

LIESBETH NOORDEGRAAF-EELENS

Contested Communication

A Critical Analysis of Central Bank Speech



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prof.dr. J. de Mul
prof.dr. D.J.C. van Dijk

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For Mirko

Of all the weapons in the Federal Reserve arsenal, words were the most unpredictable in their consequences. Their effect might be sudden and terrible.

(John Kenneth Galbraith, 1954 [1997], p. 33)

PREFACE

Five years ago, the world was a different place. Alan Greenspan, the chairman of the US Federal Reserve, was ‘larger than life’; Nout Wellink, the president of the Dutch central bank, was relatively unknown. In that period, around the end of 2004, the first thoughts on this dissertation’s main theme – central bank communication – took shape. The dissertation would be a continuation of my philosophy thesis (2002), later published as *De Overspelige Bankier* (2004), which analyzed the infiltration of daily life by bankers, including the risks involved. When I spoke to people about this subject, they often asked for further explanations. ‘Didn’t I make bankers seem more important than they really are?’ Usually, the subject was seen as an interesting intellectual phenomenon, and nothing more. Today, however, the subject needs no introduction, and people quickly come up with opinions, sometimes backed by strong emotions. Often, they blame bankers and central bankers for the current crisis. Alan Greenspan and his successor, Ben Bernanke, have been reduced to human proportions, and Nout Wellink has become a well-known figure.

The objective of this dissertation is not to look for scapegoats; the book is about central bank presidents and their struggles with words. This is not an innocent perspective, however. Central bank presidents try to use words in order to change our behaviour; in fact, to manipulate us. As they themselves put it, the aim of their communication is to manage our expectations (and as a result, our behaviour). Their motives for doing so are to ensure the stability of the financial system, as well as the effectiveness of monetary policies. The underlying thought is that if we all do what the central bank president says, we all gain from it.

This dissertation shows the paradoxical effect of using words instrumentally. By announcing their intention to manage expectations with words, central bank presidents greatly limit what they can say, because their words will be intensely scrutinised. This is true in normal times, and even more so in times of crisis. The central bank president finds himself on the witness stand, which – regardless whether he should be there – gives his words even greater weight. Why should we believe what he says? Will he be entirely honest this time? For the president, giving more information is not necessarily better than giving less, and silences can be just as dangerous as using words. In this dissertation I intend to clarify this, the language game, both in normal times and in times of crisis.

While writing this dissertation, it was not only the outside world that changed – my own world changed as well. Early 2005 I had one son, Thomas, and was expecting a second, Rutger. At the end of 2006 they were joined by sons three and four, Casper and Jeroen. This family expansion affected the writing and the content of my dissertation. My research which should originally be finished within two years would still effectively take two years, but had to spread out over a four year period. When I picked up the pace at the end of 2007, the financial crisis was upon us, and it became an important part of my dissertation. But my children not only generated this new research topic. They also helped me to see the subtleties of communication, as well as the weak link between communication and action. Informing people not always means they will act in accordance with the information you give them.

A few examples. In the third chapter, I show how Jean-Claude Trichet, the president of the European Central Bank, continuously keeps repeating his mandate when answering questions from journalists. One would expect that after a while journalists would know the answers to certain questions, but a parent knows that this is not self-evident. At home I regularly feel like Trichet. Merely providing information is not enough; what matters is repeating and thereby disciplining. What also struck me is how messages can be interpreted in different ways. Like central bank presidents, I too found my words misinterpreted from time to time. In the household, this has surprising, funny and controllable effects. Central bank presidents, however, encounter bigger problems if this happens.

Besides the similarities, there are large differences between running my household and running a central bank. It was and still is not easy for me to draw a line between work and spare time. But my children now dictate such choices: it is their daily rhythm that determines when I can work and when I definitely cannot.

Writing a dissertation with four children means that your work is closely linked to your private life. Working in weekends requires a logistical juggling trick and additional efforts by other people. Especially when it becomes quite a few weekends, and also additional late nights during the week. The first people to thank for making this possible are my own parents, Ann Abbeel and Jan Eelens, and in particular my mother. While my children were playing in my parents' garden, or when my mother took them swimming on her regular 'grandma day', I could continue working on my PhD. 'Oma Ann' casually took the twins to their swimming lessons, even though many struggle with just one child. Similarly, my

parents-in-law, Til and Mar Noordegraaf, receive amazed looks and expressions of support whenever they entered Ikea with the ‘gang of four’ for ice creams.

The children also went to day-care, and still do. And though it might seem strange to thank nannies in a PhD, an exception is appropriate in this case. Karin Kokje and Sandra van der Klis have been taking care of our children for a couple of years now. They even did so at the inaugural lecture of my husband, Mirko Noordegraaf, and Karin was in charge during the last year’s book presentations as she will be during the public defence of this thesis. I never feel like leaving my children behind; instead, I am happy to bring them.

My two sisters, Barbara and Evalinde Eelens, were not babysitting regulars, but will assist me as ‘paranymphs’ during my defence. I read somewhere that paranymphs are similar to bridesmaids, originally meant to support the PhD student during the defence. I know their task will be mostly ceremonial now, but should they need to, their backgrounds make them perfectly suited to support me. Evalinde has worked as a financial journalist for Bloomberg, and Barbara works for ABN Amro, in a unit that once belonged to Fortis. Considering that parts of my dissertation are about how the media react to central bank speech, and that the rescue of Fortis is one of the main cases used, I will see them as back-ups in case I black out.

The public defence of my thesis is a milestone in my time at Erasmus University. In 1995 I started working there as a teaching assistant. At the time, writing a dissertation was not required to continue working there, but the fact that this changed was not an issue, as I wanted to write one anyway. Ten years later, I was offered the opportunity to do so. During that time I kept teaching and enjoyed working with several colleagues and students. Wouter van den Brink was always there when I needed him, and for the past two years Nelly Twigt, together with a team of teaching assistants, joined me in the challenge of developing a skills program for Bachelor-1 and Bachelor-2 students at the ESE. The large scale of this programme contrasts with the Bachelor Honours Class I coordinate. The Bachelor Honours Class gives me the opportunity to work with clever and highly motivated students, to whom excellent guest speakers are happy to give classes.

Over the past years I have worked with many of these students, and some have directly contributed to this dissertation. Sander Wieman offered valuable editorial support, up until the final days of the research project. Kristiaan Glorie, Hans Hakkenberg Myrthe van Dieijen, Floor van der Kooy, Michiel Hartman and Frederik Hochberger worked things out when I was short on time. Raman Ahmed helped with the calculations in chapter

4. Pieter Schonebaum had the patience to help me get reacquainted with statistics. Being an exceptional econometrics student and a friendly soul, he was well suited for the task. Regrettably, Pieter chose to end his life on 11 January 2010. I will surely miss him when defending my dissertation.

Since about a year, I have also been working at the Nederlandsche School voor Openbaar Bestuur (NSOB) in The Hague. After being invited by Martijn van der Steen to join the NSOB and receiving the support of its deans, Paul Frissen and Mark van Twist, I did not have to think twice about my decision. Although I saddened by having to partly leave Rotterdam, I knew the NSOB would allow me to do the kind of research that suits me: reflexive, critical and practical. But aside from the research, my colleagues, the many interesting connections and the NSOB students make me happy to travel to The Hague a few times a week.

Then there are some people to thank who contributed to my dissertation, each in his or her own way. Menko Noordegraaf, Barry van der Meijden and Quinlan Eddy for always showing an interest in my thesis. Tilly and Ben Beukenholdt for putting their home in the Ardennes at our disposal. Amanda Smullen for reading and commenting on my texts, the members of the AIO seminar of Philosophy who by now know chapter 4 by heart, my roommate Anita Vlam with whom I could discuss everything and anything (including the supervisor we share), Marike Schols as an example of cheerful unpredictability, Olav Velthuis as co-author of *Op naar de volgende crisis!*, Ellen Reuling – a surgeon in training – for giving me relaxing massages whenever I had worked too much, and Onno van Toor for providing his creative insights and advice.

I also received much professional and specific advice from my supervisors. Being an economist and philosopher with a great love of the ‘French thinkers’, prof. dr. Jos de Mul was an obvious choice as a supervisor, but no one would have expected to see two econometricians – prof. dr. Philip Hans Franses and prof. dr. Dick van Dijk – as my other supervisors. The fact that they decided to take up this project shows their open-mindedness. Nonetheless, it was sometimes hard for me to draw clear conclusions from our interdisciplinary discussions. Nevertheless, there was always confidence in the final outcome, even though I had my doubts at times. My doubts were never a match for my supervisors’ enthusiasm.

And then there is Willem Schinkel to thank. About ten years ago I met Willem at a seminar. After that, we started having extensive discussions about texts we had read, and other things. Because of ‘all those children’ we have been reading less – I have, anyway – and any visit from Willem is now first claimed by my boys to ‘fight’ or play soccer. We have spent many wonderful evenings, also with Marguerite, and I look forward to those that lie ahead.

Finally, an acknowledgement for my husband Mirko. Just as central bank presidents often struggle with words, I do as well. Especially when facing the challenge of pursuing this doctorate did the meaning escape from my words, or did my words take on a different meaning. Even now that I have completed my dissertation, I again find how stubborn even words of gratitude can be. There are no words to describe how important and supportive you have been to me over the years. I therefore dedicate this thesis to you and no words are needed to tell you how much that means.

Liesbeth Noordegraaf-Eelens
Rhoon, August 2010

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CHAPTER 1: INTRODUCTION

1.1 From silence to speaking

For a long time the relation between central banks and their public was characterised by silence and secrecy. *The Secrets of the Temple* is the title of a book that sheds light on this period (Greider 1987). Central bank presidents, being the most important representatives of central banks, never spoke. They let financial markets guess the meaning of their actions and the motivations on which they were based. According to the belief at the time, this was the most effective way of working. Since the 1990s, things started to change. Central bank presidents started to communicate more with their public, especially with financial markets. They did this primarily because of their growing independence, and they relied on communication to provide *accountability*. In the past there was less room for independent policies, because the first central banks were bound to the gold standard; and later pegged exchange rates regulated central bank behaviour, as laid down in the Bretton Woods agreement. Central banks may have had statutory independence, but at this stage there was ‘no question as to the political accountability of the central bank’ (Dincer and Eigengreen 2009, p.3). With the removal of pegged exchange rates and growing political independency came a need for accountability (Dincer and Eigengreen 2009). The paradigm change was also motivated by the fact that communication would contribute to realising policy. By communicating the policy, central banks are expected to be capable of managing the public’s expectations (see for example Blinder 2008, Woodford 2005).

With the increase in financial communication, the study of such communication has increased as well. This research mostly focuses on the contribution of communication to *policy achievement*. Most researchers see communication as a tool, a means to achieve a goal, and they study whether communication-as-tool improves policy effectiveness. Research outcomes are inconclusive, however. In fact, contrasting views upon communication are presented. Some research shows that the words of central bank presidents are indeed effective (e.g. Berardi and Duffy 2006, Cruijssen e.a. 2008). Other research questions the effectiveness of communication (e.g. De Haan and Jansen 2004) or relates it to specific conditions under which communication takes place (e.g. Rudebusch and Williams 2007, Eusepi and Preston 2007, Ehrmann and Fratzscher 2005, 2007a, 2007c, Berk and Bierut 2005). These contradictory views can be contrasted, in turn, with

other perspectives on financial communication (e.g. Toulmin 2001, Galbraith 1954 [1997]). They criticise instrumental understandings of communication between actors like central bank (presidents) and their publics.

From both empirical and theoretical angle this dissertation analyzes the contested nature of central bank communication, particularly to test the (scholarly) effectiveness of instrumental views. In order to do so, the following research question is posed:

Why is communication between central bank (president)s and their publics contested?

To illustrate the necessity of understanding contested communication between central bank (presidents) and their publics¹, we discuss an example involving Alan Greenspan. Greenspan was the longest serving president of the U.S. Central Bank (Federal Reserve, Fed.). He held this position from 1987 to 2006. He was notorious for his ambiguous way of communicating, the so-called 'Fed Speak'. Or, as he once said when speaking to Congress: 'If I made myself too clear to you, you must have misunderstood me'. This example provides insight in Greenspan's communication, also because Greenspan reflects on these words in his memoirs (Greenspan 2007). He gave testimony to the Committee on Banking, Housing and Urban Affairs of the U.S. Senate, nine days after 9/11.² He held this speech at an exceptional time, because the markets were shut down soon after September 11. This shutdown lasted until September 17, and the markets dropped by 7% the day they were opened again. This illustrates the high level of uncertainty in the market when Greenspan stressed his confidence in economic recovery in his speech (Greenspan 2001, September 20):

I am confident that we will recover and prosper as we have in the past. [...] For the longer term, prospects for continued rapid technological advance and associated faster

¹ The public here is derived from the public as defined by Dewey (1927 [1954]). The distinction between public and private is: affect the persons directly, engaged in a transaction (private), affect others, beyond those immediately concerned (Dewey 1927 [1954], p.12). Later, he uses this distinction to define 'the public': 'the public consists of those who are affected by the indirect consequences of transactions to such an extent that it is deemed necessary to have those consequences systematically cared for' (Dewey 1927 [1954], p.15-16). This book shows that the relationship between central bank president and public is different in times of crisis than in normal times. 'The public is not 'out there' waiting to be heard, it is continuously formed by the way in which it is allowed into, or forces itself into, the political process' (Hajer 2010, p.43).

² Greenspan, A. (2001) Testimony before the Committee on Banking, Housing, and Urban Affairs, The Condition of Financial Markets, U.S. Senate, September 20.

productivity growth are scarcely diminished. Those prospects, born of the ingenuity of our people and the strength of our system, fortify a promising future for our free nation.

Greenspan repeated these words a month later, on 17 October before the U.S. Congress Joint Economic Committee.³ In December 2001, the words proved to be true: the economy started to recover.

Thinking about the communication of the Central Bank president (CBP) on a more abstract level, one could assume that his words worked because they were perceived to reflect the future. As the person representing the central bank he is positioned close to possible knowledge and this makes his position powerful. He knows things that no one else does, but which everyone is eager to know. With his 'predictive' speech he reduces uncertainty by sharing information. The limits of communication could then be related to the limits of his knowledge: the more someone knows, the more that person 'has to say'. We must be careful however to embrace this perspective of speaking from knowledge. In his memoirs 'Age of Turbulence, Adventures in a New World' published six years after 9/11 (Greenspan 2007), Greenspan admits that he had no idea what the world would look like after 9/11, he contested his words himself. He had a different reason to say what he did (Greenspan 2007, p.8).

Yet on the record I took a less pessimistic stance because if I had fully expressed what I thought the probabilities were, I'd have scared the markets half to death.

Greenspan speaks to try and calm the public, or at least not add to the unrest. His words are limited by the situation he is trying to create. For this reason, he chooses to mention some things while leaving out others. This means that in the study of communication one should not only look at what is being said, but also to what is *not* said, and *when* and *how* things are said. Newspaper headlines like 'ECB's silence speaks volumes over shift' and 'the remarks add to the confusion on what the ECB's real agenda is'⁴ reflect this position. Decisive in the choice of words is not just the situation aimed for, but also the possible reaction of the public. So there is no one-way communication in which the central bank

³ Greenspan, A. (2001) Testimony before the Joint Economic Committee, Monetary Policy and Economic Outlook, U.S. Congress. October 17.

⁴ <http://www.nytimes.com/2005/11/21/business/worldbusiness/21iht-bux.html> (retrieved September 28, 2007).

president transfers his knowledge to the public, but rather interaction, in which Greenspan tries to persuade the public. Greenspan here plays a strategic game, which he does on more occasions, according to Toulmin (2001). Toulmin presents the example that if Greenspan tells Congress that there is inflationary risk, he does not want his prediction to come true. On the contrary, he hopes to convince Americans to change their financial behaviour in such a way that his prediction will not come true. Communication here informs with the intention to manipulate. The ability to manipulate with words, in the sense that the behaviour of the public is steered in a certain direction, shows how powerful communication can be. At the same time, however, this manipulation has a downside. Because when a central bank tries to steer the public in a certain direction, there are other directions as well. The words can always be contested. In this case Greenspan intends to calm the public, but he also knows it is possible that a panic will break out. In fact, his remarks could cause it. Economist John Kenneth Galbraith describes such a situation in *The Great Crash, 1929* (1954 [1997], p.33):

Always when markets are in trouble the phrases are the same: ‘The economic situation is fundamentally sound’ or simply ‘The fundamentals are good.’ All who hear these words should know that something is wrong.

1.2 Research design

This research is about studying the limits of speech. If we link this to the example above, it becomes clear that not just the central bank president’s words should be paid attention to, but also the interaction with the public.

Next, it is important to place this communication (inter)action in the right context. The example takes place in a time of great uncertainty. This has an impact on Greenspan’s message. Through communication, he intends to mitigate the uncertainty. And because of this uncertainty, Greenspan is unsure of what to say, he cannot use his regular knowledge to attack this problem. He tries to gain time by collecting information needed for taking a policy decision. To the committee, he stresses that ‘It’s better to be right than to be quick.’ He doubted that it would be possible to determine the long term effects of 9/11 (Greenspan October 17, 2001). In normal times the central bank president’s knowledge is likely to have a greater influence on his words, as he can then better judge their long term consequences. Still, the uncertainty that Greenspan is dealing with here is not unique, but it is extreme. According to his own words, he is faced with uncertainty in quiet times as well.

He calls it one of the defining characteristics of monetary policy (Greenspan 2004). In studying the limits of communication, there is a distinction between (the perception of) situations with more and situations with less uncertainty.

In this thesis the distinction between more and less uncertainty is operationalised by comparing communication in *times of crisis* with communication in *normal times*. The crisis referred to here is the financial crisis of 2007-2009. Chapters 2 and 3 deal with speaking in normal times, chapters 4 and 5 deal with speaking in times of crisis. The differences in the central bank president's communication, how the public reacts to it and how communication between the central bank and the public takes place are elaborated by using different perspectives within the chapters. These perspectives are based on ways in which communication is viewed. Luhmann (1996 [2000]) sees communication as a combination of *utterance-information-understanding*. First, there is an utterance. Then, information is selected from that utterance. And if the selected information is understood, we can speak of communication. 'Communication only comes about when someone listens, watches and reads to the extent that further communication could follow' (Luhmann 1996 [2000], p.4). That is what De Mul (2010, p.116) sees as the pragmatic side of information: 'signs that contain the potential to modify the mental and/or physical actions or behaviour of the recipient in a particular way'. This follow-up can take a different turn than intended by the central bank president; it is after all the receiver who distils information from the words. The receiving party then is most important here, it has to see the words as informative and continue speaking about them.⁵ The importance of the receiver shows the relevance of the distinction between utterance and information. Are the words spoken by the central bank president seen as being informative? In chapter 2 we show that the academic literature on transparency largely ignores the importance of the receiver. We do this by using the process model of communication. The assumption seems to be that the words of the central bank president are by definition informative. The goal then is just to clearly communicate the message. This approach offers only limited possibilities for explaining the workings of communication, so we offer an alternative in chapter 3. Here we give insight into the way the distinction between utterance and information is made in normal times. In chapter 4 we again focus on utterances, this time not by central bank presidents, but by the media when speaking about central bank presidents. In chapter 5 we then confront the media with the central bank presidents (and

⁵ As Hartley (2002) says: 'Interaction by mutually recognised signals' (p.32).

with financial markets). The perspective moves from utterances (chapter 4) to communication (chapter 5).

In this dissertation we study the speaking of four central banks (CB) and their presidents (CBP): the American Central Bank (the Federal Reserve) led by Ben Bernanke, the European Central Bank (ECB) led by Jean-Claude Trichet, the British Central Bank (Bank of England, BoE) led by Mervyn King and the Dutch Central Bank (De Nederlandsche Bank, DNB) led by Nout Wellink. In each chapter, reasons are given for choosing to discuss a certain central bank. What can be said beforehand is that the European Central Bank plays a major role in this dissertation. This is because the ECB communicates quite often, it communicates frequently about its communication, and its press conferences are a striking example of both action and interaction. Altogether, this results in the following overview.

Context Research object	Normal times (Weak perception of uncertainty)	Times of crisis (Strong perception of uncertainty)
Utterance (Words)	Chapter 2: <i>Disclosing transparency</i> CB(P): ECB Perspective: CBP	Chapter 4: <i>Do central bank presidents receive more attention in times of crisis?</i> CB(P): Fed, ECB, DNB Perspective: public
Communication (Interaction)	Chapter 3: <i>Revealing the rules of central bank speech</i> CB(P): ECB	Chapter 5: <i>Silencing speculation</i> CB(P): DNB, BoE

Table 1-1. Overview of chapters

1.3 Structure of the book

The specific content of the chapters is as follows. In the second chapter, ‘Disclosing Transparency’, we look for the motivation behind central bank presidents’ speaking. It is shown that the concept of transparency plays a central role here. Communication creates transparency (it creates openness) and that transparency is then a means to realise policy (goal). If the public knows the plans of the central bank, it will – according to rational expectations theory – adjust its own actions to them. Furthermore, transparency and accountability (another goal) go hand in hand. The remarks of a central bank president

about future policy are central in this, he is after all the one creating openness. The thesis of this chapter is:

Communication works because communication creates transparency.

Because of this (double) importance of transparency, in this chapter we look for the meaning of transparency related to central bank presidents' communication. We do this by studying various articles related to this topic (e.g. Geraats 2002, Poole 2008, Carpenter 2004). The result of this literature research is that there are varying views on what transparency is: what transparency is, is not transparent. One of the problems of the concept of transparency is the relation between transparency and communication. Communication cannot (always) be used instrumentally in order to create transparency. This puts into doubt the assumption that a central bank president creates transparency by communicating. This doubt is increased when looking at central bank presidents' communication 'in action'. For this, the monthly press conferences of the European Central Bank are used. The selected press conferences occur under normal circumstances. At first glance these press conferences seem transparent, but when looking at the press questions it becomes clear that communicating means making choices: what to say and what not to say. Communication then not only shows things – it makes them transparent – it also hides them. Communication can therefore always be questioned, which frustrates its intended effect. The conclusion of this chapter is that the presumed effect of communication cannot be attributed to transparency. Conversely, communication that is seen as transparent can create confusion and even uncertainty. If we look back at the Greenspan example, we can see that he did just that. Greenspan feared that openness would lead to panic, so he did not share his thoughts with the public.

In the third chapter, 'Revealing the Rules of Central Bank Speech', communication is looked at from an interactive perspective, interaction between central bank president and public. Viewing communication as a game offers the opportunity to interpret strategic behaviour, such as the discrepancy between what a person (like Greenspan) thinks and says. Starting point here is the work of Michel Foucault. Foucault studied the interaction between power and knowledge in language (1966, 1972, 1975, 1976). He looked for the words that work, the context in which they work and why they work. Foucault distinguishes three clusters of rules that give this game direction: rules of exclusion, rules of inclusion and rules of qualification (Foucault 1972). These rules are

guidelines in making the distinction between an utterance and information. They determine the effect and the value of the words. Because of them, one word can be different from a similar word, and it matters who utters it. This is comparable to soccer, where the rules determine which acts are allowed and/or successful. Based on this perspective, we formulate the following thesis:

Communication is not about words, it is about the possible effects words can generate in the communication game.

In this chapter, we make clear the rules of the communication game that central bankers play. The communication of the European Central Bank is used as a starting point here. The directors of the ECB have often communicated about communication since its creation (Duisenberg 1998). To map these rules, we study a range of communication used by the ECB, including meta-communication (communication by central bankers about communication).⁶ Furthermore, we pay attention to the way in which central bank presidents communicate. This means that not only the ‘what’ of communication is relevant, but also the ‘how’.⁷ A first result of this study, found by linking meta-communication by central bankers to Foucault’s ideas, is that communication as a game of language offers insight into the effect of words. (In)formal rules are the basis for communication by central bank presidents. These rules provide insight into the effect of communication (or lack thereof). However, the research also shows that the rules themselves are not uncontroversial: discussion about the rules is possible. Seeing communication as a game and knowing the rules does not mean that the central bank president controls the effectiveness of his speech. That there will be effects is to be expected (speaking is productive), but which effects is sometimes hard to determine (speaking does not always create the intended effects).

In the fourth and fifth chapter, communication in times of crisis is discussed. The crisis studied here is the credit crunch of 2007-2009. The fourth chapter, ‘Do central bank presidents receive more attention in times of crisis?’, is a transitional chapter, as it

⁶ Different moments of communication can be distinguished: press releases, interviews and speeches, press conferences, monthly bulletins, statistics pocket books, annual reports, convergence reports, financial stability reviews, weekly financial statements, quarterly financial statements, and (research) publications (e.g. Hämäläinen 1999, Blinder e.a. 2008).

⁷ Compare Hajer (2009); he states that not only the discourse (the what) is important, but the dramaturgy as well (the how).

compares normal times with times of crisis. The goal of this comparison is to create an outline of the changing relations between central bank presidents and their publics in a crisis. Starting point is that a central bank president addresses a broader public in times of crisis. He uses mass media (like television) to convey his message. What he has to say is no longer relevant mostly to financial experts, but to the entire population. The discussion takes place mostly in the media. The thesis studied in this chapter therefore is:

In times of uncertainty, like a financial crisis, more attention is given to remarks by central bank presidents, and attention is paid by a broader public.

We measure this attention by counting the number of references to central bank presidents in newspapers. The newspapers used have various orientations: popular, intellectual and professional. This is because in creating an outline, we do not look at the content of the references (only at the attention that is generated). Besides references to central bank presidents, we count the number of references to the credit crisis. The results of this research are as follows. Firstly, the central bank presidents studied in this chapter are referenced more often in this crisis than in normal times. However, attention for this crisis has a larger relative increase than attention for central bank presidents. This indicates that the crisis is often discussed without referring (in)directly to a central bank president. We also see that the central bank presidents try to reach a broader public, but that these efforts only marginally pay off. This seems to confirm a loss of authority. Not only are there more people with something to say about the financial crisis, other people than in normal times are referred to.

The changes in the relation between central bank presidents and the public are elaborated in the fifth chapter, 'Silencing Speculation'. We do this by viewing these relations as a 'contest for symbolic order' (Boin 2005). This contest takes place in times of great uncertainty. The stakes are the definition of the situation. Whoever succeeds in defining the situation also gets the opportunity to create consequences, such as answering the question of who is to blame or what solution is best. Central banks, primarily represented by their presidents, take part in this contest. They have to fight, because they have lost some of their authority.⁸ After all, they were unable to prevent the crisis. Their

⁸ In addition to footnote 1 we can say that the public changes here, because not only the professional public is confronted with the effects on the financial world; these become clear to the lay public as

definition of the situation is therefore not automatically the accepted one, their words stop working or work differently. In a contest for symbolic order, communication of a central banker is of a different nature than in normal times. To realise something in normal times, one can manoeuvre within the rules of the game and explore their limits (see chapter 3). In times of crisis, however, redefining the rules of the game is what is important. The thesis of this chapter is as follows:

In times of crisis, a central bank president communicates to regain control of his communication.

This thesis is studied in this chapter using the cases of Northern Rock and Fortis. In studying these cases, focus is put on the action of the central bank president ('What does he say?' and 'How does he do so?'). For the study of Northern Rock, we use a parliamentary inquiry. In the Fortis case, a reconstruction is based upon the media appearances of the central bank president. The communication of the CBP in these media appearances is compared to the reactions and behaviour in the markets and in the media. We see that central bank presidents use alternatives to temper speculation about their message. Examples are risky ways of communicating (such as holding press conferences), repeatedly and quickly (re)framing the message, trial and error in looking for solutions, et cetera. In both cases we see that in times of crisis, central bank presidents are confronted with the limits of their speech (not all utterances are seen as information). A central bank president is expected to speak, but it is difficult for him to control the meaning given to his words in the interaction. Therefore he not only adjusts his message, but his method of speaking as well. The conclusions of this chapter are that the method of communication offers more ways to temper speculation than the communicated information, and another way to temper speculation is to change to another communication game.

When the aforementioned overview is filled in using the chapters, this is the result:

well. A central bank president, responsible for the well-being of the financial world, therefore has to relate to different publics. The contest for symbolic order is also a contest for who – in the eyes of the public – should represent the public interest.

Context Research object	Normal times (Weak perception of uncertainty)	Times of crisis (Strong perception of uncertainty)
Utterance (Words)	Concept: <i>Transparency</i> Case material: press conferences of the ECB	Concept: <i>Attention</i> Case material: referrals to the CBP (Fed, ECB, DNB) in newspapers
Communication (Interaction)	Concept: <i>Game</i> Case material: (meta-)communication by the ECB	Concept: <i>Contest</i> Case material: Rescue of Northern Rock and Fortis

Table 1-2: Overview of concepts in the chapters

1.4 Situating the research

This research studies a problem of financial economic relevance (managing expectations by a central bank president), but it does not primarily use the regular economic perspective. It uses a philosophical approach that fits existing economic approaches, but adds to them as well. First of all, this research underlines the importance of information. This fits economic theory development, in which information is assumed to be an important steering mechanism. An example of that is the role of prices as a coordinating mechanism in the market, as it is assumed that prices contain all information. The steering mechanism becomes clear in cases of information asymmetry (e.g. Stiglitz 2002). Then, the party with the most information has the ability to exploit the other party. The solution to this problem lies in creating information symmetry. Power plays are prevented because of the equality that has been created. The corresponding assumption is that people process information rationally (compare also rational expectations).

In this dissertation we discuss this relation between power and information (chapter 3). We show how power and information are interwoven, but also that the power relations do not disappear when there is equality of information. The fact that parties have the same knowledge does not mean they act the same. Their institutional positions influence the value of the information they possess. The words of a central bank president are likely to have a different impact than the words of a layman. Sharing information is also the link to mechanism design theory (Hurwicz 2007, Meyerson 2007). This describes creating a mechanism (the design) to optimally distribute information. We see that in times of crisis, central bank presidents start using different mechanisms – such as live press conferences and television appearances – to convey their message. From that perspective,

the implications of this study fit those of mechanism design. In this research, however, we challenge an important assumption embraced by both mechanism design theory and theories regarding information asymmetries, which is that words work. There are times, such as times of crisis, when central bank presidents are hardly believed, if at all. When that point is reached, supplying information is no longer effective. This is why, in this research, we take a step back as it were, to explore the conditions under which information does or does not work (as expected or intended). In their own way, Kahneman and Tversky (e.g. 1981) also ask this question regarding the effect of information. They show that ‘framing’ information has consequences for actions. In this dissertation, this ‘framing’ is further elaborated. We do this in an academic way by using Foucault’s work, and by relating communication not just to the process approach, but also to the semiotic approach. We also do this in a practical way by seeing how the words of central bank presidents work and fail to work in various contexts.

1.5 Relevance of the research

Looking at the relevance of this research a first thing that comes to mind is the question: ‘Do central bank presidents really do what they say they will do?’ Central bank presidents claim that they want to be transparent, but looking at their communication we also find many silences. The research shows that their transparency is limited and conditional. It also shows that merely giving information is not sufficient. Central bank presidents are dependent on the (knowledge of) their public for their information to be effective. This puts into doubt the hope central bank presidents have to manage expectations through communication. Especially in times of crisis we see that communication fuels speculation and thereby unpredictability. The same words (utterances) can generate different effects in different contexts (can be informative in different ways).

The scientific relevance is found in the embedding of communication. A lot of past research relates words of central bank presidents to market reactions. In this research we go in-depth by asking ‘Why is communication between central bank presidents and their publics contested?’ Words are only listened to if they are embedded within a certain context. This context offers meaning and status to the words (and to the silences). In times of crisis this context turns into a contest for symbolic order. That makes communication much harder and the effects it generates more unpredictable. When words are contested, it is both difficult to speak and to remain silent.

