

Amando M Tetangco Jr: Transparency and communication in central banking

Speech by Mr Amando M Tetangco Jr, Governor of the Central Bank of the Philippines, at the Oath-taking of the officers and directors of the Economic Journalists Association of the Philippines, Makati City, 17 March 2006.

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President Vicente Lopez of the Economic Journalists Association of the Philippines, distinguished officers and members of EJAP board, special guests, friends, good evening.

It is always a pleasure to attend gatherings of the media. It is where you hear the stories behind the stories that finally make it to the newspapers and broadcast stations. It is where you gain clarity as to why certain stories are angled in a particular manner.

At the same time, attending media gatherings is also quite challenging. As they say, communications is a two-way street.

Thus, if you receive, thou shalt also give. Personally, I have also provided insights behind certain news reports...in some cases, off the record or simply not for attribution. The objective is to ensure that a story is placed in the proper context or perspective so as not to mislead...or misinform.

Mutual respect is essential to maintain a professional relationship. We at the Bangko Sentral ng Pilipinas are fortunate that our relationship with the media in general and... in particular, with the members of the BSP Press Corps, past and present, have been cordial and professional.

I believe the professional manner by which journalists have been covering and reporting on the Bangko Sentral is partly responsible for the consistent positive ratings we get in surveys of government agencies. We thank you for this.

I have been told...several times...that it is not easy to report on the Bangko Sentral because the language or the jargon we normally use have to be interpreted and laymanized, so to speak, to be understood by the general public.

A journalist who was not a business writer, but ended up covering BSP for a day, described the press statement he got...that it might as well have been in German or Greek! He couldn't make heads or tails of it...and therefore could not appreciate the significance of the announcement.

Fortunately, for both of us, he was humble enough to admit he could not understand it...and therefore received an explanation. As a result, he came up with a story that was accurate and easy to understand.

At this point, I want to assure all of you that we have been doing our best in making our statements better and easier to understand and I have to acknowledge that the news stories I read in the newspapers the next day are generally better written, and easier to understand. We also appreciate that there is always an attempt to contextualize and provide a perspective on the impact to readers.

The challenge for government agencies like ours is to constantly find better ways of communicating and reaching out to you.

You are our link to the public and it is our responsibility to make sure there is proper understanding of our policies, programs, and pronouncements.

This is the reason why we have been making ourselves accessible to you. If you have noticed, we have been conducting more regular briefings, responding promptly to requests for interviews, answering your calls and text messages, and at times, even providing written responses to your questions.

But beyond these, we are going to institutionalize a series of briefings on Central Banking 101 and how our policies influence and affect the other sectors our economy and ultimately our people. We are also ready to prepare special briefings on particular topics you may request, including the new accounting standards, Basel II, inflation targeting and understanding the dynamics of foreign exchange.

We can make this program available not only to members of the BSP Press Corps but also to other members of EJAP who wish to be updated. I hope we will have good attendance and participation in these briefings.

A wise Central Bank Governor once said, "Good politics is good economics, and good economics is good politics". Let me add a third element that serves as the key to bridging politics and economics: good information.

I understand the EJAP is now twenty years old. Over this time, the economic consciousness of our people has been raised because of the media in general...and you, the economic journalists in particular. The members of the EJAP can rightfully claim that you are instrumental in encouraging economic policy discussions that have led to the crafting of good policies and programs.

Now, we could go into a debate of what is good economic policy discussion or simply noise.... But that I shall leave for a more philosophical conversation at another time....

I feel very strongly about the role that you, as economic journalists, play in communicating our policies. As I said earlier, good information translates to good economics.

This is certainly the right forum for me to talk about a topic of growing importance to central banks – "Transparency and Communication". Transparency broadly relates to the openness of a central bank in making explicit its monetary policy decisions and explaining the reasoning behind them. From a strategic perspective, it also encompasses clear communication of the longer-run objectives and strategy of monetary policy. Through your insightful reporting, you actually help us operationalize our communication policy at the BSP.

In the past, there has been a general view that central banks tended to operate with considerable secrecy and mystery. However, over the past decade or so, most central banks have moved towards increased transparency and greater communication in the conduct of monetary policy. A brief look at the developments in financial markets and the conduct of central banking in recent decades will show that this trend developed partly out of necessity. What are these developments?

