Central Bank Communication on Social Media: What, to Whom, and How?

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1. What are the research questions?

- What's communicated on Twitter, who engages with the Fed, and how does it affect inflation expectations?

2. Why are the research questions interesting?

- Central banks' use of social media to communicate with the public is widespread globally, yet the understanding of its effectiveness remains limited.

3. What is the paper's contribution?

- Existing: How target rates, FOMC statements, inflation statistics, and media coverage of the FOMC decisions affect inflation expectations.
- Expandation: How the Fed's communication on social media affects inflation expectations.

4. What hypotheses are tested in the paper?

- Negative sentiment of media reports on central bank announcements leads to a reduction in price expectations.
- Negative sentiment conveys uncertainty or negative outlooks about the economy, which dampens expectations of future price increases.

5. Comment on the appropriateness of the sample selection procedures

- The data relies on user self-descriptions for classification, which may overrepresent certain groups like the general public and underrepresent others such as professional economists or financial analysts.

6. Comment on the appropriateness of variable definition and measurement

- Dependent variables: Inflation expectations are measured solely from tweets containing "price", neglecting indirect expressions through other topics like employment and wages.

7. Comment on the appropriateness of the regression model specification

- Endogeneity: There may exist reverse causality between public reactions and monetary policy adjustments.

8. What difficulties arise in drawing inferences from the empirical work?

- Lack of Causal Inference: The study struggles to establish causal links between Fed communications and inflation expectations due to the absence of randomized controlled trials.

9. Describe at least one and feasible extension of this research?

- How tweets from different groups influence adjustments in monetary policy.
- Cross-platform comparison of the effectiveness of the Federal Reserve's social media communication.

10. What links exist among these papers?

- All three papers highlight the significant role of social media in central bank communication.