CHAPTER 2: DISCLOSING TRANSPARENCY

Transparency is everything but transparent

2.1 Introduction

In April 2003 the European Central Bank (ECB) selected 80 architects to submit a design proposal for the ECB's new premises. According to former ECB President Willem F. Duisenberg, the new premises had to meet 'the requirements of a modern central bank in the 21st century serving an enlarged Euro area'. He continues to write in the foreword of his competition letter, 'The design of our future premises should reflect the values we regard as essential to our activities. We are committed to transparency, integrity, excellence and efficiency.' In 2007 Lorenzo Bini Smaghi, board member of the ECB, awarded the project to the architects of Coop Himmelb(l)au. This was remarkable as the laureate, Prof. Wolf D. Prix of Coop Himmelb(l)au, deviated from the Competition Brief. He replaced two essential values – integrity and excellence – by two other values – *communication* and stability – to accompany efficiency and transparency.⁹

This revaluation should not come as a surprise: nowadays communication can be seen as one of the core businesses of central banks. Within one year (2007), the ECB had at least 613 official, mostly scheduled 'communication moments' with its public. Its executive board members gave 135 speeches and interviews, most of which were given by president Jean-Claude Trichet (49). They were supplemented by: monthly press conferences by ECB president Jean-Claude Trichet and vice-president Lucas Papademos (12), regular press releases (103), monthly bulletins (12), statistics pocket books (12), annual report (1), convergence report (1), financial stability review (1), weekly financial statements (52), quarterly financial statements (4), (research) publications (280).¹⁰

However natural communication may seem today, it has not always been that way. Only in the 1990s did central banks start to communicate with their public. They

⁹ For remarks on the competition brief, see: press releases ECB; <http://www.ecb.int/press/pr/date/2003/html/pr030407.en.html>, April 7, 2003 (retrieved May 11, 2010) and <http://www.ecb.int/press/pr/date/2002/html/pr021126.en.html>, November 26, 2002 (retrieved on May 11, 2010) and Smaghi (November 20, 2007). For other 'transparent' architecture see Heald (2007) who mentions two other buildings that symbolize transparency: the Flemish Parliament with a convex glass roof and the building for the National Assembly of Wales.

¹⁰ See: <http://www.ecb.int/pub/html/index.en.html> (retrieved May 11, 2010).

communicate to be *transparent*. And they desire transparency, because they assume that it contributes to the ‘effectiveness’ of monetary policy and that it provides the ‘accountability’ required by the independency of central banks (Blinder e.a. 2008, Woodford 2005). The assumption is that if the central bank says what its goals are with respect to inflation and interest policy, the public incorporates this information and acts accordingly (expectations are anchored). That in turn should lead to a more predictable and therefore more efficient and effective monetary policy. Or as the European Central Bank writes: ‘Transparency helps the public to understand the ECB’s monetary policy. Better public understanding makes the policy more credible and effective’.¹¹ Today, there is a general consensus among central bankers that transparency is not only an obligation for a public entity, but also a real benefit to the institution and its policies (Issing 2005 p.66). In this chapter, communication by central banks and their presidents is studied. Linked to the importance of transparency, the following statement is examined:

Communication works because communication creates transparency.

This assumption will be studied in this chapter. We start in section 2 by studying the relation between transparency and effective communication on an abstract level. We show that the emphasis on transparency of central banks fits a societal trend that embraces transparency. The assumption that transparency has a disciplining and controlling effect is the basis for this. The expectation that transparency also influences expectations is however less common. It is rooted in the rational expectations approach. Both forms of transparency, providing accountability and managing expectations, are realised through communication. Based on this theoretical exploration it is concluded that realising transparency is based on three assumptions: transparency makes visible what must be made visible, transparency creates predictability and thereby anchors expectations, and transparency assumes the instrumental role of communication.

Section 3 contains the research design. It describes how two sub-questions, derived from the statement posed in the introduction, are researched. The question: ‘Which demands does central bank communication have to meet in order to be transparent?’ is answered using academic literature on the subject. The question of whether central bank communication meets transparency demands is answered by studying a limited

¹¹ <http://www.ecb.int/ecb/orga/transparency/html/index.en.html> (retrieved June 9, 2010).

communication domain, the monthly press conferences of the ECB. In both cases, transparency and communication are related to visibility, predictability and instrumentality, as previously distinguished. In sections 4 and 5 the research results are presented, based on academic literature (4) and ECB press conferences (5). All this makes it possible to draw the following conclusions in section 6. First of all, what transparency is, is not transparent. Secondly, communication is not only used to create transparency. Communication also makes clear that central bank presidents do not want to talk about certain topics, and that they aim to discipline their public using communication in a non-transparent way. The overall conclusion is that transparency offers no sufficient explanation as to how and why central bank presidents communicate. The process approach associated with it comes up short if we want to understand a central bank president's communication. It is not only the case that transparency disciplines the public, the public needs to be disciplined in order for transparency to be effective.

2.2 Theoretical exploration of transparency

In this section, transparency is situated from a theoretical perspective. The aim of this section is to explore and explain the assumed relations between transparency and accountability and between transparency and the management of expectations.

The link between transparency and *accountability* came up in the 1980s. In various mission statements, transparency is related to 'good governance' (Hood 2007). This call for transparency is situated in the supposed relation between transparency and surveillance: by making things visible, we can better monitor them. This connection is worked out by Jeremy Bentham. This 19th century philosopher is one of the founders and advocates of the current thinking about transparency: 'The more closely we are watched, the better we behave' is his motto (Hood 2007). Bentham illustrates what he means by using the panopticon. The panopticon is a round prison. In the middle of the prison is a tower, where a guard can monitor the behaviour in each of the cells. These cells are at some distance to the tower. The tower itself is blacked out, so the guard can see the prisoners, but they cannot see him. This physical infrastructure makes it easy to monitor everyone. But, and this is an important premise, it is not necessary to actually do so. The

continuous possibility of being watched is a control mechanism in itself (see also Foucault 1975).¹²

When it comes to the call for transparency of government institutions, we see that this is about *visibility* as a control mechanism as well: being transparent means (the possibility of) making visible what ‘should’ be seen (see also Meijer 2009). The point is that those who claim to serve the public interest can be monitored and disciplined by being visible. The citizens are – or should be – in the tower so to speak, the public organisations are in the cells. The visibility, the transparency, can be seen and organised in different ways. Hood and Heald (2007) distinguish four directions of transparency:

- Transparency upwards means that the hierarchical/superior principal can observe the conduct, behaviour and/or ‘results’ of the hierarchical subordinate/agent.
- Transparency downwards means that the ‘ruled’ can observe the conduct, behaviour and/or results of their ruler.
- Transparency outwards occurs when the hierarchical subordinate or agent can observe what is happening ‘outside’ the organisation.
- Transparency inwards is when those outside can observe what is going on inside the organisation.

When it comes to accountability of monitoring institutions, like the central bank, transparency upwards seems to be the most appropriate category (Hood and Heald 2007, 28-29). The central bank then serves society, and society can follow its behaviour.

Transparency, as used by central banks, also has another goal: managing expectations in order to become *predictable*. This form of transparency does not fit the ‘good governance’ use of transparency. Neither does it fit one of the four varieties of transparency, as it is not only about observing, but also about managing expectations. The idea is that by making expectations of the future transparent, the public will behave according to these expectations. The assumptions are based on the ‘theory of rational expectations’. Macesich (1987) works out the connection between the two in his book

¹² ‘Ideal perfection, if that were the object, would require that each person should actually be in that predicament, during every instant of time. This being impossible, the next thing to be wished for is, that, at every instant, seeing reason to believe as much, and not being able to satisfy himself to the contrary, he should conceive himself to be so’ (Bentham 1787, p.3).

Monetary Policy and Rational Expectations (1987).¹³ He stresses that the theory of rational expectations does not assume that everyone has perfect foresight. What is important in this theory is that the expectations relevant to decision-making are not just formed based on adapted experience (as in the adaptive expectations model (Macesich 1987)). The expectations are also formed by the information received about future policy. Policymakers who want their expectations of the future to be incorporated in the expectations of the public will have to use simple policy rules and easily predictable policy. The consequences for monetary policy are clear, according to Macesich (1987) monetary authorities should act in a clear, predictable, and consistent manner. The consequence is that the public, which according to theory behaves rationally, contributes to more efficient and effective policy. Both the central bank and the public become predictable.

To create visibility as well as predictability, communication is used: communication is a *means* towards transparency (the goal). This means that it is assumed that communication clarifies things and does not obscure them. If it obscured things, communication would not be a good way to create transparency. It is a vision of communication that closely fits the process approach of communication. This approach distinguishes (roughly) a sender, a message and a receiver. The sender has certain intentions, which he packages in a message (encode), which he puts forward to a public that then unravels it (decode). The act of communication itself does not add anything to the message. If the public ultimately does not act in accordance with the intentions of the sender, there is miscommunication. This can be explained by technical noise: the channel does not work properly. Another explanation is that there is misunderstanding. In that case the words were not chosen properly, whereas in the first case, the channel does not work the way it should. The solution is to package the intention better and differently, in word and technology, so that the misunderstanding and noise are removed.¹⁴ In this case the

¹³ This work was published in 1987, well before central banks actually put transparency high on the agenda. That only happened in the beginning of the 1990's. This is why this literature is used to map the assumptions. In later oversights like Woodford (2005) and Blinder e.a. (2008) the link between rational expectations and transparency is also emphasised.

¹⁴ This approach is different from the semiotic approach, which sees communication as producing meanings. The message then cannot be reduced to the intentions of the speaker. What the message is becomes clear during communication when various parties start to deal with the words. Miscommunication does not mean that the intentions of the speakers are deviated from. If there is 'miscommunication' – as far as the word even applies here – it is because the various parties look at

central bank, often its president, is the sender of the message. The challenge for the central bank president is to communicate with the public as well as possible, so that the public understands what he says and behaves in a predictable manner.

Concluding, based on the above, three assumptions can be defined that underlie the embracing of transparency. Firstly, transparency makes visible what should be visible. Secondly, transparency creates predictability of policy and thereby anchoring of expectations. Thirdly, communication is considered to be instrumental in achieving transparency.

2.3 Research design

The theoretical framework presented above offers a frame of reference to further investigate the statement of this chapter ‘Central Bank communication works as it makes transparent’. This is done by giving concrete meaning to visibility, predictability and instrumentality.

A first step in doing that is studying academic literature on central bank communication. The overarching question that is asked here is how communication should be shaped to realise transparency. This question will be linked to the concepts mentioned above:

- How can *visibility* be specified?
- How can *predictability* be specified?
- How can *instrumentality* be specified?

A part of the literature is empirical (how things are in practice), a part is normative (how things should be) and a part is empirical-normative (how things are and how to improve them).

Next, we study an example of communication by a central bank. The question asked here is whether communication by a central bank creates transparency. The starting points used for this are based on the study of academic literature. Using the example of communication, we check whether these points can be found in actual communication. We have chosen the press conferences of the ECB to do this. This choice was made this way

the words from a different ‘cultural’ background. Possibly, this method of communication can best be understood by seeing it as negotiating, as Fiske (1990) does.

because the ECB has always considered communication and transparency very important, and because this central bank has opted for communication with its public through press conferences. This choice implicitly shows how the ECB prefers to see communication. Giving a press conference also makes clear that not only the ‘what’ of communication is important, but the ‘how’ as well. Furthermore, press conferences make communication researchable by giving the public the opportunity to immediately respond to the central bank president’s words. Finally, press conferences are seen as an effective method of communication (Ehrmann and Fratzscher 2008). The press conferences are first studied based on their general characteristics. For this, we use all ECB press conferences since its foundation. In some cases it is important to study press conferences in depth. For this, the press conference from the beginning of 2008 is used as an illustrative example. At the time, the situation was fairly normal. The tensions on the credit market, which later would lead to the credit crisis, were already present. But there was no (perceived) uncertainty comparable to that during the credit crisis. Moreover, Jean-Claude Trichet, president of the ECB since 2003, had built up some experience in communicating with the public. The question of whether press conferences create transparency is answered by studying whether the press conferences meet the transparency demands as formulated in academic literature. Also, we look for additional ways in which communication in press conferences may create transparency. This means we will be following these questions:

- Is there *visibility*, as defined in academic literature, in the ECB press conferences?
Do the ECB press conferences provide additional insights in situating visibility in communication?
- Is there *predictability*, as defined in academic literature, in the ECB press conferences?
Do the ECB press conferences provide additional insights in situating predictability in communication?
- Is there *instrumentality*, as defined in academic literature, in the ECB press conferences?
Do the ECB press conferences provide additional insights in situating instrumentality in communication?

The first question in each of these three pairs is answered by comparing the criteria, circumscribed in the next section, to the ECB communication. For the second question we

take the communication by the ECB president as starting point. We look for ways in which words create visibility and predictability, and how they are used instrumentally.

The ECB press conferences can be studied well because they have been used since the ECB's foundation, and because they have been well documented. Since June 2008, these press conferences can also be viewed live or afterwards on the site.¹⁵

2.4 Results of the literature study

In the following section we look at the relation between transparency and visibility, between transparency and predictability and between transparency and communication. It is striking that in most central bank literature on transparency the monitoring power of transparency, when it comes to providing accountability, is not disputed. Attention is mostly given to the possibility for transparency to anchor expectations.

Specification of visibility

The work of Geraats is used as a starting point in answering the question: 'How can visibility be specified?' The choice is based on the extensive research Geraats has done on this transparency and CB speech (see 2002, 2006, 2007). Geraats makes the link between transparency and visibility by mentioning that the physical perception of transparency is 'that which one can look through' (Geraats 2002). It is logical to see transparency, based on this analogy, as something that does not hide anything, but makes visible what lays behind. This creating of visibility is done by central banks by informing. If we continue this line of thought, it could mean a '[...] full, unlimited disclosure of all information' (Issing 2006). Geraats, however, defines transparency differently. In her work transparency is seen as the presence of *symmetric information* (Geraats 2002, see also Berardi and Duffy 2006, Reeves & Sawicki 2006, Ehrmann and Fratzscher 2007c, González-Páramo 2007): an approach that fits mainstream economic theory (e.g. Stiglitz 2002). This is also an approach that points to the importance of communication (in this case, the central bank president informing the public). It is stressed by Geraats that symmetric information does not mean that all the parties know everything (that they have perfect information). It does mean that all parties face the same knowledge and have the same uncertainties (Geraats 2002). So, for Geraats and those authors who subscribe to this point of view, uncertainty

¹⁵ Transcripts of the press conferences can be found at: <http://www.ecb.int/press/html/index.en.html> (retrieved June 8, 2010).

does not exclude transparency. ‘For instance, in case of monetary policy the central bank and the private sector could both face uncertainty about the structure of the economy: but as long as both have the same information, and are aware of it, transparency prevails’ (Geraats 2002, p.534).

This view differs from the view of Poole (2008)¹⁶. He says it is possible to be transparent about both the objectives of monetary policy and about current monetary policy actions. But the existing commitment to transparency requires central banks to publicly explain the assumptions about future policy that are implicit in such projections (Woodford 2005). This transparency about expected future monetary policy is highly complicated. Poole (2008) gives the following reason:

I know that market participants are hungry for insight into the FOMC’s (Federal Open Market Committee, LNE) thinking and into the likelihood of future adjustments in the target federal funds rate. My judgment is that, most of the time, the committee cannot provide what the market wants because the committee itself is not clairvoyant.¹⁷

Following this criticism means accepting that transparency is limited by *uncertainty*, it is frustrated when the speaker does not know what to say (Kohn 2005). According to this view transparency and uncertainty do not go hand in hand.

Uncertainty is not the only way in which transparency is limited. Cruijsen e.a. (2008) mention the presence of *complexity* and profusion as limits to transparency. Call it ‘the not being able to see the bigger picture’ problem. This point is subscribed to by Papademos (2008) and Mishkin (2004). In his article ‘Can transparency go too far’ Mishkin (2004) questions the desirability of transparency. Mishkin and Papademos doubt the possibility (as well as desirability) of being transparent when it comes to the publishing of forecasts including projection of the future path. Mishkin also questions the formulation and publication of the objective function (how they care about output and inflation

¹⁶ President of the Federal Reserve of St. Louis, and former member of the Federal Open Market Committee (FOMC).

¹⁷ The Federal Open Market Committee (FOMC) consists of twelve members: the seven members of the Board of Governors of the Federal Reserve System; the president of the Federal Reserve Bank of New York; and four of the remaining eleven Reserve Bank presidents, who serve one-year terms on a rotating basis. The FOMC holds eight regularly scheduled meetings per year. At these meetings, the Committee reviews economic and financial conditions, determines the appropriate stance on monetary policy, and assesses long term risks of price stability and sustainable economic growth (<http://www.federalreserve.gov/monetarypolicy/fomc.htm>; retrieved July 2, 2010).

fluctuations). Transparency on these subjects is complex and can turn out to be counterproductive (Mishkin 2004, p.63):

[...] increased transparency [...] will complicate the communication process and weaken support for a central bank focus on long-run objectives.

According to Mishkin (2004) speaking about output fluctuations is so complex that it would frustrate the KISS (Keep it Simple Stupid) principle. This accessibility is actually a requirement Mishkin places upon transparency. Hämäläinen (2001) on the other hand notices the tension between the expectation (of the public) that the ECB uses a very simplistic strategic and communication framework in a complex world.

Summarising, transparency is seen in part of the academic literature as realising a situation of symmetric information (e.g. Geraats). What that symmetric information is, is unclear however. There are different views on uncertain information: ‘should things be said about it?’, ‘should things not be said about it?’, or ‘should be said that there is uncertainty?’. There are also differing views on the complexity of the information. According to part of the literature simplicity is important, while according to some literature simplicity does not do justice to the message.

Specification of predictability

Visibility is closely connected to predictability, the second pillar of transparency. Because making things predictable means that light is shed on the future (and therefore made visible). The expectation is that making future policy known leads the public to act in accordance with this information. We use Geraats here as well, to elaborate on the point of predictability. In her work, Geraats defines five transparency domains. For each domain, she indicates which information should be disclosed in order for central banks to be transparent. If central banks do so, their behaviour becomes predictable for their public. The public then does not only know the inflation target, but also the objectives, strategy, et cetera. The five domains with corresponding criteria are as follows.

1. Political context: openness about policy *objectives*, such as explicit inflation targets.
2. Economic context: disclosure of economic *data*, *models* and central bank *forecasts*.

3. Procedural context: providing information about the monetary policy *strategy* and internal policy *deliberations*, for instance through the release of minutes and voting records.
4. Policy context: communication of *policy decisions*, such as changes in the interest rate, and statements about likely future actions.
5. Operational or market context: concerns the implementation of monetary policy actions, including a discussion of *control errors* for the operating instrument and macroeconomic transmission disturbances.

Carpenter (2004) deems this division of five too extensive and provides his own division of three. He distinguishes transparency ‘in instrument, goals and implementation’. In instrument transparency, predictability is created because ‘the public knows the current policy instrument and the current targeted level for that instrument’. In goal transparency, predictability lies in the fact that the public knows ‘the objective of the central bank, including the relative values placed on each goal when there are multiple objectives’. And in implementation transparency, predictability comes from the fact that the public ‘knows the manner in which information about the economy is translated into policy actions’.

At first sight, the authors seem to assume that making information visible to the public (*show*) causes the public to know what to do (*act*). It has the knowledge to correctly incorporate the information (*know*). The predictability then is at two connected levels. On the one hand, there is predictability related to what the central bank president is going to say, and on the other hand there is predictability in the behavioural response of the public to the central bank president’s remarks. Although one could arise from the other in an ideal situation, this does not always happen. According to Geraats, the final effect depends on the ‘transparency context’. A short summary of the arguments presented by Geraats (2002, 2007) indicates that it does not always pay to be transparent: in certain *contexts* it does, in others it does not.¹⁸ Carpenter here wonders if effective communication is not more

¹⁸ To be able to interpret it, Geraats distinguishes uncertainty effects from incentive effects. These effects do not always relate to each other in the same way. According to Geraats, the ultimate effect depends on the ‘transparency context’. Uncertainty effects are ex post effects, directly related to the disclosure of information. The moment the central bank reveals the information it has, it no longer has the opportunity to use the advantage that the information provides. At the same time the private sector obtains new information that it can act upon. Incentive effects, on the other hand, are the indirect ex ante structural changes in economic behaviour that result from the different information structure (Geraats 2006, p.114 and Geraats 2002, p.533). The source of the incentive effect is the desire of an agent with private information to influence the beliefs of others through signalling. The

important than transparency. That ‘how’ something is said is just as important as ‘what’ is said. The discussions on implementing transparency confirm that point, according to him.

The point of uncertainty discussed earlier plays a role here as well. The question that arises is ‘What to do when communicating uncertainty?’. To place this question in perspective, we can refer to work by Morris and Shin (2002). They assume that the central bank information is double edged: on the one hand it conveys information on the underlying fundamentals, on the other hand it serves as a focal point for the beliefs of the group as a whole. The authors claim that public information – in this case information offered by CBs and CBPs – carries the danger of being too effective. An *overreaction* to public information – not unlikely to happen in this media-sensitive time – can magnify the damage done by ‘noise’. The damage is done if this focal point is based upon ‘faulty judgments’, situations where central bankers do not have the privileged position to judge. If they give clear signals at these times, private agents might underestimate their own judgments and overreact to the communication of central banks. So, private agents do not act rationally when confronted with uncertainty. If, on the other hand, central bank presidents give a variety of signals, they might increase understanding, but reduce predictability (Blinder e.a. 2008, Ehrmann and Fratzscher 2005b). This point puts the vision of Poole and Mishkin (2004), which was mentioned in the previous section, in a specific perspective. They point out, as do Morris and Shin, that the chance to make ‘faulty’ judgments and the need for a focal point is likely to grow in times of uncertainty. Or as formulated by Kohn (2008):

But we cannot say more than we know, and we should strive to avoid giving people the impression that we know more than we do.

In short, when looking at the characteristics of predictability – the management of expectations – in central bank communication, we see that these characteristics differ. Geraats conceptualises predictability as openness about objectives, data, strategy, deliberation, decisions and implementation. Carpenter prefers to describe it as openness about instruments, implementations and goal(s). There are question marks to be placed here. Firstly there is effectiveness: ‘does openness always work as desired?’, or ‘does its

response of the receiver of the signal could in turn shape the sender’s incentives and thereby affect the sender’s behaviour (Geraats 2002, p.536-537).

effect depend on the context?’ Secondly, there is overreaction: ‘does the public attach too much value to the words of central banks and their presidents?’

Specification of instrumentality

Communication by central bank presidents is for an important part about one-way traffic. The central bank president, who knows more than the public, informs it. This way, information asymmetry is decreased. In communicating, a central bank president encounters things (uncertainty, overreaction, complexity) that hinder or disrupt this communication. This view of communication largely fits the *process approach* of information. This approach assumes a sender, a message and a receiver. If everything goes well, the receiver acts according to the intentions of the sender. If things go wrong, there is ‘noise on the line’ and the connection has to be improved. In central bank communication the intentions of the central bank, and of the president who speaks, are unclear. What can be deduced based on the communication itself is that a central bank hopes that through communication (mainly done by the president) the expectations of the public are managed. It is desirable that the receiver of the information understands exactly what the sender wants to say. This might not be an easy task when talking about a complex economy with an evolving structure and which is constantly subject to unexpected developments (Kohn & Sack 2004, Issing 2000, Hämäläinen 2000). Simply informing the public is apparently not enough, there is ‘noise’ on the line.

A form of noise is the fact that people are *not ideal information* processors. This means that a central bank should give thought to the question of what market participants most need to know and how best to express what it is trying to tell them (Woodford 2005, Winkler 2000, Rozkrut e.a. 2007). Geraats subscribes this critique by stating that simply giving symmetric information is not enough to be transparent; the parties must actually have the information (Geraats 2002). And ‘having information’ then also requires ‘understanding information’ (Winkler 2000, Woodford 2005 [Italics, LNE]). To actually understand information, it must be processed, structured and condensed, simplified and put into context in order to become comprehensible (Winkler 2000). Stressing the importance of understanding also points to the social phenomenon of transparency (Winkler 2000). People need to share a common interpretation device (‘language’) for encoding and decoding a message and/or enjoy an education that offers the means for understanding

(Winkler 2000, Berardi and Duffy 2006).¹⁹ Such *education* can be taken care of by the central bank – at least partly, if it accompanies the information given with the model or line of reasoning which it is based upon (Berardi and Duffy 2006).

These critical discussions about communication place transparency in a remarkable perspective. They show that transparency does not always imply visibility. If ‘transparency’ is to have the desired effects, information has to be selected and edited. Furthermore, it is desirable that the public is educated to interpret information from a suitable frame of reference. The table below contains an overview of the theoretical interpretation of transparency and the criticism/discussion that is brought up.

	Visibility	Predictability	Instrumentality
<i>Definition of criterium</i>	Symmetric information	Multiple openness	Process approach
<i>Obstacles for transparency</i>	Uncertainty Complexity	Effectiveness Overreaction	Processor of information Education

Table 2-1. Transparency in academic literature

2.5 Transparency in press conferences

In the previous section, transparency and communication have been discussed based on academic literature on the subject. In this section we elaborate on the connection between transparency and communication, using the monthly press conferences of the ECB. We are looking for ways in which transparency is created in these press conferences, in addition to those in the academic literature. In relation to visibility, we wonder how this form of communication adds to the creation of information symmetry. In relation to predictability, we wonder how this form of communication provides openness on certain topics or the process. And in relation to instrumentality, we wonder how the relation between sender and receiver is shaped and how possible ‘noise’ is handled.

We have chosen the press conferences, because they are an example of communication in which the central bank itself is in control. The central bank determines both the way and time to communicate. The central bank has chosen a communication method of which the press conference is a part – and thereby the confrontation with the

¹⁹ A connection can be made here with utterances and information. The ‘common interpretation’ affects which utterances are seen as information.

public. This creates an interesting opportunity to study communication, because the public can react to what is said.

Visibility in press conferences

When talking about visibility, we again point to informing in order to eliminate or *mitigate information asymmetry*. This asymmetry is advantageous to the ECB, which has information that the public does not. The day of the press conference is an information day, because the public is informed by the ECB throughout the day. This starts with the announcement of the monetary financial institution (MFI)²⁰ interest rate statistics as well as the long term interest rates statistics, and the publication of the Euro area investment fund statistics. Then, a press release is distributed in which the interest decisions are announced. For an example of a press release, see table 2-2.

Press release June 6, 2007 (PR1)

At today's meeting the Governing Council of the ECB took the following monetary policy decisions: The minimum bid rate on the main refinancing operations of the Eurosystem will be increased by 25 basis points to 4.00%, starting from the operation to be settled on 13 June 2007. The interest rate on the marginal lending facility will be increased by 25 basis points to 5.00%, with effect from 13 June 2007. The interest rate on the deposit facility will be increased by 25 basis points to 3.00%, with effect from 13 June 2007. The President of the ECB will comment on the considerations underlying these decisions at a press conference starting at 2.30 p.m. (CEST) today.

Press release January 10, 2008 (PR2)

At today's meeting the Governing Council of the ECB decided that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 4.00%, 5.00% and 3.00% respectively. The President of the ECB will comment on the considerations underlying these decisions at a press conference starting at 2.30 p.m. (CET) today.

Table 2-2. ECB press releases (PR)

²⁰ These are interest rates applied by monetary financial institutions to deposits and loans vis-à-vis households and non-financial corporations.

In the press release, the press conference is announced as well. This press conference consists of an introductory statement and a Q&A. The introductory statement has five parts in total: economic analysis, monetary analysis, cross check, fiscal policy, and structural reform. The information given in the first part of the introduction (economic and monetary analysis) is factual. These facts are based upon statistical-scientific research and clustered into an economic and a monetary analysis. They form the basis for the decisions that are made and explained in the final parts of the introductory statement. The introductory statement is in its turn input for the Q&A during the press conference. To get an impression of the introductory statement, see table 2-3. Both quotes are part of the economic analysis.

Introductory statement January 10, 2008 (IS1)

The latest information on economic activity suggests that quarterly growth at the turn of the year was at a more moderate pace than the quarter-on-quarter rate of 0.8% observed in the third quarter of 2007 (revised upwards from 0.7%). This assessment is in line with indicators for business and consumer confidence which, while declining over the past few months, generally remain at levels that continue to point to ongoing growth.

Introductory statement February 7, 2008 (IS2)

The latest information on economic activity around the turn of the year points to a more moderate pace of growth in the Euro area than the quarter-on-quarter rate of 0.8% observed in the third quarter of 2007. This assessment is in line with indicators for business and consumer confidence which, while having declined over the past few months, overall remain consistent with ongoing growth.

Table 2-3. Two fragments of the introductory statement (IS)

Looking at the press conferences through the academic literature (table 2-2), we can say that the public is informed on these days.

Visibility is not only created by giving the information mentioned. For example, comparing the two press releases (PR1 and PR2) and the two introductory statements, we see that they use the same words and the same structure. Both press releases (PR1) and (PR2) are structured in a similar way: they start with the decision and end with the announcement of a press conference. If the message is the same, the same words are

used.²¹ This *similarity* can also be found when comparing the introductory statements (IS1) and (IS2). Because of this, ‘small’ differences are easily observed.

The president of the ECB uses this mechanism when on February 7, 2008, he says that:

[...] And if you compare the introductory statement with that presented at the previous press conference, you will see we insisted much more on the risks, [...].

This comparability is then used, on a different subject, by one of the journalists present:

[...] In the past you’ve acknowledged that the word ‘vigilance’ has a certain predictive power, [...]. Does that word have the same predictive power when rates might be going down as it did when they were going up?²²

Apart from making differences visible, comparability also makes confirmation visible. When comparing the facts of both introductory statements, the facts of the February statement (IS2) can be seen as confirmation of the facts of the January statement (IS1). In January ‘information suggests that...0,8%’, in February ‘information points to...0,8%’.

Visibility is not limited to what is said and the differences between statements. It is also about what could be said. The potential of the press conferences lies in the possibility for journalists to ask ‘all’ questions that they want; the questions are not screened beforehand.²³ Here, a comparison with the panopticum can be made. It is not only about what is visible, but also about what could be visible: *potential visibility*.

Finally, we see that visibility is not limited to informing, it can also be interpreted literally. The journalists and the public not only receive the information that can be found on the website the next day, but they also *see the president* and the vice-president in action. They observe how the president gives information. Furthermore, there is online visibility,

²¹ This press release is exactly the same as the one presented on February 7, 2008: ‘At today’s meeting the Governing Council of the ECB decided that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 4.00%, 5.00% and 3.00% respectively. The President of the ECB will comment on the considerations underlying these decisions at a press conference starting at 2.30 p.m. (CET) today.’

²² Trichet by the way, does not want to answer this question ‘[...] I will not comment on vigilance in the other direction. No comment. [...]’ (see also chapter 3, section 5).

²³ Source: department of communication, ECB (personal communication, April 23, 2010).

because the press conferences are broadcast live.²⁴ This offers the opportunity to see how the central bank president and his public interact.

Predictability in press conferences

If we look at the press release and the press conference from the perspective of predictability, we see that they are shaped by the nature of the information that is distributed. This information makes clear what will happen now and in the future. By studying this, it becomes clear how visibility and predictability go together.

The categories named by Geraats can be found partly in the press conference and the information supplied on that day. The ECB focuses on openness about policy objectives. The president of the ECB repeatedly makes clear that it is about anchoring expectations of inflation. That is an unambiguous goal, or as Trichet says himself:

[...] We have only one needle in our compass, as I have always said, which is that we have to deliver price stability in the medium term (press conference, February 7, 2008).

The second form of predictability, predictability in the economic context, can also be found. On the day of the press conference, much data and many forecasts are published, something the ECB does at other times as well. These have already been mentioned in the previous section.

There is less openness regarding the procedures. It has been established clearly and long beforehand when the Governing Council convenes, but about these meetings themselves little is clear. Contrary to for example the Federal Reserve, the ECB does not publish minutes of the Governing Council meetings.²⁵ The reason for this is that the ECB does not want decisions by the Governing Council to become subject of political games. The Governors, who are presidents of national banks, must be able to speak openly during these meetings. During the press conferences as well, Trichet is reluctant to share information about these meetings (see also chapter 3, section 5). He provides indications as to the content of the meetings, but he does not comment on the individual voting behaviour of the members.

