

Comments on:

**Transparency of Monetary
Policy in the Post Crisis World**

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Monetary Institutions should achieve:

Low and Stable Inflation(*)

- **Commitment** via Institutional arrangements {CBI; IT; MU; CB} to achieve:

*Reputation, through
Credibility and
Toughness..*

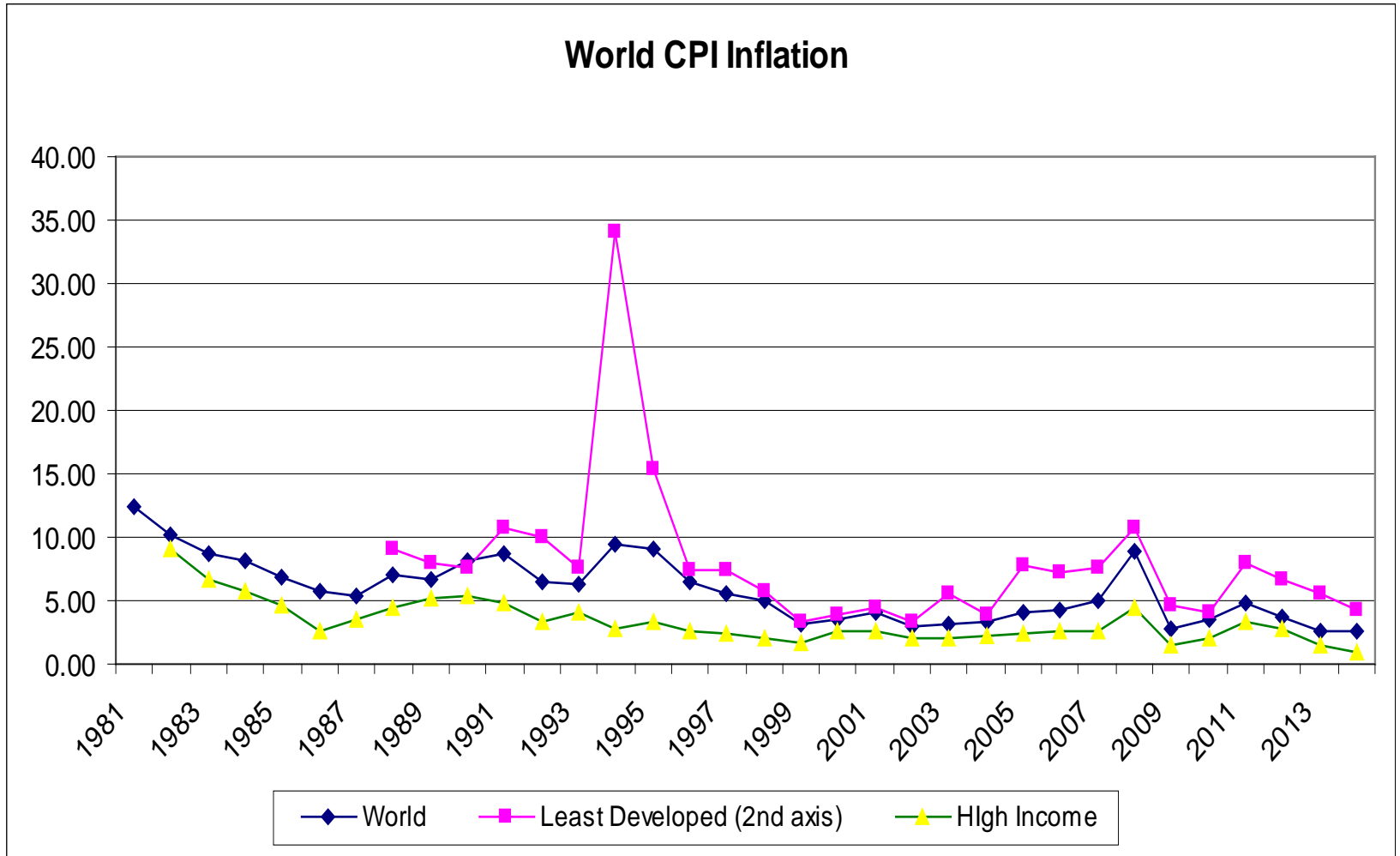
- Features of the Institutional Framework:
 - **Transparency**
 - Economic, Procedural, Policy, Implementation
 - Accountability
 - ??
 - Regulation/Supervision
Macroprudential Policy?

