

Opportunities and Challenges in Economic Policy Communications Workshop

Venue: Central Bank of Ireland

Date: 17 January 2020

Central banks, and other economic governance institutions like the IMF, BIS, and European Supervisory Authorities, occupy key positions in global economic governance. These institutions possess *policy-making powers* that fundamentally shape the world economy. In addition, these institutions also deal with *complex policy issues* that are difficult for non-expert outside audiences to understand, thus acting as *information providers* as well. In executing these roles, economic government institutions often maintain a level of *independence* rarely enjoyed by other governance bodies, and this independence is seen as essential for successfully executing their mandated policy goals.

The combination of wide-ranging powers, policy complexity, and institutional independence has led to significant questions about the *rationale* behind the policy choices made, the *legitimacy* of such high levels of independence from the broader polity, and the appropriate *accountability mechanisms* that should be in place to justify such independence (Scharpf 2009; Schmidt 2013; Tucker 2018).

We have seen many reforms to strengthen legitimacy and accountability. *Communications policy* represents a central plank in efforts to increase transparency around *how policy decisions are made* as well as *how they are justified* (Baerg, forthcoming; Blinder 2009; Haldane 2017; Cross & Greene 2019). Communications policy also directly aids in the fulfilment of policy goals by shaping market and the masses' expectations through the provision of forward guidance. The information communicated to outside audiences includes leadership speeches, press releases, parliamentary hearing records, voting records, and other information about *how* the institution carried out its mandated policy goals. Whether or not the provision of such information helps these institutions increase their legitimacy in the eyes of outside observers, and thus fulfil their mandate, and whether legitimacy (or the lack thereof) compromises their attempts, are open questions.

This workshop aims to bring together an interdisciplinary group of scholars and practitioners from political science, political economy, economics, and data science, to discuss ongoing and early-stage work on communications policy and economic governance.

Organising committee: Dr. James P. Cross (University College Dublin), Dr. Nicole Baerg (University of Essex), and Dr. Silvia Calò (Central Bank of Ireland)



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Workshop programme

Welcome (9:00 - 9:15)

- **James P. Cross** (UCD) & **Vasileios Madourous** (Central Bank of Ireland)

Practitioner's view (9:15 - 9:45) - Chair: Martijn Schoonvelde (Connected_Politics Lab @ UCD)

- **Kirsten Connolly, Paul Moley, Ronan Smith** (All Central Bank of Ireland) - Public Opinion Analysis of the Central Bank of Ireland

Panel 1 (9:45 - 11:15): Input legitimacy - Chair: Alessia Paccagnini (UCD Smurfit)

- **Manuela Moschella** (SNS) & **Davide Romelli** (TCD) - Why do they pressure? Policymakers' backlash at independent central banks (Coauthors: Federico Ferrara (University of Geneva), Donato Masciandaro (Bocconi)).
- **Juliet Johnson** (McGill) - When (Powerful) Women Speak, What Do They Say? Gendered Discourse among Central Bank Leaders. (Coauthor: Vincent Arel-Bundock (Université de Montréal)).
- **James P. Cross** (Connected_Politics Lab @ UCD) - Talking the talk: Exploring conflict in European Central Bank Governing Council speeches using a discourse network-based approach (Coauthors: Derek Greene (UCD) & Natalia Umansky Casapa (UCD)).

Coffee break (11:15 - 11:30)

Panel 2 (11:30 - 13:00): Throughput legitimacy - Chair: Stefan Müller (Connected_Politics Lab @ UCD)

- **Nicolò Fraccaroli** (University of Rome Tor Vergata) - Central Banks in Parliaments: A text analysis approach to accountability practices and an application to the ECB, the Fed and the BoE (coauthors: Jean-François Jamet (ECB), Alessandro Giovannini (ECB)).
- **Cheryl Schonardt-Bailey** (LSE) - Deliberative Accountability of Economic Policies in Parliamentary Committees.
- **Federico Ferrara** (University of Geneva) - Clarity of Central Bank Communication with the Public: How Does the ECB Perform?