²⁴ See: <http://www.ecb.int/press/html/index.en.html> (retrieved June 8, 2010).

²⁵ The Federal Reserve publishes the minutes of the Federal Opening Market Committee three weeks after the meeting. See: www.federalreserve.gov/monetarypolicy/fomccalendars.htm (retrieved August 24, 2010).

Question: [...] you said that some voices favoured a rate increase. Would you repeat that sentiment this month, and feel free to elaborate if you want to tell us who favoured a rate increase?

Answer: As I said, we discussed the pros and cons of increasing rates and of not increasing rates, and finally came to the decision – by consensus – that it would be appropriate not to increase rates and to communicate the strong message that I just gave to you.

Fourthly, there is the policy context. This is about changes in the interest rate, and statements about likely future actions. We see that changes in the interest rate are announced, as in the press release. The ECB is more reserved when it comes to statements about likely future actions. When asked for this, the president points to the higher goal (inflation target) and also makes clear that he does not give pre-commitments.

Trichet: [...] we are always alert at any time and always ready to take the decision that would permit price stability to be delivered. That's as simple as that[...]. We never said we are pre-committing to whatever monetary policy stance in the medium term or in the two months' time, three months' time or four months' time. So, again, remain alert to make sure that we deliver price stability.

Fifth, there is the market context and operational openness concerning the implementation of monetary policy actions, including a discussion of *control errors* for the operating instrument and macroeconomic transmission disturbances. According to Eijffinger and Geraats (2006), who compared several central banks on transparency, there is no formal discussion of past forecast errors and no explicit account of the contributions of monetary policy in the informal evaluation of policy outcomes the ECB provides.

Concluding, we can state that the press conference meets a number of the criteria for predictability as defined in the academic articles, but not all of them (also Eijffinger and Geraats 2006 for an overview).

The press conferences themselves shed a slightly different light on predictability. At the press conference of February 7, 2008, the president of the ECB gives the following answer when asked about predictability.

Question: [...] Since the end of 2005 you have won lots of plaudits for being predictable, for we always knew a month in advance when rates were going to change. Is that going to remain the case?

Trichet: Again, predictability for us lies in the fact that, at the moment of the decision of the Governing Council, surprises have been extremely rare – and that will certainly continue in my opinion. We are very clear on our own strategy, we are clear on our goal, and we are clear on our monetary policy concept. Everybody knows that we have only one needle in our compass. We have an arithmetic definition of price stability which is clear. And so there are a lot of good reasons why we are predictable.

Predictability for the ECB lies mostly in the *overarching story* that it wants to tell. It is clear on its inflation target, ‘its’ goal, a goal that is often mentioned in the introductory statement, both in the introduction of the introduction and in the cross check (‘Reflecting its mandate, such anchoring is of the highest priority to the Governing Council’, January 10, 2008 and February 8, 2008). It offers a framework to situate all the acts and the facts of the ECB, it gives the ECB an instrument to manage expectations (Blinder e.a. 2008, Rudebusch and Williams 2006, Rosa & Verga 2006). During the Q&A as well, this goal is frequently repeated (see table 2-4, and chapter 3 section 5).

In the press conference held on January 10, 2008:

Trichet: [...] Decision makers know, and everybody knows that we are here to guarantee price stability in the medium term. That is clear.

Trichet: [...] the role of a central bank is to solidly anchor inflation. [...]

Trichet: [...] again, we make a clear distinction between what we have to decide in order to deliver price stability, be credible in the delivery of price stability and continue anchoring solidly inflationary expectations. That is the policy stance. [...].

Trichet: [...] We will continue to consider our monetary policy stance with our primary goal of delivering price stability and being credible, and therefore anchor inflationary expectations, [...].

Trichet: [...] we will do what we judge appropriate to preserve price stability.

Trichet: [...] It is our responsibility as central bankers to continue to solidly anchor inflation expectations.

In the press conference held on February 7, 2008:

Trichet: [...] it is our mandate to maintain price stability, our primary goal.

Trichet: So this is extraordinarily important because it is the only way we have to avoid the disanchoring of inflation expectations, the only way we have to be able to deliver price stability in the medium run, which is our mandate, our primary goal.

Trichet: [...] So, again, we remain constantly alert to make sure that we deliver price stability.

Trichet: [...] will allow us to deliver price stability in the medium run. And that is the point because it is our mandate.

Trichet: [...] What is certain is that we have an anchor. We have only one needle in our compass, as I have always said, which is that we have to deliver price stability in the medium term.

Trichet: [...] Everybody knows that we have only one needle in our compass.

Trichet: [...] Our job is very important and we take our decisions on the basis of our mandate. And our mandate – price stability – permits us very clearly to contribute – precisely through price stability, [...]

Trichet: [...] There is a good criteria, which is to see exactly what you do in terms of anchoring medium term inflationary expectations, [...].

Table 2-4. Trichet repeating the mandate in press conferences

Predictability seems to go hand in hand with *repetition* in this case. Just mentioning something seems to be insufficient: it has to be repeated.

By referring to the higher goal, the ECB also created the freedom not to be pinned down on short-term predictability. This is clear from the remarks by Trichet quoted before, in which he says that he does not want to commit to pre-commitments (January 10, 2008).

Question: [...] What is for you the trigger to deliver?

Trichet: When the Governing Council so decides. But that is not new. I have always said that we are constantly alert. And I have always that at any given time we will do what we judge appropriate to preserve price stability. [...].

By doing this, he creates room for the Governing Council to decide, just as he does by limiting openness on how the Governing Council decides. This means that predictability goes together with *alertness* and *appropriateness*, and that for the ECB president predictability means something different than it does for a number of academics. In the same press conferences, the president also changes this alertness to cautionary language.

Trichet says in both introductory statements that the ECB will act pre-emptively in order to make this happen or to prevent it from not happening.

As in the case of visibility, with predictability not just what is said is important, but how and when as well. The press conferences and press releases offer enough regularity. They take place every month, on a fixed date and at a fixed time (2.30 PM.), which are made public about two years in advance and can be found on the ECB website. The press conference always consists of a 15 minute introductory statement and 45 minutes of Q&A. The structure of the introductory statement is predictable as well, because it has not changed since May 2003. It resembles the structure that was used before, although different terms were used: 'first pillar' and 'second pillar' instead of economic and monetary analysis. The day of the press conference always has the same form as well. First, there is the Governing Council of the ECB (at 9.00 AM). Then there is the publication of the monetary financial institution (MFI) interest rate statistics together with the long term interest rate statistics, and the publication of the Euro area investment fund statistics (at 10.00 AM). At 1.45 PM the press release announcing the interest rate decisions is distributed.

At the press conferences there is unpredictability as well. This unpredictability lies not, or at least not only, in the remarks made by the president of the ECB. It lies in the questions asked by the public.

Instrumentality in press conferences

The instrumentality of communication is the important third point in the relation between transparency and communication. The roles seem to be clear: the president is the sender, the public is the receiver.

The introductory statement, combined with the Q&A, is expected to contribute to an increase in understanding of what the central bank president is saying, and thereby reduce technical noise and the (semiotic) misunderstanding. Technical noise has to do with the transfer of information from sender to receiver. In a telephone conversation, this form of noise can (for example) occur if the line is bad. Because sender and receiver are close to each other in the case of the press conference, and they work with proper audio equipment, there is virtually no technical noise. Considering the relation between the parties, there is mostly a lack of (semiotic) understanding at the receiving end. (The president himself does not ask any questions, after all.) The existence of a lack of understanding is firstly clear

from the fact that questions are asked at all. These are necessary, because the public does not completely understand the president's words. In a number of questions, this lack of *understanding* is made explicit. Examples are:

Question: I'm a little puzzled. [...] (January 10, 2008).

Question: Can you help me understand [...] (January 10, 2008).

Question: I just wanted to make sure I understood [...] (January 10, 2008).

Question: There is something I do not quite understand [...] (February 7, 2010)

Looking at the answers to these questions, we see that sometimes the ECB president 'just' explains matters. An example is the following question.

Question: [...] In other words, do you have a rule in mind, a rule for wage increases which are consistent with price stability? [...]

Trichet: [...] I always say there are three parameters essential in normal times. [...] present level of competitiveness, [...] the level of unemployment [...]. The third parameter is productivity [...]. (January 10, 2008).

The president of the ECB here explains the rule that can be used. Not all questions produce such clear answers, however. As noted before, the ECB president is very reserved when it comes to answering questions about the Governing Council's deliberations. The journalists on the other side want information about who said what. The next questions and answers from the Q&A of January 10, 2008 illustrate this tension between what the public wants to know and what the president wants to tell.

Question: Mr. President, what policy options did you discuss today and did the Members of the Governing Council vote differently? If so, could you please elaborate on the arguments they made.

Trichet: [...] Today, we took a consensus decision [...]. Our message is very clear [...]. That being said, I would say that we had a very important discussion, [...].

But the public still wants to know more. The next question illustrates this:

Question: [...], last month, you said that some voices favoured a rate increase. Would you repeat that sentiment this month, and feel free to elaborate if you want to tell us who favoured a rate increase?

Trichet: As I said, we discussed the pros and cons of increasing rates and of not increasing rates, and finally came to the decision – by consensus – [...].

And right after that, another question:

Question: [...] Would you say then the support for a rise this meeting was stronger than in December?

Trichet: The only way I would describe it is that first we discussed those different possibilities and we agreed by consensus on both the decision and the message.

It is clear that Trichet in this case is not going to give insight into who said what during the meeting. The voting behaviour is not the only thing he keeps to himself, though. In other domains as well, the ECB president refrains from giving comments.

Question: [...] Would you agree that a strong pound was in Britain's interest.

Answer: [...] I do not give advice to colleagues, [...]. And so I will not say anything on the US policies or on the UK policies. (January 10, 2008).

Or another example from the press conference of February 7, 2008:

Question: I wondered if you could comment on what you expect from the G7 this weekend in terms of its foreign exchange statement. [...].

Answer: On the G7 you know, because I always say that I do not comment myself in advance on the meeting of the G7. I will have a press briefing after the meeting of the G7 in Tokyo. [...]. [...] at this stage, no comment.

And from the same press conference:

Question: I would just like to follow up on what you said on banking regulation. Would you subscribe to the view that a possible route might be [...]?

Trichet: [...] I do not want to launch into the discussions that take place in the Basel Committee chaired by Nout Wellink, the governor of the central bank of the Netherlands, and the work of the Financial Stability Forum, [...].

What we see here then is that the press conference is not only about giving information, but also about limiting the domains in which information is given. On certain topics, the bank president stays *silent*. Even when he does know something (in the case of voting behaviour) or can be expected to know things (in the case of UK, US and G7 policies, and regulation).

2.6 Conclusion

The transition from a silent to a speaking central bank (president) is based on the assumption that communication creates transparency, and that transparency gives the central bank control and allows it to manage the public's expectations. This chapter makes clear that the relation between communication and transparency is based on three assumptions: communication creates visibility and predictability, and it is instrumental.

In the academic literature on transparency, these concepts are given meaning. However, there is no consensus on what these concepts mean exactly. Visibility for example, seen as creating information symmetry, is influenced negatively by uncertainty and complexity. Predictability is hurt by overreaction and a lack of effectiveness. Instrumentality suffers from the fact that the public is unsure of how to interpret the information. The information first has to be simplified and the public has to be educated, before it really understands what is said. This puts into doubt the process approach of communication. In this approach, primacy of the message is with the receiver. But we see here that the interpretation of the message is just as, or even more important than formulating it. These critical remarks on the relation between communication and transparency not only cast doubt on the relation itself, they also show that transparency itself is not transparent. Experts have differing opinions on the meaning of the term transparency.

Looking at the ECB press conference, we see that the relation between transparency and communication is not self-evident there either. On the one hand, there is information that decreases information asymmetry, that makes clear what to expect from the central bank now and in the future, and information that makes clear to the receiver what the sender actually means. The press conferences also show that visibility and predictability should not be reduced to giving information on monetary policy. They also lie in the way the information is presented to the public: scheduled and structured and through a live press conference. A remarkable point that the press conferences show is that

central bank presidents do not always reduce information asymmetry. There are questions they do not answer, even though we know that they could. This applies for example to the meetings of the Governing Council, other banks' monetary policy and policy domains of other organisations. From the perspective of transparency, this is odd. Withholding information sustains the existing information asymmetry. Furthermore, we see that a message that is well-known – the mandate of the ECB – is repeated constantly. This seems to indicate that the ECB president uses the press conference not only to answer questions by the press, but also to convey his own message. This message provides stability, for him as well as for the public. It gives the president the opportunity to provide a frame of reference for current and future problems. Everything is and will be done to realise that stability. Possibly, the central bank president tries to convey the importance of his message by repeating it, to transfer his frame of reference to the public. However, repetition also shows a weakness, because something that is clear and self-evident, and on which everyone will act, should not require it.

Where transparency assumes that openness allows communication to work, we see that putting limits on communication can be productive. How this happens, is studied in the next chapter. This chapter also presents an alternative for the process approach of communication. Concluding, it can be said that communication creates openness, but that this openness is very limited. That there is communication, and how this communication is done, cannot be explained by a wish for transparency. A first study of central bank communication indicates that communication has more goals than only transparency. If we want to understand central bank presidents' communication, we have to look for another perspective than transparency.

2.7 Epilogue

Let us return to the building of the ECB in Frankfurt. To a certain extent, the new building shows what communication is about. The first congruence between the building and rest of the ECB communication is that the building, just like a speech, makes the ECB visible. Aiming to become a landmark, the ECB does not want to make its visibility dependent upon the position of other buildings: the ECB wants to speak for itself. But what does one see when looking at the building?

The building is made from reflecting materials. So when looking at the building, one sees oneself and the environment in which the building is situated. This means that the image the building reflects will be dependent upon the circumstances (the weather, the

surrounding buildings, and the people looking at it). The building, just as the communication of the ECB, does not proffer transparency. It interacts with its environment and casts it into an ECB mold. And finally the entrance hall of the building makes a strong statement. Here, the press conference room is situated. This is most likely to express the link between the ECB and the outside world and to stress the importance of communication. But it also has a hidden function. Putting the press conference room in the entrance hall prevents press and other people from crossing the ECB. Communication, just as the press conference room, is a way to shield the ECB from the outside world. One can imagine that continuously responding to the quest for transparency – by people and press running through the building – would frustrate the work that is being done. In this case as well, the ECB has to limit communication – without denying its importance – in order to be productive.

CHAPTER 3: REVEALING THE RULES OF CENTRAL BANK SPEECH

What ECB communication and soccer have in common, and what not

3.1 Introduction

In the previous chapter, transparency was the central point. The statement studied there was: communication works, because it creates transparency. Research was done from two angles: academic literature, and ECB press conferences. Based on this research, a number of conclusions can be drawn. The first is that what transparency is, is itself not transparent. Transparency is given different meanings by different parties, and its desirability is not ubiquitous. The press conferences were studied, because they are considered to be moments when the ECB president brings 'being transparent' into practice. What stood out in studying the press conferences was that the president indeed answered some questions, he provided some openness. But the president also made clear that he would not comment on some topics. Furthermore, it was striking that the president answered many questions by relating them to the ECB frame of reference – its mandate. Repeating this mandate had an almost educational character; if the public itself saw the relation, a large part of the communication would be unnecessary. Transparency in itself cannot explain this repetition. Apart from transparency it is about organising openness and about determining what, when and by whom things are – or are not – said.

The limited explanatory potential of transparency can also be found when *slips of the tongue* are discussed. In this introduction, two examples are presented. The first example comes not from the ECB, but from the American central bank president, Ben Bernanke. In a statement before the Joint Economic Committee (April 27, 2006) he announced that 'in the future the Committee may decide to take no action at one or more meetings...'. The markets reacted to these words as if the Fed would not raise the interest rate further. NBNC journalist Maria Bartiromo: '[...] asked him whether the markets got it right after his congressional testimony, and he [Bernanke, LNE] said, flatly, no'. This conversation took place at the annual dinner of the White House Correspondents Association (April 29, 2006). Bernanke may have thought that this conversation took place 'off the record', but Bartiromo made the confession public. By doing this, she moved the dollar, and Bernanke was criticised for saying things he should not have said. Afterwards, Bernanke regretted his words and promised that 'In the future, my communications with

the public and with the markets will be entirely through the regular and official channels'.²⁶

Another example is an interview that endangered the position of the former president of the European Central Bank, Wim F. Duisenberg.²⁷ In the interview, the then well-known financial journalists Kaletsky and Paterson asked Duisenberg 'whether it would make sense for central banks to get into the market if a sharp change in currencies was caused by war in the Middle East'. Duisenberg replied 'I wouldn't think so'. After the publication of the interview the decline of the Euro accelerated, and media attention rose to extreme heights. The gist of the critical stories was that the president of the ECB had disclosed information that should not have been disclosed. The resignation of Duisenberg was asked for, and he received the nickname 'Dim Wim'. Had he really said something wrong? 'Every currency trader could have been thinking what Duisenberg said' wrote a Dutch newspaper.²⁸ The problem turned out to be not what he said, but that he said anything. According to the informal rule, a central bank president should not comment on these kinds of interventions. By giving information about them, their power would be diminished (the market would anticipate them).

What we see in these examples is that two central bank presidents give relevant and correct information to the markets. They are transparent, but the remarks are qualified as mistakes. They should not have said what they said because it limited the effectiveness of monetary policy (Duisenberg) or because they should not have made the information public in this manner (Bernanke). Like the ECB press conference, these examples show that communication by central bank presidents is not only about transparency. It seems more about determining what can and cannot be said. It is also about choosing the moment to say things; sometimes a central bank president can say certain things, while at others he is expected to remain silent. There seem to be *rules* (boundaries) when it comes to communication. If these rules are acted upon, communication has the intended effect, but if they are not, it creates resistance and disapproval. The assumed presence of these rules allows us to study central bank communication as a game.²⁹ The statement formulated on this basis is the following:

²⁶ *Washington Post*, 'Fed Chief Calls his Remarks a Mistake', May 24, 2006.

²⁷ *The Times*, 'Duisenberg and the Quest for Stability', London, October 16, 2000.

²⁸ *De Volkskrant*, 'Het spijt me', October 21, 2000.

²⁹ This can be related to *Homo Ludens* by J. Huizinga (1938 [1952]). Huizinga shows the structuring effect of the game.

Communication is not about words, it is about the possible effects words can generate in the communication game.

This statement is examined as follows. In the following section (2) the theoretical framework of this section is laid out, in which the work of philosopher Michel Foucault is taken as a starting point. His work offers opportunities to see communication as a game, a ‘game of truth’. A game in which he gives express attention to the role of power, meaning distinctions are made between what players can and cannot do.³⁰ In his work he shows not only that words can steer and control behaviour, and that the use of words is limited, but also that words can steer because their use is restricted. This theoretical perspective assumes, contrary to the concept of transparency, the layers inherent in communication. In this way, it makes clear how the distinction between utterances and information is perceived. In section 3 the research design is discussed. In this section we explain how the theoretical framework of Foucault is studied using central bank communication about communication. This meta-communication is provided to us by ECB board members who since the beginning of the ECB have regularly discussed communication in public. Section 4 contains an overview of the data sources that are used. Section 5 contains the results. The press conferences studied in the former chapter are in this chapter accompanied by other ways of communication, such as press releases, publications, statistical information, speeches and interviews. Section 6 concludes that the game metaphor gives insight into the do’s and don’ts of central bank communication. It also shows that the game that is played is a vulnerable game from a central bank perspective, because the interactive division of power is not always in its advantage.

³⁰ See Oosterling 1996, p.397. See also Foucault 1989, p.310: ‘Question: [...] I think what is at the centre of your last books is what you call a ‘play of truth’. Michel Foucault: ‘I don’t think there is a great difference between these books and their precedents. [...] I have sought to analyze how fields like madness, sexuality and delinquency could enter into a play of truth, and how on the other hand, through this insertion of human practice and behaviour into the play of truth, the subject himself is effected.’ First, Foucault does not speak of games of truth, but of epistemes. These are mostly about answering the question ‘What is true?’. Later he introduces the concept of dispositives, after being criticised for the lack of power in epistemes. Games of truth are also called discourses.

3.2 Theoretical framework

Mapping not just the *restrictive* character of rules, but also their *productive* character (why they work) can be done using a game of soccer. This game could not be played without rules – like most games. The rules determine what can(not) be done on the field, what the field is, what the players are allowed to do, when a goal is made, et cetera. A keeper is not punished if he takes the ball by his hands (within certain limits), but a regular player is. If a good player is benched, he cannot do anything. These rules give meaning to what happens. To seeing 22 players on a field with a ball, the label ‘soccer’ is immediately attached. The public knows what it means if a player kicks the ball into the goal. A big difference exists between attributing a yellow card to a player by a referee, a player of the opposite team or the spectators. Only in the first case does he actually get one. Someone who scores often, but only in practice games, can never become the official top scorer. Most of the time, the rules are implicit in the interaction on the field. The rules become explicit the moment they are infringed. The game then stops, a player is punished and the game goes on. That the rules are invisible during the game does not mean that they are difficult to find. The rules of the soccer game are written down by the International Football Association Board (FIFA) and they can be looked up by everyone.³¹ That the game is played according to certain rules does not mean that we know the outcome. Millions of people watch soccer every week. This is because soccer is an exciting game: the results cannot be known beforehand. There are only expectations. The actual results are dependent upon the interaction between players and circumstances (field, weather, spectators, atmosphere in the arena, referee, et cetera).

If central bank speech is looked at from a soccer perspective, or more generally, if communication is looked at from a *game perspective*, words get embedded. Putting words into a game is productive, doing this adds meaning to the words, distributes hierarchy, and selects what should and should not be said. This line of thought seems to offer possibilities as to why Bernanke’s and Duisenberg’s words were considered a mistake. Not because they were not transparent, but because they did not play in accordance with the rules of the game. The same goes for Trichet’s refusal to answer questions that are not in his domain (chapter 2). Related to the soccer metaphor: a soccer player is not allowed to play basketball when he is on the soccer field. Seeing communication as a game also implies

³¹ http://www.fifa.com/mm/document/affederation/generic/81/42/36/lawsofthegame_2010_11_e.pdf (retrieved August 23, 2010).

that we do not know what the outcome will be. Even if we understand what the players on the soccer field are doing, that does not mean that we know what the final score will be. Transformed to central bank speech, understanding what a central bank president says, does not mean that we act in accordance with his expectations.

The problem with this perspective is that the rules of central bank communication are not written down (as clearly) as the rules of the soccer game. The aim of the theoretical framework is to offer guidelines on how to make the implicit rules explicit.

Foucault: interaction between words and actions

For the theoretical framework the work of Michel Foucault (e.g. Foucault 1966, 1972, 1975, 1976) is used.³² The work of Foucault was chosen, because it studies the interaction between words (*discursive practices*) and actions (*non-discursive practices*). This interaction is relevant to central bank presidents, because they intend to change the public's actions (non-discursive practices) according to their expectations through communication with it (discursive practices). On a high level of abstraction, Foucault sees this as interaction between power and knowledge. Three questions have to be answered here:

What can I know? (knowledge)

What can I do? (power)

Who am I? (subjectivity as interaction between knowledge and power)

These questions are not answered in a universal way by Foucault. He shows that answering them depends on the dispositive (game of truth) in which we find ourselves. Each dispositive has its own answers to these questions. To put it simply, these questions are answered differently for soccer than for basketball, and if we want to understand what is productive in each game, we have to go deeply into the answers given within these games. Throwing a ball at a teammate has different meaning in different games; a good soccer player is not always a good basketball player. For the soccer game mentioned above, these questions can be answered easily. Knowledge and power lie within the rules of the game.

³² Foucault applies this work in a large number of domains. Examples are: *The Order of Things* (1996 [1994]), in which he studies (among other things) the life sciences and economics, *Discipline and Punish* (1975), in which he studies the penitentiary system and the system of punishment, and *History of Sexuality* (1967) in which he studies sexuality.

These rules determine whether someone is keeper, player, referee, linesman or supporter. The knowledge and power are also in the insight into the game and physical capabilities of the player; not every striker plays like Johan Crujff.

Foucault himself does not pay attention to either soccer or basketball, but he does study different *dispositives*.³³ Two of these recur often in various forms: a divine dispositive and a human sciences dispositive. These are discussed briefly here to show the difference between the two, and because Foucault gives an economic variant of both. This offers possibilities for using it for communication by central bank presidents. In the divine dispositive, knowledge resides with God, and man knows only what God ‘allows’ him to know, the knowledge that God shares with man. How much and what knowledge God actually has, is unknown to man. Actions in this dispositive are determined by the relation between man and God (a relation that is seen in various ways by different religions). Man can shape this relation in various ways: by praying, by reading texts and by being thankful for the life given to him by God. In the human sciences dispositive, the body of man and his actions are subject of study, a source of knowledge. What man does and does not do is then not determined by his relation with God, but is disclosed by human scientific research. This research provides guidelines on how man should behave: for example, what is normal, and what is healthy. Using this knowledge, man can train himself; for example, knowing that fruit is good for his health, he can incorporate this knowledge and eat fruit each day. If research shows that exercise is good, it makes sense to incorporate this into school programmes, and if research shows that people need natural light to function properly, architecture is changed accordingly. If people do this, they start to behave like ‘normal’ people should.

Foucault studied the divine and the human sciences dispositive in different contexts. One of these is the penitentiary system. Here, Foucault shows how the laws of God – executed by the monarch as his representative on earth – are guiding in the choice of punishment. Punishments are then different from if people live (and are perceived to live) in a human sciences dispositive. In the first case, the focus is on corporal punishment and the death penalty. In the second case, it is on re-education and rehabilitation through training. Temporary seclusion in a prison or psychiatric institution can contribute to this. To link this to the title of the book (*Discipline and Punish*) in which Foucault describes the

³³ See footnote 32.

birth of the prison, we can say that the divine dispositive is about ‘punish’, and the human sciences dispositive is about ‘discipline’.

Foucault also studied the workings of both dispositives in the economy. Starting point here is the concept of *value*. In a divine dispositive, it is about the value of land and gold; the earth has been given to us by God, as have the riches buried in it. In a social scientific dispositive it is not about the value in the ground, but about the value in each human being. Or to put it in terms of Marx, a representative of this school: it is about labour. Central bank presidents add an interesting perspective to this. In their case it is neither about gold nor labour, but about managing – or rather training – expectations. Through these expectations, a CB(P) intends to influence behaviour, control and stabilise the value of money. We see that a new dispositive is created; one in which not land or labour is central, but information (see also Noordegraaf-Eelens 2004, 2002).³⁴ This valuing of information can not only be seen with central bankers, but also in the ‘information economy’.³⁵ In this dispositive, information is valued for its own sake. It is not just a means of talking about other values. Brand clothes are a good example of the value of information. Their production costs are negligible compared to the value added by the brand (the information). Central banks and their presidents are examples of actors who create value by informing. Their words can make share prices go up or down. In addition to managing expectations information in this dispositive also shapes, or as Giddens (1991) says, colonises the future. In an information dispositive, welfare no longer depends on resources or labour, but on information given about the economy. The anchoring of expectations is expected to contribute to effective monetary policy. To make this successful, it is important that everyone participates (Achterhuis 1988, p.275).

In this chapter we study this information dispositive by seeing how central bank presidents play their role in it through communication. Interesting here is the distinction made by Achterhuis between *possessional power* and *normalisational power*. This distinction also shows why creating information symmetry is not sufficient to make communication effective. Information symmetry is about possessional power, which means there is scarcity (Achterhuis 1988, p.255). In this case that would mean scarcity of information. Central bank presidents have information – on certain topics – that others do not. Power can be redistributed by eliminating scarcity; in this case, by sharing

³⁴ In *Cyberspace Odyssey* de Mul (2010) makes a comparable distinction between: technology of the tool, technology of the machine and technology of information.

³⁵ Other works that refer to this are for example Castells (1996) and Rifkin (2000).

information. Looking at transparency, its logic seems to be based on this logic. Normalisational power can be connected to Foucault: the power in dispositives is what makes people behave 'as normal people'. Here we want to pay attention to the intention to 'normalise' expectations, and through that, behaviour. We want to gain insight into the game of power and knowledge in which it takes place. Parts of this game have been discussed in the first chapter, giving a press conference with a clear division of tasks between central bank presidents and the public, the continuous repetition of the central bank's mandate, and the hope of central bankers to anchor expectations through communication (and to sell this as transparency). We map this dispositive by linking to the inaugural speech of Foucault. In it, he systematically describes the 'rules of the game'. He distinguishes three types of rules: rules of exclusion, rules of inclusion and rules of qualification. These rules each show how the combination of power and knowledge can be made concrete.

The rules of the game

Rules of exclusion determine the domain of speech. That way, they determine what can be and cannot be said, the distinction between true and false and the distinction between reason and folly.

Rules of inclusion are about how and when things should be said. This cluster is about internal organisation: it brings in hierarchy, a unity or a specific way of reasoning (Foucault 1972), p.220-224). Specifically, this cluster consists of:

Commentary: this creates hierarchy by assuming a primary text and a secondary text.

The *author*: not the author in the sense of the individual who wrote the text in question, but the author as a unifying principle in a particular group of writings or statements, lying at the origin of their significance, as the seat of their coherence (Foucault 1972, p.221).

Discipline: disciplines are defined by groups of objects, methods, their corpus of propositions considered to be true, the interplay of rules and definitions, of techniques and tools: all these constitute a sort of anonymous system, freely available to whoever wishes, or whoever is able to make use of them, without there being any question of their meaning or their validity being derived from whoever happened to invent them (Foucault 1972, p.222).

A third cluster contains the *rules of qualification*. These determine who can and cannot participate: “[...] none may enter into discourse on a specific subject unless he has satisfied certain conditions or if he is not, from the outset, qualified to do so” (Foucault 1972, p.224). It consists of:

Rituals: rituals define the qualifications required of the speaker; it lays down gestures to be made, behaviour, circumstances and the whole range of signs that must accompany discourse. Finally, it lays down the supposed or imposed significance of the words used, their effect upon those to whom they are addressed, and the limitations of their constraining validity.

Fellowship or doctrine. The function of a fellowship of discourse is to preserve or to reproduce discourse, but in order to circulate within a closed community, according to strict regulations, without those in possession being disposed by its very distribution. Doctrine, on the other hand, tends to diffusion: in the holding in common of a single ensemble of discourse that individuals, as many as you wish, could define their reciprocal allegiance.

Education may be the instrument for every individual to gain access to any kind of discourse. At the same time, education also is about power relations, it teaches how actors relate to each other and what and who should be listened to.

These three clusters of rules indicate what does and does not matter, they are selective. They also attach meaning to words by embedding them in a broader framework, they literally make sense. They also indicate who speaks when, and who should be listened to: they create status, they indicate the room to manoeuvre for the players. The rules of the games always have two sides: they are limiting as well as enabling. In this research we will study how these rules can be found within central bank speech. The underlying assumption being that they can tell us when words are productive and when they are not.

3.3 Research design

The research in this chapter aims to provide insight into the assumed relation between communication and the managing of expectations. We intend to do this by studying how the aforementioned rules are given meaning by the central bank’s communication, or rather by the ECB president’s communication. Following on the previous chapter, the research

here is limited to the ECB's communication. Since its foundation in 1998, the ECB has been a great proponent of communication, and has communicated quite often. This legitimises the study of this communication and makes it possible as well. In the table below, the ways to find the rules of the game are displayed.

Main types of rules	Empirical observations
<i>Rules of exclusion</i>	
What is the topic of discussion	What is the main topic of the ECB speech? What does the ECB not comment on, when asked for?
<i>Rules of inclusion</i>	
Commentary: primary/secondary text	How much attention do media pay to the words of central bank presidents? How much attention do markets pay to words of central bank presidents? How do the media react upon ECB communication?
Author: unifying principle	Does the ECB repetitively refer to 'a statement' when speaking? Does the ECB speak with one 'voice'?
Discipline	On which kind of knowledge is the ECB communication based? Is there an underlying shared assumption?
<i>Rules of qualification</i>	
Rituals	How are ECB interactions organised?
Fellowship or doctrine	Does the ECB use terminology that can be understood by everyone, or can it only be understood by a limited number of people?
Education	Does the president of the ECB offer a framework to understand what he says?

