

MPC's monetary communications: Children of the revolution(s)

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2 Revolutions (so far!)

- Until 1990s: “Do we (have to) communicate this?”
- 1st Revolution \equiv 1990s to Global Financial Crisis (GFC): “Why wouldn’t we communicate this?”
- 2nd Revolution \equiv From GFC to Now: “How should we communicate this in a way that engages a broad cross-section of society?”
- 3rd Revolution?
 - A new monetary framework
 - Linking MPC communication to other central bank (non-)objectives

Outline

1. Inflation targeting and communication

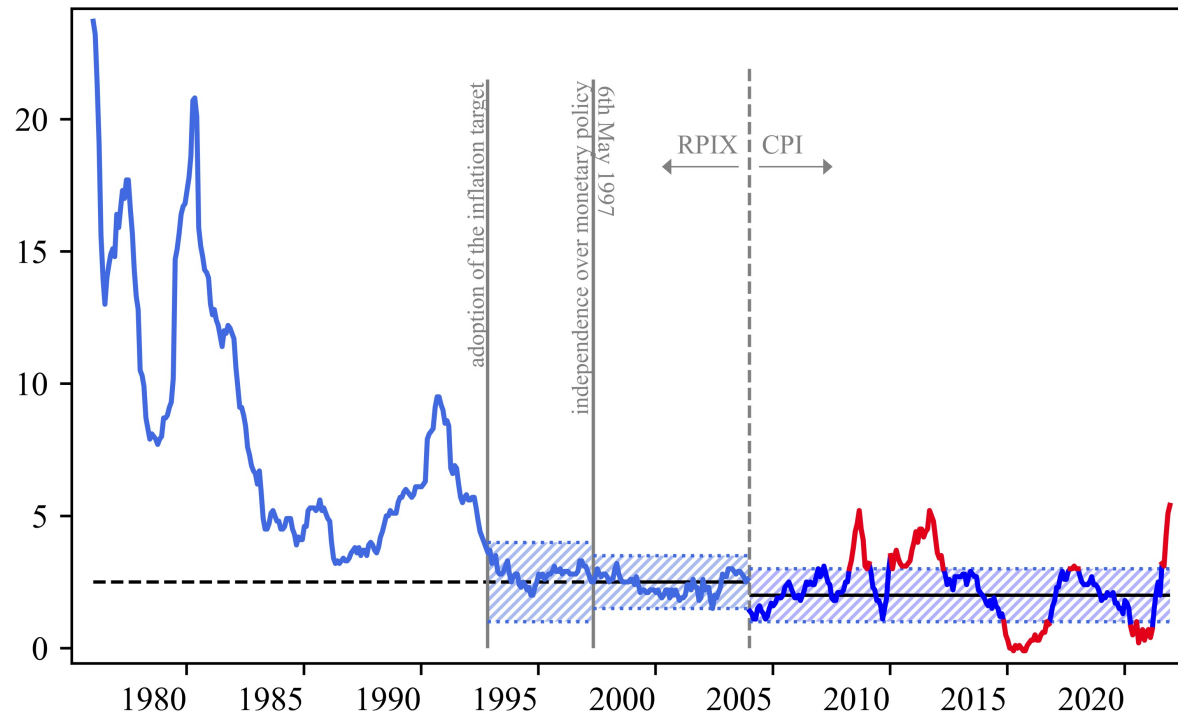
- Successes
- Areas for improvement

2. Communication with the public

3. Summary - Recommendations

1. Inflation Targeting and Communication

Inflation target is about communication



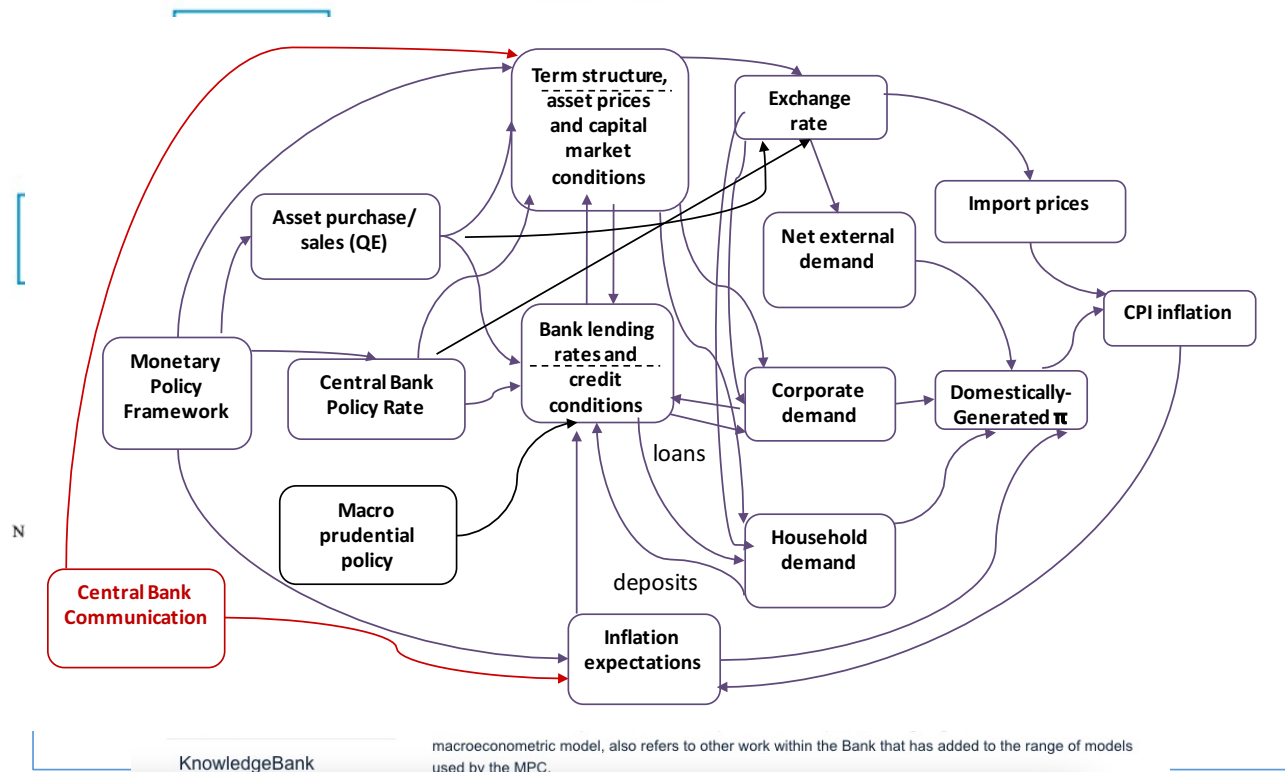
- π^* is a success!
- Challenging times at the moment.

Low Frequency. Wonkish Communication

Bank of England

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The transmission mechanism of monetary policy



KnowledgeBank

macroeconomic model, also refers to other work within the Bank that has added to the range of models used by the MPC.

- Some classic reading:
- The models
 - Where is the latest?
- MTM description
 - Time to Update?

Higher Frequency Communication



BANK OF ENGLAND

News release

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9 November 2000

Bank of England Maintains Interest Rates at 6.0%

The Bank of England's Monetary Policy Committee today voted to maintain the Bank's repo rate at 6.0%.

The Inflation Report will be published on Thursday 16 November 2000.

The minutes of the meeting will be published at 9.30am on Wednesday 22 November 2000.