Lunch (13:00 - 13:45)

Keynote address (13:45 - 14:45)

- **Silvia Calò** (Central Bank of Ireland) - Speaker introduction
- **Christoph Rosenberg** (IMF) - Communication Challenges

Coffee break (14:45 - 15:00)

Panel 3 (15:00 - 16:30): Output legitimacy - Chair: Grace Zimmerman (IMF)

- **Nicole Baerg** (University of Essex) - Central bank communication as public opinion? (Coauthors: Dominik Duell (University of Essex) and Will Lowe (Princeton)).
- **Conor Parle** (Central Bank of Ireland) - It's not what they say it's how they say it – measuring the impact of the tone of ECB Governing Council speeches on financial markets.
- **Michael Breen** (DCU) - The IMF As a Global Monitor: Surveillance, Information, and Financial Markets (Coauthor: Elliott Doak (Transparency International)).

Concluding Remarks (16:30 - 17:00)

- **Nicole Baerg** (University of Essex)

Panel 1: Input legitimacy

Why do they pressure? Policymakers' backlash at independent central banks

Manuela Moschella (SNS), Davide Romelli (TCD), Federico Ferrara (University of Geneva) & Donato Masciandaro (Bocconi).

Abstract: Over the past decade, central banks – particularly those of advanced economies – have taken unprecedented steps to shore up their financial systems and boost economic activity. They have expanded their operations in financial markets, by buying large volumes of assets as part of their expansionary monetary policy strategies. This activity has taken place with amid heightened political contestation, with central banks increasingly viewed as the quintessence of a technocratic mode of governance that eschews traditional democratic control. The rise of populist parties has further exacerbated this view with several elected policymakers explicitly pressuring central banks to redirect their policies. This paper investigates the political backlash at central banks by shedding light on the motivations that lead elected policymakers to pressure independent monetary authorities. Based on a thorough examination of the interactions between members of the European Parliament and the President of the ECB during the Monetary Dialogues, the paper gauges the impact of transnational political affiliations and domestic economic conditions on patterns of contestation to the ECB.

When (Powerful) Women Speak, What Do They Say? Gendered Discourse among Central Bank Leaders.

Juliet Johnson (McGill) & Vincent Arel-Bundock (Université de Montréal)

Abstract: Long considered male bastions, over the past decade many central banks have introduced policies designed to increase the number of women in senior leadership positions. But once in those senior positions, to what extent do women change the discourse of central banking? This paper uses computer-assisted text analysis of over 14,500 speeches given between 1997 and 2018 by central bankers from around the world, as well as qualitative analysis of a subset of those speeches, to analyze the evolving gender dynamics in central bankers' public discourse. We examine: 1) how (and how much) female central bankers talk about gender in their speeches as compared to male central bankers, and 2) whether female central bankers discuss particular policy topics more or less often than do male central bankers. We further explore temporal and regional patterns in such "gendered" discourse.

Talking the talk: Exploring conflict in European Central Bank Governing Council speeches using a discourse network-based approach

James P. Cross (UCD), Derek Greene (UCD) & Natalia Umansky Casapa (UCD)

Abstract: The Governing Council of the European Central Bank sets ECB policy and communicates policy decisions to other EU institutions, the markets, and the general public. Despite its central role at the heart of European economic governance, we know relatively little about the degree to which its policy decisions are contested. In this paper we shed new light on conflict in the ECB Governing Council by studying the speeches made by Governing Council members. We first unveil the latent topical content of the speeches using a dynamic topic-modeling approach, and then employ a discourse-network approach to capture evolving discourse coalitions over time. Our results demonstrate that the policy focus of the ECB Governing Council and the discourse coalitions driving this focus have evolved significantly over time. This variation can be explained by both individual-level speaker characteristics, and the political, economic, and institutional context in which decision-makers interact at the national level.

