Discussion: three papers on Nontraditional Data & Statistical Learning with Applications to Macroeconomics

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A nice, coherent collection of work

Applying NLP, the authors

- ▸ gauge the objectives in policy making (Lumsdainea and van Dieijen)

- ▸ provide information about market sentiments (Rho, Fernndeza and Palma)

- ▸ examine the spread of ideas that in turn shape economic events (Hulla, Bertscha and Zhang)

Unique advantages of textual data

- What can we learn from textual analysis that is not otherwise available?
  - in concept: well motivated
  - in performance: could be explored further

What Say They About Their Mandate? A Textual Assessment of Federal Reserve Speeches

Fed officials' speech $\Rightarrow$ whether the Fed adopted a third mandate of ensuring financial stability

- An important, intensely debated topic

- Incredibly thorough analysis

- A very appealing narrative

Questions

- ▶ Shifts in focus in policy making vs. changes in economic circumstances
  - ▶ Example: drop in "price stability" post-2008

- ▶ Financial stability as a third mandate vs. a Fed responsibility vs. a means to achieve the dual mandate
  - ▶ Fed responsibilities: conducting monetary policy, promoting financial stability, fostering payment system efficiency, promoting consumer protection, and supervising and regulating financial institutions,
  - ▶ Dual mandate: monetary policy objectives
    - ▶ Was/is financial stability part of objectives for *monetary policy*?
    - ▶ Bernanke (2006-2014): "use the right tool for the job"

- ▶ What they say vs. what they do

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Order and Chaos in Business Cycle Narratives

Entropy in newspaper articles $\Rightarrow$ properties of narratives giving rise to economic fluctuations

- ▶ Exciting new field
- ▶ Creative application

Questions

- Understanding the measurement: linking within-topic entropy to convergence of a narrative, especially in its relation to business cycle.
  - an easily expressed explanation of events
  - a core contagious element

- Understanding the main result: dominant narratives emerge during booms and fragmented narratives during contractions

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A Sentiment-based Risk Indicator for the Mexican Financial Sector

Tweets from verified agency accounts in Spanish $\Rightarrow$ public sentiment in the Mexican financial sector

- ▶ Creative use of Twitter data in non-English language

- ▶ Incredibly thorough execution (retweets, Mexico vs. global, etc)

- ▶ Thoughtful writeup re. usefulness and caveats

Questions

- Sentiment vs. economic substance
  - sentiment: tone/concern/emotion
  - financial stress and/or risks

- Future directions depending on the interpretation
  - Sentiment: survey measures; equity market movement unjustified by fundamentals

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Wrapping up

- ▶ Tightly linked work that spans important areas for which textual data has unique advantages

- ▶ Highly informative in ways that deepen our understanding and invite follow-up work

- ▶ Clever approach using textual data

- ▶ Would appreciate further fine-tuning in interpretation of measures and implications