Some Thoughts *on* Financial Communication

By Mansoor Dailami

The emergence of the new media landscape.

National central banks and international financial institutions such as the International Monetary Fund and the World Bank are the most influential actors in the realm of global economic policymaking. Thus, how they communicate their views on contemporary economic conditions and trends is crucial in shaping the cognitive infrastructure of key market players and policymakers around the world. In conveying their views, such institutions rely not only on their ability as competent speakers who are relevantly well-informed in their respective domains of monetary policy and global economic affairs, but also leverage their institutional positions to achieve a variety of policy acts, such as financial stability in the case of central banks and economic reform in the case of international financial institutions. In deploying language as a medium of communication, more is intended than describing some situation, or expressing sentiment on a particular phenomenon. It is also intended "to do things with words," that is, to influence market expectations to enhance monetary policy effectiveness, or to encourage policymakers to pursue sound macroeconomic policies to attain growth and prosperity.

This focus on communication to engender certain realities in the socioeconomic realm has its intellectual pedigree in the work of language philosopher John Austin (*How to Do Things with Words,* 1962). Austin distinguishes between three aspects of a speech act: locutionary ("uttering a certain sentence with a certain sense and reference"); illocutionary ("informing, promising, ordering, and warning which have a certain

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Mansoor Dailami is a former Manager of the Emerging Trends Team at the World Bank Group.

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220 I Street, N.E., Suite 200
Washington, D.C. 20002
Phone: 202-861-0791
Fax: 202-861-0790
www.international-economy.com
editor@international-economy.com

conventional force"); and perlocutionary ("an utterance which produces certain consequences and effects"). Austin's philosophical proposition that speech is not just about stating facts or informing but is also about acting and directing toward the achievement of certain outcomes finds salience in the communication policy and practice of both central banks and international financial institutions.

Although very different in some respects, central banks and international financial institutions share many similarities in their communication strategies and practices. They both provide a substantial amount of information to their respective audiences in the form of data, analysis, guidance/recommendation, sentiment, and views on national and global economic conditions. They reach out to a worldwide audience as a way of generating public engagement to enhance their legitimacy and accountability. And they offer a model-based understanding of the economic reality, using the resources of language, quantitative representation, and metaphors to bring abstract economic phenomena into life. Both institutions also draw on economic devices (GDP, unemployment, inflation) and their own style of economic reasoning to shape the cognitive infrastructure of policymakers and market participants to conduct or influence policy.

Much of the academic attention on the role of communication in economic policymaking has focused to date on central bank communication with the financial markets and with specialized media outlets. This has yielded considerable insights into the mechanism and effectiveness of monetary policy in anchoring public expectations to bring about price stability and high employment. The success here owes much to the continuing efforts of major central banks to design communication strategies to optimize their policy outcomes. This has been a fertile area of research and innovative technology application such as using text-mining techniques to extract useful information on the sentiment of policymakers as expressed in their reports.

Less is known, however, about the nature, medium, and impact of international financial institutions' communication policies beyond their intentions of reaching the public at large to build consensus on global imperatives of climate change, development, fragility and conflict, and multilateralism. To that end, one avenue of success has been the use of international media to disseminate the key findings and messages of their flagship reports, such as the IMF's World Economic Outlook, or the World Bank's World Development Report that are regularly released to connect with a broader public sphere of opinion makers and citizenry. The recent literature examining investors' reactions to IMF-related news extracted from various IMF reports and statements has had a promising start, yielding insights into how the current system of economic multilateral surveillance works.

Compared to national central banks, international financial institutions face a distinctively difficult challenge in their communication efforts: the considerable heterogeneity in economic conditions, cultural backgrounds, and media traditions among their member countries poses a challenge. Given the impracticality of reporting on all component units of world economy, one approach adopted by the IMF and other international financial institutions has been to report on the "world economy" as a unit of analysis, while delegating assessment of country-specific economic conditions to other publications. This approach overcomes the problem of heterogeneity but raises the salience of the subjectivity of the world economy. How should the "world economy" be treated phenomenologically and with unity given that it is held together by forces of political economy and major power competition? Being a matter of phenomenological interpretation, the notion of "world" in world economy is perceived differently by different people, depending on their own sense of reality and standing in the world. As an illustration, consider the recent press briefings by the IMF introducing its latest World Economic Outlook report in Marrakech. Virtually all questions posed during the briefing revealed an orientation toward a localized rather than a global perception of the world in relation to world economy—seven out of a total of ten questions posed by reporters referred directly to their own country or region of interest.

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Yet the "world" featured in the IMF's analysis of world economy carries the force of the universe, the globe, the totality of all countries. That image takes on, in the IMF's discourse, a life of its own, allowing the Fund to talk about the health of the world economy in the narrative of an autonomous entity capable of evincing signs of vitality or weakness. Thus, in characterizing the current state of the world economy as "limping along" and "not sprinting," the Fund is offering a picture of the world economy that is in a state of weak recovery and vulnerable to various kinds of shocks. This appeal to personhood provides a powerful way of communicating to a global audience that may not be familiar with the technical knowledge of the world economy yet experiences it in their daily economic lives. Thus, the narrative of "limping" helps the audience of Fund's communication comprehend its key message in a more intuitive way than any numerical statement could do.

In the new media landscape of digital technology and social media, there are millions of people across the world who have gained both direct and indirect access to central banks' and international financial institutions' communication content and messages. While there is a lively debate on how such new media channels are likely to impact the ways humans see and experience the world, there is little doubt about their implications for the process of news transmission. It will be faster, spread wider, and be prone to prompt instantaneous and collective reaction.

Capitalizing on such developments, central banks and international financial institutions have made great strides in recent years to establish and expand their social media presence, as well as to modify their communication strategies to reach the public mind in a relatable and transparent manner to channel expectations and motivate action. From the silence of the "Secrets of the Temple" to the soliloquy of having 1.1 million followers of its X (formerly Twitter) account, the Fed has moved far in its communication approach. Similarly, other major central banks as well as the IMF can claim great strides forward in their social media engagements. Successful communication is as much about disseminating relevant information as it is about creating a community of stakeholders who comprehend one's message and who are willing to play along and "try on" the perspective expressed by the message. ◆