Panel 2: Throughput legitimacy

Central Banks in Parliaments: A text analysis approach to accountability practices and an application to the ECB, the Fed and the BoE

Nicolò Fraccaroli (University of Rome Tor Vergata), Jean-François Jamet (ECB), & Alessandro Giovannini (ECB)

Abstract: As central banks expanded their role during the global financial crisis, demand for public scrutiny of their actions increased. This paper provides new insights on the parliamentary scrutiny of central banks in practice and how it has evolved over time. Using text analysis techniques, it detects the key topics and evolution of sentiments in the exchanges between the European Central Bank, the Federal Reserve and the Bank of England with their respective parliaments since 1999. The analysis shows that, while the central banks' objectives play a relevant role in determining the topic of discussion, the crisis impacted the respective salience of topics discussed at hearings, with different patterns for each central bank. Second, the paper finds that while sentiments worsened in all three cases during the crisis, they undertook different paths in the post-crisis period. Sentiments were mainly driven by the distance of actual inflation to the central banks' inflation aim and by uncertainty. These findings suggest that parliamentarians use hearings to scrutinise the performance of central banks in line with their objectives and economic developments.

Deliberative Accountability of Economic Policies in Parliamentary Committees

Cheryl Schonardt-Bailey (LSE)

Abstract: The focus of this presentation is UK parliamentary committee hearings on economic policy, where scrutiny of the decisions and actions of public officials is conducted. In the British Parliament, both the Treasury Select Committee and the House of Lords Economic Affairs Committee hold hearings on monetary policy, financial stability and fiscal policy. In economic policy, two very different sets of actors are routinely scrutinized by select committees: first, officials of the Bank of England—who are not elected but appointed—for their decisions in pursuit of monetary policy and financial stability; and second, elected ministers and unelected officials from the UK Treasury for fiscal policy. The presentation is based on my book manuscript, which adopts multiple methodologies to gauge the quality of deliberative accountability of economic policies in the UK. These include (1) quantitative text analysis, together with traditional content analysis, to gauge the verbatim transcripts in legislative committee hearings; (2) qualitative coding combined with experimental methods, which together seek to gauge the extent to which nonverbal communication (“body language”) shapes both the process and outcome of these same hearings; and (3) lengthy interviews with the key actors who participated in the committee hearings (members of Parliament, central bankers, treasury officials, staff). The selection of these methods is not random. The first set of techniques seeks to measure rigorously the content of “what” was said, alongside identifying traits of the speaker—that is, who spoke, how often, who emphasized what theme, and what identifying characteristics of speakers were associated with which themes. The second set of techniques examines “how” the words and arguments were expressed—that is, the delivery adopted by each participant, as well as the tone of the exchange between questioner and witness. The final technique offers a more reflective “why” component to the analysis by asking participants from these hearings to explain their motivations, their own concerns and their assessments of the deliberative process in these select committee hearings. This merging of the “what”, the “how”, and the “why” offers a novel template for studying both accountability and deliberation.

Clarity of Central Bank Communication with the Public: How Does the ECB Perform?

Federico Ferrara (University of Geneva)

Abstract: Research in economics and political science points to several beneficial effects of clarity in public communication. Yet we lack a systematic assessment of how central banks perform along this dimension and whether this has any effect on public attention. This paper fills the gap by considering the case of the European Central Bank (ECB). Based on a comprehensive dataset of ECB speeches, parliamentary hearings and tweets, I provide evidence that the ECB's communication has become clearer after the onset of the euro crisis. In the framework of parliamentary hearings, the ECB scores at a level of clarity that is similar or higher than that of MEPs. On Twitter, the clarity of the ECB's digital communication is a significant and robust predictor of social media engagement. Taken together, these findings shed new light on the importance of central bank communication clarity.

Panel 3: Output legitimacy

Central bank communication as public opinion?

Nicole Baerg (University of Essex), **Dominik Duell** (University of Essex) & **Will Lowe** (Princeton).

Abstract: A single supranational organization, the European Central Bank (ECB), has a particularly challenging job as it must communicate complex policy information to over 300 million citizens living across 19 member states in the Eurozone. Embedding a vignette experiment into two waves of a panel survey of German households, we examine ways in which communications by the ECB affect individuals' information uptake as well as their inflation expectations. We also test whether approval (or not) of the ECB's policies, news media consumption, and an individual's policy congruence affect how panelists respond to central bank communications. Our main empirical findings suggest that short and clear snippets of ECB information are most effective in shaping respondents' inflation expectations. We also find that respondents more skeptical of the ECB are less likely to incorporate ECB information and that policy congruence with the ECB's target has little to no effect.

