$ and 45% $[.422, .498]$, respectively. Meanwhile, the China treatment effect generates majority support for the policy, even at the lower bound of the 95% confidence interval. We estimate approval to be at around 55% $[0.509, .583]$ for respondents in this treatment condition.

We now turn to our assessment of Hypotheses 3a-c concerning heterogeneity of the China treatment. In Figure 4a we plot the average marginal effects of the China treatment on Policy Support, conditional on the level of national superiority index.[12] To test our assumption that

[12]We present results only from our Prolific sample. A coding error in our initial survey meant that respondents received the national superiority questions post-treatment, potentially contaminating those responses. We replicated that portion of the study in our follow-up survey (and added the other moderating factors), this time ensuring that all questions pertaining to our moderators were asked pre-treatment.

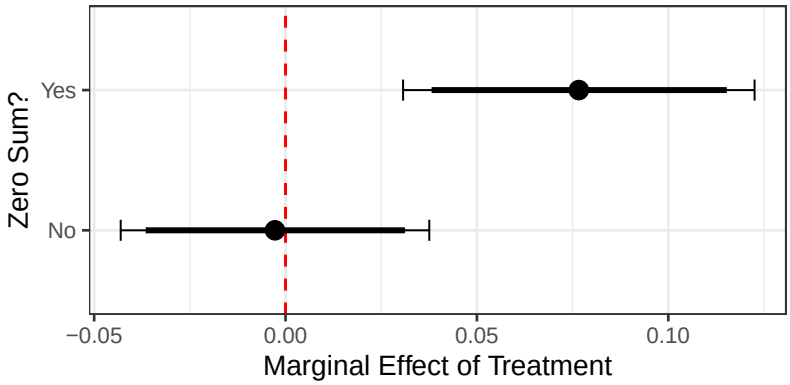


Figure 5. Marginal effect of China treatment conditional on zero-sum perceptions, Prolific Sample

the marginal effect of the treatment is a linear function of the moderating variable we compare these results to those generated using the binning estimator proposed by Hainmueller, Mummolo and Xu (2018).[13] By comparing the linear marginal effect (the black line with 95% confidence intervals represented by the shaded area) to the red, binned estimates (in which the sample is segmented into terciles based on the nationalism index) we see that our models exhibit some nonlinearity. So while we appear to find some support for Hypothesis 3a, we caution against interpreting this as a positive result given the non-linearity of the conditional marginal effect. Contrary to our expectations under Hypothesis 3b, we find no evidence of an interaction between the China treatment and respondents' attitudes towards active engagement (see Figure 4b).

We do, however, find that the respondents with zero-sum perceptions of the global economy are much more likely to increase support for the Fed's policy when told that it will harm China's efforts at RMB internationalization. As seen in Figure 5, such respondents increase their support for the policy by about 7.7 pp. ($se = .023, p = .001$). Conversely, those without such views exhibit almost no change in attitudes.

[13]Full results for the linear interactive model can be found in Table A7.

7 Conclusion

Recent history has highlighted the unique role and financial capacity of central banks, especially that of the United States Federal Reserve, global financial governance. In addition to playing its crucial function of lender of last resort in the US, the Fed effectively transformed itself into an *international* lender of last resort through its network of bilateral currency swaps with a select few partner economies. While successful, these efforts incited criticism for their scope and the legitimacy of the Fed's actions. With the crisis, emerged new debates about the legitimacy of central banks and the contradictions of central bank independence and democratic governance.

The crisis was also followed by a decline in public trust and support for the Fed in the US, which is detrimental for the legitimacy of independent agencies such as central banks. Despite the outcry following the Fed's unprecedented international lending and cooperation, this is the first study to our knowledge, that explores the impact of these foreign activities on public trust in the Fed. Our study enhances our understanding of the sources of trust in domestic institutions, in particular, those uniquely positioned as pivotal players in global financial governance. Our study makes important contributions to the growing literature on the democratic politics of central banking, institutional legitimacy and public trust. Unlike prior work, we find that procedural- and performance-based cues can have different effects. Moreover, these effects also differ across policy-specific support and overall trust in the institution. Our findings suggest that primary threat to the legitimacy of globalized domestic institutions is procedural. We do not find evidence that performance-related policy-specific concerns translate into declines in institutional trust.

