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The Wizards of Oz

Peering behind the curtain on the relationship between
central banks and the business media

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It is perhaps one of the best-known scenes in the history of movies. Toto, Dorothy's famous white cairn terrier, looks behind a curtain and exposes the Wizard of Oz as nothing more than an ordinary man using buttons and levers to animate a booming voice emanating from a disembodied head in order to project authority and convince others of his imminent powers. While some (Littlefield 1964; Sanders 1991) have interpreted *The Wizard of Oz* as a parable about the nineteenth-century debate between advocates of the gold standard (eastern US bankers) and the silver standard (mid-western populists), this scene could, from a modern vantage point, be more usefully interpreted as a powerful and enduring parable about the nature of power projected by central bankers and their handmaidens, the business media. Like the Wizard of Oz, modern-day central bank practitioners push and pull figurative buttons and levers that also animate a disembodied discourse carried by an all-too-compliant business media. This discourse booms with the authority and power to convince an inattentive, overlabored, and understandably ill-informed public of the central bank's imminent power over all manner of economic outcome. There are very good reasons to believe, however, that modern monetary policy largely is ineffective in its stated objective, namely, regulating the generalized rate of price increases (inflation) using short-term, interest rate targets.

That is not to say that the *discourse* of modern central banking is ineffective. Until the global financial crisis of 2008 and 2009, central banks were *singularly* successful in using discursive techniques to achieve two less-known objectives. First, central bank discourse around inflation targets shielded from view a more potent and *democratic* source of control over economic outcomes, namely, the tools of fiscal policy. Second, central bank discourse obscured the institution's active role in backstopping the financial sector and its ability to "innovate" financial products that we now know jeopardized the stability of the global economy. For these reasons, I want to suggest that modern-day central bank

communications practices are cornerstones in the ongoing development of *financialization*, which, following Boyer, I define as a situation where “all the elements of final demand bear the consequences of the dominance of finance” (Boyer 2000).

To suggest, however, that the media have some power to propagate beliefs or, at a minimum, to dampen or distill questions that might challenge existing belief structures brings to the fore important theoretical questions about the assumed nature of the audience, the interplay between the media and modern communications practices by institutions such as central banks, and in the case of this work, the power of language and metaphors in particular to influence elite opinion about an important policy issue. While it is beyond the scope of this chapter to delve too deeply into these questions, it is useful to briefly sketch some of the theoretical perspectives that underpin this work. First, this work assumes, following Abercrombie, Hill, and Turner (1980) and others who work in the elite-indexing tradition (Bennett 1990; Bennett, Pickard, Iozzi, Schroeder, Lagos, and Caswell 2004; Davis 2000a, b, 2003; Deacon and Golding 1994; Edelman 1988), that the media’s agenda-setting effects, at least for questions such as monetary policy, are for the most part localized at the elite level, a strata of society that I define roughly as the community of individuals who tend to have above-average incomes and have an active interest in policy matters and by virtue of this active interest may be considered opinion leaders in their social circles and sometimes beyond. Second, this work reviews evidence for what Fairclough (1995) calls the “technologization of discourse,” a term used to describe the increasingly strategic, self-conscious, and formal structures that govern institutional and political communications with the news media and which leverage structural features of the news business, such as the ever-present search for “information subsidies” (easy and cheap content for news holes) and the increasingly strenuous time constraints that govern news production in late modernity. Third, this work builds on a growing body of critical discourse analysis work by researchers who study metaphors and their power to shape opinion, particularly among an elite class. Fairclough (1995), for example, argues that dominant metaphors construct domains “in a way which helps to marginalize other constructions from the perspective of oppositional groups,” while Koller, quoting Kress, another important critical discourse theorist, writes that “metaphorical activity occurs at sites of difference, in struggles over power, ... whenever an attempt is made to assimilate an event into one ideological system rather than another” (2004: 28).

The evidence reviewed here suggests that the media’s use of strongly metaphoric language to translate the arcane language of monetary policy has been and remains a key moment in helping inflation targeting gain and retain its stranglehold on the imagination of those elite who devote intellectual resources to thinking about monetary policy. In so doing, inflation targeting has passed into conventional opinion, a taken-for-granted state of nonreflection that gives

those who hold the levers of power a free hand to effect policy in a direction that, were it subject to serious scrutiny, might meet with disapproval from the electorate.

