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## CENTRAL BANK PUBLIC COMMUNICATION CAMPAIGN AND MONETARY POLICY



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### ABSTRACT

*This paper examines the relevance of public communication campaign in a central bank's quest to adequately communicate monetary policy decisions to its stakeholders. The meaning, design and evaluation of public communication campaign are discussed to highlight campaign's usefulness in monetary policy communication. Its limitation are also noted with regards to the discussion of technical or complex issues in monetary policy.*

### INTRODUCTION

In today's economic and financial world, there is the need for central banks to explain in clear and transparent terms, how they intend to achieve their objectives. The need to know is ever-present as most stakeholders require adequate information to enable them to take informed decisions.

Carvalho & Nechio (2014) emphasized the need for central bankers to communicate with the public to improve their understanding of monetary policy. As the argument goes, this should allow households and firms to make better-informed price- and wage-setting decisions, and improve policy effectiveness. More generally, agents understanding of how policies that affect their decisions are conducted remain a key ingredient in the policy transmission

mechanism. This perception is guided by economic theories in which the behavior of the economy depends on the interaction between the actual conduct of policy and agents understanding of it.

In the opinion of Bernanke (2013), the public's expectations about future monetary policy actions matter today because those expectations have important effects on current financial conditions, which in turn affect output, employment, and inflation over time. For example, because investors can choose freely between holding a longer-term security or rolling over a sequence of short-term securities, longer-term interest rates today are closely linked to market participants' expectations of how short-term rates will evolve. If monetary policymakers are expected to keep short-term interest rates low, then current longer-term interest rates are likely to be low as well, all else being equal. Thus, for monetary policy, expectations matter.

It has therefore become almost obligatory for central banks, especially in the developing countries where financial education is poor to evolve efficient and effective channels of communicating with economic agents, to ensure that all are carried along, regarding economic and financial policies.

Meanwhile, Thomas Patterson (in UVM Writing Center web page) defines Public Communication as the practice of understanding, designing, implementing, and evaluating successful communication campaigns within a framework of public service. It is used to inform & persuade, to build relationships, and to encourage open dialogue in the public interest. There is a thin line of difference exists between mass communication and public communication as they are all directed towards the stakeholders or economic agents. However, this paper tends towards the appeal of public communication which embraces exchange or transaction of ideas. This is somewhat tepid in mass communication. In the opinion of Anskar-Ahy (2012) public communication's normative task is to support the legitimacy of collective decisions. He noted

further that public communication is decision-oriented and that in order to understand public communication as conducive to the legitimacy of collective decisions, share *dex ante* definitions of the purpose of public communication and the composition of the public sphere are required.

### COMMUNICATION AND MONETARY POLICY

Communication is a useful tool to help mirror the transparency of central banks. There is need for central banks to explain monetary policies to the relevant stakeholders in unambiguous language, using appropriate media. Amato *et al* (2003) corroborated this view by noting that communication is an integral part of modern monetary policy and that central banks have placed growing emphasis during the past decade towards greater transparency by explaining the modes of communication and the amount of information revealed to the public.

Consequently, in the view of Ekor *et al* (2013), communication enhances the predictability of monetary policy decisions and by extension its transparency. Given that transparency is defined as 'the absence of asymmetric information between policy makers and the public', the expectation is that markets should be able to anticipate monetary policy decisions reasonably well. Furthermore, Ekor *et al* noted that it remained unarguable that in the event of poor communication by the central bank, market volatility may become more pronounced.

Central banks should communicate among other issues, its proposed long term strategic policy actions needed to actualize its primary long-term objectives, explain rationale behind monetary policy decisions, its economic outlook, and policy rate path. While doing these, a central bank should also be clear, transparent, open, timely, consistent and credible in its communication (Tule *et al*, 2001).

Evans (2014) opined that communications are critical for effective monetary policy strategy as they are inextricably linked. In his view, as the President of the Federal Reserve Bank of Chicago, there are different approaches to, and much debate regarding, best practices. One approach is

to have a full-throated discussion at the monetary policy meetings, release a statement summarizing Federal Reserve Bank's view and then have the Governor hold a quarterly press conference to announce and explain the policy action to the public. This approach also includes describing how the action is intended to achieve the policy goal of Federal Open Market Committee (FOMC). These post-meeting communications are followed by the release of the minutes, which give a fuller description of the comments made at the meeting. An alternative approach is to adopt a simple policy rule, like Taylor's 1993 policy rule. The FOMC would follow the policy rule prescription and report on any particular details regarding how the rule was implemented at each meeting. Again, a press conference could be used as a communications enhancement.

A clear expression of policy intentions requires stating the central bank's policy goals clearly and explicitly. These messages need to be repeated – over and over again. It is also necessary to clearly demonstrate Federal Reserve Bank's commitment to achieving these goals in a timely fashion with policy actions.