Table 3-1. Research design

3.4 Data sources

Important in studying the central bank dispositive is the double role of communication. In the examples discussed here – a divine and a social scientific dispositive – communication played a mostly implicit role. Language was used as a steering mechanism, but this was not communicated. In the case of central bank presidents' communication however, it becomes clear that they use language to manage expectations. Communication is then not just an implicit, but also an explicit steering mechanism.

The ECB communicates in various ways. Different moments of communication can be distinguished: press releases, interviews and speeches, press conferences, monthly bulletins, statistics pocket books, annual reports, convergence reports, financial stability reviews, weekly financial statements, quarterly financial statements, and (research) publications (e.g. Hämäläinen 1999, Blinder e.a. 2008). A number of the communication moments are scheduled and recur every week, every month, every quarter, every six months or every year. Others are not embedded that way, but are recurring. To give an impression of how much is said, the communication moments for 2008 are presented below.³⁶ These moments are more (like press conferences) or less (like publications) interactive.

Types of communication	Number of occurrences (2008)
Press releases	118
Interviews and Speeches	151
Press conferences ³⁷	12
Other publications ³⁸	83
Publications	253
Total	617

Table 3-2. Types of communication

Besides these information sources, the ECB website also contains information on the ECB and its communication. Not all of these communication moments can be attributed exclusively to the ECB. This is the case mostly when board members and especially the president speak ‘on behalf of the ECB’. If we count the speeches and interviews over a period of 10 years, we see both an increasing number of speeches, and an increasing number of times when the ECB president speaks. (The 12 press conferences of the president and the vice-president not included).

³⁶ There can be overlap between the different ways of communication. For example a press conferences is also announced in a press release. But the different ways of communication relate in a different way to the public. Communicating with the public in press conferences differs from communicating with the public by a press release. That is the reason all the ways of communication are presented.

³⁷ See: Trichet (2008c-2008n).

³⁸ These other publications consist of: monthly bulletins (12), statistic pockets book (12), annual report (1), convergence report (1), financial stability review (1), weekly financial statements (52), quarterly financial statements (4), see www.ecb.int (retrieved August 24, 2010).

Year	Number of speeches by ECB board members (president included)	Speeches by ECB president J.C. Trichet	Speeches by ECB president W. Duisenberg
2008	151	62	-
2007	135	49	-
2006	111	34	-
2005	109	42	-
2004	111	45	-
2003	72	6	16
2002	66	-	22
2001	78	-	26
2000	77	-	21
1999	109	-	32
1998	46	-	23
Total	1065	238	140

Table 3-3. Number of speeches by the ECB president and other board members

A special category in regular communication is meta-communication by ECB board members. In this communication, board members reflect on the ECB's communication. In the period 1998-2008, 19 speeches were given about the concept of communication and/or the closely related concept of transparency. They can be used as an information source on how the board members reflect upon communication. As an example of the second type of communication, the reflection of central bank presidents and board members on these topics will be studied.³⁹

³⁹ Members of the executive board who gave speeches about communication and/or transparency are: J.C. Trichet, L.D. Papademos, L.B Smaghi, J.M. González-Páramo, W.F. Duisenberg, S. Hämläinen, O. Issing.

Year	Number of speeches by ECB board members about communication and/or transparency
2008	4
2007	6
2006	1
2005	1
2004	1
2003	-
2002	-
2001	1
2000	2
1999	2
1998	1
Total	19

Table 3-4. Number of speeches on communication

Another form of speaking which is given special attention is press conferences. These receive attention, because they allow live interaction between the public and the president and vice-president of the ECB. These moments are relatively rare. Throughout the year, they take place on a monthly basis. The press conference is used by only a limited number of central banks, but seems to be effective. The press conferences organised by central banks are relatively recent, and seldom used (see Ehrmann and Fratzscher 2008).⁴⁰ They are unique because the journalists present have the opportunity to question the president and the vice president, and current research shows that the press conferences are effective.⁴¹

The mentioned forms of communication all start from the ECB's perspective. In this chapter interaction is important, so we also look at the way in which the media react to ECB communication. (Do they even listen to what the president says?). Special examples of this are the slips mentioned in the beginning of this chapter. But for the most part, this

⁴⁰ Regular press conferences to explain monetary policy decisions are currently held by the central banks of the Czech Republic, Japan, New Zealand, Norway, Poland, Sweden, Switzerland and the ECB (Ehrmann and Fratzscher 2008).

⁴¹ The scheduled as well as the semi scheduled communication moments of the ECB are comparable to those of the Federal Reserve and the Bank of England. For a more detailed comparison see Blinder e.a. (2008).

chapter focuses on the attention given to ECB communication in the media (‘Do newspapers refer more to CBPs in weeks of ECB press conferences?’).⁴²

A final source to make the rules of the game explicit consists of an academic reflection on central bank communication. Here, two review articles play a leading role: firstly, ‘Central Bank Communication and Policy Effectiveness’ by Woodford (2005), and ‘Central Bank Communication and Monetary Policy: A Survey of Theory and Evidence’ by Blinder e.a. (2008).

Main types of rules	Data sources
<i>Rules of exclusion</i>	
Topic of speech	General study: all sources Detailed study: press conferences
<i>Rules of inclusion</i>	
Commentary: primary/secondary text	General study: media attention for ECB, ECB research publications about market reactions Detailed study: press conferences
Author: unifying principle	General study: speeches on communication Detailed study: press conferences
Discipline	General study: speeches on communication Detailed study: all sources
<i>Rules of qualification</i>	
Data	General study: All sources Detailed study: press conferences
Data	General study: speeches on communication Detailed study: press conferences
Education	General study: speeches on communication Detailed study: all sources

Table 3-5. Data sources used to study rules of communication

⁴² A more elaborate reflection on the interaction between central bank presidents and the media can be found in chapter 5.

3.5 Results

In this section the rules of the discourse will be presented step by step. The aforementioned sources will be studied along these lines.

Rules of exclusion

Rules of exclusion determine the domain of speech: they determine what can be said and *what cannot be said*, the distinction between what is true and what is false and the distinction between reason and folly.

General study

Rules of exclusion can be found most clearly in the independency central banks aim for; they want to be *independent* democratic institutions that keep political intervention out. So, politics should not comment on central banking practices and central banks should refrain from doing politics.⁴³ This rule is put down in the Treaty establishing the European Union (The Treaty of Maastricht, article 108), and the statute of the ESCB (article 7). The first ECB president (Duisenberg 1998) memorizes it by quoting it in his first speech on communication ‘neither the ECB, nor a national central bank, nor any member of their decision-making bodies shall seek or take instructions from community institutions or bodies, from any government of a Member State or from any other body’ (Hämäläinen 2001). According to Gonzalez-Paramo (2007) this rule is one of the great advantages of central banking. Due to their independency they can ignore the political furore and concentrate on the welfare enhancing objective of keeping inflation under control.⁴⁴ In the daily practice it becomes clear that independency is not realized by putting it in a treaty or a statute, in its communication the ECB continuously has to guard this independency. A good example is the decision not to make public the voting behaviour of individual members of the governing council.⁴⁵ The ECB defends this decision – which is often criticised – by arguing that publishing this information could put central bankers under political pressure, which in turn would threaten their independent judgement regarding

⁴³ See: <http://www.ecb.int/ecb/html/mission.en.html> (retrieved May 10, 2010).

⁴⁴ Smaghi (2007) points to the fact that European countries often ask central banks to express their views on their countries’ budgetary policies. According to him politicians should accept this asymmetry.

⁴⁵ The governing council consists of the executive board of the ECB and the governors of the national central banks of the 16 euro area countries.

monetary policy (Papademos 2008). In contrast to the ECB, the Federal Reserve does make its minutes public, but it operates within a different political context.

If we look at what is said on a general level, we see that the speeches and interviews mostly deal with general and current topics. They are held by ECB board members. Examples are: ‘Monetary policy communications and effectiveness’ (Papademos January 2008), ‘The successful entry of Cyprus into the Euro area’ (Trichet January 2008), ‘The international role of the Euro and its potential in Latin America’ (Bini Smaghi, March 2008), ‘Fostering sound financial globalisation: the role of Europe’ (Trichet, July 2008), ‘What is the role of central banks for banking supervision?’ (Tumpel-Gugerell, September 2008), ‘The financial turbulence: Where do we stand?’ (Trichet, October 2008). We saw that as the financial crisis worsened during 2008, more and more speeches and interviews addressed that topic.

The statistics contain more technical information: their task is to support the monetary policy of the ECB. Examples of statistical information are: ‘Latest harmonised long-term interest rate statistics (LTIR)’, ‘Latest monthly outstanding amounts of STEP labelled debt securities’, et cetera. This information is seen as staff projections and the ECB does not automatically accept it, but takes a position with regard to it (see also press conference March 2008). In the press releases, announcements are made regarding monetary policy, but also visits to and by the ECB. They inform the public on dollar liquidity and voting procedures, but also on the 10th anniversary of the ECB, the new premises, and visits by other presidents to the ECB, or visits by the ECB president. Then there are the ECB publications. This is the scientific source of information. The *publications* are done under the umbrella of the ECB, but do carry the name of the researcher. The publications all address monetary ECB topics. They show how the ECB produces its own knowledge, and have topics like ‘The topology of the federal funds markets’ and ‘government size, competition, volatility and economic growth’. All these forms of communication show on which topics the ECB speaks. They also show the topics it does not speak on, which is a lot. Apart from the fact that the ECB does not enter into political discussions, it naturally stays silent on other policy themes like health, safety, education, et cetera. It would be peculiar if an ECB board member did speak on such a topic. However, there are other things as well – within the ECB’s domain – about which it stays silent.

Detailed study

This is why it is interesting to look on a more detailed level at why a central bank president does not speak within his own domain. What does a president *not comment on* regarding monetary policy? We were confronted with this question in the previous chapter as well, in dealing with transparency (see chapter 2, section 5). This question is answered by studying all the ECB press conferences in 2008. The press conferences differ from other forms of communication in that the ECB not only speaks to, but also with the public. With regard to the topics it does and does not speak on, the press conferences are interesting, because questions are asked during them that the ECB president does not answer.

Date	What the president does not speak about
January 2008	<i>Question</i> about the weakened pound: [...] I do not give advice to colleagues, [...]. And so I will not say anything on the US policies or on the UK policies.
February 2008	<i>Question</i> about: the meaning of the word vigilance I will not comment on vigilance in the other direction. No comment. [...] <i>Question</i> about: expectation of the G7 On the G7 you know, because I always say that I do not comment myself in advance on the meeting of the G7. I will have a press briefing after the meeting of the G7 in Tokyo. [...]. <i>Question</i> about: banking regulation. [...] I do not want to launch into the discussions that take place in the Basel Committee chaired by Nout Wellink, the governor of the central bank of the Netherlands, and the work of the Financial Stability Forum, [...].
March 2008	<i>Question</i> about: staff projections [...] I always say when we publish the staff forecasts that these are the staff projections. They are made under the responsibility of the staff, with a methodology that you know, and we at the level of the Governing Council do not underwrite the staff projections. <i>Question</i> about: dollar weakness and commodity prices We are certainly living in a universe where the weakness of some currencies can be associated with the weakness of domestic features, but I will not comment on particular currencies.
April 2008	<i>Question</i> about: concerns of the market about growth and inflation. As you know, I never comment on the day to day evolution of markets in

	<p>general, and much less so in real time at this very moment!</p> <p><i>Question about: exchange rate</i></p> <p>This is a matter for reflection and meditation, but as you suggested, I'm not particular eloquent on the exchange rates. And I will remain disciplined, because in this domain verbal discipline is of absolute essence.</p>
May 2008	<p><i>Question about: forecasts/outlook</i></p> <p>But I do not want to anticipate what our staff will present next time. It is work in progress, and a number of new pieces of information are coming.</p>
June 2008	<p><i>Question about: voting behaviour</i></p> <p>What counts is what the college decides and what the college thinks, not any individual, but the full body of the Governing Council.</p> <p><i>Question about: Euribor rate that hit another high.</i></p> <p>I will not comment now.</p> <p><i>Question about: price stability in the medium turn (18-24 months?).</i></p> <p>But I don't give you a precise number of months. I give you a range from 18 months to two years.</p> <p><i>Question about: market reactions.</i></p> <p>[...] I never comment. [...] I think it would be totally absurd for me to comment in real-time on market reactions.</p> <p><i>Question about: voting behaviour. (Can you tell us how close the call was.)</i></p> <p>No.</p>
July 2008	<p><i>Question about: future rate hikes</i></p> <p>We make no pre-commitment on the medium turn and we do always what is necessary to deliver price-stability in line with our definition in the medium turn.</p> <p><i>Question about: is the market right rates at the end of the year</i></p> <p>I never comment on future markets</p> <p><i>Question about: concern amongst politicians about ECB policy</i></p> <p>No, I have nothing to say on what you said about those who have given us advice. We are an independent institutions. Everybody knows we are an independent institution.</p>
August 2008	<p><i>Question about: Sarkozy mentioning that the meetings should be published.</i></p> <p>I myself do not comment on rumours or leaks that are not confirmed.</p>
September 2008	<p><i>Question about: a colleague's declaration</i></p> <p>[...]. As you know, I'm the only one who speaks on behalf of the Governing Council</p> <p><i>Question about: the weight of the oil price in the calculations</i></p>

	<p>I cannot give you at this state a position of the Governing Council as regards the degree to which we would consider that [...]</p> <p><i>Question</i> about: the inflation average in 2010</p> <p>I am not going to qualify the average.</p> <p><i>Question</i> about: tendency among financial market observers</p> <p>As regards the assumption that market participants or traders or investors can make, I leave to them the responsibility of their assumption.</p> <p><i>Question</i> about: the reaction of the US authorities.</p> <p>I don't make any judgment on their fiscal policy and as you know certainly not on their monetary policy.</p>
October 2008	<p><i>Question</i> about: rate cut at the next meeting</p> <p>It will be a great pleasure for me to tell you at that point in time what we've done.</p> <p><i>Question</i> about: the lucidity of financial markets</p> <p>[...] I never comment on the immediate reactions that the introductory statement could trigger in the market.</p> <p><i>Question</i> about: a reasonable outcome from a meeting with EU leaders</p> <p>I don't want to prejudge – as you know, I never say in advance when I participate in any meeting what the meeting will produce.</p> <p><i>Question</i> about: decreasing the deposit facility interest rate</p> <p>I will not comment on any modification of the deposit rate. We confirm the present level of the deposit rate.</p>
October 2008	<p>Extra meeting - rate cut. Together with other Central banks</p>
November 2008	<p><i>Question</i> about: markets expecting another rate cut</p> <p>I would only say, as you mentioned earlier, we never pre-commit: we always do what is appropriate to be able to tell our fellow citizens that we will deliver price stability in the medium term according to our mandate.</p> <p><i>Question</i> about: markets are pricing in another rate cut</p> <p>On the future decision – again – we never pre-commit.</p> <p><i>Question</i> about: would it make sense to go lower, or use other tools as well</p> <p>I expect you will ask this question again at our meeting in Brussels, and I will be delighted to tell you what we do next time.</p> <p><i>Question</i> about: volatility with regard to the Swiss Franc</p> <p>[...] this is off course the main issue of our Swiss friends and colleagues. [...] I have nothing to tell them and no particular advice to give them, but I'm sure that they are doing what is appropriate.</p>
December	<p><i>Question</i> about: market expectations</p> <p>I will not comment in any respect on what we will do next time</p>

	<p><i>Question</i> about: rationale behind not laying out more clearly where you will go from now as other central banks have</p> <p>So let us not compare what is not comparable. We are all doing what we believe is appropriate. And we are not in exactly the same situations.</p> <p><i>Question</i> about: quantitative easing</p> <p>[...] if new decisions are needed, we will take new decisions. But at this stage I cannot say anything else.</p> <p><i>Question</i> about: confusion in the market</p> <p>Again, I will say at this stage I have no further indications to give.</p> <p><i>Question</i> about: possible changes to the deposit facility</p> <p>As I have said, I will rule nothing out, but at the same time I'm not pre-committing to anything.</p>
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Table 3-6. What the ECB president refuses to comment on

The president determines the topics on which he speaks as representative of the central bank. We see that these limitations of his own speaking not only happen if he enters the domain of *politics*. He is also reticent in giving comments about decisions by other *authorities* and other players (markets, staff projections). Furthermore, through these limitations, he tries to keep the future open and not give any *pre-commitments*. He also creates room for other players to play in their own way.

The slips of the last ECB president and the Federal Reserve president (Bernanke) show the other side of the medal. They show that it is the public that silences the president, not the president himself. In both cases the president chose to provide openness, but in both cases the public was critical about his remarks.

Rules of inclusion

A second cluster contains the *rules of inclusion*, which is about how and when things should be said. This cluster regards internal organisation, it brings in hierarchy, a unity or a specific way of reasoning (Foucault 1972, p.220-224). Foucault adds three ways for this cluster to manifest itself: commentary, the author, and discipline.

Commentary is about the hierarchy between texts. It consists of a primary, top-heavy original text. This heaviness permits one to create new stories ad infinitum. But these endless stories seem to be guided by one final aim, to disclose what has been articulated deep down (Foucault 1972, p.221).

General study

To get a general indication of the *attention* given to the ECB president’s speaking, we study the attention given to it by the media. Articles, in which the ECB president is referred to, have been collected over a period of two years. On average the ECB president is referred to 40 times in weeks with a press conference and only 17.19 times in weeks without a press conference. That there is much more attention for the central bank president in weeks with a press conference is also shown by the Mann-Withney U-test. We use this non-parametric test, because we do not know what distribution the number of articles has. Furthermore, we intend to compare the number of articles in two groups of non matched-pairs observations. We order all observations from both groups based on size and then assign ranks to them. The ranks of weeks with a press conferences are more than double the ranks of weeks without one, and this difference is significant. It also suggests the ECB president getting more attention in this week. The table below summarises the results.

Mann-Whitney U-test		Average attention per category			
		Weekly averages		Average ranks	
U-statistic	Standardized value (P- value)	Weeks without press-conference (78 in total)	Weeks with press-conference (24 in total)	Weeks without press-conference (78 in total)	Weeks with press-conference (24 in total)
151.5	-6.19 (0.000)	17.19	40.17	41	84

Table 3-7. Attention in weeks with and without press conferences

Looking at the discussion around it, the kind of attention, we see that the articles varyingly use a selective, a factual and an interpretive approach for the press conferences (‘ECB verlegt focus naar groeirisico’s, *Het Financieele Dagblad* February 8, 2008, ‘Aandelenmarkt reageert fel op ECB’ *Het Financieele Dagblad* February 8, 2008, ‘ECB stelt monetaire koers bij’ *Het Financieele Dagblad* February 8, 2008, ‘Een andere koers’ *Het Financieele Dagblad* February 9, 2008).

Aside from the media, the markets react to the press conference as well. The conclusion drawn in many of ECB articles on communication is that ECB communication indeed

influences the market, and that the degree to which this happens depends on the circumstances: the markets do what the president says. However, words of central bank presidents might not be able to reach the general public (Ehrmann e.a. 2009), might be more effective in times of great uncertainty (Ehrmann and Fratzscher 2007b), diversity in communication might frustrate effectiveness (Ehrmann and Fratzscher 2005 a), et cetera. Put differently, under certain circumstances and within certain restrictions markets do behave more or less in accordance with the intentions of the central bank.⁴⁶ From that perspective, the press conference is considered to be a valuable way of communicating (Ehrmann and Fratzscher 2008). It offers the opportunity to *explain* decisions and in that way increases the chance that the words of central bankers are incorporated by their public (Winkler 2000, see chapter 2 section 4).

Detailed study

On a small scale, we see this interplay between primary and secondary texts in the monthly press conferences. This can be seen mostly in the *role division*. The central bank president speaks: he gives an introduction and answers questions. Journalists are offered the opportunity to question the introductory statement. This *Q&A* lasts three times as long as the introductory statement and the journalists want to know what the ECB president really means. Questions posed at a press conference like ‘Given the clues you have given in the opening statement...would we be correct in saying that you changed your main scenario’ and ‘If things turn to the worst, who would be the lender of last resort [...]’, [...] if you are prepared to act pre-emptively [...]. Why not act?’⁴⁷ are about making clear what the president is saying (see also chapter 2).

That there are primary and secondary texts, however, does not necessarily mean that there is one-way traffic. Central banks and their presidents also react to what happens in markets, and markets can ‘force’ them to take action. This interactivity can be seen in remarks by Trichet such as ‘Consequently, we (the Governing Council, LNE) will monitor very closely all developments. The Governing Council remains prepared to act pre-emptively so that second-round effects and upside risks to price stability do not materialise and, [...]’. (Trichet, press conference, January 2008).

⁴⁶ For a diversity of articles see for example the special issue of the *European Journal of Central Banking* (2007, 23 (1)).

⁴⁷ The questions are posed in the press conference held February 7, 2008.

Central bankers are aware of the power of commentary in the media as well. They acknowledge that a 'bad' perception by the media can be detrimental to their policy. Trichet (2008a) expresses this as follows: 'European media and many other intermediaries play a decisive role in the process of disseminating information about the ECB's monetary policy. Media coverage of the monetary policy actions is an important channel of the ECB's communication strategy, and thus an important factor of our policy's success'.

It should be noted that the hierarchy between primary and secondary does not imply that the primary text is automatically the most effective one. Although this is what central bank presidents aim for, the slip of Bernanke mentioned in the introduction shows another relation between the two. When Bernanke said that 'The Fed could decide in one or more meetings to take no action', the markets assumed that what he really wanted to say is that the Fed was done with raising the interest rate. Bernanke did not agree with this secondary interpretation of his primary text, and disclosed that to a journalist.

The second rule of inclusion regards the *author*. Not the author in the sense of the individual who wrote the text in question, but the author as a unifying principle in a particular group of writings or statements, lying at the origin of their significance, as the seat of their coherence (Foucault 1972, p.221).

General study

The rule of the author is expressed in the quest for 'one voice'. According to Blinder (2008) this one voice is required to enlighten the public. The president of the ECB is the *one voice* who speaks on behalf of the Governing Council, as he says himself when asked to comment on a declaration of a colleague '[...] as you know, I'm the only one who speaks on behalf of the Governing Council' (Trichet, Press Conference, September 2008). Speaking with one voice reduces noise in the communication. If all the executive board members are speaking instead of one, 'there is a danger that too many disparate voices might confuse rather than enlighten the public...especially if the messages appear to conflict' (Blinder 2008). The ECB board realises this one voice principle by genuinely communicating collegially (Blinder e.a. 2008).⁴⁸ The importance attached to the one voice principle is also related to the diversity of the public the ECB addresses (one voice-one

⁴⁸ This is opposed to the Fed which according to Blinder e.a. (2008) communicates in an autocratically collegial way and the committee of the Bank of England which uses an individualistic style of communication.

ear). When one intends to reduce noise (uncertainty or confusion) it should be taken into account that central bank communication is also a two-way street: it must have both a transmitter and a receiver (Blinder 2008). Trichet (2005) considers it a challenge to speak simultaneously to so many cultures, and to make sure that you are understood in the same way by all of them. So the ‘one voice’ seems to be looking for ‘one ear’.

Trichet also realises this is no easy job. He publicly doubts the possibility of this *one voice, one ear* principle when starting a speech on communication with this citation of Goethe: ‘Niemand würde in Gesellschaften viel sprechen, wenn er sich bewusst ware, wie oft er die anderen missversteht’ (Trichet 2008c). What shows up here is the reciprocity of communication: ‘communication changes reality and its perception, and in turn, the changed reality has an impact on the originator of the message’ (Issing 2006). So the unifying principle of the author is put under pressure by speaking.

Detailed study

Looking at the central bank president’s press conferences through this perspective, we see that the unifying principle can be found in the fact that Trichet is the one who is speaking on behalf of the ECB. It can also be found in the mandate. The ECB president keeps repeating this mandate. He starts every introductory statement with it, by using a variation like: ‘The firm anchoring of inflation expectations over the medium and long-term is of the highest priority to the Governing Council, reflecting its mandate’ (Trichet, press conference, February 2008). Another point often referred to is that the ECB has one needle in the compass, price stability or inflation (see also chapter 2 for situating this contextually). To give a better idea of how often it is mentioned, an overview of the numbers can be found below. In the case of the introductory statement, only remarks by the ECB president are counted. In Q&A we see that the ECB president does far more referring than his public.

	Mandate	Price stability	Inflation	One needle	Total
Introductory Statement	14	133	162	0	309
Q&A President ECB	54	180	137	23	394
Q&A Public	8	27	98	0	133

Table 3-8. Overview of references to the ECB’s mandate

A third rule of inclusion is *discipline*. Disciplines are defined by groups of objects, methods, their corpus of propositions considered to be true, the interplay of rules and definitions, of techniques and tools: all these constitute a sort of anonymous system, freely available to whoever wishes, or whoever is able to make use of them, without there being any question of their meaning or their validity being derived from whoever happened to invent them (Foucault 1972, p.222).

Looking through this perspective at what the central bank president says, the table above can be filled in differently.

Type of communication	Discipline required to understand and situate what is said
Press releases	Monetary economics (most press releases) Common sense (f.e. visits of other authorities and the central bank)
Interviews and Speeches	General, high educated, public
Monthly bulletins, statistics pocket books, annual reports, convergence reports, financial stability reviews, weekly/quarterly financial statements	Statistics Monetary economics Financial economics
Research Publications	(Financial) Economics
Press conferences	Financial-economically educated public

Table 3-9. Disciplines related to types of communication

To position the information given by the central bank presidents, statistics, as well as monetary and financial economics are important. The introductory statements of the ECB president contain a monetary and an economic analysis, and relate to the (statistical) staff projections.

That speaking is mostly done in these terms does not mean that either speaking or the economic system can be reduced to these disciplines. The rules of these disciplines are guidelines to the behaviour of central bankers and their publics. But Greenspan also pays attention to other kinds of knowledge. By mentioning ‘human psychology’ and ‘inflation

psychology’ he shows that central banking is not only about monetary and financial economics, but also about psychology.⁴⁹

With regard to this section one assumption should be highlighted, the assumption that lies at the basis of the paradigm shift towards communication: the assumption that *expectations can be managed* by communication (see also Blinder 2008). This assumption is foundational and binding for the communication by central bank presidents, and finds its basis both in economics and in sociology.⁵⁰ This assumption is not questioned, neither by academics, nor by practitioners. It is subscribed to by Trichet (2008a) when he states that ‘academic research had (in the 90s) made important advances in permitting to understand better the decisive role of transparency in establishing credibility of central banks and in helping them to solidly anchor inflation expectations’ and by Woodford when stating that ‘Thus the public’s understanding, not only of what the central bank is currently doing, but of what it can be expected to do in the future, is crucial for the effectiveness of policy’ (2005, p.4). It is for that reason that Otmar Issing (Issing 1999) considers communication to be the third (hidden) pillar of monetary policy (see also Gonzalez-Paramo 2007), and the numerous communication moments of the ECB seem to support this assumption.

Paradoxically it is also with regard to the future that communication seems to fail, or to have the least potential. Central bankers themselves do not (exactly) know what to expect. Central bankers admit that they face uncertainty, that they can find it difficult to reach agreement about the appropriate path of future policy rates, and that they repetitively question whether the markets and the public will fully understand the conditionality of the announced future policy path as it is too complex to communicate (Papademos 2008, Blinder 2008, Woodford 2005, Hämäläinen 2001). They fear that if they do not live up to their own communicated expectations, they will lose credibility (and thereby the possibility to manage expectations in the future).

⁴⁹ See for example two speeches referring to human psychology respectively investor psychology: Alan Greenspan (1998) ‘Question: Is there a new economy?’ At the Haas Annual Business Faculty Research Dialogue, University of California, Berkeley, California, September 4. And Alan Greenspan (2002), Economic volatility, At a symposium sponsored by the Federal Reserve Bank of Kansas City, Jackson Hole, Wyoming, August 30.

⁵⁰ In sociology this can be found in the work of MacKenzie (2006, 2007). He uses the concept of performativity to point to the relation between thoughts about reality and reality itself. Another sociologist related to this topic is Merton. In his Social theory and Social Structure (1949) he introduces the *self fulfilling prophecy* and relates it to a bank run (see also chapter 5, section 2).

Rules of qualification

A third cluster contains the *rules of qualification*. These determine who can and cannot participate: '[...] none may enter into discourse on a specific subject unless he has satisfied certain conditions or if he is not, from the outset, qualified to do so' (Foucault 1972, p.224). They consist of rituals, the distinction between a fellowship of discourse and doctrine, and education.

Rituals define the qualifications required of the speaker; it lays down gestures to be made, behaviour, circumstances and the whole range of signs that must accompany discourse. Finally, it lays down the supposed or imposed significance of the words used, their effect upon those to whom they are addressed, and the limitations of their constraining validity.

The speaker in this case is the central bank president. He speaks on behalf of an institution mandated to control price stability. This institutional position distinguishes the ECB president from other players in the field, and it gives his words a different meaning. If the president says the interest is going up, then that is actually the case.⁵¹ The primary position of the president comes through in the significance of his words, the words of a central bank president are – compared to statements of other board members – considered to be most influential (Ehrman and Fratzscher 2007). Or as the ECB itself puts it: 'By virtue of its monopoly, a central bank is able to manage the liquidity situation in the money market and influence money market interest rates'.⁵²

On a detailed level we see those different positions in the way in which the ECB relates itself to the public. The ECB determines when speaking takes place, how long and by whom. In the discussion of primary and secondary texts it was already mentioned that the central bank president speaks and the public asks questions. However, the journalists attending the press conference are free to ask the questions they want. Which journalists attend the press conference is up to the medium to decide. Journalists who want to have an interview with Trichet hand in a proposal including a general outline. If they are selected to have the interview, they hand in the questions they have in mind. That however does not mean that only these questions can be asked; during the interview there is also room for

⁵¹ With a time lag of a six days, as announced in the press release.

⁵² See: <http://www.ecb.europa.eu/mopo/intro/operational/html/index.en.html> (retrieved June 8, 2010).

unannounced questions. Before the interview is published, the quotes used in the interview should be authorised by Trichet.⁵³

Remarkable for the ECB is that, contrary to many other central banks, it *organises interaction*. The American Federal Reserve communicates in a given way to its public. Until recently, the FED had never given a press conference, and its president did not give interviews. Since the financial crisis, there has been a call for change at the FED as well, possibly because of the assumption that interaction enables the president to more effectively manage the public's expectations (see Ehrmann and Fratzscher 2008).

Who and how many people are qualified to join the discussions? Is central bank speech reserved for a *fellowship of discourse* or is it a *doctrine*? The function of a fellowship of discourse is to preserve or to reproduce discourse, but in order to circulate within a closed community, according to strict regulations, without those in possession being disposed by its very distribution. Doctrine, on the other hand, tends to diffusion: in the holding in common of a single ensemble of discourse that individuals, as many as you wish, could define their reciprocal allegiance. Central bank communication seems to be a fellowship of discourse as well as a doctrine.

Striving for a doctrine can be seen in the wish to be transparent, but also in the many references by the ECB president to the EU citizens. 'He is the president of 320 million people'. In the press conferences (given in 2008) he does so 19 times. It is also clear in the speeches by Trichet: 'In other words, it is the duty of the independent central banks to be transparent and to communicate not only with specialized publics, such as financial market participants, but also with the public at large' (Trichet 2008a). Finally, the doctrine can be found in the mandate, which is repeated continuously as mentioned before, and which is understandable at a general level for a large public.