(*) *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)

Inflation around the world



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:

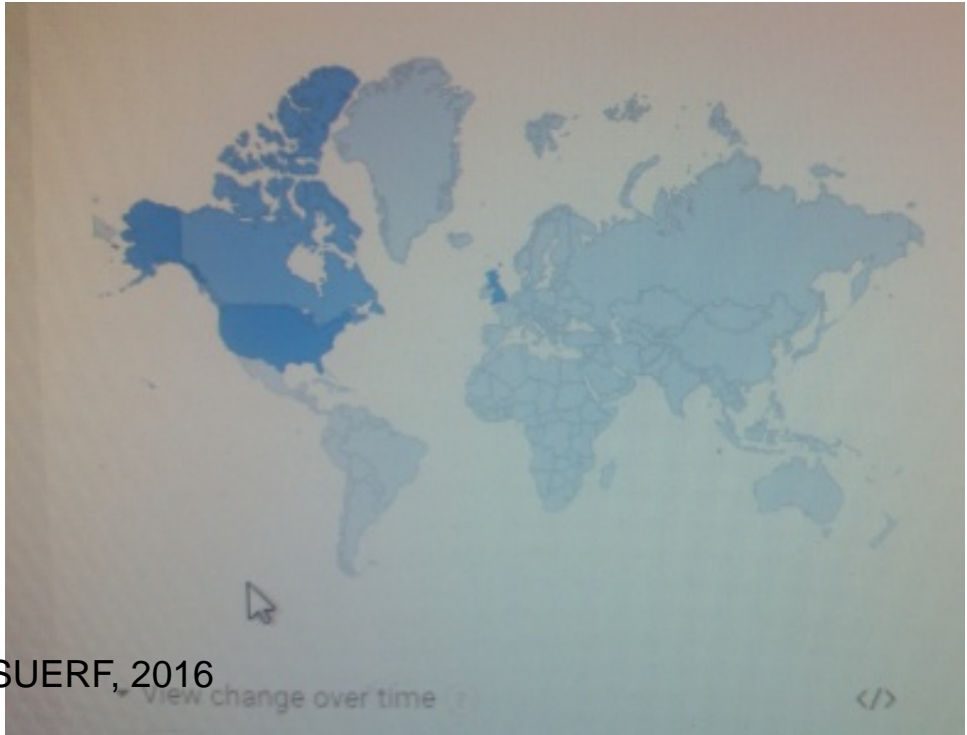
with IT: 10.3 (based on 98 cs)

without IT: 4.3 (based on 20 cs)

Beyond CBT:

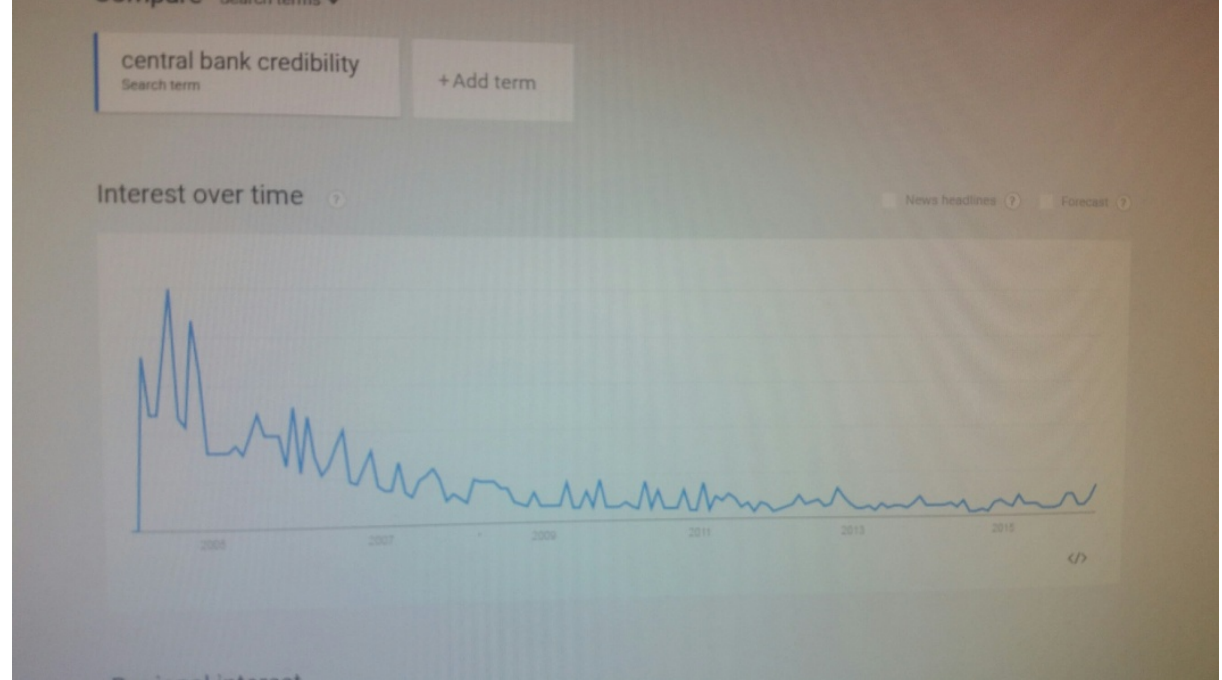
- Long lags for policy to have a real effect / *forward guidance*
- Zero Bound ... Welfare effects of when inflation is less than 5%....
 - Inflation increases wealth inequality (not measured by GINI)
 - An increase of inflation by 15 percentage points from 5% to 20% results in i) a decrease of aggregate 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!