It's not what they say it's how they say it – measuring the impact of the tone of ECB Governing Council speeches on financial markets

Conor Parle (Central Bank of Ireland)

Abstract: Using novel methods from the field of natural language processing, I present quantitative measures of the topics and tone of European Central Bank (ECB) monetary policy press conferences. I present a new measure of the monetary policy tilt of the ECB entitled the "Hawk-Dove Index". This measure closely tracks interest rate expectations over the tightening and loosening cycle, and is of particular value during zero lower bound episodes, when market measures of medium term interest rate expectations are less informative. Additionally, I exploit the fact that the ECB press conference occurs in a window after the monetary policy decision was formally taken to measure a pure communication effect from the press conference. Taking an event study approach, I use intradaily data to explore the behaviour of asset prices before and after the press conference. I find a non-negligible positive (negative) effect on stock prices of a more hawkish (dovish) tone in the press conference. This is consistent with central bank communication being interpreted by market participants as a statement of the central bank's private beliefs regarding the state of the economy. This effect is stronger and more persistent prior to the introduction of explicit forward guidance by the ECB, which suggests that in the period since the introduction of forward guidance, ECB communication has been less surprising to markets.

The IMF As a Global Monitor: Surveillance, Information, and Financial Markets

Michael Breen (DCU) and Elliott Doak (DCU)

Abstract: What are the effects of the International Monetary Fund's (IMF) monitoring and communications activities? We argue that IMF surveillance exercises – known as Article IV consultations – move financial markets. Our argument is based on the design of the IMF's surveillance function, which is a relatively strong form of monitoring by the standards of most international organizations (IOs). We test this argument using an event study analysis of 428 IMF press releases. We find that the average press release following a surveillance exercise has a substantial impact on financial markets with much greater impacts in emerging than advanced economies. Furthermore, we find little evidence that political or bureaucratic variables moderate these impacts. Interviews with sovereign investors support and help to contextualize our findings. By illustrating the effects of IMF monitoring, this article contributes to our understanding of how international institutions can exert pressure indirectly on national governments.

Speaker biography

Dr. Nicole Baerg is an Assistant Professor at the Department of Government at the University of Essex and co-director of the Essex Summer School in Social Science Data Analysis. Her research areas include the political economy of central banking, fiscal and monetary policies, public opinion, and immigration. Previously, she worked in the research department at the Federal Reserve Bank of Atlanta.

Dr. Michael Breen is an Associate Professor at the School of Law and Government at Dublin City University. His research is focused on the study of international political economy, particularly the politics of finance, the role of international organisations in the global economy, and the International Monetary Fund. He is also interested in the political economy of corruption and anti-corruption policies. He is an External Associate of the Centre for the Study of Globalisation and Regionalisation at the University of Warwick. He is also a member of Transparency International's expert advisory network.

Dr. Silvia Calò is an Economist at the International Analysis and Relations division of the Financial Stability Directorate at the Central Bank of Ireland. Before joining the Central Bank, she was a Max Weber Postdoctoral Fellow at the European University Institute, where she was affiliated to the Tommaso Padoa-Schioppa Chair at the Robert Schuman Centre for Advanced Studies. Previously, she held a PhD-level trainee position at the Fiscal Policies division of the European Central Bank.

Kristen Connolly has over 20 years' experience working at the highest levels of public, private and Government sectors to develop and deliver strategic communications and culture change programmes designed for impact. Kirsten has a proven track record in delivering change in large complex environments, having spent 10 years working in a number of senior communications and culture change roles at an executive level in the HSE (Ireland's Health Service) prior to taking up her role in the Central Bank of Ireland. Kirsten is skilled at using strategic communication approaches to build trust and enhance reputation. She has led award-winning cross-functional teams across the full spectrum of communications functions.

