

Beyond Monetary Policy: Expanding the Communication Frontiers of Central Banks

Adina Criste

Iulia Lupu

"Victor Slăvescu" Centre for Financial and Monetary Research, Romania

criste.adina@gmail.com

iulia_lupu@icfm.ro

Abstract

In a period marked by uncertainty, but also by rapid technological advances, communication is a fundamental element of a central bank's strategy. The outbreak of the global financial crisis paved the way for changes in central bank policy by expanding its role to maintain financial stability, not just price stability. Gradually, more and more issues outside the sphere of responsibility began to be addressed or even assimilated. In this framework, the paper aims to highlight the expanded role of a central bank's communication policy with the public, based on exploring the themes addressed in the central bankers' speeches, during 2015-2024. The analysis shows that the issue of financial inclusion is constantly discussed. Still, after 2019, speeches on climate change are comparatively more frequent. The subject remains open to in-depth explorations, in the context of increasing concerns related to changes in strategy and extended mandate.

Key words: communication tools, central bank mandate, public stability, financial inclusion, climate change

J.E.L. classification: D83, E58, E59, G53

1. Introduction

The succession of crises in the last two decades has created a special profile for the central bank, with its active involvement in ensuring financial stability by applying exceptional measures.

The communication policy of a central bank can be viewed as the spearhead for the messages developed and conveyed to address the uncertainty and concern exhibited by the public. In this context, the significant changes in the economy and society since the onset of the global financial crisis in 2007-2008 are inherently reflected in the formulation of the communication policy of a central bank, which has notably enhanced its openness to the public to achieve its monetary policy objectives, while also providing a framework for financial stability and a predictable outlook regarding inflation dynamics and monetary policy instruments (Criste and Lupu, 2017).

Beyond the motivations related to the responsibility assumed to achieve its monetary policy objectives, based on the formation of inflationary expectations, the improvement of investor sentiment and the reduction of uncertainty in the financial market, the central bank communicates with the public also to be connected to the current reality and to the problems of society, to identify the perception of the public, but also to form and familiarise it with the financial environment.

At the same time, central banks find it increasingly difficult to maintain their operating framework in their core competence, because under the pressure of the recent shocks and crises, more and more problems outside the sphere of responsibility have begun to be addressed and assimilated. Reporting on policies of broader interest in society, such as those in the field of climate change or those regarding the reduction of income inequality in the economy, is a concern increasingly present in public debates, thus referring to a potential expansion of the role of central banks in society.

The paper's objective is to highlight the importance that the central bank gives to current issues outside its responsibility. The theoretical framework of the problem is presented in the following section, identifying both the means of communication of a central bank with the public and the relationship between significant issues and financial stability. Next, in the third section, the working methodology is presented, based on which, in the fourth section, the research results are obtained and presented/described, identifying trends regarding the communication of central banks on extra-monetary issues. In the last section, the conclusion, some essential ideas that emerge from the paper are mentioned.

2. Theoretical background

2.1. Central bank and the current issues in society

Central banks have traditionally had a fundamental objective of price stability, but since the global financial crisis, many have expanded their mandate to include financial stability. At the same time, these institutions have become increasingly open to the public and concerned about broader societal issues, as they have direct or indirect implications for financial stability.

One of the topics for which there is growing interest is the role that central banks can play in addressing the risks associated with climate change, physical risks and the transition to a low-carbon economy. The motivations for such concerns at the level of central banks and the justification for their involvement in this area are given not only by the potential effects of climate change on the functioning of the financial system, but also by the importance of the central bank as an authority that can promote the idea of making this policy a government priority.

Clarifying the extent to which the central bank can act as a catalyst for promoting green financial development and incorporating climate change risks into its operational mechanism are relevant aspects that can redefine the mandate of a central bank. It can be considered that the relevance of the subject of climate change for the central bank was marked by the first speeches on this topic by two central bank governors – the governor of the central bank of Finland, Liikanen, in 2008, and the governor of the Bank of England, Carney, in 2015. The first drew attention to the risks of the effects of climate change on inflation dynamics and the formation of inflationary expectations, while the second expanded the scope of concerns and worries about the stability of the financial system, probably also as a result of the experience gained with the manifestation of the global financial crisis (Lupu and Criste, 2023).

Another relevant topic for the analysis concerns the issue of income distribution in the economy. Although it is outside the area of responsibility assumed by a central bank, in recent years, there has been an increase in concerns among decision-makers within central banks regarding the dynamics and trend of this phenomenon. The motivation for its importance is given by the manifestation of a double connection between monetary policy and income inequality: on the one hand, the efficiency of monetary policy is affected in more unequal societies (Kaplan et al., 2018; Awazu Pereira da Silva et al., 2022), and on the other hand, central bank decisions affect the distribution of income in the economy (Feiveson et al., 2020). Moreover, according to Awazu Pereira da Silva et al. (2022), conditions tend to worsen in economic recession, and recovery from the recession is slower.