A short history of the communications revolution in central banking in Canada

For most of their history, central bankers have been content to operate largely outside of public scrutiny. Like a poker player trying to bluff an opponent, it was widely believed in the postwar period that central bank policy effectiveness would be undermined if people correctly anticipated monetary policy actions. Silence was the order of the day. Press releases were few. Speeches were far between. Central bank actions were a back-page newspaper story, if they were a story at all. In this chapter, we consider the transition from this kind of secretive or defensive communications regimes to more modern-day strategic communications strategies by looking at the Bank of Canada (henceforth, “the Bank”), one of the world’s first central banks to explicitly adopt inflation targeting and the related communications practices that are viewed as a necessary complement to this policy objective. That said, it is important to stress that the broad trend from secrecy to openness documented here for the Bank also holds, albeit in less advanced form, at central banks in other developed countries, including the European Central Bank (ECB), the Bank of England, and the US Federal Reserve (Blinder, Goodhart, Hildebrand, Lipton, and Wyplosz 2001; Winkler 2002).

At the Bank, the culture of noncommunication had deep roots in its history and legitimate concerns about ensuring that outsiders were unable to profit from privileged access to information about a forthcoming Bank’s decision over interest rates, capital controls, or any other central bank policy tool. In 1939, for example, the Bank put in place controls on the flow of money into and out of the country under tremendous secrecy, something that is almost unimaginable today. Similarly, in 1958, the government’s decision to refinance a large amount of Victory Loans issued during Second World War was done under extreme secrecy, with the Bank at one point summoning bondholder representatives, locking them in a room, and only then revealing the purpose of the meeting. According to Babad and Mulroney (1995: 103), this was “typical” Bank of Canada behavior, “secret in every aspect.” In later years, the Bank’s public temerity could be attributed to a hangover effect from what has become known as “the Coyne affair,” a politically messy episode in the Bank’s history (1960–1) that led to the resignation of the then governor James Coyne after the government grew weary of the Bank’s high interest rate monetary policy and Coyne’s very public rebuke of the government over its taxation, deficit spending, and national debt policies.

In retrospect, the Bank's penchant for secrecy or noncommunication seems exaggerated. In June 1970, for example, Canada abandoned its fixed exchange rate regime (backed, importantly, by gold reserves held in the United States), an early sign that the Bretton Woods agreement was about to unravel. This policy shift warranted only the briefest of mentions in the Bank's annual report. As Charles Freedman, a former deputy governor at the Bank noted in an interview (2006), "John Crow (a former Bank of Canada Governor) commented in a speech at one point about the fact that when we went to a flexible exchange rate, you had to go to page 9 in the annual report before you'd see a reference to it. There didn't seem to be any recognition of the fact that it changed the way monetary policy worked."

The historical bias toward secrecy—and the eventual embrace of modern communication practices—can be depicted by looking at the number of speeches per year by Bank of Canada officials (Figure 12.1). In the 1960s and early 1970s, Bank of Canada governor Louis Rasminsky made an average of 2.2 speeches a year to groups outside of parliament. Under governor Gerald Bouey, the average number of speeches increased marginally to 2.6. With the appointment of John Crow in 1987, the average more than doubled to 6.4 speeches a year, setting a precedent for Gordon Thiessen, who delivered an average of 6.7 speeches a year during his term from 1994 through to 2000. Former governor David Dodge delivered an average of 17.4 speeches a year over his tenure, more than 2.5 times the output of Thiessen. Current governor Mark Carney has delivered an average of 13.5 speeches a year since taking over in 2007 but given more free reign to his deputy governors to make up for the speech gap between him and his predecessor, David Dodge.

Figure 12.1 Bank of Canada public speeches, 1960–2009

This increase in communicative, for-public-consumption speech making is reflected elsewhere in what Ericson, Baranek, and Chan (1989) would call the Bank's "front-region" activities,¹ including a surge in the number and nature of press release commentary, in the introduction of regular monetary policy reports and updates, in the adoption of eight fixed interest rate policy announcement dates a year, in the use of media-lockups, in the revised content and layout of flagship publications such as the annual report, in the breadth and depth of the Bank's website, and finally, in the creation of "day schools" for journalists who want a better "understanding" of the Bank and its functioning (Pigeon 2008).

Crucially, most of these changes began with, and were integral to, the Bank's eventual and unilateral adoption of what began as a vague "price stability" objective in the late 1980s and its formal adoption of explicit inflation targets in 1991. Since then, the Bank—like most other modern-day central banks in the developed world (Goodfriend 2007)—has had one overriding objective, namely, to achieve a targeted rate of inflation (2 percent since 1995) as measured by the consumer price index (CPI) in the belief that other traditional macroeconomic policy considerations such as economic growth and employment are best served by this singular goal.