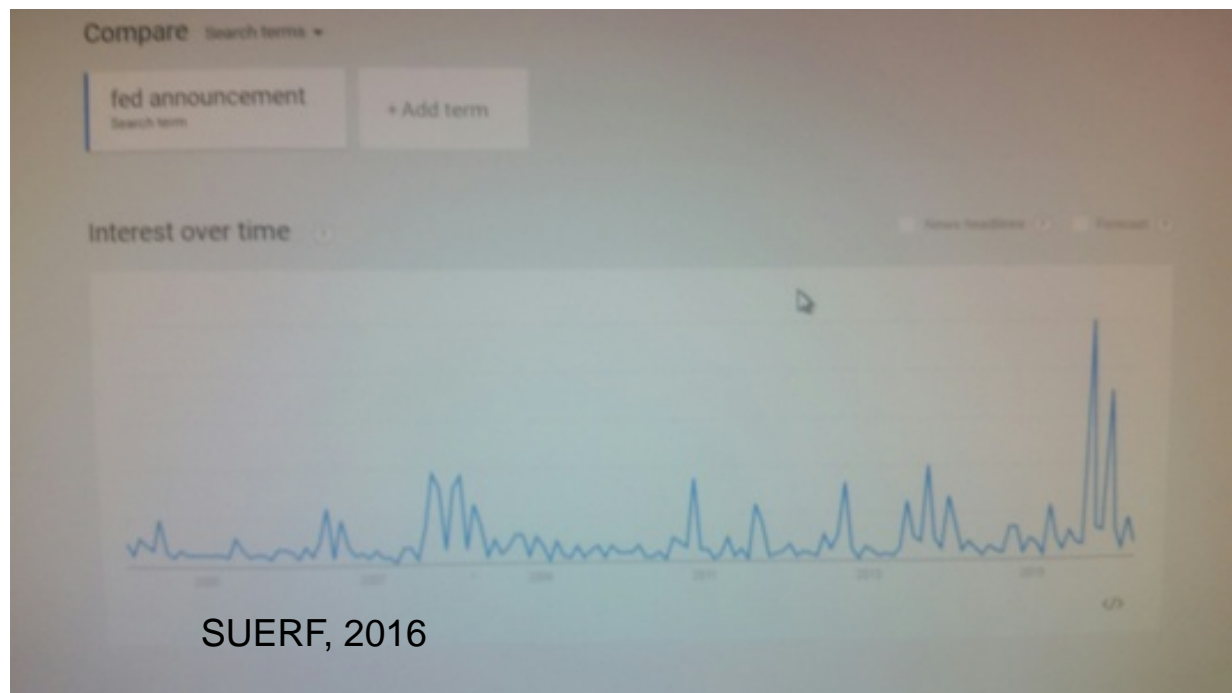
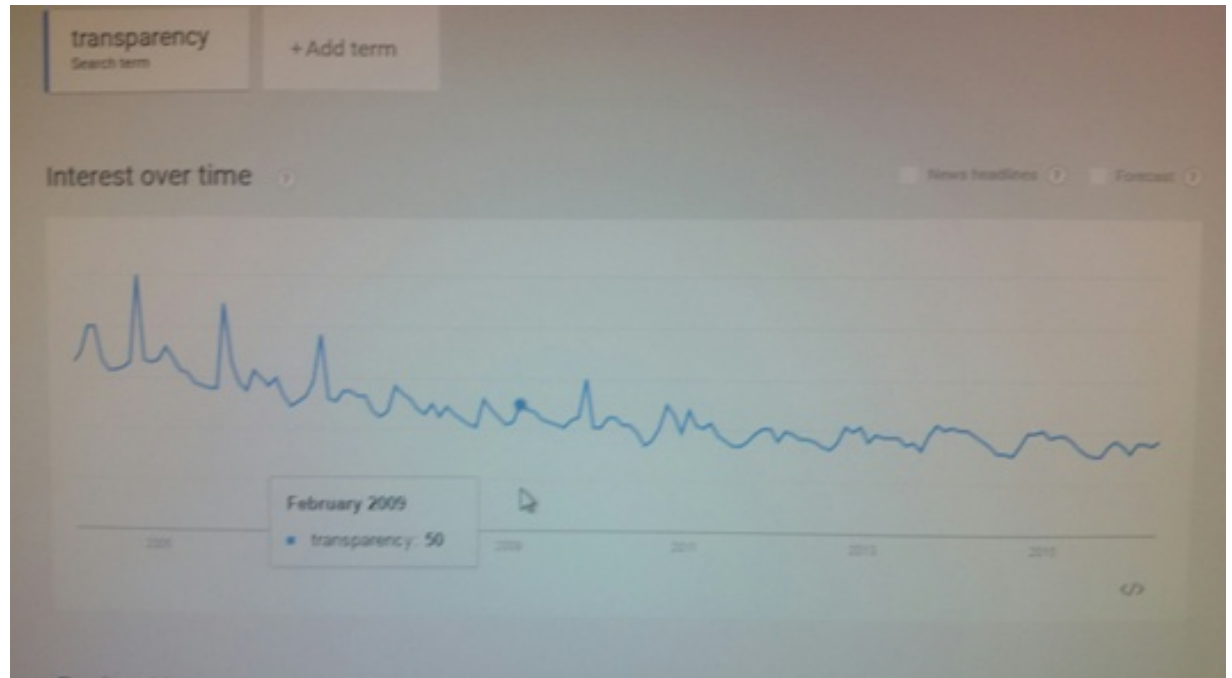
SUERF, 2016