Carstens (2021) argues that persistent and higher inequality should be seen as a characteristic of the environment in which the central bank must act to achieve its objective. Some studies show the different influence of monetary policy conduct on income inequality, depending on the level of inflation. Thus, Glawe and Wagner (2024) emphasise that a restrictive monetary policy conduct can reduce inequality in the long run in countries characterised by high inflation, while in countries with low inflation, such conduct can accentuate the inflation-unemployment dilemma, amplifying the phenomenon of inequality. The complex interaction between central bank policy and income inequality in the economy demonstrates the importance of this phenomenon for the monetary authority.

The issue of financial inclusion, with its two dimensions, access to financial education and access to financial services, is already integrated into the concerns of many central banks, given that it has implications for financial stability. Thus, access to financial services means diversifying

financial risks, strengthening the banking system based on stable sources of financing provided by savings banking services offered to the population, access to loans, etc. However, capitalising on these advantages automatically implies knowledge and understanding by the public of the financial services they can benefit from. Therefore, financial education can improve the capacity to make informed financial decisions.

2.3. Ways of communicating with the public

Traditionally, the communication policy of a central bank connects with the public, as the recipient of the central bank's messages, whether it is about communicating its objective and strategy, the monetary policy decisions adopted and their motivation or informing about forecasts on the dynamics of the economy or the trajectory of the monetary policy interest rate. Effective communication from the central bank means clarity in transmitting messages to the public (Blinder et al., 2008). Still, at the same time, it requires support from the public to achieve its objectives.

Kryvtsov and Petersen (2021) underline the stabilising effect of central bank communication on individual and aggregate outcomes, and the effect size varies depending on the type of communication. It is no longer aimed only at professional or financial specialists, but also at the public.

Central banks have improved their communication strategies to interact more effectively with the public. These changes are based on both the development of new communication technologies and the observation that transparency and openness towards the general public contribute positively to institutional credibility. Moreover, in a knowledge-based society, central bank communication is essential for improving the public's financial and economic education, familiarising them with specialised terms. They use a variety of communication channels to convey their policies, decisions and economic perspectives, from press releases and official statements and specialised reports to messages and posts on social networks, with a character more accessible to the general public (see Table no. 1).

Table no. 1 The main communication channels of a modern central bank

WHICH channel	HOW acts	WHAT to convey
Official Statements and Press Releases	<i>announce...</i>	monetary policy decisions, interest rate changes, and economic forecasts.
Monetary Policy Reports and Research Papers	<i>publish...</i>	detailed documents that help explain monetary policy decisions and provide transparency.
Official Website	<i>post...</i>	information and data for easier and faster access by the general public.
Speeches and Public Statements	<i>deliver...</i>	messages for more in-depth information about monetary policy and economic conditions.
Press Conferences	<i>hold...</i>	conferences to clarify decisions for shaping public perception.
Media Interactions	<i>give...</i>	interviews to manage narratives and address concerns.
Social networks	<i>share...</i>	information on social media platforms as a way for the general public to access it quickly.

Source: authors' contribution

These channels can be ranked according to their degree of authority. The most relevant in this regard are official statements and reports, followed by press conferences and speeches, and finally, social networks and interactions with the media as additional tools. The first category is more technical, using specialised language applied to monetary policy issues. The second category is addressed to specialists and those in the academic world, as well as to a broader, non-specialist public. Therefore, the language is more nuanced and less specialised, without too many stereotypical and technical phrases, but the approach to the themes is also more extensive. The third category, which occupies an increasingly important place in general communication, developed in the context of the democratisation of information, is a more direct, addressed to a

large, non-specialised public. This category is most subject to interpretations that can be more easily visible in virtual space and generate faster and more volatile reactions in this environment.

A recent study (Choi and Asaju, 2024), which surveyed the communication strategy among 34 central banks, in the first part of 2024, mentions that these institutions continue to rely more on traditional communication means – the press (60.7%) than on social networks (39.3%), but many of them are considering improving their websites and increasing their presence on social networks in the future. In the future, artificial intelligence tools could support communicating with the public (both for formulating layered messages, by audience categories) and identifying public reactions to the central bank's message. Approaching the public using communication tools is achieved by pursuing at least three objectives:

- permanent information and timely reporting of new trends in the economy
- education and literacy in the field of finance
- listening to the public to gather information and identify perceptions.