Levin, (2014) observed that over the past two decades, central banks around the world have made tremendous strides in clarifying their monetary policy communications. Economic and financial developments in recent years have broadly confirmed the importance of clear central bank communications and in many instances have also underscored the scope for significant improvements. In contemplating these issues, it is essential to recognize that the efficacy of central bank communications is inextricably linked to the characteristics of the monetary policy framework.

Commenting on why transparency and communication are important for Monetary Policy, Guinigundo (2006) noted that over the past decade, there has been a trend toward increased transparency and greater communication in the conduct of monetary policy among central banks. Indeed, transparency and communication have increasingly taken on both a

central role in modern monetary policymaking and being part of best practice in monetary policy. Whether too little or too much will depend on each country's circumstances and needs.

He added that this trend is partly born out of necessity. Financial markets worldwide have dramatically developed, expanded and interconnected with one another. Both good and bad monetary policy can be rapidly transmitted to an increasingly seamless global market. It is therefore possible to think of central bank communication strategies as having two main goals: (1) to allow financial markets to anticipate the policy decisions as well as the future path of monetary policy; and (2) to reduce the uncertainty surrounding these expectations. In addition Amato, Morris and Shin (2003) observed that central bank communication is a key determinant of the market's ability to anticipate monetary policy decisions and the future path of interest rates. Empirical support by Ehrmann and Fratzscher (2005), analyzed the impact of communication on the predictability of monetary policy in the US, EU and Japan, and concluded that a higher frequency of communication tends to help markets predict future monetary policy decisions.

Mathai (2009) noted that when a central bank speaks publicly about monetary policy, it usually focuses on the interest rates it would like to see, rather than on any specific amount of money (although the desired interest rates may need to be achieved through changes in the money supply). He posited further that central banks tend to focus on one policy rate—generally a short term, often overnight, rate that banks charge one another to borrow funds. According to him, when the central bank injects liquidity into the system by buying or borrowing securities, also called loosening policy, the rate declines. The rate usually rises when the central bank tightens by soaking up reserves or sells securities. The central bank expects that changes in the policy rate will feed through to other interest rates in the economy.

Bernanke, (2010) (in Carvalho & Nechio, 2014) said stated that improving the public

understanding of the central bank's policy strategy reduces economic and financial uncertainty and helps households and firms make more-informed decisions. Moreover, clarity about goals and strategies can help anchor long-term expectations more firmly and thereby bolsters the central banks' ability to respond to adverse shocks.

#### WHAT IS PUBLIC COMMUNICATION CAMPAIGN?

Public communication campaigns refer to a deliberate attempt aimed at informing and influencing the behavior of a large audience. It involves the usage of structured communication initiatives that are expressed in mediated messages via appropriate channels. Public communication campaign is generally done over a definite period of time, in the interest of the public.

The campaign process is universal across topics and venues, and utilizes systematic frameworks and fundamental principles developed over the past half century. Campaign designers perform a situational analysis and set objectives leading to the development of a coherent set of strategies by creating informational and persuasive messages that are disseminated via traditional mass media, new technologies, and interpersonal networks.

In the view of Dorfman *et al* (2009), public communications campaign is meant to impart ideas for a strategic purpose and that it involves the use of the media, messaging, and an organized set of communication activities to generate specific outcomes in a large number of individuals and in a specified period of time.

Coffman (2002) noted that public communication campaigns use the media, messaging, and an organized set of communication activities to generate specific outcomes in a large number of individuals and in a specified period of time. This approach maximizes their chance of success. Campaigns usually coordinate media efforts with a mix of other interpersonal and community-based communication channels.

– There are two main types of campaigns:

1) *Individual Behavior Change Campaigns* – Its objectives include influencing beliefs and knowledge about a behavior and its consequences, affecting intentions and attitudes in support of behavior, persuading campaign targets with the intention of promoting behaviours that leads to improvement in social well-being.

2) *Public Will Campaigns* - This type of campaign seeks to increase visibility of an issue and its importance, while affecting perceptions of social issues and who is seen as responsible. Furthermore, it attempts to increase knowledge about solutions based on who is seen as responsible for the issues. Public Will Campaign affects criteria used to judge policies and policymakers and help determine what is possible for service introduction and public funding. It engages and mobilizes constituencies to action that attempts to mobilize public action for policy change (Coffman, 2002).

### Public Communication Campaign Design

All campaigns are not the same in terms of planning, execution and results. A successful campaign therefore should be designed meticulously to guide against possible flaws during implementation. Public communication campaigns has evolved over time and has become a strategic, potent and sophisticated tool towards achieving public communication goals.

