Comments on:
Transparency of Monetary Policy in the Post Crisis World

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SUERF, 2016
Monetary Institutions should achieve: Low and **Stable** Inflation(*)

- **Commitment** via Institutional arrangements {CBI; IT; MU; CB} to achieve:
  
  *Reputation*, through  
  *Credibility* and  
  *Toughness*.

- **Features of the Institutional Framework:**
  - **Transparency**
    - Economic, Procedural, Policy, Implementation
  
  - Accountability
    - ??
      - Regulation/Supervision
        Macropudential Policy?

(*) With the ultimate goal of welfare improvement by way of increasing allocative and distributional efficiency
CB Transparency (CBT)

• is good because it
  – improves investment environment by reducing *transaction costs*

• may be undesirable, because it may lead to
  – *measurement problems*
  – *rational inattention*
  – overshooting of private sector response to announcements: *excess volatility*

• hence, may be best exercised at some intermediate level
  (rules with flexibility… as usual)

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Inflation around the world

World CPI Inflation

World
Least Developed (2nd axis)
High Income

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Measurement of CBT

• Does it explain more than CBI?
  – Yes: Dincer and Eichengreen (2014)

  – IT explains the inflation differentials during the 2000s better than CBI (Neyapti,

Average CBT:
with IT: 10.3 (based on 98 cs)
without IT: 4.3 (based on 20 cs)

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Beyond CBT:

• Long lags for policy to have a real effect / forward guidance

• Zero Bound … Welfare effects of when inflation is less than 5%....
  • Inflation increases wealth inequality (not measured by GINI)
  • An increase of inflation by 15 percentage points from 5% to 20% results in i) a decrease of aggregate capital K by less than one percent, ii) a small increase of wealth inequality as measured by the Gini coefficient, and iii) a welfare loss in the magnitude of approximately 0.01% of total consumption. (US, Heer & Sussmuth, 2007)
Interest in inflation is reduced, but not much in US and UK!
Credibility is out
Macroprudential is in:

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Transparency out, Fed Announcements in:
Global Distribution of Wealth

Bottom 99.9%
USD 10.3 trn (19 percent)

Top .001%
USD 16.7 trn (30 percent)

Next .1%
USD 17.4 trn (32 percent)

Next .01%
USD 10.7 trn (19 percent)

James S. Henry, 2012
(Source: UNI-WIDER)

• Top 1% shares:
Income Distribution Across the World
(source: UNI-WIDER)

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Distribution of Household Assets
(source: UNI-WIDER)
Population and Wealth By region

World Distribution of Household Wealth, GDP, and Population in the Year 2000

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Much Ado

about

Central Bank Transparency

?