If, however, the dictionary is taken to hand, we see that it contains much jargon and presupposes prior knowledge. What is meant, for example, by sentences such as: 'At the same time, the underlying pace of monetary expansion has remained strong but had continued to show further signs of declaration' or 'Turning to the monetary analysis, the annual growth rates of broad money and credit aggregates, while still remaining strong, continued to decline in September' and 'A closer examination of the money and credit data indicates that the recent intensification of financial tensions has already had an identifiable

⁵³ Source: department of communication, ECB (personal communication, April 23, 2010).

impact, particularly in the form of outflows from money market funds and greater inflows into overnight deposits. However, the full impact of investors' uncertainty on their portfolio allocation behaviour is still to be seen in the coming months' (Trichet, 2008m).

A tension exists between the *complexity* of monetary policy and the quest for *simplicity*. Hämäläinen (1999) remarks that the two-pillar monetary policy strategy has been criticised for being too vague and too complex. She also notices the expectation (of the public) that the ECB uses a very simplistic strategic and communication framework in a complex world (Hämäläinen 2001). Another problem is the quest for 'hard' targets when it comes to future policy combined with the fear that the conditionality of statements regarding the future is not understood (Blinder e.a. 2008), or that it puts central banks under pressure as they become reluctant to disappoint market expectations (Gonzalez-Paramo 2007).

Education is the third and last example of rule of qualification. It may be the instrument for every individual to gain access to any kind of discourse. Those who do not understand what is being said are excluded. An educational system does not only provide access, it is also a political means of maintaining or modifying the appropriation of discourse, with the knowledge and the powers it carries.

When it comes to central bank communication, both aspects of education show up. The point of access is most explicitly related to communication. Duisenberg (1998) started with it by stating that 'in the future there will also be many speeches to the public and statements to the press – will clearly promote the understanding of monetary policy objectives, intentions and actions'. Trichet (2005) subscribed to the words of his predecessor by saying that 'the central bank's communication should ensure that markets understand the systematic responses of monetary policy to economic developments and the current assessment of the central bank [...] and 'perhaps the best a central bank can do is to 'teach' the markets its way of thinking' (Blinder 2008, Winkler 2000). The education contains education of monetary theory, as for example the course on inflation developed for students by the ECB. It also contains education on communication. The ECB also provides a course to journalists several times a year. During two days, the journalists are lectured by experts on monetary strategy, monetary instruments, statistics, the financial crisis, et cetera. They offer background knowledge for the journalists.⁵⁴ A number of

⁵⁴ Source: department of communication (personal communication, April 23, 2010).

speeches on how communication works, were addressed to a media public. The advantage for policy of both forms of education is that the public listens better to the ECB and behaves accordingly. By making it familiar with the ECB’s thoughts and by making sure that the journalists tell the ECB story in the ‘correct’ way.

The following forms of education can be found at the ECB: explanation of the methodology behind the statistics, the development of a body of knowledge by the publications, the continuous repeating of the mandate and the development of an educational programme on inflation.⁵⁵ We also see that the ECB extensively explains its statistical research.⁵⁶

Main types of rules	Results
<i>Rules of exclusion</i>	
Topics of speech	<p><i>What is the main topic of the ECB speech?</i></p> <p>Monetary – financial economics</p> <p><i>What does the ECB not comment on, when asked for?</i></p> <p>The ECB president does not comment on:</p> <p>politics</p> <p>authorities</p> <p>pre-commitments (future)</p> <p>Slips show that public can decide what should be said and what not.</p>
<i>Rules of inclusion</i>	
Commentary: primary/secondary text	<p><i>How much attention do the media pay to the words of central bank presidents?</i></p> <p>Media attention rises in weeks with press conferences.</p> <p><i>Do markets pay attention to words of central bank presidents?</i></p> <p>Yes, they do. And under certain circumstances they act in accordance with the words of the president.</p> <p><i>How does the public react to ECB communication?</i></p> <p>By questioning what the president says.</p> <p>The slips have shown that comments of the public can turn</p>

⁵⁵ see: <http://www.ecb.europa.eu/ecb/educational/html/index.en.html> (retrieved May 10, 2010).

⁵⁶ see: <http://www.ecb.europa.eu/stats/html/pstats.en.html>, and <http://www.ecb.europa.eu/stats/html/sqf.en.html> (retrieved May 11, 2010).

	around the hierarchy between texts.
Author: unifying principle	<p><i>Does the ECB repetitively refers to 'a statement' when speaking?</i></p> <p>Yes, the mandate is repeated several times.</p> <p><i>Does the ECB speaks with one 'voice'?</i></p> <p>Yes, by relating policy to the mandate and by limiting the number of people that may speak on behalf of the ECB (in fact it is only the president).</p> <p>But: speaking with one voice does not mean that the public listens with one ear.</p>
Discipline	<p><i>On which kind of knowledge is the ECB communication based?</i></p> <p>Mostly monetary economics, financial and statistical knowledge.</p> <p><i>Is there an underlying shared assumption?</i></p> <p>Yes, the underlying assumption is that communication can be used in order to manage expectations.</p>
<i>Rules of qualification</i>	
Rituals	<p><i>How are ECB interactions organised?</i></p> <p>The ECB regularly speaks to the public by publishing information (see table 3-8), but also with the public during the press conferences.</p>
Fellowship or doctrine	<p><i>Does the ECB use terminology that can be understood by everyone or can it only be understood by a limited number of people?</i></p> <p>The ECB president addresses a large public. To understand what the ECB and the president really speak about a financial-economic background is required.</p>
Education	<p><i>Does the president of the ECB offer a framework to understand what he says?</i></p> <p>The ECB speech contains some educational moments. And the ECB also has material – explaining inflation – that can be used in primary and secondary schools.</p> <p>Journalists get an introductory course.</p> <p>Methodology used to handle (statistical) topics is made public.</p>

Table 3-10. Overview of rules of central bank communication

3.6 Conclusion

If communication by the ECB president is studied through the perspective of a game, we see that the rules of the game can be recognised. There are rules of exclusion, rules of inclusion and rules of qualification. These rules explain why and how a central bank president speaks, better than the concept of transparency can. It is interesting not to leave it at that, and to look one step further. At first sight, it seems that the ECB president decides what he says and how. The ECB determines the limits of the press conferences and its president answers the questions. If he does not wish to answer, the public cannot make him. Communication by the central bank president then seems to be mostly one-way traffic. Moreover, the ECB and its president communicate often, but not always in language that can be easily understood. A course in monetary economics is required to understand what the president is really talking about. In the case of statistics the methodology is provided, but to understand it, let alone criticise it, thorough knowledge of statistics is required. In this way communication can stress *information asymmetry* instead of reducing it. This could lead to the conclusion that the central bank president has much power and the public has little. To express it in terms of Foucault: the central bank president is someone who knows a lot, and can do a lot based on that knowledge. He would be a superior player in the game. Naturally, the central bank president has an exceptional position institutionally, and can do things that other players cannot, but this does not mean he is omnipotent.

This chapter has revealed another perspective. The two slips in the preface already showed that even central bank presidents can make mistakes. Even they cannot say everything they want, and they have to follow the unwritten rules of the game. Trichet also pointed to the power of the media when talking about perception of the message. Furthermore, we saw that the rules of the game cannot always be followed. Often there is resistance to the interaction, continuous doubt as to whether the players are familiar with the game that the central bank president is playing. Do they know and understand what he is talking about? The suggestion then is to turn things around. The way in which the ECB president communicates is not a sign of power, but a sign of powerlessness. We see here how the postulate of manipulation is linked to the requirement of participation (section 3.2). The ECB president has to do everything he can to get the 320 million citizens he addresses on the same page. For him, it is about making those citizens not just expect inflation of 2%, but to make them act on this expectation, as it can only be realised if they do. The ECB president is not in any position to force cooperation. One of the most

important means he has to realise it, is communication. This communication is a *weakness* as well as a *strength*. Because if the president only can and wants to communicate a single message, then what he can say is very limited, which makes him vulnerable. One who bets on communication makes every word charged. This is the reason that the ECB president says little, and limits his domain of speaking. Anything he says, could be used against him and against his policy. It is also the reason that he frequently repeats his mandate, because that is actually the only message he wants to convey. And it is a vulnerable message, because if it was self-evident, he would not have to refer to it so often. Making communication instrumental also makes it a *strategic problem*.

Describing communication as a soccer game seems to be a step too far. How communication by a central bank president works out, depends on the public he relates to: is it a public which can place his words in context, a professional public, or is it a lay public. This dependence on the public makes central bank communication vulnerable, and it is an important difference with a game of soccer. In the latter, the public mostly plays the role of supporters. If a central bank president wants to manage expectations, he needs his supporters to play the game.

CHAPTER 4: DO CENTRAL BANK PRESIDENTS RECEIVE MORE ATTENTION IN TIMES OF CRISIS?⁵⁷

4.1 Introduction

In the previous chapters, the ECB president's communication has been studied. Particular attention was given to 2008. 2008 was a special year for central bank presidents: it was the year the financial crisis – which started in the United States – manifested itself in Europe. Policy wise, this can be seen in a decline in the interest rate. The European Central Bank, which for a long time kept the interest rate constant, lowered it by 50 basis points in October, later with another 50 and after that even 75.⁵⁸ This was the biggest interest rate decline in the history of the European Central Bank. With the words 'We have never done that before', Trichet made clear the exceptional situation (see press conference November 2008).

In this chapter the (rise of the) financial crisis is looked at from a communication perspective. The goal is to gain insight into a possible *difference* between communication in normal and in crisis times. The starting point here is the conclusion of the previous chapter. There the importance of interaction was shown, and the way it makes central bank presidents vulnerable. Formulated differently, the power of the central bank president is for an important part dependent on the public that listens to him, and acts on his words. Usually, the reaction to the words of the central bank president is mapped by looking at movements in financial markets (see Introduction, section 1). In this chapter a start is made in studying interaction in a different way. Not by looking at financial markets, but by looking at the role of the central bank president in the public debate, and the relation he has with his public.⁵⁹ What is relevant is not only whether he reaches the financial public, but also which public he reaches outside of that. In relation to the financial crisis it means that we want to gain insight in the role of central bank communication in times of crisis.

⁵⁷ This chapter was co-authored by prof.dr. Ph.H.B.F. Franses. The authors thank Raman Ahmed for his statistical support.

⁵⁸ <http://www.ecb.int/stats/monetary/rates/html/index.en.html#fn5> (retrieved April 6, 2010).

⁵⁹ A comparison can be made here as well with Achterhuis (1988), as he stresses out the importance of participation for power to be effective. Power then has to do with organizing participation. Put differently, if a central bank president wants his words to be effective in times of crisis, he must make sure he is listened to. 'Understanding authority, then, always demands an analysis of the relation between the maker of a claim and the public(s) that need to be persuaded. Authority always is a relational notion.' (Hajer 2009, p.21).

Our first expectation is that central bank presidents are given a lot of *attention* by the public. Central bank presidents (CBPs) are responsible for the monetary policy of a country or region (like Europe) and often they are directly and indirectly involved in supervising financial markets. Stability of financial markets is one of their main tasks. Because of this, central bank presidents have an important task in times of financial crisis. We can expect them to somehow contribute to stabilising markets and calming down potential panic responses, including those of the average citizen. This feature of crisis periods means that central bank presidents have to address a broader and more diverse public. This may make it more complex to deliver a message, that is, not only the professional financial markets have to be addressed. The average citizen needs reassuring information as well. From this perspective, it is not strange to see that during the financial crisis of 2007-2009 CBPs relied on (for central bankers) unorthodox methods of communication. The fact that Ben Bernanke considered holding a press conference was front page news with the header ‘Bernanke’s PR Push Rewrites Fed Script’. Also the fact that Bernanke actually entered into discussion with the public during a number of meetings can be considered quite revolutionary as well. His predecessor, Alan Greenspan, gave only a single interview during his entire career as president of the Federal Reserve, and this occurred at the start of his career. Likewise, the president of the Dutch central bank (DNB), Nout Wellink, gave his first live TV press conference ever during the crisis. This was on October 3, 2008, when together with the Prime Minister and the Minister of Finance, he announced the take-over of Fortis Bank by the Dutch government.⁶⁰ A press conference offers the opportunity to explain things to a general public. This brings us to formulating a first expectation: in times of crisis the relation between the central bank (president) and the public changes as well, he receives attention from a broader public.

The second expectation is related to the work of Morris and Shin (see also chapter 2). Morris and Shin claim that too much value can be assigned to the speech of central bank presidents in times of uncertainty. In such a situation, the public devalues its private information and sticks to the words of authorities, like central bank presidents. If we continue this line of thought, we can expect the central bank president to generate *more attention* in times of crisis. Both in general and with regard to various publics. The combination of both expectations results in the statement studied in this chapter:

⁶⁰ <http://nos.nl/video/8391-persconferentie-balkenende-bos-en-wellink.html> (retrieved July 1, 2010).

In times of uncertainty, such as a financial crisis, more attention is given to remarks by central bank presidents, and attention is paid by a broader public.

The outline of this chapter is as follows. Section 2 contains the sub-questions that are based on the main question. They link to the theoretical framework set up in chapter 3. Section 3 deals with the institutional positioning of central banks and their presidents. Section 4 contains the research design. In this section we show how the sub-questions are answered, and which data are used. In section 5 the empirical results are presented, and the five sub-questions are answered. Section 5 contains the conclusion. In this conclusion, the statement is largely rejected. In times of crisis, central bankers do get more attention. But the increase in attention is much smaller than the attention given to the financial crisis. Their role in this debate is therefore modest. Moreover, central bank presidents receive more attention from a broader public, but this is limited as well. The increase in attention given to what a central bank president says is mostly found in the intellectual press, and much less in the popular press.

4.2 Sub-questions

In the previous chapter, communication by central bank presidents has been discussed by using the framework of Foucault (see chapter 3). Here, three clusters of rules were distinguished regarding communication, which all answer different questions:

- *Rules of exclusion*: ‘What is talked about?’
- *Rules of inclusion*: ‘What is being said?’
- *Rules of qualification*: ‘Who takes part in the conversation?’

For an extensive description of these rules see chapter 3 (section 2). In this chapter, we turn the perspective around by taking the discussion of the financial crisis as a starting point, instead of the words of the central bank president. The goal is to gain more insight into the attention given to the central bank president within this discussion. For that, we will not elaborate on all the rules as in the previous chapter, but only use the rules relevant to generating attention and participation.

We start with the *rules of exclusion*. These are about which topics are talked about, and which are not. Adjusting it to the financial crisis, the question becomes the following:

How did the attention given to the financial crisis develop in 2007-2009?(1)

By answering this question we hope to gain insight into the moment in which the financial crisis became the topic of conversation.

Rules of inclusion are about the internal organisation of the discussion: ‘What is being said?’. Because we mostly look at the share of attention given to the central bank president, this question is not discussed here, but in chapter 5.

Finally, we turn to *rules of qualification*. These are about the public that pays attention to the central bank president, and about the question: ‘Who takes part in the discussion?’. The expectation is that central bank presidents generate more attention among the regular public. The first question in this cluster of rules regards the role of the central bank president in the discussion about the financial crisis. The question asked here, is:

How much attention is given to the central bank president in the discussion about the financial crisis?(2)

To answer this question, we compare the attention given to the financial crisis with the attention given to central bank presidents.

Based on Morris and Shin, the expectation is that central bank presidents, being authorities, will receive more attention when there is more uncertainty. To position this question we want to compare attention in times of crisis to attention in normal times:

Does a central bank president receive (relatively) more attention in times of crisis than in normal times?(3)

Next, we want to specify the attention given to the central bank president by looking at which public gives him more attention. Below, we show that we distinguish three groups within the public: the professional public, the intellectual public and the popular public. The question is:

From which public does a central bank president receive (more) attention in normal times, and from which in times of crisis?(4)

Because the attention that bank presidents generate can depend on the position that the central bank president has, three bank presidents are discussed that have similar, but also different roles. The bank presidents discussed are the president of the Federal Reserve (Ben Bernanke), the president of the ECB (Trichet) and the president of De Nederlandsche Bank (Wellink).

Which central bank president receives (more) attention from which public in normal times, and which central bank president receives (more) attention from which public in times of crisis? (5a&5b&5c)

Linked to this question is the importance of having insight into the institutional positioning of the central bank presidents. A discussion of this can be found below.

4.3 Institutional positioning of central bank presidents

Central bank presidents more or less have the same task, that is, the monetary policy for a defined area (country or region). But when looked at in detail, we see that there are differences between the competences of central bank presidents. In this section we focus on three central bank presidents. We look at their institutional similarities and differences. By mapping this, we intend to work out what central bank presidents have a formal say about and whether it is reasonable for the public to listen to them. The central bank presidents that are discussed in this chapter are the president of the Federal Reserve (Fed) (Ben Bernanke), the president of the European Central Bank (ECB) (Jean-Claude Trichet) and the president of the Dutch central bank (DNB) (Nout Wellink). The three CBPs were closely involved in the financial crisis of 2007-2009.

Central bank presidents all have a geographically defined domain to which their policy applies. The president of the Federal Reserve (Fed), Ben Bernanke, is in charge of the United States. The president of the European Central Bank (ECB), Jean Claude Trichet, has authority in Europe and the president of the Dutch central bank (DNB) has it in the Netherlands. If we translate this to the number of inhabitants, we see that the public of the Fed is 307 million people, that of the ECB concerns 328 million people, and that of DNB is 17 million people. The Fed and the ECB have a different policy, and the policies of the ECB and DNB are harmonized. This means that the ECB and DNB share some competences.

If we look in detail at the tasks of the Federal Reserve, it has four main objectives, see table 4-1. These are conducting the nation's monetary policy by influencing the monetary and credit conditions in the economy in pursuit of maximum employment, stable prices, and moderate long-term interest rates; supervising and regulating banking institutions to ensure the safety and soundness of the nation's banking and financial system and to protect the credit rights of consumers, maintaining the stability of the financial system and containing systemic risk that may arise in financial markets; providing financial services to depository institutions, the U.S. government, and foreign official institutions, including playing a major role in operating the nation's payments system⁶¹.

The main objectives of the ECB are the definition and implementation of monetary policy for the Euro area; the conduct of foreign exchange operations; the holding and management of the official foreign reserves of the Euro area countries (portfolio management); the promotion of the smooth operation of payment systems. The ECB also has tasks related to its specific position within Europe. These are: financial stability and supervision; contribution to the smooth conduct of policies pursued by the authorities in charge related to the prudential supervision of credit institutions and the stability of the financial system; and International and European cooperation: the ECB maintains working relations with relevant institutions, bodies and forums both within the EU and internationally in respect of tasks entrusted to the Eurosystem⁶². Finally, the Dutch Central Bank is responsible for safeguarding financial stability, defining and implementing the single monetary policy of the countries which have introduced the Euro, promoting the smooth operation of the payment system, supervising financial institutions and the financial sector. DNB acts as an advisory body to the Dutch government.

The main similarity between the three central banks concerns monetary policy. Both the ECB and the Federal Reserve formulate a policy and implement it. DNB has a special position. It contributes to monetary policy as a member of the board of the ECB (the governing council). In this board, the countries of the European Monetary Union (EMU) determine the monetary policy of the Euro countries through majority voting. So as for monetary policy, DNB plays an important role, but it is secondary to the ECB. As for supervising financial institutions, the relations between the ECB and DNB are different. DNB supervises financial institutions in the Netherlands, like the other EMU countries do

⁶¹ See www.federalreserve.gov/aboutthefed/mission.htm (retrieved August 23, 2010).

⁶² See <http://www.ecb.int/ecb/orga/tasks/html/financial-stability.nl.html> (retrieved August 23, 2010).

in their own territories. In this, the ECB plays a coordinating and advising role. Primacy lies with the national central bank, not with the ECB.

	Federal Reserve	ECB	DNB
<i>Monetary Policy</i>	Yes	Yes	Majority voting within the ECB
<i>Stability</i>	Yes	Yes	Yes
<i>Smooth payment system</i>	Yes	Coordination	Yes
<i>Supervision</i>	Yes	Coordination	Yes
<i>Region/geographic borders</i>	US	Europe	The Netherlands

Table 4-1. Objectives of three central banks

4.4 Research design and data

To determine how the attention given to central bank presidents is distributed, this research looks at the number of times the central bank president is mentioned in the public discussion. This public discussion is studied by analysing *newspapers*.

Newspapers are chosen for three reasons. First, newspapers are a medium in which there is space for reflection, and opportunities for the social debate (Chaffee and Franks 1996). Also, newspapers have a structure that is suitable for comparing normal times with crisis times. Daily, there is space in newspapers for financial and economic news, which each day relates to current events (McQuail 1994). Secondly, newspapers offer the possibility to compare different frames of reference. ‘We only have to see how different papers report the same event differently to realize how important is this understanding, this view of the world, which each papers shares with its readers. So readers with different social experiences or form different cultures may find different meanings in the same text’ (Fiske 1990). A third reason for choosing our design is that referring to a central bank president gives an indication of his media authority (Herbst 2003, p.490). Central bank presidents have de facto authority (it is institutionally anchored) and epistemic authority (it is anchored in their expertise and in that of the organisation). *Media authority* is an alternative and additional form of authority. This form emphasises the importance of communication. This links to the importance of references in the academic world. Similarly, the position of a scientist is partly determined by the number of references to his work.

Our sample frame covers January 1, 2006 to December 31, 2008. This period contains both normal times as well as crisis times. We take July 1, 2007 as the turning point, because then articles about the credit crisis started to appear. Over the entire period the number of references to the central bank presidents (Ben Bernanke (Fed), Jean Claude Trichet (ECB), Nout Wellink (DNB)) and the number of articles relating to the credit crisis have been counted. For the central bank president of the Federal Reserve, three American newspapers are studied, namely the New York Times, the Washington Post, and the Wall Street Journal. For the president of the European Central Bank, nine European newspapers are studied; three French newspapers: Le Monde, Le Parisien and Les Echos; three German newspapers: Frankfurter Allgemeine, Die Welt and FT Deutschland; and three Dutch newspapers: *NRC Handelsblad*, *De Telegraaf* and *Het Financieele Dagblad*. The difference in the number of papers is because there are no exclusively European papers. For the president of the Dutch central bank three Dutch newspapers are studied: again *NRC Handelsblad*, *De Telegraaf* and *Het Financieele Dagblad*.

	Professional	Popular	Intellectual
<i>Ben Bernanke (FED), United States</i>	Wall Street Journal	New York Times	Washington Post
<i>Jean Claude Trichet (ECB), Europe</i>	Les Echos FT Deutschland Het Financieele Dagblad	Le Parisien Die Welt De Telegraaf	Le monde Frankfurter Allgemeine NRC Handelsblad
<i>Nout Wellink (DNB), The Netherlands</i>	Het Financieele Dagblad	De Telegraaf	NRC Handelsblad

Table 4-2. Types of newspapers related to CB(P)s

To determine the attention given to central bank presidents, we count the number of times their names are mentioned. That is, how often ‘Bernanke’, ‘Trichet’ and ‘Wellink’ occur. Determining the attention given to the financial crisis is done by counting the number of references to ‘credit crisis’ (EN), ‘kredietcrisis’ (NL), ‘Finanzkrise’ (DE), Crise Financiere (FR).

Related to the aforementioned sub-questions, we get the following overview:

Questions	Research approach
1. How did the attention given to the financial crisis develop in 2007-2009?	The number of times in the period of 2007-2009 that the term 'financial crisis' or a synonym appears in newspapers.
2. How much attention is given to the central bank president in the debate about the financial crisis?	The number of times central bank presidents are referred to in times of crisis, compared to the number of references to the financial crisis.
3. Does a central bank president receive (relatively) more attention in times of crisis than in normal times?	The number of times central bank presidents are referred to in times of crisis, compared to the number of times they are referred to in normal times. (We analyse here whether the multiplier effect of the financial crisis applies to central bank presidents).
4. From which public does a central bank president receive (more) attention in normal times, and from which in times of crisis?	The number of times that newspapers refer to central bank presidents in normal times and in times of crisis. (We compare the composition of the attention for the CBP in normal times with the composition in times of crisis).
5. Which central bank president receives (more) attention from which public in normal times, and which central bank president receives (more) attention from which public in times of crisis?	The number of times that different newspapers refer to different central bank presidents in normal times and in times of crisis. (This comparison is done from two perspectives: the multiplier effect (question 3) and the composition of the attention (question 4).)

Table 4-3. Sub-questions and research approach

4.5 Research results

This section contains the research results. The aforementioned questions are answered one by one.

1. How did the attention given to the financial crisis develop in 2006-2008?

In the period of January 2006 - December 2008, the 12 newspapers mention the financial crisis 26559 times. A turning point in the attention is found around July 1, 2007. 26011 references of the financial crisis appeared after July 1. This moment was picked because from then on structurally more attention is given to the credit crisis. In the first period, on average 7.0 articles appear per week in which the financial crisis (or a similar term) is mentioned, after July 1 this is on average 342. The maximum is in the week of October 13,

2008, when 1431 articles appear. It is a period in which there is much attention for the crisis. This is caused in part by the collapse of investment bank Lehman Brothers, and by the rescue plan of the American government. The graph below displays the attention for the credit crisis.

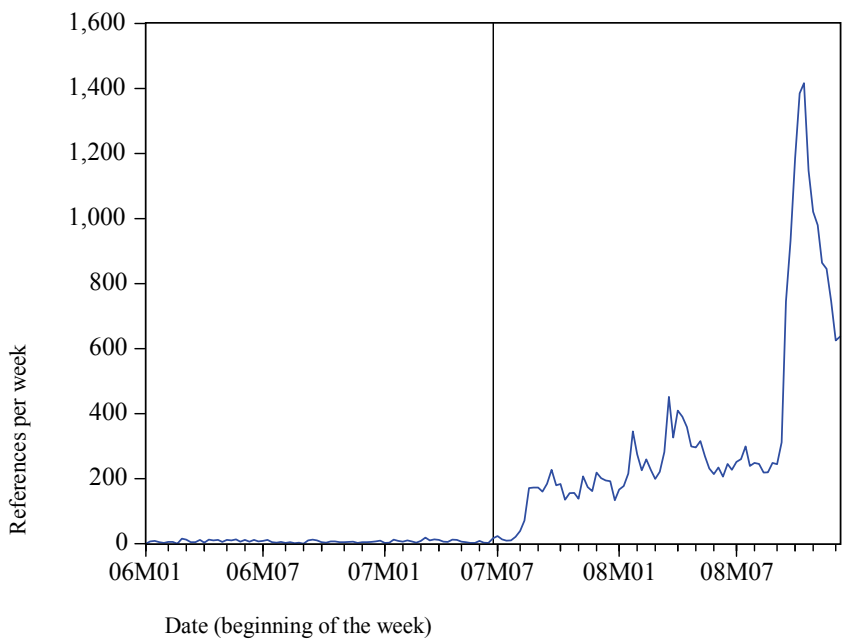


Figure 4-1. Citations credit crisis

What should be noted is that the attention for the financial crisis in different newspapers is correlated. The attention is based on the number of references to the credit crisis in newspapers from different countries. If American newspapers talk about the credit crisis, European newspapers do so as well. This can be seen in the correlations between the observations of the weekly data; they are all higher than 0.8, as can be seen below. For this, the total number of references to the credit crisis in the newspapers of each country has been determined.

	NE	DE	US	FR
NE	1	0.944	0.971	0.919
DE		1	0.992	0.892
US			1	0.922

Table 4-4. Correlation between the attention for the credit crisis in various newspapers

We can conclude that during 2008, the financial crisis received more and more attention. And this attention is spread over all newspapers. We can expect from central banks, which have to guard financial stability, that they play an important role in this discussion.

2. How much attention is given to the central bank president in the debate about the financial crisis?

To gain insight into the amount of attention given to the central bank president, we relate the number of articles in which a central bank president is mentioned to the number of articles in which the financial crisis is mentioned. The graph below illustrates this.

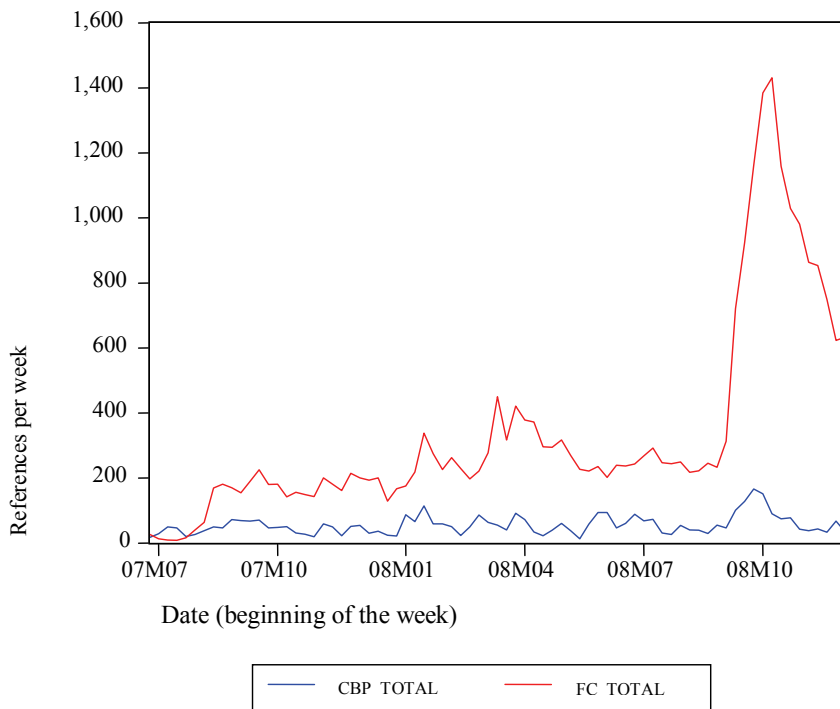


Figure 4-2. Attention for the credit crisis compared to attention for the central bank president

From this comparison we can conclude that central bank presidents do get attention during the financial crisis, but that the attention for central bank presidents is much lower than for the crisis itself. At the first question we saw that the average attention for the crisis in times of crisis is 342 articles per week. The average attention for central bank presidents in times of crisis is only 55 per week. This means that the debate about the financial crisis is largely held without referring (explicitly) to the central bank president. This difference is most striking at the peak of references to the crisis. In this period, the attention for the crisis increases remarkably, but that for the central bank president only minimally.

3. Does a central bank president receive (relatively) more attention in times of crisis than in normal times?

What can be expected, based in the proposition of Morris and Shin, is that a central bank president gets relatively more attention in times of crisis than in normal times. We do see that the average attention for the central bank president in times of crisis (55) is higher than in normal times (37), but that is not a sufficient answer. After all, we are looking for the relation between the change in context and the change in attention. Therefore, we analyse how the increase in attention for the central bank president relates to the increase in attention for the crisis. The question is if there is a multiplier effect due to the crisis. In other words, if there is more coverage of the credit crisis, does that also lead to more references to the bank presidents? We compute the number of all articles in the newspapers which deal with the credit crisis in table 4-2 (we search using the term “credit crisis”, translated into the proper language). In the next step we run the regression model

$$\text{Articles on CBP}_t = \mu + \alpha \text{Dummy Crisis}_t + \rho \text{Articles on CBP}_{t-1} + \beta \text{Articles on crisis}_t$$

where “*Dummy crisis*” is a zero-one variable, with values zero until July 1, 2007, and 1 afterwards. The variable “*Articles on CBP_{t-1}*” measures the persistence of the coverage, as it is likely that the coverage of yesterday has an impact on the coverage of today. The parameter β is of our interest. We expect it to be positive.

The regression gives the following results:

$$\text{Articles on CBP}_t = 3.33 - 0.27 * \text{Dummy Crisis}_t + 0.36 \text{Articles on CBP}_{t-1} + 0.04 \text{Articles on crisis}_t$$

The relevant P-values are all smaller than 0.001, except for the credit crisis dummy variable, which is 0.46. All are significant, with the exception of the dummy. The parameter β is positive, as expected. We can conclude that if an extra article on the credit crisis appears, on average 0.04 extra articles on the CBP appear in the week thereafter. In terms of percentage, we can say that an increase of 1% in the number of articles on the

credit crisis corresponds to about a 0.24% increase in the number of articles on the CBP in total.⁶³

On the basis of these results, we can conclude that a central bank president generates more attention in times of crisis than in normal times, but that the attention for the central bank president increases more slowly than the attention for the crisis. The share of the central bank president in the debate about the credit crisis is therefore relatively modest.

