In the past, central banks used to be very reserved regarding their activities, strategies and monetary policy decisions and actions. As central banks become more and more independent, transparency gained importance based upon accountability arguments. An important fact for adopting an increasing central bank transparency lies in its importance of influencing the development of expectations. The concept of central bank transparency has emerged in the economic literature relatively later than some other key concepts. The widespread agreement of an inflation targeting regime and a more transparent central bank is desired by the most central banks around the world in the context of the need of the public disclosure of macroeconomic models, the quarterly time series for indicators like: inflation, output, budgetary deficit, public debt, interest rate, inflation expectations, the public announcement of the monetary policy decisions, objectives and targets, the publication of some key monetary tools like: inflation report, financial stability report, monetary policy committee report, annual report. These are all key issues in the construction of a more transparent and independent central bank in the context of a good global governance. Moreover, for the fruitful success of the central bank, latum sensu, and monetary policy, stricto sensu, it must be encompassed a complex monetary policy committee mechanism. This complex mechanism must be endowed with the collegial approach of the monetary policy committee, structure of the voting mechanism within the committee, the importance of the person which announces the changes within the interest rates and the public disclosure of these information’s enriched in a communication strategy. This communication strategy is very important for assessing and public understanding of the central bank’s actions but also for communicating the objectives, targets and forward looking approaches of the monetary policy in the global context of the transmission mechanism.

Keywords monetary policy strategy, collegial entity, central bank independence, democratic accountability, transmission mechanism

JEL Classification E50, E52, E58

I. Introduction

Transparency has become a prominent feature of the monetary policy during the last twenty years, but the systematic evidence on central bank transparency has been elusive due to the lack of data. In recent years, specialists from the academic field and central banks’ analyze and assess the most important trends towards a more transparent and open central bank.

Authors like (Touffut 2008: 2) emphasis that in recent years, a great number of central banks have moved in the direction of greater transparency about their objectives, procedures, rationales, models and data. The author suggests that the problem is whether this trend is widespread and whether it is likely to be transitory or enduring.

Other authors like (David 2009: 19) suggest that within increasing the independence of the National Bank of Romania, and by adoption of the inflation targeting strategy in 2005 the Romanian central bank have become more transparent and accountable.

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42 This paper is part of post-doctoral research “Central bank as the bureaucracy branch” under the guidance of PhD Professor Silviu Cerna in the post doctoral project: ”Post-Doctoral Studies in Economics: training program for elite researchers - SPODE” in the period 2010-2013 developed by the Romanian Academy in partnership with West University of Timisoara, Alexandru Ioan Cuza University of Iasi and Ovidius University of Constanta.
In the view of (Nier 2005: 343-344) while the hope is that enhanced transparency may improve incentives, *ex ante*, it is less clear whether transparency is necessarily a good thing, *ex post*, when a bank might have hard time and provision on information might have a destabilizing effect. One of the most comprehensive studies regarding central bank transparency is the one of (Eijffinger and Geraats 2006: 1-21) and presents a transparency index for monetary policy that is based on the disclosure of information relevant for the monetary policymaking process. The authors have come to the conclusion that central bank transparency exhibit important dynamics because the scores for several central banks’ have increased significantly over time, especially for economic and policy transparency.

II. Theoretical approach regarding the need of central bank transparency within the communication mechanism

*Transparency* refers to the physical property of an object to transmit light, which means one can see through it. When applied to concepts, transparent means clear; so colloquially it conveys a positive attitude. In an economic context, a useful economic definition of transparency can be formulated as the presence of information; lack of transparency, or opacity and finally to asymmetrical information.

The study of (Neuenkirk 2011: 1-13) examine the influence of central bank transparency and informal central bank communication on the formation of market expectation. The author have come to the conclusion that using the Eijffinger & Geraats transparency index lead to a smaller bias in expectations and to a reduction in the variation of expectations. Specialist as (de Haan et al. 2007: 1-8) conclude that the trend towards a greater transparency by the central banks it is justified by central bank accountability, because central bank transparency is beneficial from the economic point of view, but it is not clear what constitutes an optimal communication strategy.