New communication tools used by central banks to inform the public include using social media and digital platforms to share updates and explain monetary policy in simpler terms, as well as podcasts and live webinars that discuss economic trends and policy decisions in a more conversational format.

Public education in this area is achieved by developing user-friendly websites with explanatory videos, infographics, and frequently asked questions (FAQs) to help the public understand complex financial concepts. In this context, artificial intelligence tools, using chatbots, can be helpful by providing instant answers to frequently asked questions about monetary policy.

Some more advanced central banks (e.g. the Federal Reserve, European Central Bank, Bank of England, Bank of Canada) hold public listening events (e.g. Fed Listens, an series of events initiated by the Federal Reserve) to understand the concerns of the non-specialised public better and to identify perceptions/economic sentiment. All these tools aim to increase trust, improve financial literacy, and ensure that the public understands monetary policy decisions well.

3. Research methodology

In order to highlight the importance that the central bank gives to current issues that are outside its responsibility, we resort to a comparative analysis of the dynamics of certain extra-monetary issues addressed by central banks at the communication level. Three topics of analysis were selected, based on those stated in the second section, topics relevant to financial and monetary stability, which are increasingly present in society, and which are included in the official agenda of decision-makers: climate change, income inequality and financial inclusion (which involves both access to financial services and resources, as well as financial education).

Of the communication channels presented and ranked above according to authority, we will focus on speeches and interviews for the present study, starting from the premise that here the diversity of the topics addressed is more clearly reflected. They have a more general character, addressed to a broader audience, in an accessible language, adapted to the target audience. This type of communication is relevant because it is one of the main ways essential themes are communicated quickly and clearly, beyond those specific to central bank policy.

The analysis considered the sample speeches delivered by central bank officials, recorded by the Bank for International Settlements (BIS). The data and information are extracted for the period 2015-2024.

To filter the results, we resorted to searching the speeches for specific keywords for each theme, as follows:

- Climate change, global warming, carbon footprint, fossil fuel, renewable energy, and green finance.
- Income inequality, wage or income gap, income or earning disparity, wealth concentration, poverty, and minimum wage.
- Financial inclusion, digital financial services, financial or credit access, consumer protection, financial education or literacy, and financial knowledge.

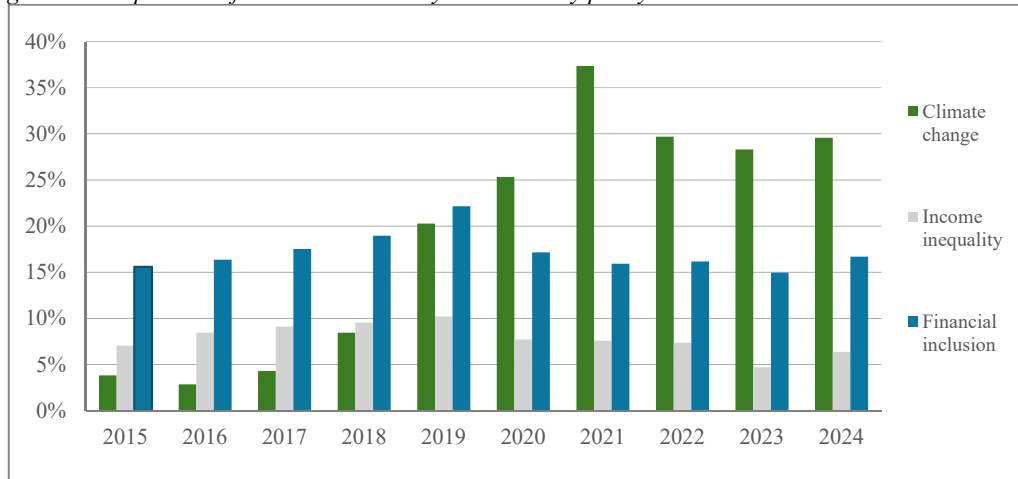
The data will be obtained based on the annual number of speeches on each selected theme and

the total number of speeches by central bank officials.

4. Findings

Based on the data processed and presented in the graph below (Figure 1), different developments can be noted regarding the three extra-monetary areas addressed by central banks from 2015 to 2024.

Figure no. 1. Speeches of central bankers beyond monetary policy



Source: authors' contribution based on data extracted from the BIS website, available at: www.bis.org/cbspeeches/index.htm?m=256

The central bankers' speeches on the topic of income inequality, although they do not have a significant share, being under 10% of all annual speeches, have a relatively constant trend over time.