Rice & Atkins, 2012 suggested the following steps with regards to public communication campaign design:

#### Identifying the Audience

Campaign design begins with a conceptual assessment of the situation to determine opportunities and barriers and to identify which behavior outcome would be performed and by whom. Rather than attempting to reach the broad public, campaign designers typically identify specific segments of the overall population. There are two major strategic advantages of subdividing the public in terms of demographic characteristics, predispositions, personality traits, and social contexts. First, message efficiency can be improved if subsets of

the audience are prioritized according to their centrality in attaining the campaign's objectives as well as receptivity to being influenced. Second, effectiveness can be increased if message content, form, style, and channels are tailored to the attributes and abilities of subgroups.

The design specifies focal segments of the population whose practices are at issue and the primary focal behaviors that the campaign ultimately seeks to influence. The next step is to trace backward from the focal behaviors to identify the proximate and distal determinants and then create models of the pathways of influence via attitudes, beliefs, knowledge, social influences, and environmental forces (ideally grounded in one or more theoretical models). The next phase is to examine the model from a communication perspective, specifying target audiences that can be directly (or, as noted below, indirectly) reached and target behaviors that can be influenced by campaign messages. A sophisticated campaign will seek to affect the most promising pathways guided by a comprehensive plan for combining manifold components and an appropriate theoretical framework matched to the desired outcome and the relevant audiences and social systems (Rice & Atkins, 2012).

#### The Message

##### Message Content: Informational Versus Persuasive

In many campaign situations, informational messages that seek to create awareness or provide instruction play an important role. Awareness messages present relatively simple content that informs people what to do, specifies who should do it, or provides cues about when and where it should be done. Even superficial messages can stimulate the audience to seek out richer, in-depth content from elaborated informational resources such as webpages, books, and opinion leaders. The more complex instruction messages present how-to-do-it information in campaigns that need to produce knowledge gain or skills acquisition, including enhancing personal efficacy in bolstering peer resistance and acquiring media literacy skills.

However, the central type of content in campaigns features persuasive messages. Most campaigns present persuasion appeals emphasizing reasons why the audience should adopt the advocated action or avoid the proscribed behavior. For audiences that are favorably inclined, the campaign has the easier persuasive task of reinforcing existing predispositions: strengthening a positive attitude, promoting post-behavior consolidation, and motivating behavioral maintenance over time. Because a lengthy campaign generally disseminates a broad array of persuasive messages, strategists often develop a variety of appeals built around motivational incentives designed to influence attitudes and behaviors (Rice and Atkins, 2012).

#### **Message Appeals: Persuasive Incentives**

Persuasive messages in public communication campaigns frequently utilize a basic expectancy-value mechanism by designing messages to influence beliefs regarding the subjective likelihood of various outcomes occurring; attitudinal and behavioral effects are contingent upon each individual's valuation of these outcomes. The operational formula for preventing risky behaviors is susceptibility multiplied by severity, using a loss frame to motivate the audience with a high likelihood of suffering painful consequences. The incentive appeals often build on existing values of the target audience, so the messages tend to reinforce the predispositions or change beliefs about the likelihood of experiencing valued consequences (Rice and Atkins, 2012).

#### **Message Design and Implementation: Qualitative Dimensions**

Designing messages involves the strategic selection of substantive material and the creative production of stylistic features. In developing the combination of message components, the campaign designer seeks to emphasize one or more of five influential message qualities. First, credibility is primarily conveyed by the trustworthiness and competence of the source and the provision of convincing evidence. Second, the style and ideas should be presented in an engaging manner via selection of interesting or

arousing substantive content combined with attractive and entertaining stylistic execution. The third dimension emphasizes selection of material and stylistic devices that are personally involving and relevant, so receivers regard the behavioral recommendation as applicable to their situations and needs. The fourth element is understandability, with simple, explicit, and detailed presentation of content that is comprehensive.

#### **Message Sources**

The messenger is the presenter who appears in the message to deliver information, demonstrate behavior, or provide a testimonial. Messengers help enhance each qualitative factor by being engaging (attractiveness, likability), credible (trustworthiness, expertise), and relevant to the audience (similarity, familiarity). These attributes can 1) attract attention and facilitate comprehension by personalizing message concepts, 2) elicit positive cognitive responses during processing, 3) heighten emotional arousal via identification or transfer of affect, and 4) increase retention due to memorability. The key categories of public communication campaign purveyors are celebrities, public officials, experts or specialists, professional performers, ordinary people, specially experienced individuals (e.g., victims or beneficiaries), and unique characters (e.g., animated or costumed) (Rice and Atkins, 2012).