Regarding the monetary policy communication mechanism (Farvaque et al. 2009: 534-536) reveal the collective decision approach of today’s monetary policy. This feature of modern central banks’ implies that a decision has to be taken among committee members’ which is likely to affect policy rates, especially if monetary policy committees are heterogenous. Other authors like (Berk and Beirut 2011: 800-801) emphasis that when monetary policy committee members’ disclose and discuss the arguments behind their view on interest rate, the quality of the collective decision should be higher compared to merely taking a simultaneous vote.

Despite pursuing monetary policy based on inflation targeting strategies, central banks in Czech Republic, Hungary and Poland have adopted very different communication styles (Rozkrut et al. 2007: 178-200). However, the authors conclude that central bank “talk” does influence the behavior of the financial markets. Other authors like (Ehrmann and Fratzscher 2007: 143-144) suggest that the communication at the Federal Reserve, Bank of England and European Central Bank is generally seen as a tool to prepare markets for upcoming decisions, as it becomes more intense before committee meetings and particularly so prior to interest rate changes.

III. The impact of central bank transparency upon the monetary policy committee

As the central banks’ become more independent, the importance of central bank transparency and accountability and their degree of openness about the decision-making process emerged. This is the reason behind the recent reform undertaken by the central banks in increasing the degree of transparency in their monetary policy process. Consequently, it was established the importance of the collegial approach of the decision-making entities of the central banks. For those reasons, in recent year many central banks’, especially in developed and industrialized countries, have
established Monetary Policy Committees for the collegial approach of the decision-making process. Table 1 reveals and highlights the most important central bank transparency indices in a chronological manner measured by the author in some developed and industrialized countries. Moreover, table 1 presents also some key aspects in the monetary policy committee design and mechanism with a possible implication for a good global governance of the central banks. We must suggest that this approach was addressed only in the developed countries, because of the studies made by the authors in this direction, but also because of the transition process regarding the monetary policy committee in the emerging and the developing country group.

The indices for measuring central bank transparency has those of the (Siklos 2002: 10), (de Haan and Antembrink 2003: 5-6), (Eijffinger and Geraats 2002: 17-18) and (Dumiter 2009: 88-89). Analyzing the empirical results of these indices we can observe that the most transparent central banks' are those of Canada, New Zeeland, Sweden, United Kingdom and European Central Bank. At the opposite side are countries as: Australia, Japan, Norway, United States of America.

Table 1

Measuring central bank transparency and it’s comparison with the technical variables of a performing monetary policy committee framework

<table>
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<tbody>
<tr>
<td>Australia</td>
<td>6.5</td>
<td>-</td>
<td>8</td>
<td>-</td>
<td>9</td>
<td>CB, ACA, BC</td>
<td>No fixed order</td>
<td>Govener</td>
<td>Free discuti on encour aged</td>
</tr>
<tr>
<td>Canada</td>
<td>9.5</td>
<td>16</td>
<td>10.5</td>
<td>10</td>
<td>6</td>
<td>CB</td>
<td>No fixed order</td>
<td>Staff</td>
<td>Board memb ers receive advice from indepen dent adviso rs</td>
</tr>
<tr>
<td>Japan</td>
<td>8.5</td>
<td>-</td>
<td>8</td>
<td>5.71</td>
<td>9</td>
<td>CB, ACA, BC, GOV</td>
<td>Order change s every meetin g</td>
<td>All board memb ers</td>
<td>Voting induce s memb ers to think individ</td>
</tr>
<tr>
<td>Country</td>
<td>No.</td>
<td>16</td>
<td>13.5</td>
<td>10</td>
<td>9</td>
<td>CB, BC</td>
<td>Fixed Order</td>
<td>Governor</td>
<td>Applicable</td>
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<tr>
<td>New Zealand</td>
<td>9.5</td>
<td>16</td>
<td>13.5</td>
<td>10</td>
<td>9</td>
<td>CB, BC</td>
<td>No fixed order</td>
<td>Governor</td>
<td>No applicable</td>
</tr>
<tr>
<td>Norway</td>
<td>6</td>
<td>-</td>
<td>-</td>
<td>9.64</td>
<td>7</td>
<td>CB, ACA, BC, BC</td>
<td>Governor starts the discussion, anyone</td>
<td>Governor</td>
<td>Committeemembers are expected to make own contributions</td>
</tr>
<tr>
<td>Sweden</td>
<td>10</td>
<td>-</td>
<td>12</td>
<td>10</td>
<td>6</td>
<td>CB</td>
<td>No fixed order</td>
<td>Governor</td>
<td>Membersonsay what they think</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>10.5</td>
<td>17</td>
<td>12.5</td>
<td>9.64</td>
<td>9</td>
<td>CB, ACA</td>
<td>No fixed order, any person can raise any issue</td>
<td>Governor</td>
<td>Members make speeches and appear in Parliament</td>
</tr>
<tr>
<td>United States</td>
<td>10</td>
<td>11</td>
<td>10</td>
<td>8.21</td>
<td>12</td>
<td>CB</td>
<td>No fixed order, probably chairman dominates</td>
<td>Chairman</td>
<td>FEDPresidents briefed by their own staff; limited scope for</td>
</tr>
</tbody>
</table>
The European Central Bank is 6

