

Discussion on "Enhancing central bank communications using simple and relatable information"

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The views expressed herein are those of the author and should under no circumstances be interpreted as reflecting those of the Banque de France or the Eurosystem.

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- Findings can be generalized to almost all types of central bank communication

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2. Comparison across treatments

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3. Perceptions and trust
4. Experimental design

1. Central bank communication with the public

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- **Precise, clear**

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- i.e. "taper tantrum" in the US, May-June'13
 - ▶ Poor Fed communication?

Dudley: "to the extent that the backup in rates reflects an increase in risk premiums caused by poor communication on our part, it disturbs me. If our poor communication is causing risk premiums to increase, then what we are doing is essentially undercutting the effectiveness of our own policies." FOMC transcripts, June 2013

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- ▶ Diversity of market participants (Stein, 2014)?
- What if the public was listening/acting to that too?

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Monetary Policy Summary	Visual	Visual short	Relatable summary
1. Bank Rate	1. The official interest rate,	1. Interest rate	1. Interest rate
2. Market-implied path for rates	Bank Rate, interest rate	2. Inflation, prices	2. Prices
3. CPI inflation	2. Inflation, prices	3. 2% target	3. 2% target
4. 2% inflation target	3. 2% target	4. Proj. for inflation	4. Cost
5. Projections for inflation	4. Proj. for inflation	5. Costs	5. Jobs
6. Oil prices	5. Costs	6. Job vacancies	6. Job opportunities
7. Import prices	6. Jobs	7. Pay, wages	7. Pay, wages
8. Jobs	7. Job vacancies	8. Recruit & retain	8. Recruit & retain
9. Wage growth, pay growth	8. Pay, wages	9. Living standards	9. Unemployment
10. Labour supply	9. Recruit, retain workers	10. Pound	10. Demand
11. Labour market	10. Unemployed	11. Exchange rate	11. Pound
12. Unit labour costs	11. Spending	12. Exports	
13. Employment	12. Living standards	13. Spending	
14. Growth	13. Pound	14. Growth	
15. Projections for output	14. Growth	15. Productivity	
16. Exchange rate	15. Productivity	16. Output/hour worked	
17. Sterling	16. Output/hour worked	17. Global financial crisis	
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19. Volatility in financial market	18. Exports		
20. Global financial conditions	19. Invest		
21. Net trade			
22. Global demand			
23. Profitability			
24. Cost of capital			
25. Capacity			
26. Business investment			
27. Brexit-related uncertainties			
28. Household consumption			
29. Real income growth			
30. Supply growth			
31. Degree of slack			
32. Survey indicators			
33. Trading relationship			
34. Uncertainty about the economic outlook			
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37. Stock of sterling non-financial investment-grade corporate bond purchases,			
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39. Stock of UK government bond purch.			

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 - ▶ risk of locking people in a baseline path

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- CB communication should be simple but not simpler.

2. Treatments are very different, results not

- Treatments differ on the amount & complexity of economic information
- Questions framed in the language of the Reliable treatment

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- Comprehension scores vary from 2.11 to 2.50 to 2.67 out of 5

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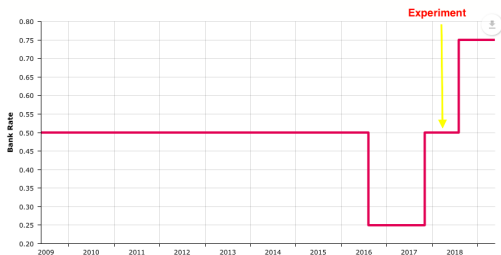
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- What perceptions they had before for the BoE?

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- OECD, IAT for perceptions of trustworthiness of public institutions
 - 1st step: government associated with "Trustworthy" when stimulus "Moral" appears
 - 2nd step: government associated with Untrustworthy when stimulus "Inefficient" appears
 - In 1, quick sorting reveals high trust. In 2, slow sorting reveals high trust



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- Working paper version more informative

Concluding Remarks

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- Former Vice President Al Gore: clear language is a "civil right".
- Central bankers should respect it too.