Credibility is out
Macroprudential is in:



SUERF, 2016

Transparency out,
Fed Announcements in:

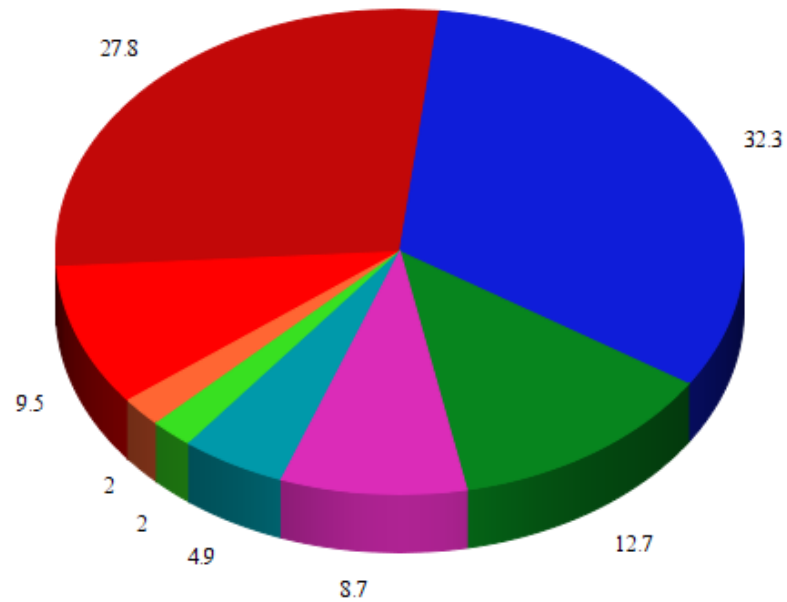


SUERF, 2016

(Source: Credit Suisse)