Note to Editors

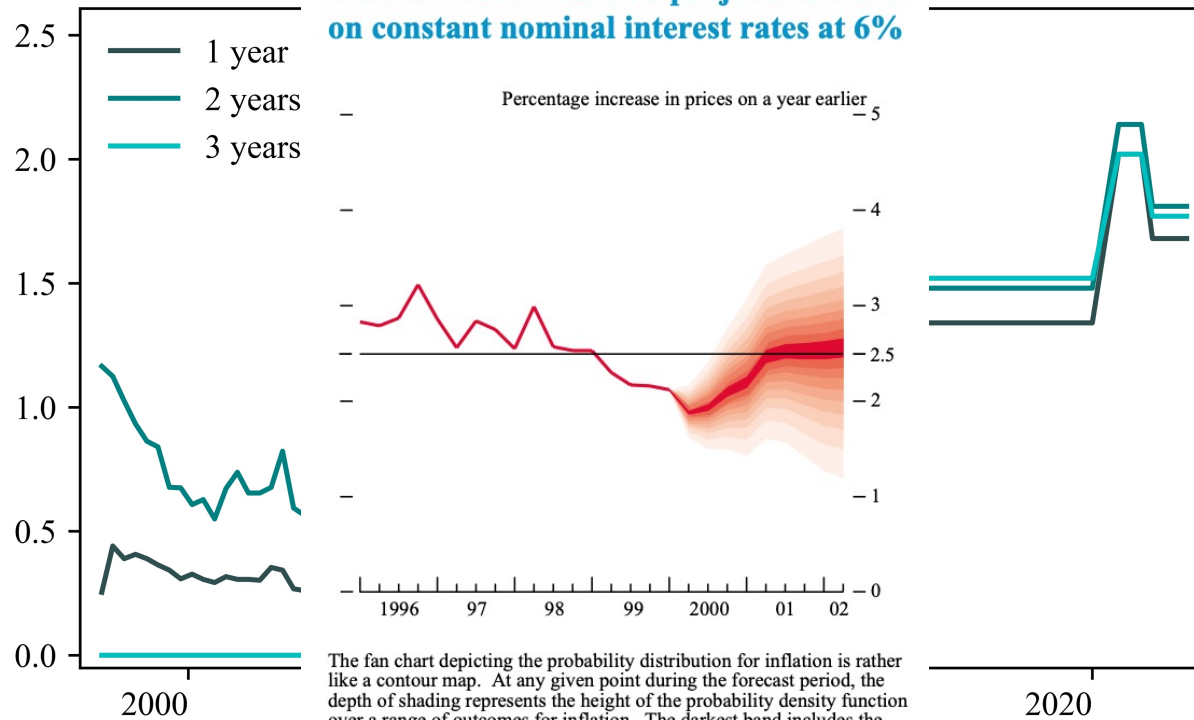
The most recent change in interest rates was an increase of 0.25% to 6.0% on 10 February 2000.




- Minutes contained most information
 - Votes
 - Description
- Statements had little
- Super Thursday improved?

Forecast Communication

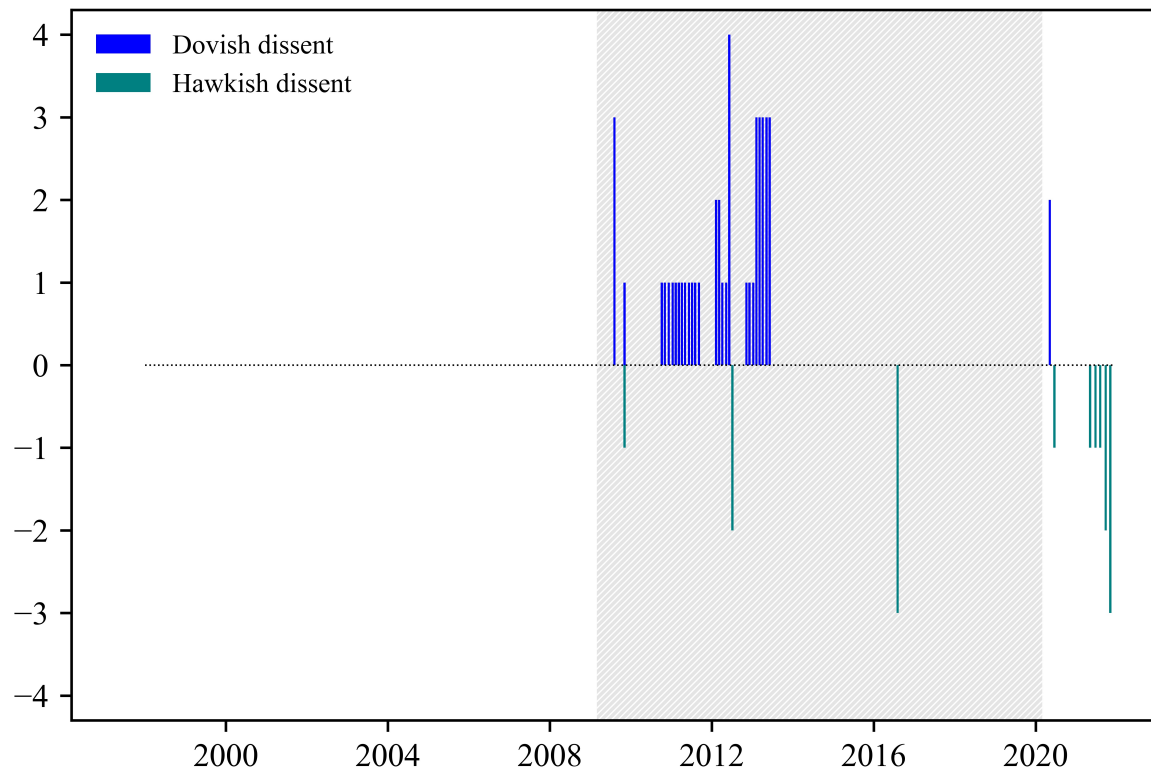
Chart 2
Current RPIX inflation projection based on constant nominal interest rates at 6%



