RESERVE BANK OF AUSTRALIA

Speech

From the Shadows to the Podium: Central Banks and the Press

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Remarks at the Business Journalism Awards

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It’s a privilege to be with you today and to announce the shortlist for the 2024 Walkley Business Journalism Award.

I am not the first senior official of the RBA to address this event – but, to put it mildly, our central banking predecessors a hundred years ago would have been surprised to see us here.

The high priest of central banking in the mid-1920s was Montagu Norman, Governor of the Bank of England. Norman was an extraordinary character – a devotee of mysticism, who wore a long flowing cloak and travelled under the fake name of Professor Clarence Skinner. His communications strategy was succinctly summarised in the pithy phrase 'never explain, never apologise'.

He regularly put those words into practice. When asked by a Parliamentary select committee in 1930 to rationalise a particular course of action, for example, he simply tapped the side of his nose three times and stared into the distance.

Despite – or perhaps because of – this unusual behaviour, journalists loved him. A breathless 1932 *New York Times* pen portrait, entitled 'Banker and Legend', purred: 'Mr Norman is all elusiveness, technique, finesse … he sits silent, discreet, unseen … exercising a power unthought of by old-fashioned tyrants and only glimpsed by alchemists of long ago poring over their crucibles.'[1]

Sadly, that passion went unreciprocated. Indeed, Norman made titanic efforts to avoid the press. Once, aboard ship in rough seas, word reached him that reporters were gathering to question him at the next port. He promptly leapt over the rails, shimmied down a rope ladder, and made his escape in a dinghy.[2]

'Never explain, never apologise' permeated every aspect of the Bank of England's operations at that time. Not for them, the modern paraphernalia of glossy reports, explainers and press conferences. For much of the 20th century, changes in official interest rates were communicated solely through the medium of a large printed card, placed in the Bank's ornate lobby, and a simultaneous verbal announcement by the 'government broker' to traders in the government bond market. To effect that announcement, the broker removed his top hat, stood upon a bench, and bellowed at the top of his voice.[3] Fleet Street's finest played no role.

Indeed, even when I joined the Bank of England in the early 1990s, the main job of the Head of the Press Office was still said to be, with little irony: 'keep the Bank out of the press and the press out of the Bank'.[4]

That mindset extended well beyond the United Kingdom.

The US Federal Reserve, for example, was established in conditions of such extreme secrecy, that those meeting to agree its charter in 1910 tried to pass off their discussions as a recreational duck hunting trip to Jekyll Island, Georgia. Three quarters of a century later, they were still at it. In 1987, Alan Greenspan famously told members of the US Congress: 'since I've become a central banker, I've learned to mumble with great incoherence … if I seem unduly clear to you, you must have misunderstood what I said.' He was only half joking.

Over recent years, however, things have changed profoundly as central banks have emerged blinking into the sunlight of greater transparency – a process dubbed the 'quiet revolution' by Alan Blinder.

The revolution certainly began quietly. The RBA, for example, only began announcing changes to its policy rate to the media in 1990. Prior to that, market participants were expected to draw their own conclusions about what had happened by scrutinising the detail of the Bank's market operations. [5]

In the years since, however, the revolution has got louder. Central banks now produce a vast stream of material, from written inflation reports, research material and policy committee minutes, to increasingly interactive public appearances, including speeches, Parliamentary scrutiny, conference panels, on-the-record interviews and press conferences.

All of that reflects two key drivers.

The first is the recognition that the huge powers conferred on central banks by the granting of operational independence – powers that affect every citizen in the country – come with an essential *quid pro quo*. And that is the obligation to account for our actions: to explain, and to be scrutinised and challenged. That need for explicit public accountability has been further amplified by the burgeoning scale, scope and complexity of central bank operations; by back-to-back crises; and by the more demanding public expectations of public institutions generally. [6]

But transparency and challenge isn't just something we *have* to do: it manifestly also drives *better* policymaking. Public understanding and trust in our mission helps to anchor inflation expectations – a vital component of effective monetary policy. Knowing how central banks see the economic outlook, and how policy will respond to changes to that outlook – our so-called 'reaction functions' – affects behaviour today. Indeed, for many economies, the vast majority of the effect of monetary policy comes not from changes in today's official interest rate, but through expectations about how those rates will evolve in the future. So communications is everything – or almost everything.

But those benefits only accrue if we get our message across – not just to the modern descendants of those top-hatted bankers, but to the public at large. And that's where we need all of you in this room. Because, let's face it, central bankers globally have had a mixed track record historically when it came to clear and effective communications – even when they were trying. Back in 2017, Andy Haldane – then Chief Economist of the Bank of England – estimated the minimum reading age required for a range of public communications, including central bank publications, the *Economist*, Elvis Presley's lyrics and Donald Trump's speeches. He found that Trump's speeches could be understood by three-quarters of the population, and Elvis's lyrics by only slightly less. But the complexity of most central banking communications at that time meant they could reach at most only 10 per cent of the public.[7] That is no basis for building broad-based trust, credibility and understanding.