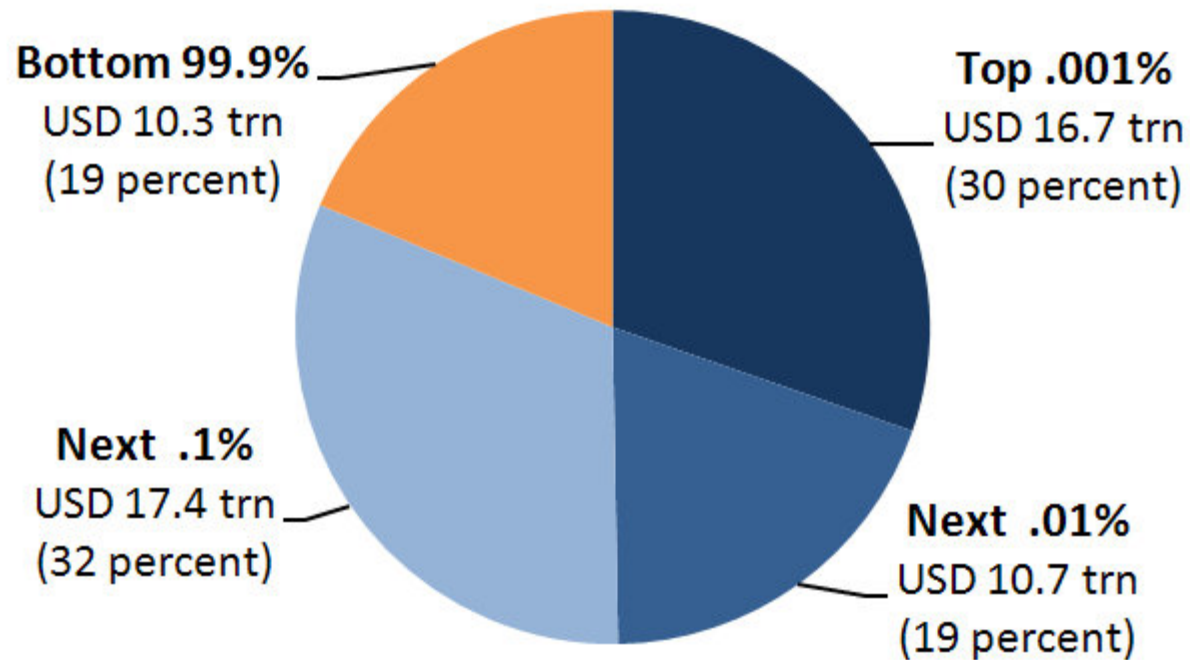
global wealth distribution chart

0.000000172% (forbes richest 2012 1,226 billionaires) 0.0027998% (next Ultra high-net-worth individual) 0.5972% (next millionaires)
next 4.4% next 5% Decile 9 Decile 7-8 decline 1-6



SUERF, 2016

Global Distribution of Wealth

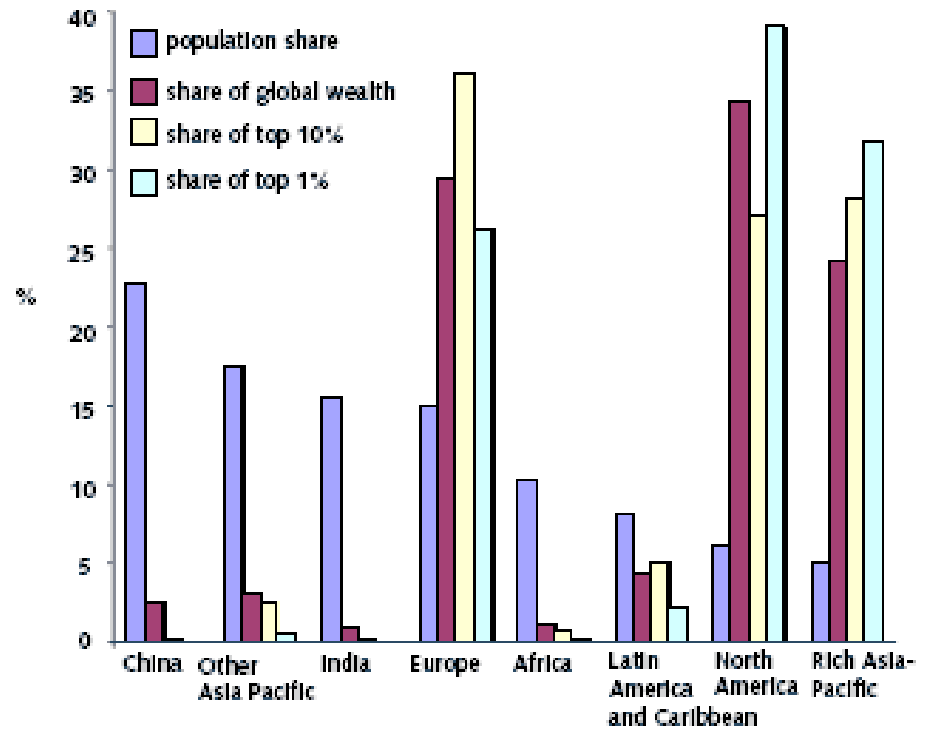
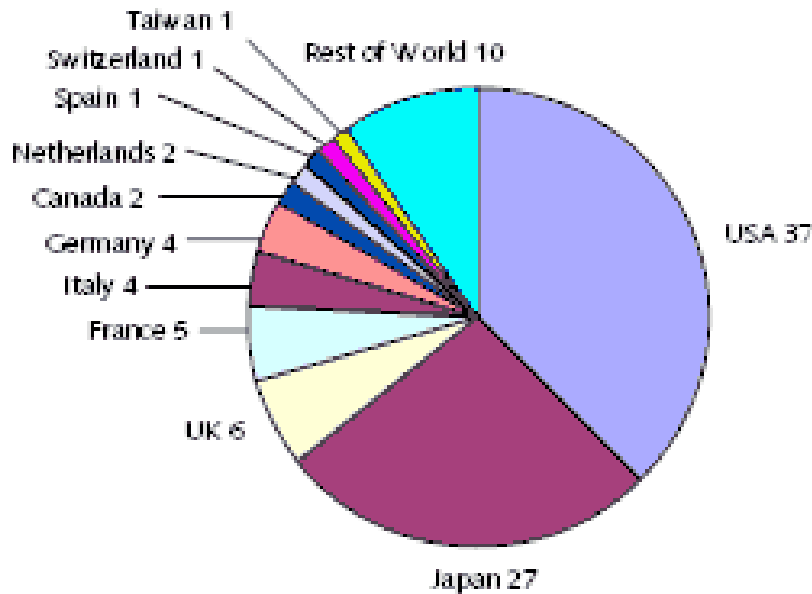