First, when it comes to *policy support* for the Fed's international lending, the public is most concerned when the policy enacted goes against democratic norms, and when it is ineffective or even counter-productive, and less so about the risks of these policies. Our results align with prior studies that both procedure and effectiveness matter for policy support:

citizens support policies that adhere to norms of democratic governance and are effective in preventing future crises. We also see more support for policies that are effective in achieving geopolitical goals. In general, the public is less likely to support undemocratic and ineffective policies, but are more supportive of policies that do provide benefits such as securing US dollar primacy.

Second, when it comes to popular *trust* in the Fed, public perceptions are shaped primarily by institutional processes: the Fed's acting without transparency and accountability is associated with a decline in trust in the Fed. However, substantive concerns of risk and moral hazard and even the side-effect of preserving US financial hegemony, have little effect on public trust in the institution. This study aligns with survey findings on trust in the EU and resonate with recent studies that raise concerns around the Fed's ability to act with no transparency and accountability and the legitimacy crisis it faces today. In other words, public trust in the Fed, which affords it its legitimacy and its authority to act independently depends on its adherence to democratic principles rather than the effectiveness of the institution. Notably, the influence of effectiveness on trust is equally limited when concerned with the Fed's geopolitical role and its ability to secure the US from the rise of China. Together, these findings highlight important nuances in public perceptions of independent agencies.

Our findings add important insights to the conversation about central bank legitimacy and democratic governance today. Notably, it raises concerns about the Fed's authority to carry out policies that have been critical to maintaining international financial stability. As we show, these policies, which are implemented overseas, rest on shaky support from the American public at best. Even Fed officials have expressed discomfort with the Fed's newfound role in global governance. Donald Kohn, vice chair during the crisis, recalled being uncomfortable in their position as an "arbiter of the soundness of other countries' policies, the liquidity requirements of their banks, and their systemic importance" (quoted

in Sheets, Truman and Lowery, 2018, 14)—a kind of power that one might associate with an international organization like the IMF. Moreover, its lack of domestic (or international) accountability has worrying implications for trust in the institution and therefore the legitimacy of its authority and independence.

This study highlights a need for more scholarly work on trust and the legitimacy of domestic institutions that effectively expand their mandates and jurisdictions by adopting policies that exert significant influence outside of their national boundaries. The paper thus draws attention to the predicament of global financial governance, which increasingly relies on the inordinate authority of one independent *national* central bank, accountable to a *national* public, that nonetheless plays a pivotal leadership role in *international* financial governance. However, by assuming this role and doing so against norms of democratic governance, the Fed risks facing lower levels of public trust, a lack of policy support and therefore a deficit of institutional legitimacy. And still, in the absence of an alternative and reliable international lender of last resort, the most alarming consequence of this declining policy support and trust in the Fed is of curbing its ability to undertake such actions to rescue the global financial system in the likely event of a future crisis.

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Supplementary Material for "Crisis, Intervention and the Politics of Central Bank Independence"

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A Survey Text

A.1 Setup and Control/Treatment text

All respondents are first presented with the following basic information about the Federal Reserve:

> We would now like to ask you a few questions about your opinion of the United States Federal Reserve.
>
> As you may know, the Federal Reserve is an independent national government body tasked with keeping prices stable, managing inflation and maintaining high levels of employment within the United States. It accomplishes these goals by setting interest rates. Interest rates affect what people pay for things like car loans, mortgages, and credit cards as well as the amount of interest received on savings deposits and returns on investments.

Respondents will click through to the next page and be randomly assigned to one of 8 possible control/treatment conditions. Respondents be presented with text reads as follows:

> Since the financial crisis in 2008, the Federal Reserve has lent billions of dollars to foreign central banks. Some experts say these activities are necessary to stabilize global financial markets. [Risk/Moral Hazard/Accountability treatment]. [China treatment].

