

PERCEPTION MATTERS: EVIDENCE
FROM THE GLOBAL MEDIA
SENTIMENT INDICES OF THE
CHINESE ECONOMY

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May 2023

WHAT DOES THE PAPER PROVIDE

1: Measurement: sentiment about the Chinese Economy

Methodological Contribution: better machine learning tools

Increased Scope: adds Chinese, not just English-language, media

2: Econometrics: runs SVARs on economic/finance outcomes

Sanity Check: sentiment goes up when other stuff goes up

Nuance: Chinese sentiment lags, more optimistic & policy-predictive

3: Communications Theory: interdisciplinary perspective

Agenda Setting: links results to theory of “agenda setting”

Gaps: highlights gap between English and Chinese media

MY VIEWS

An interesting, well executed paper, linking methodologies and literatures to study the Chinese economy. Nicely done!

Will focus my discussion on:

1. The sentiment methodology
2. SVAR's in practice
3. Mechanisms and interpretation

SENTIMENT METHODOLOGY

The measurement contribution of the paper is high.

Machine Learning

The BERT tool for media sentiment classification relies on fewer a priori or ad hoc assumptions about words and ex-post scores better against well trained human classifiers.

Chinese Language

When studying China or non-English speaking countries via textual analysis, much previous work (including, sadly, some of my own) relies on primarily foreign English-language sources.

I learned a lot and hope to see these tools more broadly applied.

SVARs IN PRACTICE

“**SVARs**” or structural vector autoregressions are tricky

Definition: linear statistical models linking multiple outcomes both within and across time

Goal: measuring the causal impact of one variable on other variables within and across time

Trickiness: causation vs correlation, now with even more nuances than usual because of the within and across time dimensions

My Questions

- ▶ Why does recursive timing make sense here? One might suspect the media comments on asset prices, for example.
- ▶ Why don't I see SE bands for the most part?
- ▶ Am I looking at truly apples-to-apples comparisons of 1-SD shocks in the Chinese vs English language sentiment series?

MECHANISMS AND INTERPRETATION

Facts: the paper highlights three patterns

1. higher mean Chinese than English sentiment (a “gap”)
2. lagged timing of shifts in Chinese sentiment relative to shifts in English sentiment
3. closer links between Chinese sentiment and Chinese economic policy outcomes

Interpretation through the lens of communications theory, with English influence on Chinese media through agenda setting and nuanced impacts of the sentiment gap

AN ALTERNATIVE STORY

The same **facts** but a different **interpretation**

1. higher mean Chinese than English sentiment (a “gap”) [these are government mouthpieces like *Xinhua* or the *People’s Daily* with political image concerns]
2. lagged timing of shifts in Chinese sentiment relative to shifts in English sentiment [government mouthpieces must be cautious to align with policymakers’ views and decisions]
3. closer links between Chinese sentiment and Chinese economic policy outcomes [policymakers’ views are more closely linked than foreigners’ opinions to actual policy outcomes]

I would expect identical patterns if I compared coverage of the US economy in France’s *Le Monde* newspaper to press releases from the Federal Reserve or Treasury. Some caution may be warranted.

SUMMING UP

An interesting, well executed paper, linking methodologies and literatures to study the Chinese economy.

- ▶ A big methodological contribution
- ▶ Thought-provoking econometric results
- ▶ Useful insights from the communications literature brought to bear on the interpretation of their results

I learned a lot. Nicely done!