James S. Henry, 2012

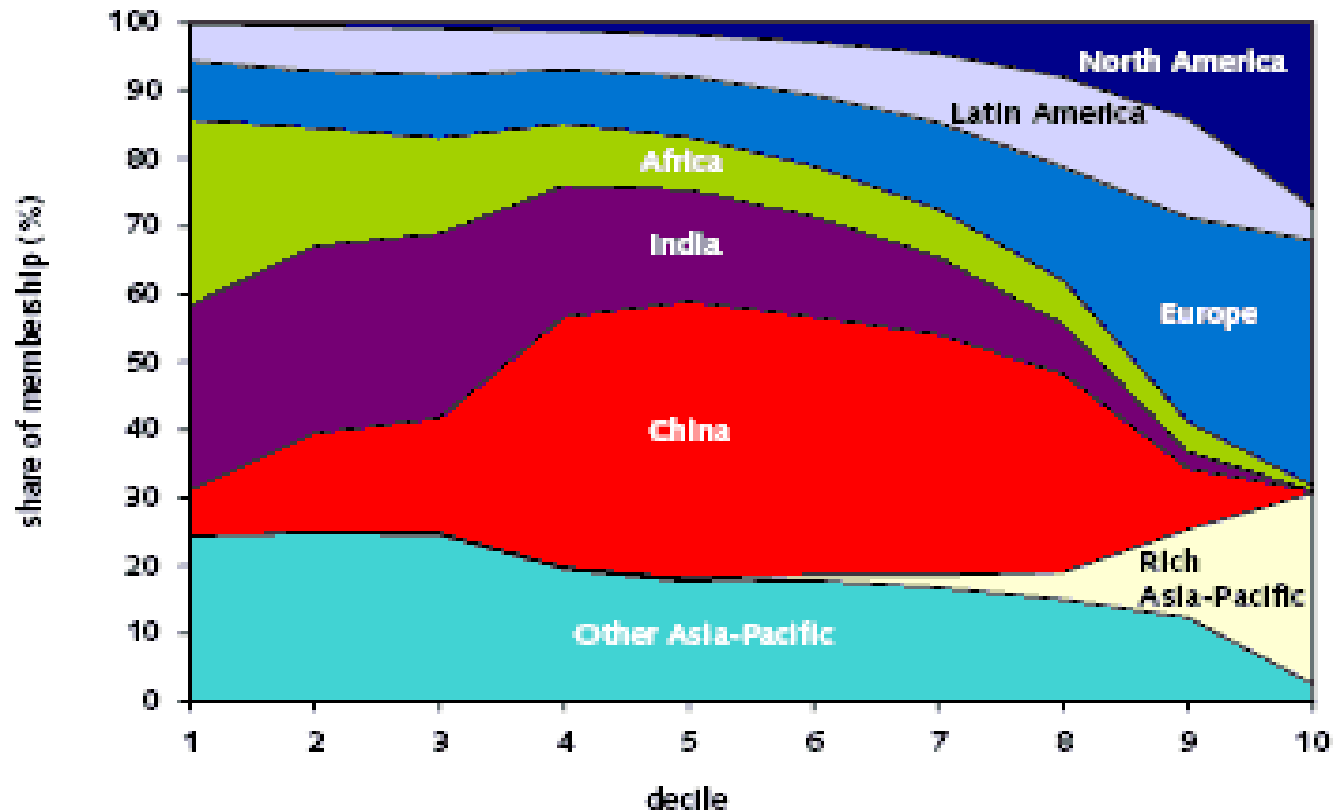
SUERF, 2016

(Source: UNI-WIDER)

- Top 1 % shares:

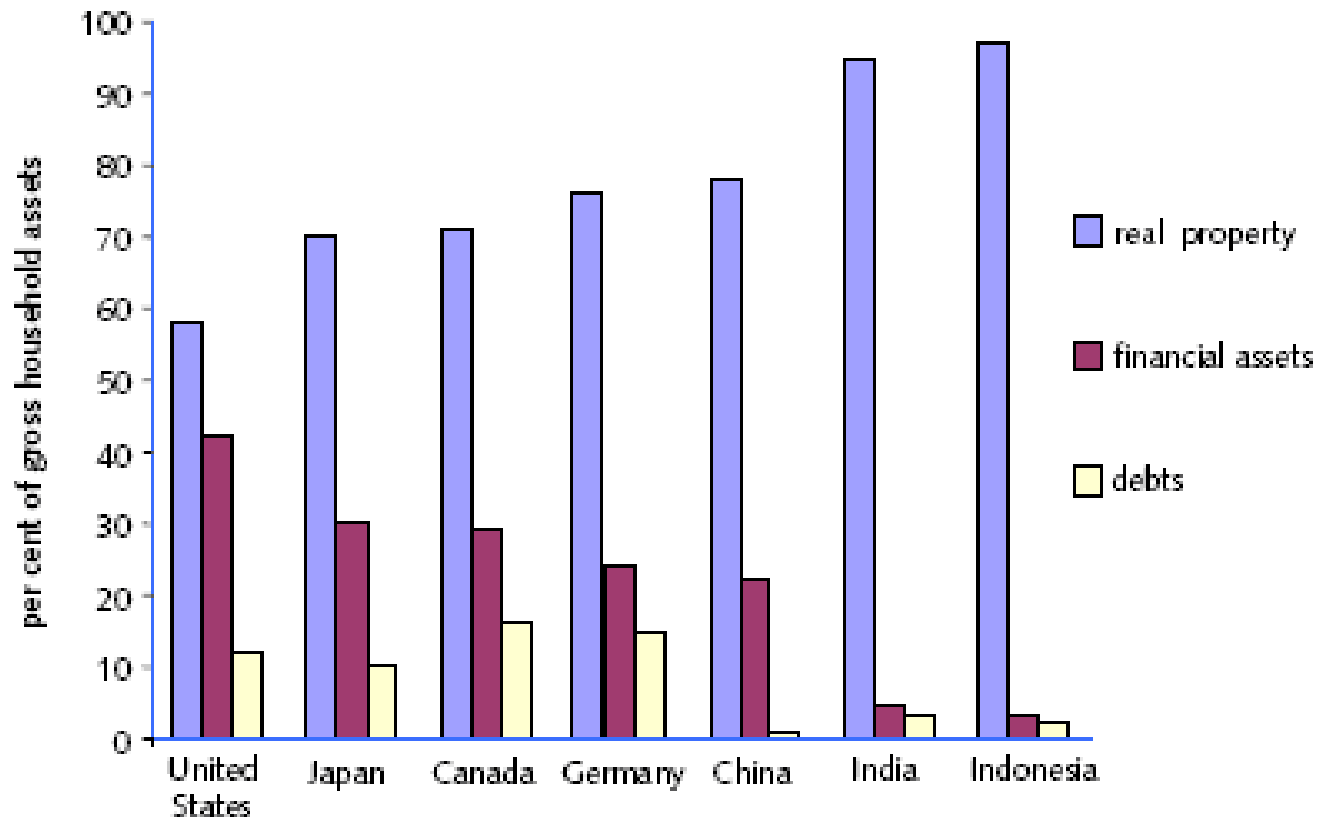


Income Distribution Across the World (source: UNI-WIDER)