4. From which public does a central bank president receive (more) attention in normal times, and from which in times of crisis?

First we take a look at the effect of the crisis for the different categories for all the CBPs. Do the central bank presidents receive more attention in the different categories? In the table below we can see that the crisis has lead to a statistically significant increase in the amount of articles on a CBP in each category as the P-value is lower than 0.001 in each category. Below are the test-statistics (P-values in brackets) of a comparison of the weekly articles about the CBP before and during the crisis. The specific test statistic used here is the Mann-Whitney U-test statistic, a non-parametric approach to see if the 2 series differ in location.⁶⁴

Category	Test statistic: U-value (P-Value)	Mean rank before the crisis	Mean rank during the crisis
<i>Intellectual</i>	4.111 (0.0000)	63.30	92.89
<i>Financial</i>	3.814 (0.0001)	63.34	91.84
<i>Popular</i>	4.495 (0.0000)	61.92	94.29

Table 4-5. Comparison of amount of articles on CBP before and during the crisis

⁶³ 1% increase of credit crisis articles is on average $0.01 \cdot (24,64 \text{ articles per day on average}) = 0.2464$ extra articles about the credit crisis. This leads to an increase of (beta) $0.04 \cdot 0.2464 / (1 - 0,36) = 0.0156$ extra articles about a CBP. This is equal to a percentage increase of $0.015 / (6.57 \text{ articles about a CBP per day on average}) = 0.24\%$.

⁶⁴ See section 3.5 for a more elaborate explanation.

Looking specifically at the central bank presidents we see that for Bernanke the increase in articles is statistically significant in every category except for the intellectual newspaper.

Category	Test statistic: U-value (P-Value)	Mean rank before the crisis	Mean rank during the crisis
<i>Intellectual</i>	1.880 (0.0601)	71.29	84.80
<i>Financial</i>	2.411 (0.0159)	69.37	86.74
<i>Popular</i>	3.911 (0.0001)	64.04	92.14

Table 4-6. Comparison of amount of articles on Bernanke before and during the crisis

For Trichet, the increase in articles is statistically significant in all the categories.

Category	Test statistic: U-value (P-Value)	Mean rank before the crisis	Mean rank during the crisis
<i>Intellectual</i>	4.202 (0.0000)	63.05	93.14
<i>Financial</i>	2.741 (0.0061)	68.19	87.94
<i>Popular</i>	3.179 (0.0015)	66.70	89.44

Table 4-7. Comparison of amount of articles on Trichet before and during the crisis

For Wellink the increase in articles is statistically significant in every category except for the popular newspaper.

Category	Test statistic: U-value (P-Value)	Mean rank before the crisis	Mean rank during the crisis
<i>Intellectual</i>	2.780 (0.0054)	68.88	88.12
<i>Financial</i>	3.519 (0.0004)	66.15	90.85
<i>Popular</i>	1.663 (0.0962)	72.86	84.14

Table 4-8. Comparison of amount of articles on Wellink before and during the crisis

The next thing we want to analyse is the composition of the public within which the central bank president generates attention. This fits the expectation that a central bank president speaks to a different public in times of crisis than in normal times. We answer this question

by seeing how the attention of the central bank president is distributed over the various publics, as represented by the various newspapers (see table 4-2).

If we study the attention for central bank presidents in normal times, we see that this attention consists mostly of attention in financial newspapers. The composition of attention is as follows:

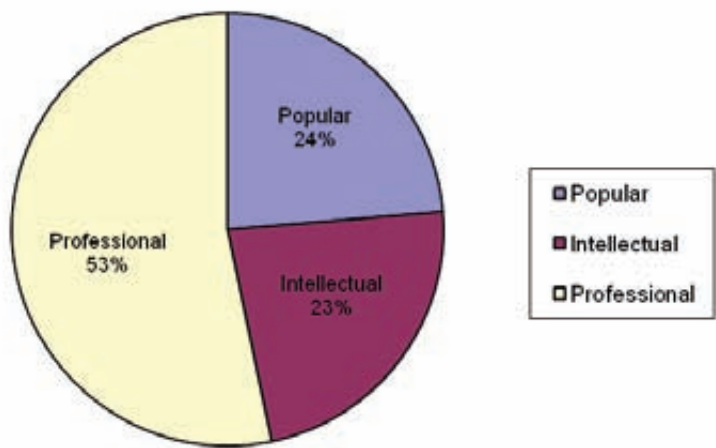


Figure 4-3. Composition of attention in normal times

The composition changes only slightly. In professional/financial newspapers there is slightly less attention for the CBP, in the category popular and intellectual there is an increase of 1, respectively 2 percent.

This leads to the following picture:

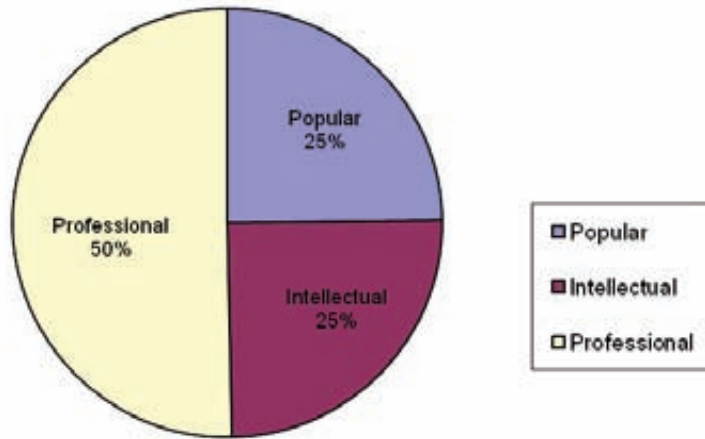


Figure 4-4. Composition of attention in times of crisis

To see if the difference in attention is significant, we test for equality of attention for the CBP in the various categories. For this we use weekly data, to make the difference clearer. If the data is normally distributed or similar to a normal distribution, you can perform an ANOVA. However, this is not the case, so a non-parametric test is performed to see whether the attention differs between the categories. In a non-parametric test there are no assumptions as to the distribution of the observations, in this case the number of references to a CBP. The only assumption is that the observations come from populations with similar shapes, but different locations, in other words, that they are shifted.

The non-parametric test used here is the Kruskal-Wallis test for comparing the locations of distributions of the 3 categories. This test method ranks the observations according to size, and the rank increases with the size of the observation. The null hypothesis is that the distributions of the various categories are equal, and the alternative hypothesis is that the distributions of the various categories have been shifted. The relevant test statistic H has approximately a χ^2 -distribution with 2 degrees of freedom.

The results of these tests are displayed below:

Period	Test statistic (P- value)	Average rank per category		
		Professional	Popular	Intellectual
<i>In normal times</i>	69.9 (0.000)	170	90	92
<i>In times of crisis</i>	65.4 (0.000)	166	92	89

Table 4-9. Ranking of the newspapers using Kruskal-Wallis

From this, we can conclude that in normal times the attention in professional newspapers differs significantly from the attention in popular and intellectual newspapers. In times of crisis the same can be found. Then, the attention in professional newspapers differs significantly from the attention in popular and intellectual newspapers.

So, the CBP receives most attention from the financial category. The categories popular and intellectual give the CBP about the same amount of attention. To see whether these differ, a Wilcoxon Signed-Rank test is performed.

Period	Test statistic (P-value)	Average ranking per category	
		Popular	Intellectual
<i>Normal Times</i>	0.317 (0.752)	77.35	79.65
<i>Times of crisis</i>	0.334 (0.738)	78.71	76.29

Table 4-10. Ranking of popular and intellectual newspapers

This shows that they do not differ from each other, since the test for equality of the distributions gives P-values of 0.75 and 0.74. The crisis then does not change the composition of the attention for central bank presidents.

5. Which central bank president receives (more) attention from which public in normal times, and which central bank president receives (more) attention from which public in times of crisis?

Answering this question can provide insight into the central bank presidents and their institutional context. This question will be answered, related to the previous questions, in three steps.

5a. Is the attention that bankers receive attention for their story?

We have seen that there is a strong correlation between the newspapers that write about the financial crisis in times of crisis. If an American newspaper writes about the financial crisis, a European newspaper does so as well. What we wonder here is whether there is such a correlation between the central bank presidents. So when American newspapers write about Bernanke, do European newspapers write about Trichet and Dutch newspapers about Wellink? The answer to this question is that there is virtually no correlation (see table 4-8).

	Specifically covering their own words		
	Bernanke	Trichet	Wellink
<i>Bernanke</i>	1	0.010	0.145
<i>Trichet</i>		1	0.166
<i>Wellink</i>			1

Table 4-11. Correlations between articles on each CBP and those on other CBPs

Apparently, when the words of one president are covered, the words of the others are not included too. Articles on the credit crisis occur at the same time across all newspapers, but the coverage of the CBP's words is almost uncorrelated, meaning that mainly one CBP at a time is heard. The attention that central bank presidents generate then is attention for their own stories.

5b. What is the difference in composition of attention in normal times versus times of crisis for the various central bank presidents?

That central bank presidents generate their 'own' attention offers us the possibility of looking at the composition of the public and asking the question how the attention is distributed per central bank president.

We saw in answering question 4 that for all bank presidents in normal and crisis times, the following composition applies:

Normal	Crisis
1. Professional	1. Professional
2. Intellectual, Popular	2. Intellectual, Popular

Table 4-12. Attention for CBPs general

If we look at the attention per central bank president and the shifts therein, we see (small) differences between the presidents. (The significance of these results can be found in the Appendix).⁶⁵

Period	Bernanke	Trichet	Wellink
<i>Attention in normal times</i>	1. Professional 2. Intellectual, Popular	1. Professional 2. Intellectual, Popular	1. Professional, Intellectual, Popular
<i>Attention in times of crisis</i>	1. Professional 2. Intellectual 3. Popular	1. Professional 2. Intellectual, Popular	1. Professional 2. Intellectual, Popular

Table 4-13. Division of attention between CBPs in normal times and times of crisis

We see a shift in attention with Bernanke from the professional public to the general public. This general public is in this case the ‘intellectual’ public. With Trichet, the composition of attention stays the same. With Wellink, there was about as much attention from the various categories before the crisis and more attention from the financial public during the crisis. If we then look at the institutional roles, we see that all central banks concerned are responsible for stability. From this perspective, the crisis is equally important to all central banks. At the same time, there is a clear difference between the central banks when it comes to policy, supervision and the payment system. In normal times the Federal Reserve and the ECB have the same distribution of attention. They both have a supervisory role. In times of crisis, the attention for remarks by Bernanke is composed differently than that for Trichet. It is possible that this is because Bernanke has more tasks than Trichet. Contrary to Trichet, Bernanke is responsible also for the payment system and supervising. That Bernanke has these three responsibilities could be an explanation for the composition of his attention. From this perspective, it would be interesting to see what happens to the composition of attention if Trichet and Wellink are put together. Then their tasks more closely resemble those of Bernanke. Combining this attention gives the following results:

⁶⁵ Again the Kruskal-Wallis test is used to compare the three newspapers and the Wilcoxon Signed-Rank test to see if there consists a difference between attention in popular and intellectual newspapers (see Appendix A).

Period	Composition
<i>Before the crisis</i>	1. Professional 2. Intellectual, Popular
<i>During the crisis</i>	1. Professional 2. Intellectual 3. Popular

Table 4-14. Taking together the attention for Wellink and Trichet

This shows that the combined tasks generate the same composition of attention that Bernanke does.

5c. Do the various central bank presidents receive more attention from the various publics in times of crisis than in normal times?

Answering this question, like answering question 3, has to do with the multiplier effect. Like with question 3, we could expect that it applies here as well – in line with Morris and Shin.

To answer this question, we first look at the attention given to the various central bank presidents in the various newspapers. This is again done using the following regression model:

$$\text{Articles on CBP}_t = \mu + \alpha \text{DummyCrisis}_t + \rho \text{Articles on CBP}_{t-1} + \beta \text{Articles on crisis}_t$$

Where “*Dummy crisis*” is a zero-one variable, with values zero until July 1, 2007, and 1 afterwards. The variable “*Articles on CBP_{t-1}*” measures the persistence of the coverage, as it is likely that the coverage of yesterday has an impact on the coverage of today. We are interested in the parameter β . Based on Morris and Shin we expect it to be positive.

CBP	Newspaper	Effect previous week. i.e. ρ (P-value)	Extra articles. i.e. β (P-value)	Weekly percentage increase in the specific week	Weekly percentage increase eventually
<i>Bernanke</i>	Wall Street Journal	0.373 (0.0000)	0.182 (0.0000)	0.162%	0.258%
	New York Times	0.279 (0.0000)	0.074 (0.0000)	0.193%	0.267%
	Washington Post	0.275 (0.0000)	0.117 (0.0000)	0.266%	0.367%
<i>Trichet</i>	Les Echos	0.121 (0.0001)	0.045 (0.0000)	0.182%	0.206%
	Le Parisien	0.083 (0.0058)	0.019 (0.0000)	0.274%	0.299%
	Le Monde	0.171 (0.0000)	0.045 (0.0000)	0.194%	0.234%
	FT Deutschland	0.040 (0.1794)	0.024 (0.0000)	0.160%	0.160%*
	Die Welt	0.098 (0.0013)	0.006 (0.1241)	0.046%	0.051%
	Frankfurter Allgemeine	-0.015 (0.6220)	0.011 (0.0002)	0.210%	0.210%*
	Financieele Dagblad	0.165 (0.0000)	0.027 (0.0000)	0.198%	0.237%
	De Telegraaf	0.050 (0.1010)	0.014 (0.0340)	0.117%	0.117%*
	NRC Handelsblad	0.032 (0.2860)	0.023 (0.0000)	0.322%	0.322%*
<i>Wellink</i>	Financieele Dagblad	0.163 (0.0000)	0.045 (0.0000)	0.566%	0.677%
	De Telegraaf	0.218 (0.0000)	0.056 (0.0000)	0.433%	0.554%
	NRC Handelsblad	0.090 (0.0022)	0.065 (0.0000)	0.530%	0.582%

Table 4-15. Overview of extra attention in different newspapers for different CBPs

* means that the eventual effects are the same as the effects in the specific week because the autoregressive component is not significant.

The current coefficient can be interpreted like this: if an extra article on the crisis appears in a specific newspaper, then on average ‘beta’ articles appear on the specific CBP in the following week. The estimated betas are given in Table 4-15.⁶⁶ First, it is evident that all of these are positive. So, more coverage of the crisis means more attention for presidents. The second part of our expectations is not confirmed. The multiplier is smaller for popular newspapers than it is for professional newspapers in 4 of the 5 cases and smaller than those for intellectual newspapers in all 5 cases. It is remarkable that the attention for Wellink is high compared to the extra attention for the other central bank president. This could be explained by the role Wellink played in the rescue of Fortis.

4.6 Conclusion

Using the results, we can look back at the problem statement:

In times of uncertainty, like in a financial crisis, more attention is given to remarks by central bank presidents, by a broader public.

This research has shown that in times of crisis, more attention is given to the remarks, but this attention increases far more slowly than the attention given to the crisis in general. So the attention for central bank presidents increases, but the attention for the crisis increases far more. This means that in the debate about the crisis there is attention for far more views on the crisis than that of the central bank president. This casts doubt on the proposition of Morris and Shin that in uncertain times the attention given to authorities is larger, because they offer grip. Rather, the opposite seems the case. If times are as uncertain as during a crisis, people seem to give less attention to the words of the central bank president. What we also saw is that the attention from the non-professional public increases only marginally. This was also the case for the three central bank presidents. Despite the changes in communication methods mentioned in the introduction, during a crisis the central bank presidents still receive most (half) of the attention from professional media.

⁶⁶ The eventual weekly percentage increase is calculated as follows. To make it concrete for Bernanke and the Wall street Journal, we see that 1% increase of credit crisis articles is on average 1.214 article (that is 0.001214 articles, as there are on average 1.214 per day). This leads to an increase of $(\beta/(1-p)) \cdot 0.182/(1-0.373) \cdot 0.01214 = 0.00352$ extra articles for Bernanke in the Wall street journal. Compared to the attention Bernanke receives on average 1.364 per day this is a percentage of 0.2583% ($0.00352/1.364$). So if there is 1% extra attention for the financial crisis, there is only 0.26% extra attention for the Central Bank president.

The intellectual media and the popular media both provide (approximately) a quarter of the attention.

The relatively limited attention in general and the similar composition of the public casts doubt on the opportunities for central bank presidents to manage the public's expectations. The public only gives a limited amount of attention to the remarks, and the central bank president does not succeed in reaching the larger public. And of this larger public too, we expect a contribution in bringing stability in times of crisis. The next chapter provides a more detailed view of how central bank presidents attempt to manage expectations in these times.

CHAPTER 5: SILENCING SPECULATION

Contested communication in times of crisis

5.1 Introduction

In the previous chapter communication by central bank presidents in normal times has been compared to their communication in times of crisis. Important results of the former chapter are that in times of crisis the attention central bank presidents receive is relatively limited, and the composition of the public paying them attention hardly changes. Chapter 4 also started with another observation on central bank communication in times of crisis, namely that central bank presidents communicate differently in order to address a larger public in a different way. The example was given of American central bank president Ben Bernanke, who considered giving press conferences and even spoke with his public. The Dutch central bank president, Nout Wellink, gave his first live press conference ever. He also regularly appeared on television. In 2007 the president of DNB appeared six times on national television. In 2008 he appeared five times in a far shorter period (mid-September to end October). That he speaks so much in times of crisis does not mean that he likes to speak. Speaking is like ‘walking on eggshells’, he said on the TV show *Buitenhof* (October 2008).⁶⁷ He himself would prefer not to speak, seeing how the situation is too dynamic, but the public desires information.

An explanation for all the speaking that authorities do in times of crisis, even if they would rather not, is that they are entangled in a *contest for symbolic order*. The symbolic order is ‘the symbolic frameworks that legitimate the pre-existing socio-political order’ and a crisis ‘entails the breakdown of symbolic frameworks’ (Boin e.a. 2005, p.70).⁶⁸ The game described in chapter 3 provides the outline of this symbolic order. In the collapse of the symbolic order, authorities (such as central banks) have lost some of their authority. They are being criticised, because they were not able to prevent the crisis, despite the information and knowledge they had at their disposal. In this contest, different parties try to impose their definition of the situation on a broader public; they try to

⁶⁷ Buitenhof is a weekly talk show, broadcast by a public network.

⁶⁸ Hajer speaks of ‘dislocations’: ‘[...] moments in which political in which political routines seems to be lifted from their solid institutional hinges, and where things occur that seem to disrupt a symbolic order’ (Hajer 2009, p.5).

redefine the rules of the game. To maintain authority, or rather to reaffirm it, this is of vital importance, ‘if they do not get their message across to the public about the causes, consequences and cures, others will’ (Boin e.a. 2005, p.69). This is the reason for central bank presidents to speak in times of crisis: If they wait too long or do not speak, others will take control of the situation. So, ‘Policy makers can seldom afford to wait until they know what’s really going on before communicating about it publicly’ (’t Hart and Tindall 2009, p.4).

Because of the collapse of the symbolic order and the contest to restore it, authorities communicate at a meta-level in times of crisis. Through their communication they have to win the contest and make sure they are listened to at all. Because the symbolic order is up for discussion, they cannot fall back on the normal functioning of the game and the position they have in it (Hajer 2009, p.74). This makes communication in times of crisis into *power play*. Viewing the changed central bank communication in times of crisis as a ‘contest for symbolic order’ puts communication in a meta-perspective – communication in order to communicate – and brings us to the next statement which we examine in this chapter:

In times of crisis, a central bank president communicates to regain control of his communication.

This statement is examined as follows. Section 2 elaborates the theoretical framework. In this section the ‘contest for symbolic order’ is worked out by linking it to the frustration of the assumption that communication will manage expectations. The Thomas theorem is used to explain this. That theorem – ‘If men define situations as real, they are real in their consequences’ – is the basis of managing expectations. Next, the contest is worked out by seeing how the ‘rules of the game’ (as discussed in chapter 3) are up for discussion. In section 3 the research proposal and the data are presented. In this section we translate the theoretical framework into concrete questions that are answered using the data. The data we use are related to the Northern Rock case and the Fortis case. Both are financial institutions that came to the edge of the abyss during the crisis. The central bankers of their respective nations were closely involved in saving the banks. In section 4 the results of the study are presented. The case of Northern Rock is studied mostly using the Thomas theorem. It is shown how perceptions and their consequences differed. The Fortis case is studied by discussing the rules of the game. Section 5 contains the conclusion that gaining

control on the contest for the symbolic order is not (only) a matter of what is said, but how things are said. The staging of communication is an important tactic in regaining control over communication (Hajer 2009).⁶⁹

5.2 Theoretical framework: the contest for symbolic order and the rules of the game

In this section we work out the contest for symbolic order by first explaining its link to the crisis. After that we elaborate further on the concept by showing how the Thomas theorem is put under pressure in the contest for symbolic order and by presenting in what way uncertainty erodes the rules of the game.

The contest for symbolic order

In the introduction, the contest for symbolic order and the crisis have been linked to each other; here, we illustrate this connection further. A first step in this is defining the term crisis. Borstdorff (1994, p.5) does this by reaching for the etymological roots of crisis, ‘crisis derives from the Greek word (κρίσις), which means a choosing, a dispute, an issue or a decision. One may think of crisis as the critical moment of decision in the life of an issue or dispute’.⁷⁰ This description of crisis shows that a crisis is a situation in which something is at stake, choices have to be made, and decisions have to be taken. Which choice is made is unclear, however, because a crisis is characterised by a perception of threat and uncertainty (Boin and ‘t Hart 2003). In the contest for symbolic order, elements can be found both of the uncertainty and of the decisions.

The *uncertainty* is caused by the usual symbolic order being put into doubt. Or as ‘t Hart (1993) and Seeger (2003) state, there is an interruption of the ‘everyday dramas of public life’ (‘t Hart 1993, Seeger 2003). Translated freely, we can say that this means a loss of direction in daily life.⁷¹ Direction that assigns roles and that is guiding for how people relate to each other: direction that assigns authority and expertise to people in certain positions (like central bank presidents, ministers and scientists), and direction that tells us what notions are dominant (like the workings of the market mechanism). Linked to

⁶⁹ Hajer (2009, p.65-70) speaks of a combination of discourse and dramaturgy.

⁷⁰ For an elaboration of the concept of crisis, see also Koselleck (2006).

⁷¹ In Hajer’s words, an ‘institutional void’ explicitly manifests itself in times of crisis. In an ‘institutional void’ there are no clear and generally accepted rules and norms according to which politics is to be conducted and policy measures are agreed upon (Hajer 2009, p.34). The politics of multiplicity also manifests itself: multiplicity of meaning, of publics and of media (Hajer 2009, p.42-47).

chapter 3, in which communication was seen as a game, it means that the game no longer works as it used to, the players are no longer confident on how to play the game.

In the contest we find the *decision* element. After all, if the usual symbolic order is up for discussion, this creates room for a new symbolic order. This new symbolic order is at stake in the contest. For – what used to be – authorities this contest is of great importance, ‘if they do not get their message across to the public about the causes, consequences and cures, others will’ (Boin e.a. 2005, p.69), and others will become authorities. If we translate this to the game metaphor, it means that the new game that will be played is at stake in the contest, as well as the positioning of the players.

In this contest communication plays an important role. By communicating, authorities can convince the public that it is better to listen to them. Or as ‘t Hart and Tindall (2009) put it: the key currency of crisis management in the political and policy arenas is persuasion.⁷² Borstdorff (1994, p.5), who did research on presidents in times of crisis, argues:

To manage foreign crises, presidents use military or other means and, most importantly, attempt to *persuade* American citizens that their resolution was the most appropriate one available (Italics added, LNE).

Authorities that have to communicate in a crisis situation find themselves in a difficult situation. Being ‘persuasive’ is then easier said than done. Their *credibility* is up for discussion, together with the symbolic order. They did not see the crisis coming, so why should we believe them if they say they can solve it. Authorities then are expected to communicate, but the question is if they are listened to. An additional problem is that those who do ‘listen’ to the authorities, the media, can place the remarks in a different perspective. This is unavoidable, as crisis is accompanied by media attention. Crises mobilise mass media which put an intense spotlight on the issues and the actors involved (‘t Hart and Tindall 2009, Seeger 2003). Below we show how the contest for symbolic order erodes the managing of expectations and the rules of the communication game.

⁷² See also Seeger ea (2008, p.65-82) for a specification of the reasons to communicate in times of crisis.

The contest: managing expectations

In chapter 2 it was shown that rational expectations theory is an important theoretical motivation for communication by central bank presidents. This theory assumes that if actors incorporate (rational) expectations, they will act according to these expectations. The main point of this theory is then that one has to make sure these expectations are rational. The underlying mechanism of this theory is the Thomas theorem. This theorem goes as follows: 'If men define situations as real, they are real in their consequences'. The theorem is brought to attention by Robert K. Merton in his book *Social Theory and Social Structure* (1968). Merton links the Thomas theorem to the self-fulfilling prophecy and illustrates it with a bank run. If people assume that a bank is in trouble, they behave in accordance with this expectation. A bank run starts, causing the bank to get in trouble. In that case the words 'that the bank is in trouble' have worked, they have become 'true'. In managing expectations, someone, in this book a central bank president, makes sure that his view of the future is accepted 'as real'. So, the policy maker communicates his view of the future to the public, the public believes the view of the future, the public behaves accordingly and it gets easier for the policy maker to control the future.⁷³

What happens to the Thomas theorem in times of crisis? It has a conditional character: 'If men define situations as real, they are real in their consequences'. In times of crisis this 'if' becomes problematic, because future scenarios can appear that are seen as highly unlikely and very threatening. The number of future scenarios that is perceived as real is much higher, and much more diverse. The future scenarios of normal times are put under pressure by future scenarios due to crisis circumstances. There are always multiple future scenarios and that means there is room for speculation. In remarks made to manage the expectations (future scenarios), there is therefore always an element of probability.⁷⁴ Authorities will try to communicate in such a way that their scenario is perceived as real. We saw before that authorities get into problems here because the crisis erodes their credibility. So if authorities say that the crisis is not as bad as expected, do we believe them

⁷³ The self fulfilling prophecy is closely related to the concept of performativity, as presented by MacKenzie (2007, 2006).

⁷⁴ This distinguishes them from for example descriptive remarks, which are either true or false, like 'the cat is on the mat', or 'the door is open'. It also distinguishes itself from remarks that are true as soon as they are made. If for example a minister announces two people to be married, they are married. The distinction is based on the difference between a locutionary, illocutionary and perlocutionary acts (Austin 1975).

or not? And conversely, authorities have to try and make sure we listen to them, and that we see their future scenario as dominant. Linking this to the contest for symbolic order, it means that this contest takes place at two levels: *which* future scenarios are perceived as real, and *whose* future scenarios are perceived as real?

A second vulnerability of the mechanism that plays out in times of crisis is the *connection* between ‘consequences’ and the ‘perception as real’. More than one connection is possible. Even if these consequences are perceived as ‘real’, the question is what the consequences are. A remark can be interpreted in different ways, like the most extreme example, the self-denying prophecy.⁷⁵ In that case a remark undermines itself. For example, a teacher tells a student he assumes the student will pass an exam; the student becomes complacent and thinks he will be fine anyhow, studies too little and fails the exam. In the next section, we show that this is because the rules of the game are up for discussion. Because it is often the rules of the game that dictate how one should act in a certain situation. The question that arises is whether we still act according to the rules of the game in times of crisis.

A third vulnerability, related to realising the Thomas theorem, is the problem of *speaking itself*. Clear example of this is a sketch by Monty Python. A pilot and his co-pilot are bored. To dispel their boredom they decide to shout that ‘there is no cause for alarm, the wings are not on fire’. At first sight, this is a descriptive remark that is also ‘true’. There is no cause for alarm, the wings are not on fire. Anyone on the plane looking out can see that. Still, panic breaks out in the plane. Just the report that there is no reason for alarm is troubling. Because, why would someone warn for something when there is nothing to warn for. In times of crisis the charge of the words is clear as well.

Summarising, three vulnerabilities of managing expectations in times of crisis are shown: the hypothetical nature of the statement, the range of consequences that can be related to them and the meanings that can be attributed to the speaking itself. Illustrative of this is the quote (mentioned in the introduction) by John Kenneth Galbraith from *The Great Crash, 1929* (1954 [1997], p.33):

Always when markets are in trouble the phrases are the same: ‘The economic situation is fundamentally sound’ or simply ‘The fundamentals are good.’ All who hear these words should know that something is wrong.

⁷⁵ The self denying prophecy is related to the concept of contra performativity (MacKenzie 2006).

The symbolic order: communication as a game

Using the Thomas theorem, we can make the contest clear. The contest that is fought is about which perception is considered ‘real’ and which ‘consequences’ to connect to it. This contest can be analysed in detail by seeing how it relates to the symbolic order. The symbolic order is seen here as a game, as described in chapter 3. This game provided starting points to see what was talked about, how the words were given meaning and how the words’ effect depended on who spoke them. In the table below the rules as discussed in chapter 3 are displayed, each line showing how uncertainty erodes the rule in question.

Rules	Perception of uncertainty
<i>Rules of exclusion</i>	
Topic(s) of speech: Subjects that are and are not talked about	Uncertainty dominates the conversation, in the sense that in times of crisis it is <i>the</i> topic of conversation.
<i>Rules if inclusion</i>	
Commentary: Hierarchy in the texts	Uncertainty means that it is unclear who should be listened to. In times of crisis primary texts (like those of authorities) can lose their status.
Author: Words are spoken by a voice, based on a clear principle.	Uncertainty makes it so that it is unclear what should be said. Because of this, speaking with ‘one voice’ is put up for discussion.
Discipline: A discipline organises the connections within a game.	Uncertainty means that the usual disciplines do not provide a sufficient explanation for what is happening.
<i>Rules of qualification</i>	
Rituals: These determine which players get to play, and how they relate to each other.	Uncertainty in this case means that it is unclear how speakers relate to each other.
Fellowship/doctrine: Who takes part in the conversation, a limited group of people or ‘everyone’.	Who takes part in the conversation also depends on who is affected by uncertainty.
Education: Here relations are taught that tell you ‘how the world works’, but also relations about ‘who is in control’.	Uncertainty in this case means that the learned connections (disciplines) and relations (rituals) are not necessarily valid anymore. In communication, other ‘learning moments’ can be looked for.

Table 5-1. Uncertainty eroding the rules of the game

In the next section it is made clear how the contest for symbolic order is looked for in central bank communication.

5.3 Research design

The contest for symbolic order is studied in this chapter from the perspective of the central bank president. This means that we will look each time for the way in which this perspective comes under pressure and in what way the relevant central bank president is involved in the contest for symbolic order.

We will research this in two ways. The first is connected to the managing of expectations (via the Thomas theorem). To see how the contest takes place, we ask the following questions:

What perception(s) and consequences can be found in communication and behaviour of the central bank president?

What perception(s) and consequences can be found in communication and behaviour of other actors?

The case study we use for this is that of Northern Rock. The data – reconstruction – of the collapse of Northern Rock by a parliamentary investigation makes this possible.⁷⁶

The second way in which we study communication by central bank presidents is by linking it to the rules of the game. The case study we use for this is the impending collapse of Fortis and the rescue of Fortis Netherlands by the Dutch government. The questions we ask are in the table below:

⁷⁶ House of Commons, Treasury Committee, *The Run on the Rock*, Fifth Report of Session 2007-2008, section 121. See also: Chick 2008.