#### **Mediated Communication Channels: Mass and Digital**

In disseminating messages, most campaign designers still rely on traditional broadcast and print channels that carry public service messages, entertainment–education (E–E) placements, and news coverage. Websites displaying prepackaged informational pages have also been a central campaign vehicle since the late 1990s, although campaigns have increasingly utilized interactive technology (whether online or via DVDs or mobile devices) in recent years.

In assessing the dozens of options for channeling campaign messages, campaign designers take into consideration advantages and drawbacks

along a number of communicative dimensions. Salmon and Atkin (2003) discuss channel differences in terms of reach (proportion of population exposed to the message), specializability (narrowcasting to specific subgroups or tailoring to individuals), interactivity (receiver participation and stimulus adaptation during processing), meaning modalities (array of senses employed in conveying meaning), personalization (human relational nature of source–receiver interaction), decodability (mental effort required for processing stimulus), depth (channel capacity for conveying detailed and complex content), credibility (believability of material conveyed), agenda setting (potency of channel for raising salience priority of issues), accessibility (ease of placing messages in channel), and economy (low cost for producing and disseminating stimuli).

New media offer additional dimensions of campaigning through interactivity, tailoring, and narrowcasting. Interactivity has two primary dimensions, direction of communication and level of receiver control over the communication process, which yield four kinds of relationships between the user and the source (monologue, feedback, responsive dialogue, and mutual discourse) (Rice and Atkins, 2012).

### Quantitative Dissemination Factors

Five major aspects of strategic message dissemination are the total volume of messages, the amount of repetition, the prominence of placement, the scheduling of message presentation, and temporal length of the campaign. A substantial volume of stimuli helps attain adequate reach and frequency of exposure as well as comprehension, recognition, and image formation. Message saturation also conveys the significance of the problem addressed in the campaign, which heightens agenda setting and salience. A certain level of repetition of specific executions facilitates message comprehension and positive affect toward the product, but high repetition produces wear out and diminishing returns.

Placement prominence of messages in conspicuous positions within media vehicles

(e.g., newspaper front page, heavily traveled billboard locations, or highly ranked search engine websites) serves to enhance both exposure levels and perceived significance. Another quantitative consideration involves the scheduling of a fixed number of presentations; depending on the situation, campaign messages may be most effectively concentrated over a short duration, dispersed thinly over a lengthy period, or distributed in intermittent bursts of flighting or pulsing. In terms of the calendar, there are critical timing points when the audience is more likely to be attentive or active in information seeking.

Regarding the overall length of the campaign, the realities of public service promotion and problem prevention often require exceptional persistence of effort over long periods of time to attain a critical mass of exposures. In many cases, perpetual campaigning is necessary because focal segments of the population are in constant need of influence as newcomers enter the priority audience, backsliders revert to prior misbehavior, evolvers gradually adopt practices at a slow pace, and vacillators need regular reinforcement (Rice and Atkins, 2012).

## CAMPAIGN EVALUATION METHODS

### Formative Evaluation

Formative evaluation is the collection of information that helps to shape the campaign. Similar to the practical marketing research approaches and methods that commercial marketers use (Balch & Sutton, 1997 in Coffman, 2002), it is usually done during the campaign's creative design phase. This approach helps to define the scope of the problem, identifies possible campaign strategies, provides information about the target audience, senses what messages work best and how they should be framed, determines the most credible messengers, and identifies the factors that can help or hinder the campaign (Valente, 2001 in Coffman, 2002). Commonly this involves testing issue awareness and saliency through public polling, or messages and materials through interviews and focus groups (Coffman, 2002).

The applicability of general campaign design

principles depends on the specific context (especially types of audiences to be influenced and types of product being promoted), so effective design usually requires extensive formative evaluation. In the early stages of campaign development, designers collect background information about the focal segments and interpersonal influencers using statistical databases and custom surveys to learn about audience predispositions, channel usage patterns, and evaluations of prospective sources and appeals. As message concepts are being refined and rough versions are created, qualitative reactions are obtained in focus group discussion sessions, and supplemental quantitative ratings can be measured in message testing laboratories (Rice & Atkins, 2012).

#### **Process Evaluation**

While the campaign is underway, process evaluation assesses the extent to which designed elements are actually implemented and ways in

which the campaign program can be improved for subsequent designers and implementers. Process evaluation is useful for determining effectiveness of campaign management and identifying lessons for overcoming social and structural obstacles (Rice & Atkin, 2012).

#### **CONCLUSION**

The aim of this paper is to present public communication campaign as a tool for assisting in monetary policy communication. However, there are areas of public communication that may not be appropriate for this purpose. It should be noted that not all intricacies of monetary policy could be totally explained or broken down for pedestrian analysis; otherwise such explanation might lose the intended communication value and message. To this extent, the use of public communication campaign especially in the areas of audience identification, crafting of message, message design and campaign evaluation will be beneficial.

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