The fan chart depicting the probability distribution for inflation is rather like a contour map. At any given point during the forecast period, the depth of shading represents the height of the probability density function over a range of outcomes for inflation. The darkest band includes the central (single most likely) projection and covers 10% of the probability. Each successive pair of bands is drawn to cover a further 10% of the probability, until 90% of the probability distribution is covered. The bands widen as the time horizon is extended, indicating increasing uncertainty about outcomes.

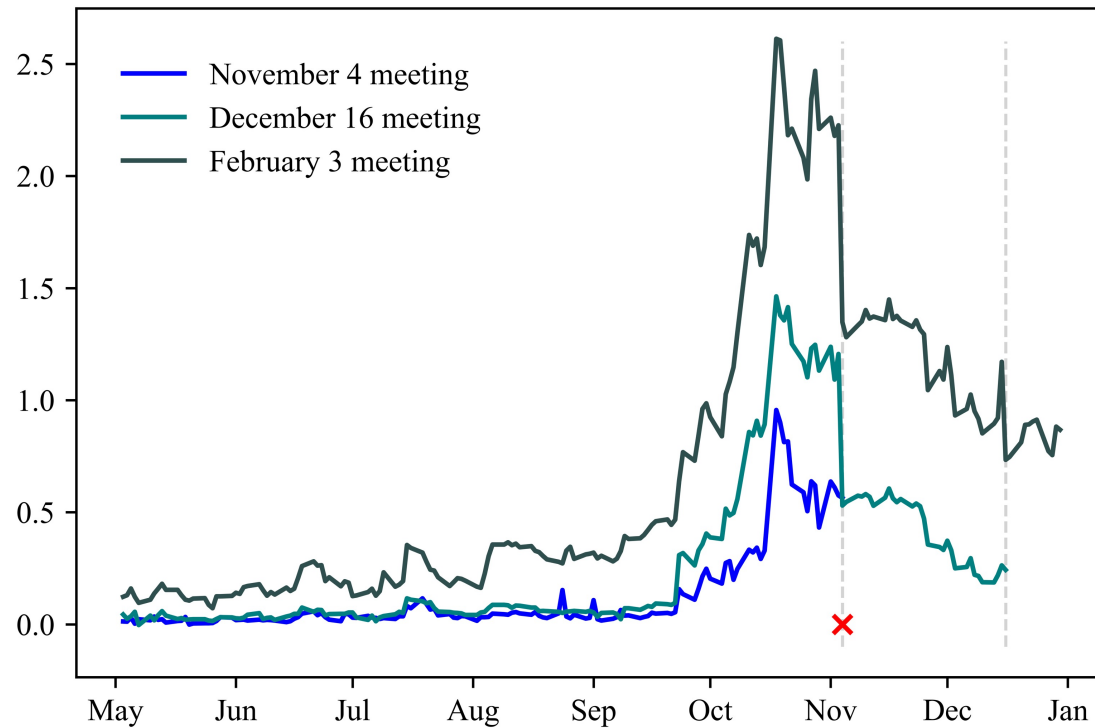
- Fan Charts 
- But has the distribution lost some meaning? Or did it never have it?

Dissent



- One-person, one-vote
✓
- Dissent communicates information
- Is there enough?

Unreliable Boyfriend?



- This is a communication issue!
- Reaction function?
- What was meant was not understood?

2. Communication with the General Public



Talking to a broader audience

- **Blinder (2009):** “It may be time for both central banks and researchers to pay more attention to communication with a very different audience: the general public.”
- **Blinder (2018):** “Central banks will keep trying to communicate with the general public, as they should. But for the most part, they will fail.”

Three Es

1. Explanation

- Semantic vs Conceptual Simplicity

2. Engagement

- High inflation?
- Other objectives or issues?

3. Education

- Whose job?

3. Summary - Recommendations

Main Recommendations

- Communication to remain central to the monetary framework
- Take care with regime shifts and secondary objectives
- Some reversion in terms of low-frequency communication
- Credibility is hard to earn but can be lost quickly
- Review of communication needed?

Thank You!