| European Central Bank | 6 | 15 | 10 | 9.64 | 18 | CB | Chief Economist starts the discussion | Chief economist | Govrnors briefed by own staff |


The four most transparent central banks according to these indices exhibit, in general, inflation targeting strategies with a more complex and comprehensive approaches on disclosing macroeconomic data and models, proving information on a timelier basis presenting forward-looking analyzes of monetary policy and a complex communication strategy. These central banks have also complex monetary policy committees with a special focusing on: medium sizes of their monetary policy committee (minimum of 6 members in Canada and maximum 18 members in ECB), the backgrounds of their monetary policy committee members suggest that they derive, in general, from the central bank (CB) and academics (ACA), there is, in general, no fixed order in the organization of the meeting, the Governor makes the interest rates proposals and there is a room to maneuver regarding the independence of the monetary policy committee members, these members can make speeches and appear in front of Parliament.

In the less transparent countries we can observe that these central banks haven’t a transparent monetary policy strategies, because of non-adopting the inflation targeting strategy, promoting a very secretive monetary policy, with a very complexes websites and hard to find information or to access document and a lower degree of openness. Regarding the structure of the monetary policy committee mechanism we can observe the following: the monetary policy committee members derive from central bank (CB), academics (ACA), commercial banking sector of financial sector (BC), there is, in general, no fixed order in the organization of the meeting or this order in change at every meeting of the committee, the Governor makes proposals regarding the interest rate proposals, and it is encouraged free discussions between the committee members regarding the independence and openness of the monetary policy committee.

IV. Conclusions

Over the last five years it can be noticed that many central banks around the world reported major reforms in the field of communication: the publication of endogenous interest rate forecasts, votes of minutes, a reduction in the release time of minutes, a higher frequency of communications, more frequent appearance to legislative bodies. Moreover, we can observe that, in some instances, there has been made a reduction in the number of policy meetings in order to make them coincide more closely with the release of key economic data, and the phasing – out of forward guidance – in favor of more direct means of communication.

Central bank communication can be identified as the provision of information by the central bank to the public regarding such matters as the objective of the monetary policy, the monetary policy strategy, the economic outlook, the outlook for future policy decisions.

Many central banks with similar monetary policy objective follow, nonetheless, fundamentally different communication policies; these policies have been developed over time. It is notable to

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focus upon the current practices by examining the different types of central bank signals first by content and last by sender. Our study wanted to reveal the importance of central bank transparency with a special focusing on the degree of openness of the central banks and its’ impact upon monetary policy committee design and mechanism. The results show that the more transparent central bank, more easier it will be to implement and assess a more complex and versatile monetary policy committee which will be able to ease and facilitate the right monetary policy decisions. However, we can observe that central bank transparency was especially quantified in the developed countries with a special focus on the Euro zone, but also on some other developed countries like: United States and Canada. These results suggest that the future studies regarding central bank transparency and its’ impact upon the monetary policy committee mechanism must focus also upon some emerging and developing countries for evaluating the transition upon a more transparent and open central bank and of the construction of a suitable monetary policy committee design and mechanism.

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IV. References
Books
- One author

- Articles in journals/on-line journals