Dr. James P. Cross is a Jean Monnet Chair and Assistant Professor in the School of Politics and International Relations at University College Dublin. He is also a co-founder of the Connected_Politics Lab @ UCD. His research agenda addresses various aspects of international and comparative politics, with a specific focus on policymaking in the European Union (EU).

Federico Ferrara is a Ph.D. candidate in the Department of Political Science and International Relations at the University of Geneva. His research interests span several topics in international and European political economy. He is also a Communications Specialist in the Global Media Relations Division of DG-Communications at the European Central Bank.

Nicolò Fraccaroli is a PhD candidate in Economics at the University of Rome Tor Vergata and a PhD Intern at the Bank of England. His research interests include political economy, central banking, text analysis and empirical banking. He previously worked at the European Central Bank as Research Analyst and Trainee.

Prof. Juliet Johnson is Chair and Professor in the Department of Political Science at McGill University and Network Director of the Jean Monnet network Between the EU and Russia (BEAR). Her research focuses on the politics of money and identity, particularly in post-communist Europe. At McGill, she previously served as McGill Director of the Jean Monnet Centre Montréal, as Associate Dean (Research and Graduate Studies) for the Faculty of Arts, and as an elected member of the McGill University Board of Governors. She has received the University's David Thomson Award for Graduate Supervision and Teaching and the Faculty's H. Noel Fieldhouse Award for Distinguished Teaching.

Vasileios Madourous is the Director of Financial Stability at the Central Bank of Ireland and a member of the Plenary Board of the Single Resolution Board. He is responsible for the Central Bank's work to monitor threats to financial stability and provide advice on the use of macro-prudential tools to mitigate those risks. Vasileios is also responsible for enhancing the Central Bank's financial crisis preparedness and management capabilities.

Paul Moley has over 12 years' experience in the central banking and regulatory environment. He is an experienced communications advisor with a strong track record in managing a wide variety of complex stakeholder relationships. Paul has a demonstrated history of delivering strategic public sector communications campaigns, including outreach programmes as well as internal communication and engagement initiatives. Paul is currently the Acting Deputy Head of Communications in the Central Bank of Ireland, and also leads the Internal Communication & Engagement function. Previously, Paul has worked as an Advisor and Head of Office to the Deputy Governor (Financial Regulation) including leading on the establishment of the SSM briefing and coordination unit. Paul has also worked for the International Monetary Fund during the period when Ireland was part of the EU-IMF financial assistance programme.

Dr. Manuela Moschella is Associate Professor of International Political Economy at the Scuola Normale Superiore. Her research focuses on the relationship between technocracy and politics, the role of institutions and economic ideas in economic policymaking, the politics of macroeconomic and financial regulatory choices, and the behavior of international organizations. She is also an associate editor of the Routledge Studies in Globalisation Series.

Conor Parle is an Associate Economist at the Central Bank of Ireland. He specialises in Monetary Policy. His main responsibility is the timely analysis of the euro area economy and he represents the Irish Central Bank on three ECB working groups relating to bank lending, consumer expectations and the communication of economic concepts to non specialists.

Dr. Christoph Rosenberg is Assistant Director in the IMF's Communications Department, where he oversees the IMF's communication on economic and policy issues. Previously he worked in the European Department inter alia as mission chief for Hungary, coordinator of the IMF's work on the Baltics and head of the Regional Office for Eastern Europe in Warsaw.

Prof. Cheryl Schonardt-Bailey is Professor in Political Science and Fellow of the British Academy. She teaches courses on the politics of economic policy in the Government Department of the London School of Economics and Political Science. Her research interests are in political economy, legislatures, deliberation and quantitative textual analysis.

Ronan Smith has over 20 years' experience in the digital industry and has played lead roles developing and implementing content, communications, marketing, analytics and technology strategies for some of Ireland's most preeminent organisations. He currently leads Central Bank of Ireland's Content & Insights team and chairs a recently-formed cross-organisation Data Visualisation Community, which is building a roadmap for the dissemination of interactive datasets on centralbank.ie while leveraging story-telling to improve engagement with statisticians, economists and the general public.