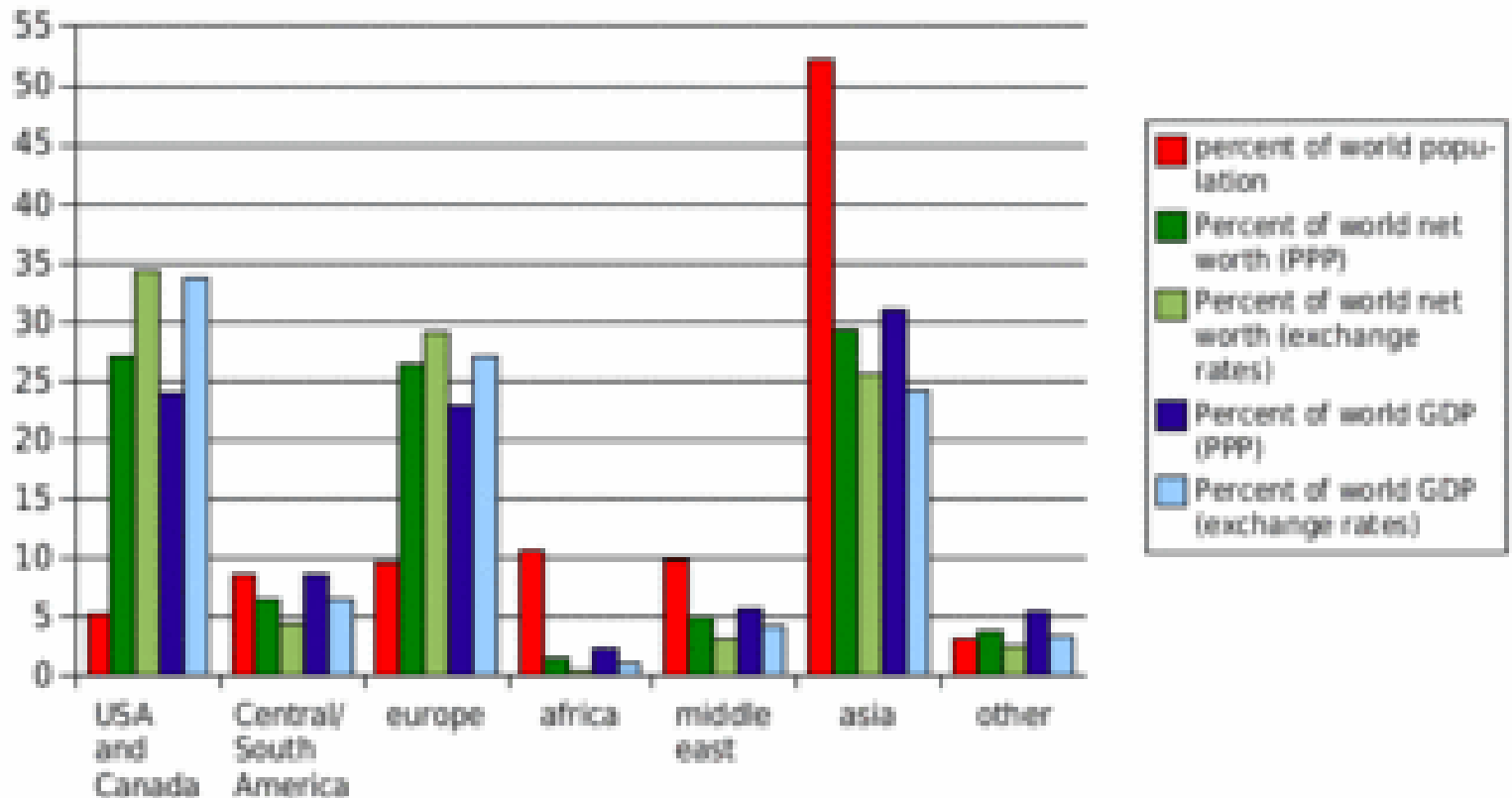
Distribution of Household Assets

(source: UNI-WIDER)



Population and Wealth By region

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



Much Ado
about
Central Bank Transparency

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