CENTRAL BANK COMMUNICATION AND LANGUAGE.

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Abstract

Over the last two decades there has been a world-wide movement toward increased communication by central banks about their monetary policy decisions. Evidence suggests that communication can be an important and powerful part of the central bank's toolkit since it has the ability to move financial markets, to enhance the predictability of monetary policy decisions, and potentially to help achieve central banks' macroeconomic objectives. The reasons why central bank communication should be a strategic one are linked to the guiding principles for modern central banking and are widely treated by research studies.[Blinder dhe Woodford, 2008; 2009); (Bulir, Cihak dhe Jansen, 2012), etc.].The guiding principles on which modern central bank base their communication strategy are: Independence - The greater independence enjoyed by many central banks has been accompanied by the need for increased accountability, which in turn has meant much more extensive efforts by central banks to communicate in a more "democratic" way to the public their views on the economy and the repercussions of monetary policy; Transparence – should be optimal. The optimal degree of transparency is related to the level of uncertainties that accompany macroeconomic developments and consequently the forecasts on macroeconomic indicators. A maximal degree of transparency is not desirable as it can transmit panic signals to the public and inefficient decision-making. In these circumstances an optimal- intermediate degree of central bank transparency is desirable;Clear communication – the abovementioned principals are dependent on a clear and coherent message that monetary policy should sent to the wider public and markets. As such, it is essential to the efficient conduct of monetary policy.