See main text for the text of the treatments. All respondents were then asked the following two questions:

> Do you support or oppose the Federal Reserve's policy of providing financial assistance to foreign central banks during times of crisis?
>
> ❍ Strongly support
>
> ❍ Support
>
> ❍ Slightly support
>
> ❍ Slightly oppose
>
> ❍ Oppose
>
> ❍ Strongly Oppose
>
> How much trust do you have in the Federal Reserve, on a scale from 0 (no trust at all) to 10 (complete trust)?
>
> - [Slider from 0-10, with 0 labeled as "No trust at all" and 10 labeled as "Complete trust."]

A.2 Nationalism Index

To measure nationalist sentiment we ask respondents the following three questions, with responses ranging from more to less nationalistic. We recode each response on a 0-3 scale with 4 indicating the more nationalistic sentiment. We then sum the responses and rescale the variable so that is is on a range for 0-1. We derive these questions from Mutz and Kim (2017). Figure A1 summarizes the index's distribution.

How many things about America make you ashamed?

- ❍ Very many (3)
- ❍ Many
- ❍ Not many
- ❍ None (0)

How superior is the United States compared to other nations?

- ❍ Vastly superior (3)
- ❍ Very superior
- ❍ Not so superior
- ❍ Not at all superior (0)

To what extent to agree with the following sentence: I would rather be a citizen of America than of any other country in the world.

- ❍ Strongly agree (3)
- ❍ Somewhat agree
- ❍ Somewhat disagree
- ❍ Strongly disagree (0)

A.3 Zero-Sum Perceptions

Has international trade increased or decreased the number of jobs available in the United States?

- ❍ Increased jobs in the United States
- ❍ Decreased jobs in the United States

Has international trade increased or decreased the number of jobs available in other countries?

- ❍ Increased jobs in the other countries
- ❍ Decreased jobs in the other countries

A.4 Active Engagement

To what extent to agree with the following sentence: The U.S. needs to play an active role in solving conflicts around the world.

- ❍ Strongly agree (4)
- ❍ Somewhat agree
- ❍ Neither agree nor disagree
- ❍ Somewhat disagree
- ❍ Strongly disagree (0)

To what extent to agree with the following sentence: It is essential for the United States to work with other nations to solve problems, such as overpopulation, hunger, and pollution.

- ❍ Strongly agree (4)
- ❍ Somewhat agree
- ❍ Neither agree nor disagree
- ❍ Somewhat disagree
- ❍ Strongly disagree (0)

To what extent to agree with the following sentence: The United States has the responsibility to play the role of 'world policeman,' that is, to fight violations of international law and aggression wherever they occur.

- ❍ Strongly agree (3)
- ❍ Somewhat agree
- ❍ Neither agree nor disagree
- ❍ Somewhat disagree
- ❍ Strongly disagree (0)

To what extent to agree with the following sentence: It will be best for the future of the country if we stay out of world affairs.

- ❍ Strongly agree (3)
- ❍ Somewhat agree
- ❍ Neither agree nor disagree
- ❍ Somewhat disagree
- ❍ Strongly disagree (0)

To what extent to agree with the following sentence: The U.S. government should just try to take care of the well-being of Americans and not get involved with other nations.

- ❍ Strongly agree (3)
- ❍ Somewhat agree
- ❍ Neither agree nor disagree
- ❍ Somewhat disagree
- ❍ Strongly disagree (0)

B Descriptive Statistics

	Control	Risk	Accountability	Moral Hazard
Democrat	0.422 (0.494)	0.433 (0.496)	0.432 (0.496)	0.409 (0.492)
Republican	0.381 (0.486)	0.365 (0.482)	0.385 (0.487)	0.376 (0.485)
College	0.501 (0.500)	0.535 (0.499)	0.519 (0.500)	0.536 (0.499)
Female	0.511 (0.500)	0.538 (0.499)	0.504 (0.500)	0.509 (0.500)
Stock	0.487 (0.500)	0.485 (0.500)	0.471 (0.499)	0.484 (0.500)
Age	47.382 (17.154)	47.063 (16.983)	47.485 (17.170)	46.956 (16.555)
Income	9.586 (6.742)	9.754 (6.534)	9.662 (6.371)	9.891 (6.687)
Nationalism	0.615 (0.202)	0.610 (0.206)	0.608 (0.209)	0.615 (0.201)