First, it has become increasingly clear over the last few decades that central banks need to have a considerable degree of independence to ensure consistency in the implementation of monetary policy over time. But along with a high degree of independence, central banks are required to be transparent to establish accountability. In effect, without transparency, nobody knows what an unelected bunch of central bankers do or commit to do. There is no basis for assessing their performance and accountability.

As a parenthetical remark, let me say here, this principle of independence requiring transparency, leading to accountability, further leading to performance and commitment works well even in other areas, including the area of politics.

Second, financial markets have increasingly become globally interconnected such that monetary policy, whether good or bad, can be rapidly transmitted and thereby, impact on the behavior of market participants. It then becomes imperative for central banks to effectively communicate their actions to allow financial markets to figure out policy decisions. This is good for business and macroeconomic planning and promotes general stability.

Finally, inflation targeting, our monetary policy framework, is forward-looking, and the only way to establish accountability is to be transparent about the commitment to promote price stability.

Central banks, however, did not embrace transparency (and necessarily communication) only because they were forced to do so. Increased transparency and greater communication have their benefits. It is in a central bank's own interest to be transparent in its monetary policy actions. Clearly communicating the level of price stability and the strategies to achieve it.... Help to anchor the inflation expectations of the business sector and the public in general.

What is the practice of the BSP in terms of transparency and external communication?

In the past four years of the inflation targeting framework, the BSP has adopted various disclosure and reporting mechanisms which you are familiar with. These mechanisms are intended to help the public understand what the BSP is doing and the reasons for its monetary policy actions.

For instance, we have the: 1) press statement after the meeting of the monetary board on BSP's monetary policy stance; 2) highlights of the Monetary Board discussion which is published in our

website after a lag of six weeks; and 3) quarterly Inflation Report and the related media briefing. As a bonus, you also get a monthly dose of our inflation forecast relative to our annual target.

We also hold public discussions to increase public understanding and ownership of the monetary policy process. The public information campaign in various locations around the country has helped increase the public's familiarity with inflation targeting and monetary policy in general.

The BSP's communication approach has been aimed at the very broadest audience possible, with the policy stance articulated in layman's terms as much as possible. This approach has generated positive feedback from various quarters and served BSP in good stead.

The role of economic journalists

In assessing our performance in the communications front, I believe we are making good progress and headed in the right direction. We are well aware that earning the people's trust in the credibility of the BSP remains an ongoing challenge. We know that the familiarity of the general public with the BSP and its functions still needs to be further enhanced.

In this regard, economic journalists have a very important role to play. Along with other forms of media, you have the responsibility of informing the public about the BSP's monetary and banking policies. In the process you contribute to constructive public dialogue on such policies and not simply noise.

The central purpose of journalism is to provide citizens with accurate and reliable information that they need to function in a free society. To achieve this, we conduct regular briefings for you and other members of the press on economic concepts and issues.

We hope that you will continue to help us convey to the public the BSP's policies and decisions in a clear, accurate and balanced manner. Malaki po ang inyong naitutulong sa pagpapalaganap ng mga layunin namin sa bangko sentral. naniniwala po ako, na dahil sa inyong tulong, mas mabilis na nagiging malinaw sa ating mga mamayan ang mga polisiya ng bangko sentral.

The translation into the real sector of monetary policy through the various transmission mechanisms then would be swifter and more expeditious.

Conclusion

In conclusion, we at the BSP recognize that central banking and in particular, inflation targeting, is a public trust, much like a newspaper such as the Business World."

We have to continue in our mandate of ensuring price stability and a stable financial system "Without fear or favor" just like a Daily Tribune. Transparency and communication is a crucial part of the job of everyone charged with the management of the economy. That is why, Malaya kaming nag-issue ng bulletin that mirror the news of the times and evolving standard today.

And while being a constant inquirer, we expect economic journalists such as yourselves to be balanced in your reporting. For our part, we will continue to strive to advance in our communication strategy as there remains plenty of room for improvement.

In the end, as we are guided by The Star, "The truth shall prevail".

Finally, I congratulate the EJAP for its continuing program to improve the craft of its members. As I said earlier, we at the Bangko Sentral ng Pilipinas stand ready to help you achieve this objective through regular briefings on relevant and timely economic topics.

Again my congratulations to the new set of officers and the active members of the Economic Journalists Association of the Philippines. May your tribe increase. Maraming salamat sa inyong lahat.