Macro Roundup Article

Headline: **Why Are Americans So Displeased With The Economy?**

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Tweet: Between 1982-2017, economic fundamentals reasonably predicted sentiment in economic news. However, starting in 2018, the economic news tone has become increasingly more negative than the fundamentals would predict. @econ_harris @aaronsojourner

Summary: To quantify the gap between observed and predicted news tone, we estimate a series of models each time holding out a different three-year period from the estimation sample. Then, each estimated model is used to predict out-of-sample for economic news tone for the hold-out period. Figure 4 describes the average tone for each hold-out period. For most periods, models using other periods' data reasonably predict sentiment in that period. However, the news tone has been more negative than the fundamentals would predict during 2018 to 2020 and even more negative than predicted in 2021 to 2023. Looking at gaps by year shows that the recent negativity seems to have started pre-pandemic in 2018. But the "negativity gap" spanning 2021 to 2023 is about one-third larger than in the prior three-year period.

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Primary Topic: Business Cycle

Topics: Business Cycle, GDP, Op-Ed/Blog Post, Politics

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