It was clear we could do better – and we are. Research from the European Central Bank (ECB) shows that its current President, Christine Lagarde, uses language that is far more widely comprehensible than her predecessors, on Haldane's measures.[8] Similarly, the approach adopted by our own Governor, Michele Bullock, at the RBA's new press conferences has won widespread praise for its clarity and simplicity.

But the fact is that most people still hear about us through you. Despite the increasingly fractured landscape of social media and on-demand streaming, overwhelmingly the dominant source of information about central bank policy remains the good old press, TV and radio.[9] So we need your skills as translators and explainers.

More importantly still, we need your challenge. As public officials, knowing your analysis has to withstand public scrutiny drives an enormous lift in the quality and robustness of that analysis. I saw that up close at the Bank of England in the 1990s when we first embraced real transparency. Poor arguments, which once went unquestioned in grey smoke-filled rooms, did not survive the rigour of public examination. So, whatever may have been alleged in some quarters, both I and the RBA strongly welcome challenge, scrutiny and debate.

Of course, it's sometimes less fun when robust press scrutiny bleeds over from the purely technocratic to the personal. That's certainly familiar to someone, like me, who comes from a country whose press managed to summarise a particularly salacious episode in the central bank's life as 'It's the Bonk Of England', filmed a live runoff between a recent prime minister and a decaying lettuce, and followed the Bank of England Governor to the office every day for a week during Covid in a somewhat confused attack on the Bank's policy on working from home. Some past RBA Governors have had to face similar treatment.

But all of us in public life must – and do – recognise the privilege that comes with our roles, and the accountability we owe, via you, to the public at large. So I want to thank you – not just for the vital role you play in helping to explain the complexities of economic policy, but also for your informed scrutiny and challenge, which forces us to raise our game and stay accountable for the huge powers we wield. If the cleansing effect of transparency is to continue to be effective, so must your role.

With that, let me turn to my main task here today, which is to announce the finalists for the 2024 Walkley Business Journalism Award. The goal of these Awards is to encourage journalists to pursue rigorous and fearless reporting in the field of business, economics and finance. And they have certainly met that brief this year!

And with that I look forward to our discussion here today. Thank you.

Endnotes

[*] I am grateful to David Bold, Ann Collings, Sally Cray, Stephen Cupper, Paula Drew, Bradley Jones, Sarah Middleton-Jones, Beth Tasker, Megan Thomas and Greg Tyler for their help in putting these remarks together.

[1] <https://www.nytimes.com/1932/04/17/archives/montagu-norman-banker-and-legend-again-elected-governor-of-britains.html>

[2] Many of these stories come from the marvellous *Lords of Finance* by Liaquat Ahamed (Penguin Press, 2009). As the book describes, the obsession with secrecy sometimes reached farcical proportions. When the Bank of England was forced by rapidly mounting financial losses to take the United Kingdom off the gold standard in 1931 – one of the most momentous economic decisions of the 20th century – frantic officials were unable to consult openly with the Governor because he was travelling by sea. The attempt to send the message in code ('sorry we have to go off tomorrow and cannot wait to see you before doing so') was badly misinterpreted by Norman, who thought it just meant his colleagues were taking a well-earned break. When he realised his life's work had been undone in his absence, it took him days to get over the shock.

[3] Kynaston D (2017), *Till Time's Last Sand: A History of the Bank of England*: Bloomsbury, p 273.

[4] Capie FH (2010), *The Bank of England: 1950s to* 1979, Cambridge: Cambridge University Press.

[5] Battellino R, J Broadbent and P Lowe (1997), *The Implementation of Monetary Policy in Australia*, RBA Research Discussion Paper 9703. It was another 17 years before media releases recording no-change decisions.

[6] These and other points in my remarks are covered in greater depth by Stevens G (2007), 'Central Bank Communication', Address to The Sydney Institute, Sydney, 11 December 2007.

[7] See Chart 17 in Haldane AG (2017), 'A Little More Conversation A Little Less Action', Speech given to Federal Reserve Bank of San Francisco Macroeconomics and Monetary Policy Conference, 31 March.

[8] See Figure 4 in Blinder AS, M Ehrmann, J de Haan, and D-J Jansen (2024), 'Central Bank Communication with the General Public: Promise or False Hope?', *Journal of Economic Literature*, 62(2), pp 425–457.

[9] See Chart 4 in Gardt M, S Angino, S Mee and G Glöckler (2021), 'ECB Communication with the Wider Public', ECB *Economic Bulletin*, Issue 8/2021.