Table A1. Policy Treatments, Lucid Sample

	Control	China
Democrat	0.428 (0.495)	0.420 (0.494)
Republican	0.370 (0.483)	0.383 (0.486)
College	0.528 (0.499)	0.517 (0.500)
Female	0.528 (0.499)	0.504 (0.500)
Stock	0.477 (0.500)	0.486 (0.500)
Age	47.263 (17.140)	47.189 (16.800)
Income	9.809 (6.594)	9.634 (6.572)
Nationalism	0.618 (0.201)	0.606 (0.208)

Table A2. China Treatments, Lucid Sample

	Control	China
Republican	0.195 (0.396)	0.187 (0.390)
Democrat	0.514 (0.500)	0.518 (0.500)
Independent	0.291 (0.454)	0.295 (0.456)
College	0.578 (0.494)	0.588 (0.492)
Female	0.487 (0.500)	0.493 (0.500)
Age	40.009 (13.819)	39.498 (13.673)
Stock	0.605 (0.489)	0.611 (0.488)
Income	7.738 (3.659)	7.748 (3.615)
Nationalism	0.500 (0.237)	0.492 (0.239)
Internationalism	0.524 (0.241)	0.520 (0.238)
Zero Sum	0.477 (0.500)	0.444 (0.497)

Table A3. Descriptive Statistics, Prolific Sample

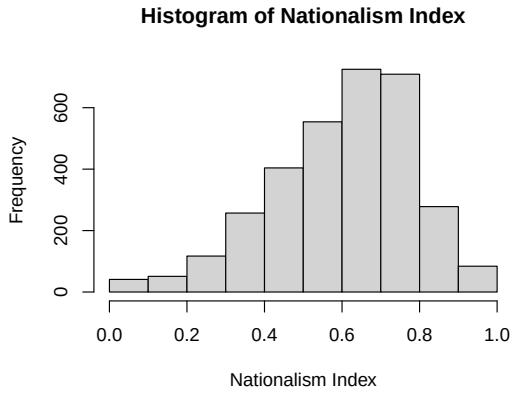
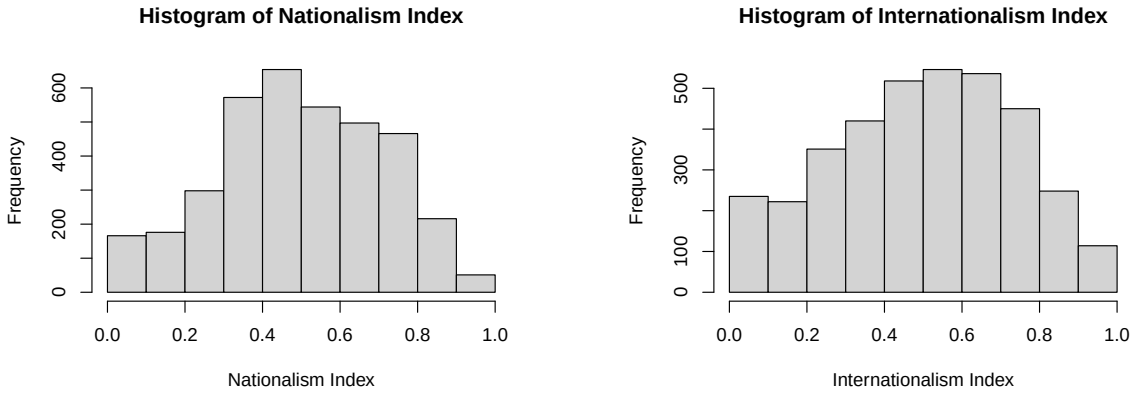


