

**The End of Mumbling Incoherence:
Enhancing Credibility, Effectiveness and Trust
through Better Central Bank Communication**

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Discussion by Ulrike Neyer

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6h DIW Lecture on Money and Finance

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Talk by Gabriel Makhlouf:

- Changing environment for monetary policy

→ ECB: review of monetary policy strategy, also **CBC**

- Until mid 90s: of little concern, cryptic

Then: time consistency, credibility problems affect expectations

→ efficacy of monetary policy

→ independent CB, CBC more important

Then: financial crisis, sovereign debt crisis, low inflation, ELB

→ new responsibilities, instruments, CBC even more important

- Progress has been made, but room for improvement

→ strategy review (listening events, less technical... problems)

Comments

“People appear to developing a growing sense of frustration towards their CB, particularly in the euro area” → next slide

Why? - financial crisis, sovereign debt crisis:

prevent a systemic crisis

- clear mandate, article 127 TFEU: price stability

ECB: inflation rate: below but close to 2 %

→ next slide → act according to its mandate

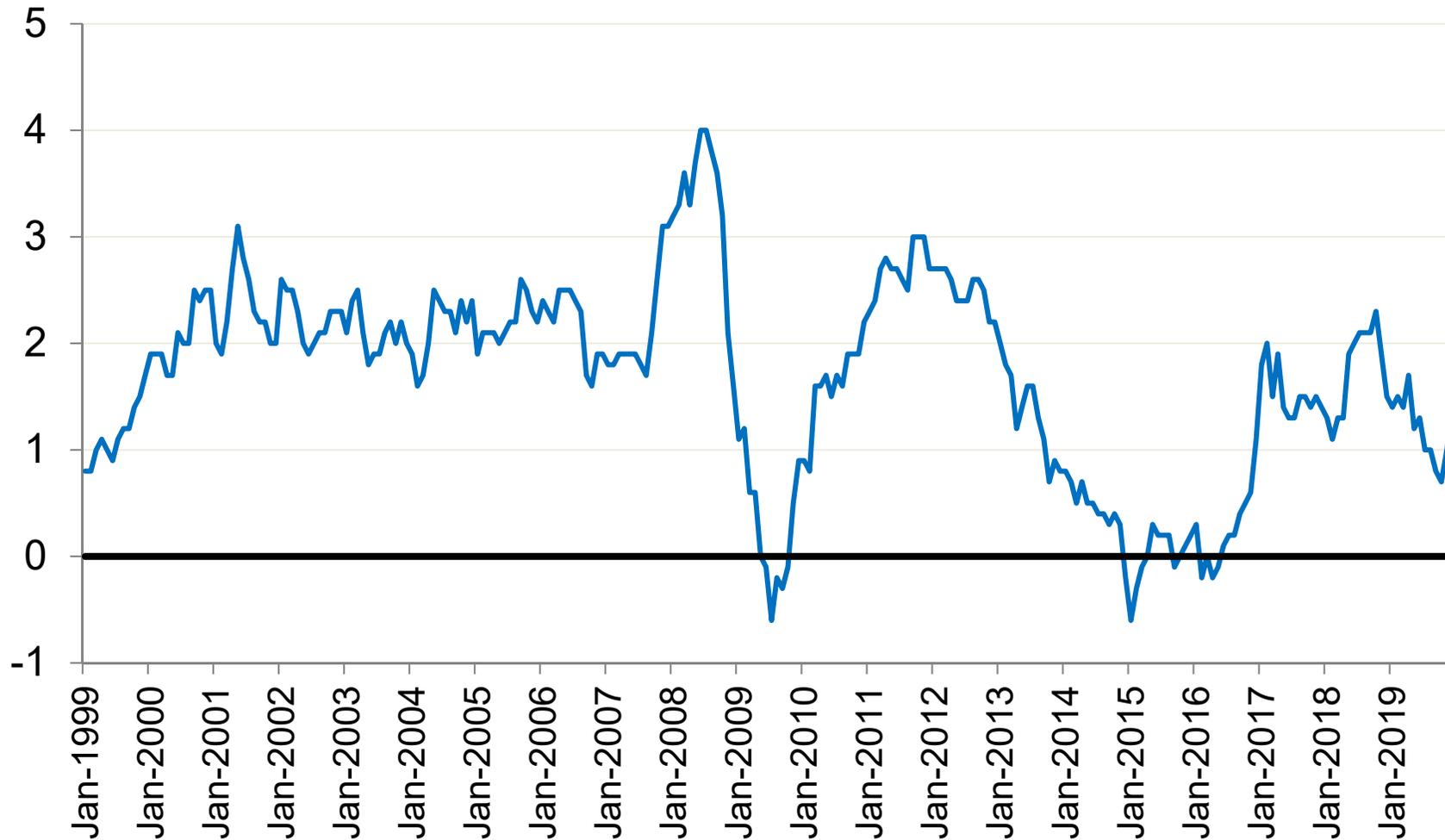
One problem communication, but also too long period of low interest rates. Therefore:

Newspaper headlines:

- Mario Draghi enteignet die deutschen Sparer (Bild, Jan. 2015)
- Wie die EZB Vertrauen zerstört (FAZ Jan. 2015)
- Notenbank als Geisterfahrer (SZ Jan. 2015),
- Draghi-Schock: Machen die EZB-Banker unser Geld kaputt? (Bild Jan. 2015)
- EZB entscheidet am Bürger vorbei (SZ Sep. 2019)
- So saugt GRAF DRAGHILA unsere Konten leer (Bild, Sep. 2019)



Euro Area: Consumer Prices (HICP, monthly data, annual rate of change in percentages)



Data: ECB

Therefore:

Communication:

- Haldane et al: 3 E's: Explanation, Engagement, Education
problems:
 - obtaining attention
 - broader audience, interested audience, market participants
 - importance (education): healthy eating digital education
 - risk of simplification
- Blinder: cacophony problem
 - change nature of statement after MP decisions,
 - give a voice to both majority and minority views

Low interest rates for a too long period (costs↑):

Review monetary strategy, operational framework
mandate (Borio: including financial stability?), quantification of the target
(range?), instruments, tasks (long run: banking supervision, monetary
policy and climate change?)

Thank you very much!