<i>Rules of exclusion</i>	
Topic(s) of speech	What does a central bank president talk about? What do others talk about?
<i>Rules of inclusion</i>	
Commentary	Do other parties refer to texts by the CBP and are they therefore primary? Do central bank presidents refer to other primary texts?
Author	Does the central bank president always have the same message? Do other actors always have the same message?
Discipline	Which discipline do the actions and thinking of the CBP fit? Which discipline do the actions and thinking of other actors fit?
<i>Rules of qualification</i>	
Rituals	Which rituals does a central bank president use when addressing his public? Which rituals do other actors use when getting involved in the crisis?
Fellowship/doctrine	What public does a central bank president address? Which authorities do other actors address?
Education	Can 'learning moments' be found in the communication by the central bank president? Can 'learning moments' be found in the communication by other actors?

Table 5-2. The contest for symbolic order within the rules of the game

Cases and data

The two examples of communication in times of crisis discussed here are the British Northern Rock and the Belgian-Dutch Fortis. The central banks and their presidents are the Bank of England (BoE) and Mervyn King, and De Nederlandsche Bank (DNB) and Nout Wellink. The following reasons played a decisive role in the choice for Fortis and Northern Rock. To begin with, both are critical cases, they take place under unique circumstances (Yin 1989). These unique circumstances first of all concern the financial crisis. Often, comparisons are made with the 1930s, which was the last time that financial institutions were hit with such far-reaching consequences of a crisis. Moreover, the speed with which they were hit was high. Policymakers did not have much time to carefully prepare their support for the financial institutions. And thirdly, there is the question of putting forward a unique message. This is especially true for 'Fortis'. A government in principle does not take over a bank.

As for the gathering of data, much research has been done on communication in normal times and its effects (for an overview see Blinder e.a. 2008). For communication in times of crisis, that is not the case. The cases we discuss here have to be reconstructed. For the reconstruction of the Northern Rock case a report published by the treasury committee of the British parliament is used. It gives a detailed overview of the events and decisions of the time. Moreover, all important players get to speak. This offers the opportunity to put different perceptions in perspective.

For the Fortis case, such a reconstruction is absent. To begin with, the period of research has been defined: it concerns a little under three weeks (the period of September 18, 2008 to October 5, 2008). Starting points are four press moments, because the president of DNB speaks explicitly to the public. The first press moment is the appearance by the president of DNB on *Nova*.⁷⁷ An appearance in which he announces that Dutch financial institutions will be hurt by the crisis, but no banks will fall because of it. The end of the period is marked by an interview on the weekly (political) talk show *Buitenhof*.⁷⁸ On that show, the president of DNB provides accountability of its actions over the past weeks (among which the takeover of Fortis Netherlands by the Dutch government). Besides these crucial two points, two other moments are important. These are the announcement of the participation in Fortis by the Dutch government (e.g. through a press release) and the announcement (with a live broadcast press conference) of the takeover of Fortis Netherlands by the Dutch government.

To gain insight into the dynamics of the game, the appearances of the central bank president are compared to the reactions of other actors. This way, we can see whether the rules of the game are brought up for discussion. These four appearances are confronted with the reactions to those appearances. The reactions we focus on are twofold. There are reactions in the newspapers and reactions on the financial market. Newspapers are suitable for this, because they are a medium in which there is room for reflection, and room for social debate (Chaffee and Franks 1996). Also, newspapers have a structure that is suitable for discussing a financial crisis. Daily, there is room in newspapers for financial-economic news and every day that news relates to current events (see also McQuail 1994). To prevent tempering speculation by 'one-sided' reporting, three different newspapers are

⁷⁷ Nova is a news programme. On average, it is watched by around 600,000 people. This particular broadcast was watched by around 700,000 viewers.

⁷⁸ Buitenhof is a weekly political debate programme. On average, it is watched by 400,000 to 500,000 people. The broadcasts with Wellink were watched by around 622,000 people.

studied: financial-professional (*Het Financieele Dagblad*, FD), popular (*De Telegraaf*, T), and intellectual (*NRC Handelsblad*, NRC). These newspapers have been studied in chapter 4 as well. This analysis therefore complements the one in chapter 4.

To gain insight into the reactions on the *market*, we use financial indicators. This way, a link can be established between a specific remark about a financial institution and possible speculation it creates. These indicators are:

The *share price* of Fortis. This is used as an indicator of the market value of Fortis. Moreover, it is an indicator with great social value because it is used by many media.

The *credit default swap ratio* (CDS) of Fortis. This is used as an indicator to determine the (perception of) creditworthiness of Fortis. A credit default swap is a financial instrument which provides compensation in case a payment between parties does not occur. The higher the CDS ratio, the lower the credibility.

The *volume* of trade, to chart the intensity of trade. If the volume level is high this points to much volatility (due to uncertainty).

Although these indicators give a less ‘rich’ picture than the newspaper articles – they are merely numbers – they perform an important warning function for financial markets with respect to the struggle for the message. They show whether or not the financial markets share the public opinion (announced during the television show) of the president of DNB about Fortis.⁷⁹

5.4 Results

In this section two cases of communication in times of crisis are presented: Northern Rock and Fortis. The Northern Rock case took place at the beginning of the crisis in September 2007. The Fortis case took place in the middle of the crisis in September 2008.

1. Northern Rock

The Northern Rock case is used to study how the contest takes place on the level of perceptions and consequences. The case is split up into five parts. After each part the next two questions will be answered:

⁷⁹ This can be related to the distinction between utterances and information; which words spoken by the central bank president are seen as informative, and which are not.

What perception(s) and consequences can be found in communication and behaviour of the central bank president?

What perception(s) and consequences can be found in communication and behaviour of other actors?

The British Bank Northern Rock is one of the first European banks that got into trouble during the credit crisis. Below, we discuss the rescue of Northern Rock in five parts. They are all written from the perspective of the central bank president. The description of each part is followed by the (conflicting) perceptions of the parties involved.

Part I: Remaining silent

The British central bank, the Bank of England, had kept quiet for a long time: ‘They have remained tight-lipped’, the British newspaper *The Independent* writes on August 11 2007.⁸⁰ It is a silence that goes hand in hand with unchanged monetary policy. While the European Central Bank and the American Federal Reserve take action by injecting money, the Bank of England (BoE) considers it best to do nothing. If the central bank starts solving the banks’ problems, it causes ‘moral hazard’ problems and it rewards the reckless behaviour of bankers, according to the BoE president (Mervyn King).⁸¹ He only wants to act if the system is in danger, if banks are ‘too big to fail’.

Perspective	Conflicting perceptions and (possible) consequences
<i>President BoE</i>	First of all the BoE remains quiet, after some time the president of the BoE says that they will not provide help (consequences). The reason he provides for this decision is that helping financial institutions means awarding bankers for their reckless behaviour (perception).
<i>Other central bank presidents</i>	Other central banks (Fed, ECB) do provide help to the financial markets (consequences).

Table 5-3. Conflicting perceptions on ‘Remaining silent’

⁸⁰ Sean Farrell (2007), ‘MPs to grill Bank over credit crisis’, *The Independent*, September 4.

⁸¹ David Prosser (2007), ‘How to prevent a stampede for the exit’, *The Independent*, August 11. House of Commons, Treasury Committee, *The Run on the Rock*, Fifth Report of Session 2007-2008. Scheherazade Danesku e.a. (2007), British Banks scoop up ECB cash, *Financial Times*, September 14.

Part 2: Providing help to Northern Rock

Northern Rock is a large British consumer bank. In September 2007 the bank experiences liquidity problems, causing the government and the central bank to step in. Negotiations on this issue are ongoing when the BoE president announces that banks should not be helped. The liquidity problems arise because banks are hesitant to lend each other money, because of the credit crisis. There is a fear that the bank they lend to has been contaminated, so the money will not be paid back. This is the case for Northern Rock as well. The Bank of England does not decide on its own to intervene, this is done by the ‘Tripartite authorities’.⁸² The Tripartite authorities consist of the president of the Bank of England (Mervyn King), the Chancellor of the Exchequer or finance minister (Alistair Darling) and the president of the Financial Services Authority (Callum McCarthy).

Perspective	Conflicting perceptions and (possible) consequences
<i>Financial institutions</i>	They do not lend each other money (consequence) fearing that the financial institution could be contaminated (perception)
<i>President BoE</i>	The president of the BoE, together with other members of the Tripartite, aims to provide help to Northern Rock (consequence). This is based on the idea that Northern Rock is too big to fail (perception).

Table 5-4. Conflicting perceptions on ‘Providing help to Northern Rock’

Part 3: Making the rescue operation public

The reports of the treasury committee show that the president of the BoE has a strong preference not to make the rescue public; he prefers a so-called ‘covert operation’, a secret operation. In such a case, the rescue would not be announced until it was completed. (It is not entirely clear though why the president of the BoE wanted a secret operation; possibly because it would keep the public from knowing that central banks help bankers. After all, he condemned their behaviour.) Despite the wish of the central bank president a decision is made against a ‘covert operation’ for two reasons. Firstly, because Northern Rock is a public company, that legally has to announce the rescue. Secondly, because Northern Rock itself opposes a ‘covert operation’. It believes that naming the government as a sponsor

⁸² House of Commons, Treasury Committee, *The Run on the Rock*, Fifth Report of Session 2007-2008, section 121.

will restore confidence and prevent a run on the bank.⁸³ Northern Rock is proven right. The option of a secret operation is no longer desirable. This is because of the risk of a leak. If the public found out that Northern Rock had been saved by the Tripartite authorities, but that they decided to make it a ‘covert operation’, that could seem suspect (‘Why did it have to be a secret?’). This can be counterproductive at a time when confidence is important. The treasury committee that studies the process around Northern Rock finds the choice for an open operation to be correct, stating the following on the subject:

In the febrile and fevered atmosphere of that period media speculation would have followed. The leaking of news of a support operation that was intended to remain covert for a period of time would have been potentially as damaging as the premature disclosure of a covert operation.⁸⁴

Perspective	Conflicting perceptions and (possible) consequences
<i>President BoE</i>	The BoE prefers a covert operation (consequence) as it assumes that giving information about the support of BoE to Northern Rock would not be helpful (perception).
<i>Northern Rock</i>	Northern Rock prefers an open operation (consequence) as it assumes that giving information about the support of the BoE to Northern Rock would be helpful (perception).

Table 5-5. Conflicting perceptions on ‘Making the rescue operation public’

Part IV: Media intervention

After the decision for an open operation, it is up to the authorities and Northern Rock to announce it. On September 10, 2007 the parties agree. They decide to carefully handle the communication and take a week to prepare it. They intend to announce the decision on September 17. This decision is reversed three days later under pressure from the media: there has been a leak. On September 13 rumours spread on the market: ‘the fairly dramatic news that a fairly well-known bank had gone to the Bank of England.’⁸⁵ That same day, on 8.30pm the BBC (BBC News 24) makes public the outlines of the rescue plan for Northern Rock. Shortly after that, a bank run starts. The news that the central bank is working on a

⁸³ House of Commons, Treasury Committee, *The Run on the Rock*, Fifth Report of Session 2007-2008, section 126.

⁸⁴ House of Commons, Treasury Committee, *The Run on the Rock*, Fifth Report of Session 2007-2008, section 141.

⁸⁵ House of Commons, Treasury Committee, *The Run on the Rock*, Fifth Report of Session 2007-2008, section 149.

rescue operation for Northern Rock is not reassuring, but spreads panic. The authorities decide to move the press conference to Friday September 14, 7am. (That time is not coincidental. Important information is often spread before stock markets open or after they close to prevent (further) confusion).

Perspective	Conflicting perceptions and (possible) consequences
<i>President BoE/ Northern Rock/ Tripartite authorities</i>	The communication about the rescue should be handled with care (perception) and so the involved parties take a week to prepare the communication (consequences).
<i>Rumours</i>	The fairly dramatic news that the well-known bank had gone to the bank of England (consequence/perception).
<i>Media</i>	BBC announces the rescue plan for Northern Rock (perception/consequence).
<i>Customers</i>	Customers take their money and a bank run starts (consequence), which seems to support the assumption that Northern Rock is in trouble (perception). The knowledge that the help is provided by the BoE does not work out to be reassuring (perception).
<i>President BoE/ Northern Rock/ Tripartite authorities</i>	The press conference is advanced. There seems to be no time anymore to carefully prepare the communication (perception/consequence).

Table 5-6. *Conflicting perceptions on ‘Media intervention’*

Part V: How to really rescue Northern Rock

At this press conference, it is announced that the Bank of England allows the minister of finance to do a money injection. This increases Northern Rock’s possibilities to absorb the consequences of the crisis. Additionally, it is announced that the supervisor (FSA) is convinced that Northern Rock is a solvent bank that generously meets capital requirements and has a loan portfolio of good quality. In short, now that the government has provided liquidity, everything should be all right.⁸⁶ The public does not believe in this solution; savers still fear for their money. The run that had started before the press conference is not halted by it. The run does not stop until Monday September 17, when it is announced explicitly that all savings are guaranteed.

⁸⁶ See: <http://www.bankofengland.co.uk/publications/news/2007/090.htm> (retrieved August 24, 2010).

Perspective	Conflicting perceptions and (possible) consequences
<i>Tripartite</i>	A money injection supports the liquidity of Northern Rock (perception) and makes it into a solvent financial institution (consequence).
<i>Customers</i>	The public does not believe the solution (perception), the bank run keeps on going (consequence).
<i>Tripartite</i>	Savers still fear for their money (perception), the savings are guaranteed (consequences).
<i>Customer</i>	The Bank Run stops, the bank is safe again (perception/consequence).

Table 5-7. Conflicting perceptions on 'The rescue of the Rock'

Conclusion on the contest and Northern Rock

The Northern Rock case shows that in times of crisis there are conflicting perceptions, and the consequences linked to them differ as well. It also shows that communication in times of crisis is a matter of trial and error. Again and again the assumption on the effect of words is put up for discussion. The logic that seems to work in normal times therefore stops working in times of crisis. To put it in the terminology of chapter 3, the game is no longer played the way it is played normally. Below, we further elaborate on the game and the way it is played by studying the Fortis case.

2. Fortis

In this section the Fortis case is discussed. The Fortis case takes place in September-October 2008, roughly a year after Northern Rock (September 2007). The case will be described using four appearances (press moments) starring the president of the Dutch Central Bank (Nout Wellink). The appearances are accompanied by the reactions to these appearances in the newspapers and on financial markets. After a description of appearances and reactions a study of how they put the rules of the game (i.e. the symbolic order) under pressure is presented.

Appearance 1: The central bank president as guardian of financial stability

Communication by the central bank president

To map the communication around the Fortis case, we start with an appearance by the DNB president on the current events show *Nova*, on September 18, 2008. In the weeks before this conversation, awareness of the financial crisis has spread through the Dutch

society. In the US, investment bank Lehman Brothers has gone down (September 15, 2008); Morgan Stanley and JP Morgan have been saved by the government. The general mood on financial markets is worrying and the same goes for Fortis. Rumours spread that Fortis needs more money and is planning an extra stock issue. Fortis denies the rumours, but unsuccessfully: its share price keeps dropping.

Everywhere comparisons emerge between this crisis and the crisis of the 1930s.⁸⁷ It is under these circumstances that the president of DNB appears on *Nova*. He is in a difficult position: there is hardly anything he can say, but it is not possible for him to stay silent. He is after all the guardian of the financial stability that is now threatened. When he is asked on *Nova* about the severity of the crisis he gives a measured response: 'Yes it is gloomy, but we should not dramatise it. We should be careful to compare the crisis with the 1930s crisis, as the interviewer suggests.' According to the president of DNB something is going on, but we (the financial sector and the Dutch) are sturdy. When asked about the problems at Fortis, he gives the reply central bankers are expected to give: 'he cannot and is not allowed to make any remarks about specific financial institutions'. The president of DNB does mention that he keeps a close eye on all financial institutions, and that according to him they will all suffer from the crisis. He continues to say that financial institutions have built up reserves in the past years. This was done under his watchful eye. This view of the economy in general and Fortis in particular is however not shared by others.

The media

The newspapers keep speculating about Fortis. Customers speak about their doubts with regard to the future of Fortis (NRC 19/09) and an extensive in-depth interview is published about the problems Fortis has to cope with (T). At the end of the week, newspapers speculate about a possible takeover of Fortis. Financial institutions like ING, BNP Paribas, Santander and HSBC are named (FD, T, NRC). The takeover is presented as a radical solution. Within *the newspapers* the central bank president is one among many participants in the discussion. A lot of newspaper articles appear about Fortis (131), but in only seven articles do the central bank president and Fortis appear together. So a lot of people are saying and writing things about Fortis without referring to the president of DNB.

⁸⁷ For example: A financial crisis unmatched since the Great Depression, *The Guardian*, March 18, 2008.

The market

The market also seems to think differently about Fortis; the view of the CBP is not shared by those acting on the markets. Shortly after the television appearance the stock market price increases slightly, but soon after that the decline begins. It is presumably fuelled by rumours spread by speculators that the central bank has asked another Dutch financial institution (Rabobank) to lend money to Fortis. The CDS ratio, on the other hand, starts to rise. This is a sign that the credibility of Fortis is increasingly doubted. And last but not least, the volume of trading rises. In about a week it more than doubles. On the markets, as in the newspapers, the role of the central bank president is also limited. The numbers show that the rumour spread by speculators seems to be more influential than the comforting words of the president.

Date	Stock market price	CDS	Volume
18-9-2008	6.832	209.665	46057.9
19-9-2008	8	167.986	78470.3
22-9-2008	7.671	166.963	31999.9
23-9-2008	7.441	219.724	28280.3
24-9-2008	6.987	232.096	21100.2
25-9-2008	6.55	297.682	82725.6
26-9-2008	5.18	555.011	117192.1
27-9-2008	Saturday no trade	Saturday no trade	Saturday no trade
28-9-2008	Sunday no trade	Sunday no trade	Sunday no trade

Table 5-8. Market reactions between 18-9-2008 and 27-9-2008

The contest for symbolic order

To determine how the rules of the game are put up for discussion, the appearances described above are linked to the rules of the game and the relevant questions.

The rules of the game	How the rules of the game are contested
<i>Rules of exclusion</i>	
Topic(s) of speech	The central bank president does not choose his topics, but is asked to speak about the financial crisis and Fortis. He does not comment on individual institutions. Market and media do speculate about Fortis.
<i>Rules of inclusion</i>	
Commentary	It is not the CBP that sets the tone. He reacts to the financial crisis and to Fortis' problems. A rumour about Fortis is, hierarchically speaking, also a primary source of information. We find reactions to this rumour with the CBP, in the market and in the media. In the media there is much talk about Fortis, but the central bank president is not mentioned often.
Author	The central bank president (still) sticks to his message as supervisor. In the newspapers, a great variety of opinions on Fortis arises, mostly with a negative tendency. In the financial markets there is much difference of opinion as well. This can be deduced from the large increase in trade. Here too, there is a negative tendency, as shown by the CDS ratio.
Discipline	The (implicitly) relevant discipline is the line of reasoning of the central bank president as supervisor. Based on his criteria, the organisation Fortis is not in trouble.
<i>Rules of qualification</i>	
Rituals	The president of DNB appears on Nova to give his vision. This is something he hardly ever does in normal times, if at all. Television appearances are rare. Newspapers offer various players a stage to discuss Fortis.
Fellowship/doctrine	The CBP addresses a larger public, as on Nova.
Education	In the communication by the CBP, hardly any learning points are made explicit. What could qualify as a learning point is the 'affirmation' of his authority by saying that, as a supervisor, he understands the situation completely.

Table 5-9. Contesting the rules of the game I

Appearance 2: How Fortis Bank was not rescued

The Central Bank President

September 26, 2008. In the morning, the CEO of Fortis claims that: ‘The bankruptcy of Fortis is no question’.⁸⁸ But soon it becomes clear that Fortis has to be rescued. In Brussels, the Belgian ministers hold an extra meeting of the cabinet. The Dutch minister of finance travels to Brussels. The president of the Dutch central bank does so as well, as do the president of the ECB (Jean-Claude Trichet) and the European Commissioner for Competition (Neelie Kroes). Under their watchful eyes the decision is taken in an emergency meeting that the Dutch, Belgian and Luxembourg governments together take a 49% interest in Fortis. In the middle of the night, the Dutch minister of finance, Wouter Bos, appears before the camera to announce this. He says Fortis ‘has been saved’, as does the press release by DNB and the Ministry of Finance that opens with the announcement that the ‘problems at Fortis have been resolved’.⁸⁹ The money that ends up at Fortis through this partial participation returns it to a state of liquidity.

The media

In the newspapers, this notion is thought of differently and in many ways. In *NRC Handelsblad*, Arnoud Boot, professor in economics, considers the measure ‘vague and half-hearted’. In *Het Financieele Dagblad*, Sweder van Wijnbergen, another professor in economics (and a former high-level civil servant), assumes Fortis has been rescued; according to him, Fortis has at once been adequately capitalised.⁹⁰ *De Telegraaf* notes that by acting in this way (i.e. the rescue) panic is sure to ensue. That is because such a radical solution makes clear that there is a crisis, which can cause producer and consumer confidence to crash. Looking at the role that the central bank president plays in the newspaper, we see that it is still modest, but growing. 212 Articles are published about Fortis, the central bank president figures in 18 of them.

⁸⁸ See: <http://www.efinancialnews.com/story/2008-09-26/fortis-ceo-company-will-not-go-bankrupt> (retrieved August 24, 2010).

⁸⁹ See: <http://www.dnb.nl/nieuws-en-publicaties/nieuwsoverzicht-en-archief/persberichten-2008/dnb188604.jsp> (retrieved August 24, 2010).

⁹⁰ The first professor mentioned is Arnoud W.A. Boot (2008), ‘Oplossing voor Fortis is vaag en halfbakken; Ook na Fortis duurt crisis voort, pensioenfondsen moeten inspringen’, *NRC Handelsblad*, September 29, 2008. The second professor is Sweder van Wijnbergen (2008), ‘Bos vermijdt fouten Paulson’, *Het Financieele Dagblad*, September 30, 2008.

The markets

The financial markets are not convinced by the rescue either, the reactions are ambiguous. The stock market price declines, as well as the CDS ratio. The former means that the valuation of Fortis has decreased, but the latter shows that its credibility has increased (but the CDS ratio remains high – and the credibility low – compared to what it was in the beginning of the year). The trade volume is lower than it was the week before. At the end of the week, the stock market price is slightly higher than it was a week before, the CDS ration is (only) about 60% of what it was a week before and the volume has declined significantly.

Date	Stock market price	CDS	Volume
26-9-2008	5.18	555.011	117192.1
29-9-2008	3.96	410.787	95310.4
30-9-2008	4.4	338.961	60517.8
01-10-2008	4.89	316.75	44989.1
02-10-2008	5.49	354.403	50746
03-10-2008	5.41	304.589	34908
04-10-2008	No trade	No trade	No trade

Table 5-10. Market reactions between 26-9-2008 and 04-10-2008

The president of DNB does not give the impression that he is pleased with the way the markets reacted. Questioned by Reuters (September 29, 2008) on the reaction of the markets he states ‘markets have lost sense of direction’.⁹¹

⁹¹ ‘Paniek en angst strijden om voorrang; Financiële crisis Wellink begrijpt de beurs ook niet meer’, *Trouw*, September 30, 2008.

The contest for symbolic order

The rules of the game	How the rules of the game are contested
<i>Rules of exclusion</i>	
Topic(s) of speech	The rescue of Fortis dominates the conversation.
<i>Rules of inclusion</i>	
Commentary	<p>The law is an important ‘text’ in this part. European Commissioner Kroes – guardian of the European legislation in this area – represents this text. She is involved in the negotiations. After the rescue attempt ‘the rescue’ becomes something that is referred to (sometimes critically). Some think that there is a competitive advantage.</p> <p>The influence of the central bank president in the discussion is still limited.</p>
Author	<p>The message of the central bank president has changed. In the previous phase, there was an announcement that Fortis was capable of taking the consequences of the crisis, now the central bank announces a 49% participation in Fortis, in order to save it. We can find ambiguity as well in the message by the Fortis CEO, who announces ‘no bankruptcy’ on the day of the rescue attempt.</p>
Discipline	<p>The solution of the central bank and the Dutch minister of finance fits the economic thinking in which a bank with sufficient liquidity is seen as a healthy bank.</p> <p>In the newspapers, this belief is both supported and criticised. Considering the stock prices, it is doubtful whether the message got through. The remark by the CBP that the markets have lost their sense of direction seems to indicate that they responded with less agreement than he had expected.</p>
<i>Rules of qualification</i>	
Rituals	The authorities involved withdraw to negotiate about Fortis. All other activities are temporarily suspended. The press is not present at the negotiations, but follows them from close-by. At the end of the day, a press conference is given in which the decision is explained.
Fellowship/doctrine	<p>The solution is first looked for in a limited public. The authorities attempt the Fortis Bank healthy again.</p> <p>Next, this message is announced to a broader public.</p>
Education	<p>Professors bring forward various arguments for this solution. There is no clear judgement on the expected success.</p>

Table 5-11. Contesting the rules of the game II

Appearance 3: How Fortis Bank Netherlands was rescued

The Central Bank President

The fact that the market does not believe what the president of DNB and the minister of Finance claim is reason for further action. In deep secrecy, negotiations continue. Even the press has no suspicions (or does not publish them). On the night of the day that the minister of Finance explains his earlier rescue effort to the parliament, he starts negotiating a new, further-reaching rescue. There are no leaks, and on Friday October 3 a press conference is broadcast live. In the morning the negotiations have been finished and in the beginning of the evening, right after the markets close, the minister of Finance, the prime minister and the president of the central bank appear on television. They announce that the Dutch government will take over the Dutch part of Fortis.⁹² Asked about the new situation of Fortis, the minister of Finance speaks the ‘reassuring’ words that the Dutch part of Fortis is entirely healthy. The Belgian part is stuck with ‘toxic’ portfolios but has, thanks to the sale of the Dutch part, enough money to absorb the losses on it.

The media

The remark by the minister of Finance is criticised and becomes a topic of discussion. It is seen by the (mostly Belgian) press as a sign of troubled relations between The Netherlands and Belgium. This is also fuelled by the Belgian prime minister responding disapprovingly to the words. ‘Bos often makes unfortunate statements,’ he says.⁹³ In the Dutch *newspapers* the discussion is not so much concentrated on the question whether the problems are solved or not (neither on the Belgian-Dutch issue). There seems to be an underlying consensus that this indeed is the case. It is the appropriateness of the solution that is questioned. It is argued that the ministers as well as the president of DNB should provide accountability for this solution; a solution that is ‘controversial’ and ‘alarming’. The unfairness of the solution is also pointed out. Fortis receives, in these difficult times, a competitive advantage. And political comments on the solution state that the government should not ‘be a banker’. Supporting comments stress the possibility that this take-over will be lucrative in the end, and consider it to be an excellent investment. In the

⁹² This part also contains ABN Amro, a Dutch financial institutions that had been taken over by Fortis a year before the failing of Fortis.

⁹³ Robbert de Witt (2008), ‘Leterme woedend: Bos doet vaker ongelukkige uitspraken’, *Elsevier*, October 6.

newspapers the role of the central bank president keeps gaining importance. The day after the press conference 62 articles are published about Fortis, the central bank president figures in 12 of them (about 20%).

The markets

Most remarkable however is that the markets do not have anything to say anymore: the storyline of the *markets* has gone. During the press conference an institutional change has been announced: from now on the government is the owner. Due to the takeover the speculations on markets are silenced or at least postponed. So no more rising or falling stock prices or Credit Default Swap Ratios. This subject is not picked up by the newspapers. The shareholders hardly get to speak, if at all. They will later try to speak through the courts. For now, their opinion on Fortis does not matter. They are expected to give a positive judgment in the long term, when the Dutch government decides to sell Fortis to the market.

Overview of the contest for symbolic order

Rules of the game	How the rules of the game are contested
<i>Rules of exclusion</i>	
Topic(s) of speech	The central bank president is quiet in public. The minister of finance defends the 'previous' solution to the parliament. The central bank president and the minister of finance speak in silence about the next solution.
<i>Rules of inclusion</i>	
Commentary	After the new solution has been announced, it is discussed heavily.
Author	The central bank president, who announced last time that the problems at Fortis had been solved, now presents a different solution. The Dutch minister of finance does so as well, as do the other parties involved. The first solution is defended in public, while another solution is worked out in secret.
Discipline	We see a change of 'discipline' that is an institutional change as well. The rules of the economy 'sufficient liquidity = healthy organisation' do not work. An economically healthy organisation gets into problems if the public thinks it is not healthy. A main point of the solution is that the economic judges, the markets, are disabled by the takeover. We also see a change in the newspapers in the way the solution is judged. The solution is judged in terms of 'justice' and there are calls for accountability.
<i>Rules of qualification</i>	
Rituals	The ritual used here is the live press conference. For the president of DNB this was unique, it was his first live press conference ever.
Fellowship/doctrine	Through the press conference, the president of DNB (as well as the minister of finance and the prime minister) address a much broader public, addressing and passing at the same time the journalists. In the newspapers, there is more and more attention for the president of DNB.
Education	A learning moment is the explanation of the takeover by the Dutch minister of finance. By giving this information, however, he discredits Fortis Belgium.

Table 5-12. Contesting the rules of the game III

Appearance 4: The central bank president who is not 'Our Lord'.

The Central Bank President

Two days after his first live press conference, the president of DNB appears on *Buitenhof*. There he tells about the events of the previous week. He also reflects on everything before that. For some time, he had been convinced we would get hit by the crisis, and he had warned about this. But he did not expect it to happen with this size and speed. I am 'not Our Lord', he says to describe his position. With this, he means that neither he, nor DNB is all-knowing.

He is asked about his opinion of the communication. This is partly because of remarks by the minister of Finance (that Belgium is stuck with toxic loans). Asked about this remark, the president of DNB states that he agrees with the general line of the story, but that he would have phrased it differently. He does however show understanding for the position of the minister of Finance. As he says himself: speaking in times of crisis is 'like walking on eggshells'. Before you know it, you've squashed one. He would most prefer to say nothing at all. At which point the *Buitenhof* interviewer asks why he came to the studio. Wellink's response: he came to provide accountability. In times of crisis the public according to him needs information and this he can give by appearing on *Buitenhof*.

The media

The next day, the appearance is widely covered by the newspapers. The media (newspapers) are critical of the choice of medium (a television appearance). Before, they were not. Illustrative is the sceptical title of an NRC column 'Providing accountability is done on *Buitenhof*'.⁹⁴ Also, the television appearance is seen as a strategic move in the (power) relationship between the president of DNB and the minister of finance. Van Wijnbergen, the aforementioned professor in economics and former high-level civil servant, explicitly denounced the role of the medium. According to him, it is inappropriate for the president of DNB to call the minister of Finance to account on national television.⁹⁵

⁹⁴ Daan van Lent (2008), 'Verantwoording leg je af in *Buitenhof*', *NRC Handelsblad*, October 7. Financiële redactie (2008), 'Kritiek Wellink op Fortis, Bos en collega's', *NRC Handelsblad*, October 6.

⁹⁵ Sweder van Wijnbergen (2008), 'Deze week was genant; met dank aan media-optredens Bos, Wellink en Kroes', *NRC.NEXT*, October 6.

Overview of the contest for symbolic order

Rules of the game	How the rules of the game are contested
<i>Rules of exclusion</i>	
Topic(s) of speech	The central bank president speaks about the solution for Fortis. He presents this as 'providing accountability'.
<i>Rules of inclusion</i>	
Commentary	In the newspaper of the next day, the content of the solution is not discussed as much as the way of providing accountability.
Author	By putting the decisions into context, an explanation is given of the fact that it was not possible to speak with one voice.
Discipline	It is not primarily the monetary economics that is the issue, but the ethical question of 'How does a CBP relate to his public'.
<i>Rules of qualification</i>	
Rituals	Providing accountability in a television show. This is unusual.
Fellowship/doctrine	By addressing the public the way he does, the CBP seems to – at least afterwards – want to involve the public in the decisions.
Education	The learning moments are mostly about the complexity of acting in times of crisis.

