

General Discussion of '20 Years of Central Bank Communications, and Lessons for the Future'

The discussion highlighted the significant challenges central banks face in communicating effectively about monetary policy, particularly during periods of economic upheaval. A central challenge involves explaining that, while inflation may stabilise, prices are unlikely to decline, complicating efforts to address public concerns regarding the cost of living. Central banks emphasise the benefits of low and stable inflation for economic stability and predictability but recognise the limitations of monetary policy in addressing broader societal challenges, such as inequality and climate change. Furthermore, some participants expressed concerns about expanding central bank mandates, arguing these goals could dilute the focus on inflation and the macroeconomy.

Participants also emphasised the necessity of clearly articulating the causes of inflation, especially amid misconceptions that monetary policy is the sole driver of inflation. The discussion highlighted how narratives blaming monetary policy could be countered by contextualising the role of other drivers. Discussions noted that frequent supply shocks underscored the importance of achieving stable inflation to mitigate volatility, though some deviations from targets may need to be tolerated.

Outreach and diversity in central bank communication were deemed essential, as individuals tend to respond more favourably to messages delivered by speakers who reflect their own demographic characteristics. Adversarial political environments present an additional challenge to central bank credibility and trust, as political attacks on central banks can erode public confidence. Participants highlighted the importance of responding in ways that reinforce central banks' independence and mandate while remaining politically neutral. Efforts to measure the effectiveness of central bank communications, such as through public polling and liaison programs, remain nascent but are seen as increasingly crucial for improving public understanding and trust.