Figure A1. Nationalism Index, Lucid Sample



(a) Policy Support **(b)** Internationalism

Figure A2. Prolific Sample

C Full Tables

	Policy		China		Combined	
	Support	Trust	Support	Trust	Support	Trust
	(1)	(2)	(3)	(4)	(5)	(6)
Accountability	−0.066***	−0.399***			−0.066***	−0.397***
	(0.024)	(0.118)			(0.024)	(0.118)
Moral Hazard	−0.049**	−0.170			−0.049**	−0.170
	(0.024)	(0.121)			(0.024)	(0.121)
Risk	−0.039	−0.025			−0.038	−0.027
	(0.024)	(0.119)			(0.024)	(0.119)
China			0.036**	−0.124	0.037**	−0.118
			(0.017)	(0.085)	(0.017)	(0.085)
Democrat	0.177***	1.337***	0.176***	1.332***	0.176***	1.337***
	(0.024)	(0.120)	(0.024)	(0.120)	(0.024)	(0.120)
Republican	−0.094***	−0.015	−0.095***	−0.019	−0.094***	−0.013
	(0.024)	(0.130)	(0.024)	(0.130)	(0.024)	(0.130)
Female	−0.046***	−0.073	−0.045***	−0.071	−0.045***	−0.076
	(0.017)	(0.086)	(0.017)	(0.086)	(0.017)	(0.086)
Age	−0.002***	0.011***	−0.002***	0.011***	−0.002***	0.011***
	(0.001)	(0.003)	(0.001)	(0.003)	(0.001)	(0.003)
Income	0.001	0.021***	0.001	0.021***	0.001	0.021***
	(0.001)	(0.007)	(0.001)	(0.007)	(0.001)	(0.007)
Intercept	0.576***	3.825***	0.519***	3.744***	0.557***	3.887***
	(0.035)	(0.178)	(0.033)	(0.171)	(0.036)	(0.185)
R^2	0.081	0.094	0.079	0.091	0.082	0.095
Adj. R^2	0.078	0.092	0.077	0.089	0.079	0.092
Num. obs.	3,220	3,220	3,220	3,220	3,220	3,220

Note: Standard errors in parentheses are clustered by respondent.

Table A4. Main Results

	Support	Trust
	(1)	(2)
China	0.039**	0.027
	(0.016)	(0.079)
Democrat	0.207***	1.287***
	(0.019)	(0.095)
Republican	−0.122***	−0.119
	(0.024)	(0.126)
Female	−0.062***	−0.271***
	(0.016)	(0.081)
Age	0.002***	0.032***
	(0.001)	(0.003)
Income	0.004*	0.049***
	(0.002)	(0.012)
Own Stock	0.013	0.295***
	(0.018)	(0.090)
Intercept	0.343***	2.246***
	(0.033)	(0.168)
R^2	0.083	0.119
Adj. R^2	0.081	0.117
Observations	3,640	3,640

Note: Standard errors in parentheses are clustered by respondent.

Table A5. Main Results, Prolific Sample

	Policy Support		
	(1)	(2)	(3)
China	−0.034	0.035	−0.003
	(0.037)	(0.032)	(0.021)
Nat. Superiority	−0.003		
	(0.050)		
China × Nat. Superiority	0.147**		
	(0.067)		
Active Engagement		0.836***	
		(0.040)	
China × Active Engagement		0.012	
		(0.052)	
Zero Sum			−0.206***
			(0.022)
China × Zero Sum			0.079**
			(0.031)
Democrat	0.212***	0.097***	0.186***
	(0.019)	(0.018)	(0.019)
Republican	−0.133***	−0.075***	−0.111***
	(0.025)	(0.022)	(0.023)
Female	−0.056***	−0.040***	−0.050***
	(0.016)	(0.015)	(0.016)
Age	0.002***	0.000	0.003***
	(0.001)	(0.001)	(0.001)
Income	0.004	0.001	0.004*
	(0.002)	(0.002)	(0.002)
Own Stock	0.012	0.006	0.014
	(0.018)	(0.017)	(0.018)
Intercept	0.355***	0.075**	0.421***
	(0.039)	(0.034)	(0.034)
R^2	0.086	0.227	0.112
Adj. R^2	0.083	0.225	0.109
Observations	3,640	3,640	3,640

Note: Standard errors in parentheses are clustered by respondent.