Table 5-13. Contesting the rules of the game IV

5.5 Conclusion

This chapter has shown how the symbolic order is contested, taking the communication by central bank presidents as a starting point. Looking at this from the contest, we see that the perception of the central bank president is not shared by others involved. The central bank president even plays a relatively *limited role* in the discussion (as shown in chapter 4). If we look for differences in perceptions, we can see it both in the Northern Rock case and the Fortis case. In the Northern Rock case the perception of the Bank of England was not shared by the other central banks. In the case of Fortis the central bank president made a reassuring announcement, contrary to what was being said in newspapers and on financial markets. These differences in perceptions can be found throughout the process. There are, however, two situations in which calm is created, at least from the perspective of the central bank president. With Fortis, this is the case when the central bank president is the only guest on programmes like Nova and Buitenhof. He is then the only one answering questions from the journalist, there are no other parties that question his perceptions. Something similar happened with the press conference given by the president of DNB, the prime minister and the minister of finance. United, they provide their view of the situation.

A live press conference also has the advantage of reaching a broad public with this unequivocal message. Edelman (1964, p.96) points to the importance of *theatricality*, the way in which something is said is important: ‘settings have a vital bearing upon actors, upon responses to acts [...]’ (Edelman, 1964, p.96). As one of the examples he uses Kennedy’s Press Secretary ‘who claimed that his chief moved even closer to the people by permitting live telecasts of press conferences’ (Edelman 1964, p.100). These kinds of media moments therefore enable a central bank president to directly address a broad public as the only expert. This is an important opportunity in the contest for symbolic order. This also shows that the symbolic order has not collapsed completely. The television opportunity after all flows from his position as central bank president, and as authority.

A second time when the contest comes to a stop is at the end of each case. In the case of Northern Rock the *speculation is suspended* – at least temporarily – when savers receive guarantees. In the Fortis case, speculation disappears when the government takes over Fortis Bank Netherlands. This is an institutional change, a switch or rather mixing of symbolic order. The symbolic order of the financial world is exchanged or supplemented with the symbolic order of the government.

We now look back at the main question of this chapter:

In times of crisis, a central bank president communicates to regain control of his communication.

We can say that central bank presidents gain control over communication mostly by adjusting their communication methods and less by changing their message. The ‘real’ control over communication is gained by introducing *a different symbolic order* in the conversation. A symbolic order that is not (yet) up for discussion.

CHAPTER 6: CONCLUSIONS AND IMPLICATIONS

6.1 Introduction

In this research, the following research question was leading:

Why is communication between central bank presidents and their publics contested?

The background for posing this question are observable changes in communications by central bank presidents. Until the 1990s, central banks hardly ever communicated with their public. The assumption was that monetary policy would be more effective if it was not announced beforehand. The financial markets reacted most effectively to surprises. If market parties wanted to know the policies, they were forced to deduce them from other market parties' actions. Since the 1990s, central bank presidents are announcing their policies beforehand. The underlying assumption is that policy is most effective if the parties concerned are knowledgeable and can anticipate measures.

This transition *from silence to speaking* fits the general trend of demanding transparency from public institutions. Being a public institution, the central bank faces this expectation as well. Transparency was always encouraged by academics, based on the theory of rational expectations. This theory recommends 'rationalising' the public's expectations. If the public has correct, rational expectations, then policies will work be automatically effective. More specifically, the call for transparency and the communication that goes with it works in two ways. Central banks as independent institutions can be accountable, and are no longer a tool for politicians. Moreover, central banks want to manage the public's expectations through communication. The European Central Bank even repeatedly talks about 'anchoring' expectations. If the expectations have been anchored, a more effective and stable policy is assumed possible (Blinder 2008, Woodford 2005).

In this concluding chapter we study the consequences of this transition from silence to speaking in the relation between central bank presidents and their public. What is relevant is then not only what is said, but also 'who' has 'something' to say. Does the public listen to the central bank president, or not? Do the central bank presidents words

work, or not? If we look at these questions at a higher level of abstraction, it is about divisions of power in the relation between central bank president and publics.⁹⁶ In this chapter, therefore, the assumption that central bank presidents communicate with their public to manage its expectations is critically deconstructed. The results from previous chapters serve as input.

6.2 Communicating with many silences

To gain insight into communication by central banks and their presidents, the previous chapters paid much attention to the European Central Bank's communication. The European Central Bank considers communication to be highly important, and says the following on the subject:⁹⁷

Today, most central banks, including the ECB, consider transparency as crucial. This is true especially for their monetary policy framework. The ECB gives a high priority to communicating effectively with the public.

And next, on transparency:⁹⁸

Transparency helps the public to understand the ECB's monetary policy. Better public understanding makes the policy more credible and effective. Transparency means that the ECB explains how it interprets its mandate and that it is forthcoming about its policy goals.

A first critical question we ask is whether the European Central Bank indeed often communicates with the public. On studying its communication, it turns out that the ECB does often speak to, and sometimes with the public. In 2008, the ECB had 619 public communication moments (see chapter 3), in the form of press releases, interviews, speeches, press conferences, statistical bulletins and publications. To understand how this communication takes shape, it is best to study the press conferences. In chapter 2 and 3, these have been discussed. In these press conferences, there is direct interaction between the central bank (president) and the public. The central bank president speaks with the public; that is, he answers questions asked by the public. At press conferences, one of the

⁹⁶ Through this power, the difference between utterances and information is made, and thereby the communication that follows.

⁹⁷ See: <http://www.ecb.int/ecb/orga/transparency/html/index.en.html> (retrieved May 3, 2010).

⁹⁸ See: <http://www.ecb.int/ecb/orga/transparency/html/index.en.html> (retrieved May 3, 2010).

most important decisions of the ECB is explained by its president. He is as it were the monthly highlight in the ECB's communication. This is confirmed by an increase in attention given to the ECB by the media around the time of the press conference. During that period, the number of newspaper articles referring to the ECB president more than doubles (see section 3.5).

One of the striking things in the press conferences is that *repeating* the mandate – 'keeping inflation below 2%' – is a theme throughout the communication. As was shown in chapter 4, the ECB president referred to this mandate 394 times in 2008 (an average of 33 times per press conference). This happens for example in the Q&A of March 2006:

Question : [...]. Before this press conference started there were still expectations of rate cuts this year. With the mid-point of your 2009 inflation expectations at 2.1%, well above your 2% ceiling, are these expectations misplaced? Are rate cuts off the agenda?

Trichet: On the first question, I would say that the words I used on behalf of the Governing Council speak for themselves. We were unanimous in deciding to leave interest rates unchanged. We restated that maintaining price stability in the medium term is our primary objective. This is our mandate. The firm anchoring of inflation expectations is, as I have said, of the highest priority for the Governing Council. We trust that this solid anchoring allows us to deliver price stability in the medium term, as well as making a major contribution to sustainable growth and job creation.

This example shows how the press conference is both a reason and a starting point to manage and 'anchor' this expectation. The intensive repeating of the message also shows, without making it explicit, the trouble of managing expectations. If it happened by itself, this repetition would not be necessary.

What is also striking when studying the press conferences is that there are many *silences*. By this we mean moments in which the ECB president does not want to give the information he is asked for. An example of this silence is the refusal to give personal information about the voting behaviour of the Governing Council. This Council, consisting of the presidents of the central banks in the monetary union, convenes before the press conference to decide on interest rate policy. At the press conference, the ECB president explains this decision by framing it monetarily and economically, but he does not provide information about how the presidents voted. Nor does he give information on which

president took which standpoint in the Governing Council's meeting. This silence is justified by stating that making the voting behaviour and standpoints public would lead to political pressure. This carries risks for the independence of the central bank and its monetary policy.

Otmar Issing (2006), a former member of the ECB board, illustrates the problem of making the voting behaviour public in this hypothetical dialogue:

Let me ask you a few questions.

Can it be assumed that a person's voting behavior is (always) going to be entirely free from the influence of the knowledge that it will subsequently be published?

Could it be that a person may even vote differently to how he/she intended because he/she knows that it will be disclosed afterwards.

What motives could influence voting behavior?

A desire to make a mark in general or against the chairman, for example?

Or conformity so as not to appear as an outsider?

In other words, this silence is desirable when it comes to the independence and effectiveness of policy. Making it public would create too many, and apparently too severe limitations. It is not the only silence in the conversation, however. The ECB president does not comment on the behaviour of financial markets or other central banks. Nor does he want to get ahead of big conferences that could influence monetary policy, such as the G7 (see chapter 3 for an extensive overview). Here too, arguments can be given for the silence. By refraining from commenting, the central bank president allows his colleagues and other authorities the opportunity to develop their own policies. After all, it is not hard to imagine the ECB president's comments on the Federal Reserve's policies being seen as criticism, making it hard for the Federal Reserve to implement them. The reverse is of course also true for the Federal Reserve president, who refrains from commenting on the ECB.

Much communication and many silences in times of crisis

In this research not only speaking in normal times has been studied, but also speaking in times of crisis. In these times, we see that communication not only consists of much speaking, but also many silences. The president of De Nederlandsche Bank (DNB) was the focus here. As a supervisory central banker, he was closely involved in handling the crisis.

We showed that his communication both increased and changed. The president of DNB appeared on television many times in a short time period, and gave his first ever live press conference. In this way he addressed a large public and he communicated his vision of events. We also saw that some things were kept quiet on purpose. A good example are the negotiations about the Fortis bank, which was about to topple. The governments of the Netherlands, Belgium and Luxemburg had made a rescue attempt. By taking a 49% interest in Fortis, they hoped and expected to save the company. The Dutch central bank even said as much as this in a press release: 'The problems at Fortis SA/NV have been resolved'.⁹⁹ But the problems turned out not to have been resolved, and in silence the parties concerned searched for a new solution. This silence is understandable as well. The chances of a deal succeeding would probably have been much lower if the media had been allowed to follow the proceedings. By keeping things out of publicity, the parties had the opportunity to negotiate in relative peace.

A final example of the 'silence' is the Northern Rock case. Northern Rock was one of the first European Banks to get into trouble. A rescue attempt was set up, and at a certain point there were discussions on whether to make public the assistance provided by the Bank of England. The Bank of England was against making the rescue operation public (and therefore in favour of silence), because it assumed that it would negatively affect the rescue attempt. Northern Rock was in favour of announcing the support of the Bank of England, because it assumed that it would actually have a positive effect (so it was against silence). Ultimately it was decided to make things public, but this did not have the intended effect.

In sum

In short, we can state that both in normal times as in times of crisis, a central bank president communicates with the public quite often, but there are many silences. The relation between a central bank president and the public can therefore not be reduced to merely providing information. The relation has other goals, such as managing expectations and bringing and sustaining financial stability. As far as these two goals are concerned a central bank president not just provides information; he also holds things quiet. 'Real'

⁹⁹ See: <http://www.dnb.nl/nieuws-en-publicaties/nieuwsoverzicht-en-archief/persberichten-2008/dnb188604.jsp> (retrieved August 24, 2010).

transparency could after all endanger the stability of financial markets, and distort expectations.

6.3 Power equality

That central banks have changed ‘from silence to speaking’, does not mean then that everything is said. In speaking there are many silences, which can be grounded – as was shown in the previous section. The silences are problematic, though, when looked at from a transparency perspective: the perspective that central banks and their presidents link to communication. In the academic literature on central bank communication, transparency is seen as information symmetry. In this case, this means that central bank president and public have the same information.

In chapter 2 we saw that the concept of *transparency is problematic* if central banks are dealing with uncertainty (what should they say?). In a case of uncertainty, the transparency perspective tells them to communicate that they do not know. From the perspective of managing expectations however, it is often desirable that uncertainty is kept quiet and a future scenario is communicated. The ECB will for example not say it is uncertain about future inflation, but chooses to communicate its mandate of guarding inflation. Another problem is complexity. Information that a central bank president wishes to communicate can sometimes be very complex. By communicating this complexity, he is likely to shut out a large part of the public. The ECB press conferences show this: the analyses presented there are strongly simplified representations of the research they are based on. (And even then they are hard to understand for laymen). Finally, there is overreaction: the public reacts stronger to information from a central bank (president), because it comes from a central bank (president). All these issues put into doubt the possibility of being transparent. The aforementioned silences add to this; they cast doubt not just on the possibility of transparency, but also on its desirability. In many of the cases mentioned the central bank president could give the information asked for, but decides not to. The *information asymmetry* still exists. It also exists if a central bank does provide openness, but only in a certain domain. The central bank is then the one to decide.

This discussion of transparency offers possibilities of describing the power relation between central banker and public. In the case of transparency, the power of the players lies in the information they have. If a party has an *information advantage*, it can manipulate another party (see chapter 2). The concept of power relevant here seems to be that of possessional power (Achterhuis 1988, p.255). The central bank president has

power, because he possesses information that the public does not. The goal of creating transparency is to more equally divide this power. Logic after all dictates that an equal amount of information implies an equal amount of power. We see that in the relation between central bank (president) and public, there is an unequal division of information. Based on the transparency perspective, we can criticise this inequality. This criticism is powerful, especially because central banks themselves promote transparency. Yet this criticism – justified as it may be – fails on one important point. The fact that central banks and their public have the same information does not make them equals. This is because the one to one relation between information and power is not valid. More information is not more power, and equal information does not imply equal power. Central banks have a different institutional position, which means that their information carries a different charge than the public's. An extreme example of this is the announcement of the interest rate decision. If a central bank announces the rate is going up, it goes up. If anyone else or any other institution announces the same, nothing happens.

To conclude, the relation between central banker and public cannot be seen merely in terms of information. The message of transparency is insufficient to interpret this relation. Because even if different parties have the same information, this does not mean there is *power equality*. We need to think about the relationship between power and information in a different way.

6.4 Channelled power

Based on this dissertation, an alternative for interpreting the communicative relationship between a central bank president and his public can be formulated. This is done mainly in chapter 3 by placing the communication between central bank president and public in the context of a game. An important difference between the transparency perspective and the game perspective is the attitude towards power. In the transparency perspective, eliminating power asymmetry through informing is central. A *game*, however, depends on differences in power. Power is *channelled* through the rules of the game. It is about enabling as well as about limiting opportunities for acting. Soccer, for example – the game with which communication is compared in chapter 3 – offers players the opportunity to make goals. But the game does not allow a player to score by throwing the ball into the goal. The game also shows that what someone can do depends on his position in the game. A goalkeeper can do different things than a regular player, and referees and linesmen have different roles altogether. Between central bankers and the public, there are asymmetric

relations as well. Central bankers have institutional tasks that are reserved for them. The public can listen differently each time to what a central bank president is trying to say.

In chapter 3, communication by central bankers was studied using three clusters of rules (power channels):

- What is talked about (*rules of exclusion*)
- How and by whom things are said (*rules of inclusion*)
- Who takes part in the conversation (*rules of qualification*)

These rules describe the conditions that communication by central bank presidents has to meet in order to work. Here, it is made clear that the effect of words is not just in informing, but also in the ritual embedding and the institutional position of the central bank president. Another point that the game metaphor makes clear is the importance of an overarching goal. For central bank presidents, this is protecting financial stability. From this perspective, it can be logically explained that a central bank president keeps repeating his message and that there are silences. It is thinkable after all that information, especially when provided by the central bank president, is more likely to hurt than to work positively. For example, a central bank president expressing doubts in public can lead to a bank run, endangering other financial institutions and perhaps even the financial system. Silences can also provide room for other players (such as the members of the Governing Council, or other central bankers), which can help the game.

Placing communication in a game context also shows that an *asymmetric relation* between central banker and public does not mean that a central banker has all the power, in the sense that he determines the effect of his words. A central banker in large part *depends* on his public for his success. The public has to understand his words (similarly to how he does) before these can have the intended effect. This also explains the problems in talking about transparency (see the previous section and chapter 2). A central bank president needs a well educated public – in this case with regard to financial economics – to make his words effective. For an optimal result it is desirable that central bank president and public are similarly disposed.

In short, by placing the relation between central bankers and public in a game context, we get a picture of a power relation in which there is both asymmetry and dependence. Power

is not divided in a symmetric way, but is channelled by the rules of the game – it is ‘channelled power’. This view of communication explains why there are moments of silence as well as of speaking. It also provides a different view of the vulnerability of this relation. It shows that transferring information is not enough to have the words be effective. Words only work when the players are familiar with the communication game being played.

6.5 Deconstructive power

There are limits to the view of communication as game. The power between a central bank (president) and its public is not always channelled power. In this book these limits were discussed by focussing on communication in times of crisis. Chapter four explored the change in relation between central bank president and public. This chapter illustrated that central bank presidents try to reach a larger and broader public in times of crisis. The research showed that in times of crisis a central bank president gets relatively little attention, most of which in professional newspapers, as in normal times. The attention in intellectual and popular newspapers is lacking. For a central bank (president) this is disturbing, considering that its (his) success depends on the public. Do the people that listen to him, understand him? Do enough people listen? Because the crisis hits everyone, stability not only depends on the financial sector. Any concerned citizen can cause a bank run.

Chapter five studied the behaviour of a central bank president in more detail. Here, most attention was paid to the president of the Dutch central bank. He was closely involved in the rescue of the Fortis bank by the Dutch government. We saw that this bank president starts to relate to his public in a different way, and that he starts to address different publics. In times of crisis he appears on television (5 times) nearly as much as the whole year before (in 2007 he appeared 6 times on television). The programs in which he appears are aimed at a broader public than just the financial public. In live press conferences he speaks, past journalists, to a much larger part of society.

The reason for a central bank president to start communicating in this way, is that he is involved in a *contest for symbolic order*. The crisis casts doubt on the game he normally plays. A central bank president is then forced to use other words than normally does. Or rather, the words that usually work, work differently or stop working altogether. An interesting example of this is the rescue of Fortis. The Dutch central bank announces after the 49% participation that ‘The problems at Fortis SA/NV have been resolved’. The

financial markets and Fortis customers, however, do not assume this to be the case. This brings the president of DNB to remark rather desperately that ‘the markets have lost their sense of direction’. This makes sense, because if even professionals do not understand the president’s words, what is he to say? The contest of symbolic order is illustrated by central bank presidents being unable to refute words of anonymous speculators (see chapter 5).

Because the symbolic order is at stake, communication has *multiple goals*. It is not just about bringing stability to the financial system, but also about restoring the conditions under which the central bank (president) can bring stability again. The communication of the central bank president is ambiguous, it is in-between the two logics.

When we look at the relation between a central bank and its president from this perspective, we see that there is still power in times of crisis, but it is no longer channelled by the game. In times of crisis power casts doubt on the words. Instead of streamlining the effects of communication, power deconstructs the carefully developed communication constructions.

The goal of communicating is then not just to bring *stability* to the financial system, but also to (re)channel power by curbing its destructive tendencies. A different way of restoring this power relation is for the central bank president to appear on television alone. Just like at press conferences in normal times, it is the central banker that answers and the press that asks questions. Such television appearances are a means to speak to a broader public and to ‘cast’ it for the story the central bank president wants to tell. Conversely, such television appearances show traces of the position a central bank president has in normal times. The possibility of holding an exclusive interview in Buitenhof is open to few.

In short, the effects of the words are eroded in times of crisis. The words lose the context that made them meaningful before. In this way, communication in times of crises tells us a lot about the hidden assumptions behind communication in normal times. It shows that the power ascribed to central bank presidents is precarious – it depends on structured interactions with their public(s).

6.6 Final words

In this final section, it is time to present some speculative reflections on central bank presidents and their communicative acts, also to sketch (practical) implications. By speaking to publics – instead of remaining silent – central bank presidents have redefined their relation with their publics. They account for their policies and try to manage expectations in order to enact effective policies. At first sight, this change underscores central banks' *independency* from outside worlds. Our analysis has shown that it actually symbolizes an increasing dependency, albeit of a specific public – a professional public – that mediates between societal and financial spheres. Because of the preprogrammed nature of communication, this dependency does not really show, but the regulated and structured interaction with a (professional) public already indicates its vulnerable nature. In times of crises, this only becomes clearer. Shared vocabularies and frames of reference dissolve, the audience of central bank presidents becomes diffuse, and it might even become unclear whether central bank presidents have an audience at all. Indeed, central bank presidents prove to be *dependent* on broader external circumstances.

This study's media analysis objectifies this dependency. The Dutch central bank president, media facts showed, was eagerly searching ways to communicate his message, amidst multiple messages and (political) voices. This, in turn, affects our understanding of central bank presidents in normal times. If communication is vulnerable and central bank presidents depend on precarious relations with publics, we need to rethink these relations in order to limit vulnerabilities in normal times, as well as to anticipate on central bank presidents' positions in times of crises. Firstly, it will be necessary to see relations between central bank presidents and publics in more *reciprocal* terms. In order to act in a powerful ways, central banks do not need to act upon a centralized notion of power, but upon a more dispersed notion that incorporates publics' responses in central banker acts. The channeled nature of power and the potential deconstruction of well-established channels amidst uncertain times, explain why this is the case. Central banks do not 'have' a position; their position depends on socially accepted, stable communication rules that can be destabilized. When central bankers speak, they automatically speak to publics but also speak about themselves.

Secondly, it is necessary to enact *redundancy* when relations are structured. Instead of merely serving professional publics, it is necessary to serve multiple audiences, even if mainly professional audiences are being served. In order to become really powerful, dispersed power is construed by enacting multiple channels of power. More than

ever, central bank presidents should send out multiple signals, actively mold stakeholder expectations, and manage the powerful dimension of apparent effect-based speech. Instead of focusing on mere effects (i.e. effective policies), the power of rules should be incorporated when central bank speech is improved – and also studied. When central bankers speak, they speak through and therefore about rules. The stronger these rules, the stronger their speech. They say a lot, even when they are silent.

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APPENDIX

Below are the test-statistics (p-values within brackets) of a comparison of the weekly articles about the CBP before and during the crisis. The specific test statistic used here is the Mann-Whitney U-test statistic, a non-parametric approach to see if the 2 series differ in location. (it is the same statistic as is used to compare the number of articles about Trichet in the weeks that he held speeches, compared to weeks when he did not hold any speeches).

First we take a look at the effect of the crisis in the various categories for all the CBPs. In the table below we can see that the crisis has lead to a statistically significant increase in the number of articles on CBP in each category as the P-value is lower that 0.001 in each category.

Comparison of number of articles on CBP before and during the crisis, for each category	Category	Test statistic: U-value (P-Value)	Mean rank before the crisis	Mean rank during the crisis
	Intellectual	4.111 (0.0000)	63.30	92.89
	Financial	3.814 (0.0001)	63.34	91.84
	Popular	4.495 (0.0000)	61.92	94.29

Table A-1. Ranking of attention for all CBPs

For Bernanke the increase in articles is statistically significant in every category except for the intellectual newspaper.

Comparison of number of articles on Bernanke before and during the crisis, for each category	Category	Test statistic: U-value (P-Value)	Mean rank before the crisis	Mean rank during the crisis
	Intellectual	1.880 (0.0601)	71.29	84.80
	Financial	2.411 (0.0159)	69.37	86.74
	Popular	3.911 (0.0001)	64.04	92.14

Table A-2. Ranking of attention of Bernanke

For Trichet, the increase in articles is statistically significant in all categories.

Comparison of number of articles on Trichet	Category	Test statistic: U-value (P-Value)	Mean rank before the	Mean rank during the
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before and during the crisis, for each category		Value)	crisis	crisis
	Intellectual	4.202 (0.0000)	63.05	93.14
	Financial	2.741 (0.0061)	68.19	87.94
	Popular	3.179 (0.0015)	66.70	89.44

Table A-3. Ranking of attention for Trichet

For Wellink the increase in articles is statistically significant in every category except for the popular newspaper.

Comparison of number of articles on Wellink before and during the crisis, for each category	Category	Test statistic: U-value (P- Value)	Mean rank before the crisis	Mean rank during the crisis
	Intellectual	2.780 (0.0054)	68.88	88.12
	Financial	3.519 (0.0004)	66.15	90.85
	Popular	1.663 (0.0962)	72.86	84.14

Table A-4. Ranking of attention for Wellink

Significance	Bernanke	Trichet	Wellink	Wellink & Trichet
Attention in normal times	Difference all categories: 0.0002. Null hypothesis is rejected.	Difference all categories: 0.0000. Null hypothesis is rejected.	Difference all categories: 0.7124. Null hypothesis is not rejected.	Difference all categories: 0.0000. Null hypothesis is rejected.
	Difference popular and intellectual: 0.7524.	Difference popular and intellectual: 0.2161.	No significant difference between the categories exists.	Difference popular and intellectual: 0.1964
Attention in times of crisis	Difference all categories: 0.0000. Null hypothesis is rejected.	Difference all categories: 0.0000. Null hypothesis is rejected.	Difference all categories: 0.0063. Null hypothesis is rejected.	Difference all categories: 0.0000. Null hypothesis is rejected.
	Difference popular and intellectual: 0.0230.	Difference popular and intellectual: 0.0848.	Difference popular and intellectual: 0.0742.	Difference popular and intellectual: 0.0278.

Table A-5. Overview of significances

SUMMARY IN DUTCH (NEDERLANDSE SAMENVATTING)

Hoe sterker het belang van communiceren benadrukt wordt, des te lastiger is het om iets te zeggen. Dat is de centrale boodschap van dit proefschrift dat het spreken van centrale bank presidenten in normale tijden en in tijden van crisis bestudeert. Sinds de jaren '90 van de 20^{ste} eeuw is communicatie voor centrale banken en hun presidenten een instrument (middel) om het monetaire beleid (doel) effectiever te maken. De achterliggende veronderstelling is dat centrale banken transparant worden gemaakt en dat het publiek geïnformeerd zal handelen.

In het tweede hoofdstuk (*Disclosing Transparency*) laten we zien dat dit transparant maken in veel opzichten een illusie is. Om te beginnen zijn zowel academici als beleidsmakers het niet eens over wat transparantie precies is, en hoe het bereikt kan worden. Betekent transparantie bijvoorbeeld dat de complexiteit van situaties tot uitdrukking komt, of betekent transparantie dat de zaken zo eenvoudig worden voorgesteld dat iedereen ze kan begrijpen? We zien in dit hoofdstuk dat communicatie die transparant wordt genoemd vooral *geësceneerde* transparantie is. Het is communicatie die op vastgelegde tijdstippen, volgens bepaalde regels, en met steeds terugkerende woorden wordt uitgevoerd. Centrale bank presidenten mogen niet te veel zeggen; versprekingen van centrale bank presidenten laten zien dat openheid een prijs kent.

In het daarop volgende hoofdstuk (*Revealing the Rules of Central Bank Speech*) wordt communicatie vervolgens bekeken vanuit een spelperspectief. Op basis van het werk van de filosoof Michel Foucault wordt gezocht naar regels in de communicatie van centrale banken en hun presidenten. Het laat zien hoe communicatie werkt, en dat communiceren volgens de regels van het spel niet betekent dat de uitkomst vast ligt. Net als bijvoorbeeld bij voetbal is de uitkomst van het spel afhankelijk van de kwaliteit en interactie tussen de spelers.

In het daarop volgende hoofdstuk (*Do Central Bank Presidents Receive more Attention in Times of Crisis?*) maken we een vergelijking tussen communicatie in tijden van crisis en normale tijden. Dat doen we omdat centrale bank presidenten in tijden van crisis veel aan het woord lijken te zijn en omdat ze anders lijken te communiceren. Het hoofdstuk toont op basis van een media-analyse aan dat centrale bank presidenten in tijden van crisis inderdaad meer spreken, maar ook dat hun aandeel in het debat relatief beperkt blijft. In tijden van crisis zijn er veel partijen aan het woord, en tegen al deze partijen moet

een centrale bank president zich verweren als hij wil dat de boodschap van de centrale bank overgenomen wordt.

In het vijfde hoofdstuk (*Silencing Speculation*) analyseren we communicatie in tijden van crisis als een strijd om de symbolische orde. Gekoppeld aan het derde hoofdstuk kunnen we stellen dat het daarbij gaat om het bepalen van de regels van het spel. In tijden van crisis is de rol van de normale regels sterk gereduceerd en ontstaan er mogelijkheden om anders te spelen. Dat maakt het voor een centrale bank president zowel belangrijk als moeilijk om zijn boodschap over te brengen, vooral omdat er geen ‘normaal’ publiek meer is.

In het slothoofdstuk (*Conclusions and Implications*) bekijken we de bevindingen vanuit een overkoepelend machtsperspectief. Communicatie door centrale bank presidenten veronderstelt dat bankpresidenten macht aanwenden. Doordat de centrale bank president vertelt wat hij weet, maakt hij het beleid transparant en deelt hij als het ware zijn macht met het publiek. Deze veronderstelling moet flink worden gerelativeerd. De macht zit niet zozeer bij de centrale bank president, maar in de relatie met een publiek. In normale tijden wordt de macht gekanaliseerd door de regels van het spel. Centrale bank presidenten spreken dan met name tot professionele publieken. In tijden van crisis zien we een deconstructieve macht aan het werk. Alles wat door de centrale bank president wordt gezegd, komt ter discussie te staan. Centrale bank presidenten zoeken naar publieken die zich laten overtuigen en vertegenwoordigen. Communicatie is er op gericht om relaties tussen centrale banken en publieken te reconstrueren.

Dat laatste leert ons dat centrale bank presidenten ook in normale tijden relaties zullen moeten onderhouden met meerdere publieken, zelfs als professionele publieken voldoende lijken voor een effectief monetair beleid. Gegeven de dreiging van crisis zullen centrale bank presidenten redundantie moeten organiseren. Ze zullen via communicatie macht moeten verspreiden om ‘machtig’ te zijn.

ABOUT THE AUTHOR



Liesbeth Noordegraaf-Eelens (1973) studied economics and philosophy at Erasmus University Rotterdam. In 2002 she defended her philosophy thesis (cum laude), *Het overspelige subject*, which was later published *De overspelige bankier* (Klement 2004). Several years later, she wrote *Kinderen koop je in de hemel* (Klement 2009) and *Op naar de volgende crisis!* (with Olav Velthuis, Klement 2009). In her research she works in an interdisciplinary fashion, linking philosophy to economics, with a particular interest for banks, bankers, risk, uncertainty and communication.

Since 1996, Liesbeth Noordegraaf-Eelens is a lecturer at the Erasmus School of Economics (ESE) of the Erasmus University. In 1997 she was elected ‘Teacher of the Year’ by students. Since 2000, she is responsible for the ESE Bachelor Honours Class.

Since 2009 she is also working as a senior researcher and programm manager at the Netherlands School for Public Administration (NSOB) in The Hague. Among other things, she studies trust in public domains, as well as coping with (potential) institutional crisis.

Liesbeth Noordegraaf-Eelens is married and has four children.

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CONTESTED COMMUNICATION A CRITICAL ANALYSIS OF CENTRAL BANK SPEECH

The more important words become, the more difficult it is to say things. This is the central message of this study on the communication by central bank presidents. Since the end of the twentieth century, central bank presidents see communication as an important means to influence expectations of their publics. In this book, we show how this happens: central bank presidents rely on fixed settings, speak at specified moments, and repeat certain words. Press conferences clearly illustrate this. This strict approach to communication, however, focuses attention on slips of the tongue and (speculative) interpretations of statements, made at planned or unplanned moments.

In times of crisis, these communication 'disturbances' are enlarged – communication becomes severely contested. A crisis casts doubt on the legitimacy of authorities. Must we still listen to central bank presidents? Do central bank presidents say what they really think? A detailed analysis of statements by central bank presidents on the British Northern Rock and the Dutch/Belgium Fortis banks shows how central bank presidents communicate by 'trial and error'. Everything they say can be used against them. Remaining silent is impossible, as silences can be dangerous as well.

By combining philosophical and economic insights, this study not only sheds light on how communication in financial markets evolves, it also explains why communication can become contested. Instead of an instrumental understanding and usage of communication, this dissertation stresses the relevance of a critical-pragmatic perspective on financial communication.

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P.O. Box 1738, 3000 DR Rotterdam
The Netherlands

Tel. +31 10 408 11 82
Fax +31 10 408 96 40
E-mail info@erim.eur.nl
Internet www.erim.eur.nl