It is worth noting that in the first part of the interval (2015-2018), a hierarchy of the three topics addressed is maintained, the field of financial inclusion being more frequently presented in speeches. It is a topic that the central bank treats with interest, through its involvement in financial education programs, but also through the effort to improve the population's access to financial services or through activities regarding consumer protection. After 2019, however, a change in the hierarchy occurred, considering the significant increase in speeches on climate change. In fact, since 2020, speeches on climate change have had the highest share in total, compared to the other two categories, reaching their maximum level in 2021. This trend confirms that central banks are among the most active actors in the public debate on climate change and the transition to low-carbon emissions.

It should be noted that the grouping into the three categories of topics has certain limits, considering that some keywords from a specific group can also be found in another group, because there are no clearly delimited boundaries, at least in terms of financial inclusion. It can be interpreted that financial inclusion is directly linked to the field of income inequality, given that the phenomenon of unequal income distribution influences the degree of poverty and implicitly makes the process of financial inclusion more complicated: the access to financial services is affected, as well as the access to education, including financial education. Another limit refers to the set of keywords used. Trying to limit ourselves to six relevant keywords for each field, there was a risk of losing other terms that may be equally relevant. However, the topic addressed remains open to research and in-depth study.

5. Conclusions

Beyond the motivations related to the responsibility assumed to achieve its monetary policy objectives, based on the formation of inflationary expectations, the improvement of investor sentiment and the reduction of uncertainty in the financial market, the central bank also communicates with the public to be connected to the current reality of the society, to identify the perception of the public, but also to guide and familiarise it with the financial environment.

The speeches on the three selected topics have different weights in the total of the annual speeches. An increase is particularly noticeable in addressing the climate change problem and the greening economy.

It is reconfirmed that the speech remains one of the main channels of communication on current economic and societal issues, which go beyond the specific spectrum of monetary policy and decisions of this kind. They have the role of signalling the central bank's presence as an important actor in the economy, connected to social problems.

The limits of the research regarding the relativity of the grouping into the three categories of subjects or the set of keywords used could be considered motivations for developing and extending the subject through in-depth explorations. This represents a topical issue in the context of increasing concerns related to changes in strategy and the potential expansion of the central bank's mandate, in general, with the possibility of refinement through the use of more rigorous analysis techniques.

6. References

- Awazu Pereira da Silva, L., Kharroubi, E., Kohlscheen, E., Lombardi, M., and Mojon, B., 2022. Inequality hysteresis and the effectiveness of macroeconomic stabilisation policies. *Bank for International Settlements, May*. [online]. Available at: <<https://www.bis.org/publ/othp50.pdf>> [Accessed 10 March 2025].
- Blinder, A. S., Ehrmann, M., Fratzscher, M., De Haan, J., and Jansen, D.-J., 2008. Central Bank Communication and Monetary Policy: A Survey of Theory and Evidence. *NBER Working Paper Series*, 13932(April). <https://doi.org/10.3386/w13932>
- Carstens, A., 2021. *Central banks and inequality*. Markus' Academy, Princeton University's Bendheim Center for Finance, Basel, 6 May.
- Choi, J., and Asaju, T., 2024. Communications Benchmarks 2024 Report - emerging trends. *Central Banking Institute. Benchmarking Reports*. [online]. Available at: <<https://www.centralbanking.com/benchmarking/communications>> [Accessed 10 March 2025].
- Criste, A., and Lupu, I., (2017). Communication Tool in Central Banking. Increasing its Role for the New Reality. *Ovidius University Annals, Economic Sciences Series*, 17(2), pp. 537-541
- Feiveson, L., Goernemann, N., Hotchkiss, J., Mertens, K., and Sim, J., 2020. Distributional Considerations for Monetary Policy Strategy. *Finance and Economics Discussion Series*, 2020–073. <https://doi.org/10.17016/feds.2020.073>
- Glawe, L., and Wagner, H., 2024. Inflation and inequality: New evidence from a dynamic panel threshold analysis. *International Economics and Economic Policy*, 21, pp. 297–309. <https://doi.org/10.1007/s10368-023-00580-x>
- Kaplan, G., Moll, B., and Violante, L. G., 2018. Monetary Policy According to HANK. *American Economic Review*, 108(3), pp. 697–743. <https://doi.org/10.1257/aer.20160042>
- Kryvtsov, O., and Petersen, L., 2021. Central bank communication that works: Lessons from lab experiments. *Journal of Monetary Economics*, 117, pp. 760–780. <https://doi.org/10.1016/j.jmoneco.2020.05.001>
- Lupu, I., and Criste, A., 2023. Climate Change in the Discourse of Central Banks. Influence on Financial Stability at the European Level. *Studies in Business and Economics*, 18(2), pp. 235–246. <https://doi.org/10.2478/sbe-2023-0034>