Table A6. China HTE Results, Prolific Sample

	Support	Trust
	(1)	(2)
China	0.143***	0.685**
	(0.054)	(0.271)
Nationalism	0.278***	3.742***
	(0.061)	(0.309)
China×Nationalism	−0.170**	−1.256***
	(0.084)	(0.427)
Democrat	0.180***	1.407***
	(0.024)	(0.115)
Republican	−0.108***	−0.234*
	(0.024)	(0.128)
College	0.037**	0.311***
	(0.018)	(0.090)
Female	−0.042**	−0.029
	(0.017)	(0.084)
Own Stock	0.055***	0.293***
	(0.018)	(0.090)
Age	−0.003***	0.002
	(0.001)	(0.003)
Income	0.001	0.016**
	(0.001)	(0.007)
Intercept	0.376***	1.891***
	(0.047)	(0.227)
R^2	0.086	0.148
Adj. R^2	0.083	0.145
Num. obs.	3,220	3,220

Note: Standard errors in parentheses are clustered by respondent.

Table A7. Interaction Results, Lucid Sample

D Alterative Specifications

	Policy		China	
	Support	Trust	Support	Trust
	(1)	(2)	(3)	(4)
Accountability	−0.065***	−0.384***		
	(0.025)	(0.125)		
Moral Hazard	−0.048*	−0.179		
	(0.025)	(0.127)		
Risk	−0.035	−0.005		
	(0.025)	(0.123)		
China			0.035**	−0.138
			(0.018)	(0.089)
Controls?	No	No	No	No
R^2	0.002	0.004	0.001	0.001
Adj. R^2	0.001	0.003	0.001	0.000
Num. obs.	3,220	3,220	3,220	3,220

Note: Standard errors in parentheses are clustered by respondent.

Table A8. Estimates without covariates

	Policy		China	
	Support	Trust	Support	Trust
	(1)	(2)	(3)	(4)
Accountability	−0.067***	−0.404***		
	(0.024)	(0.119)		
Moral Hazard	−0.048**	−0.170		
	(0.024)	(0.121)		
Risk	−0.041*	−0.033		
	(0.024)	(0.119)		
China			0.037**	−0.118
			(0.017)	(0.085)
Controls?	Yes	Yes	Yes	Yes
R^2	0.086	0.100	0.083	0.099
Adj. R^2	0.077	0.091	0.079	0.093
Num. obs.	3,220	3,220	3,220	3,220

Note: Standard errors in parentheses are clustered by respondent. Estimates for controls are not shown.

Table A9. Results from estimator proposed by Lin (2013)

D.1 Population weights

In this section we present estimates after weighting the sample based on the population targets described in Table A10, obtained from the US Census Bureau. We estimate the population weights using entropy balancing (Hainmueller, 2012). Results are reported in Table A11.

Variable	Sample	Target
Female	.52	.51
Completed College	.52	.45
Household Income		
$0-49k	.49	.38
$50-99k	.36	.29
$100-149k	.06	.15
$150k+	.09	.18
Age		
18-24	.11	.13
25-39	.33	.27
40-59	.29	.32
60+	.27	.29

Table A10. Sample and population target means

	Policy		China	
	Support	Trust	Support	Trust
	(1)	(2)	(3)	(4)
Accountability	−0.071***	−0.392***		
	(0.026)	(0.135)		
Moral Hazard	−0.061**	−0.195		
	(0.028)	(0.146)		
Risk	−0.065**	−0.106		
	(0.027)	(0.141)		
China			0.045**	−0.099
			(0.019)	(0.100)
Controls?	Yes	Yes	Yes	Yes
Adj. R^2	0.087	0.100	0.086	0.098
Observations	3,220	3,220	3,220	3,220

Note: Standard errors in parentheses are clustered by respondent and estimated in Stata. SEs in all other tables are CR2 standard errors.

Table A11. Estimates after weighting