The link between inflation targeting as a formal policy objective and communications may not be obvious, so a brief explanation is warranted. From the Bank's perspective, its outward communication practices help condition public expectations—via the business media—about *future* inflation. Since the Bank believes current inflation is at least in part a function of inflationary expectations,² the Bank's ability to achieve its 2 percent inflation target hinges on its ability to influence these expectations, much like the Wizard of Oz tried to create desired outcomes through the power of suggestion. This communications perspective is built into the very core of the Bank's mandate—it, along with the Department of Finance, chose the CPI as its policy focus for the simple reason that it "communicated" the general idea of inflation. As Laidler and Robson (2004: 116–7), two high-profile commentators, note,

a strong case exists for using a price index based on gross domestic product (GDP), which would encompass the prices of all goods and services produced in Canada but such an index has a number of drawbacks: it is harder to measure, can be highly sensitive to variations in commodity prices and Canada's terms of trade, appears with a long time lag, is subject to revisions, *and is not well understood by the general public.* (italics added)

While the communication revolution at the Bank is of relatively recent vintage and, as indicated earlier, integral to its inflation-targeting policy regime, the Bank has been much more consistent historically in its willingness to publicly warn against the risks of deficit spending as a practice that could, in the Bank's view, undermine the effectiveness of monetary policy. This long history can be traced back to the aforementioned Coyne affair, through to the 1980s when the central bank in its rare public pronouncements (mostly its annual report)

dropped hints about the supposed inflationary and “crowding out”³ effects of government spending, through to a more vigorous push of the “deficits are simply bad” message in the 1990s that coincided with the federal government’s own vigorous promotion of this view.

The central bank is hardly alone in its concern about deficits—Canada’s public space and, indeed, most public spaces in most developed countries, has long been dominated by a brigade of anti-deficit, anti-fiscal policy media pundits, think tanks, and other institutions. The Bank’s weight in this debate, however, is noteworthy because most anti-deficit advocates predicate their case against the use of deficit spending on the presumed ability of the central bank to shoulder the counter-cyclical macroeconomic policy burden. That is, the bank lowers interest rates when inflation falls *below* its 2 percent target because this is interpreted as a sign of excessively weak economic growth. Symmetrically, it *increases* interest rates when inflation exceeds 2 percent because this is interpreted as a sign of overly strong economic growth. The result is a “just right” policy approach that bypasses the political process and leaves no room for fiscal policy.

From the Bank’s perspective, the past 20 or so years of low inflation in Canada (and elsewhere) is proof that a sound communication strategy can manage inflation expectations and keep inflation tame. From a critical perspective, this same evidence can be interpreted as a testament to the Bank’s communicative ability to depoliticize the practice of monetary policy and, in so doing, handcuff the political and economic case for using fiscal policy as a macroeconomic stabilization tool.

The media’s role

As suggested in the introduction, the Bank’s ability to achieve its communications objectives hinges on an accommodating business media since these media play a crucial role in shaping elite opinion with respect to important economic issues such as monetary policy.⁴ Until the widespread adoption of the internet, there was almost no other way for the Bank to get its message across to this audience other than by speaking directly to the political and financial community. To explore the relationship between the Bank, the news media, and what I have called the elite, I looked at the quantum, bias, and rhetorical features of 30 years of monetary policy news coverage in *The Globe and Mail*, a newspaper owned by Canadian media conglomerate CTVglobemedia that bills itself as “Canada’s National Newspaper” and that in 2009 had an average daily paid circulation of 315,000 (Canadian Newspaper Association (CAN) 2009), making it the largest daily newspaper in Canada. I chose to focus on the *Globe and Mail* content for two reasons. First, in part due to its large circulation, *The Globe* is the opinion leader among Canadian newspapers and, by extension, the broadcast media. Soroka (2002), for example, finds that *The Globe* “is a

significant predictor of other newspapers' emphasis on three issues: debt and deficit, inflation and taxes," all of which are relevant to this study. Second, over the past 30 or so years, *The Globe*, quite consciously and notwithstanding its claim to being Canada's national newspaper, has reduced or eliminated circulation to rural areas and lower income parts of major urban centers while concentrating newspaper boxes in areas frequented by higher income individuals. Throughout, *The Globe's* editorial stance has largely reflected the views of this increasingly elite readership by projecting ideas and arguments that the newspaper itself characterizes as "socially liberal and fiscally conservative,"⁵ a tidy summary of the dominant political culture in all of Canada's major political parties.

I chose newspapers as my analytical focal point for two reasons. First, newspapers provide the raw material that informs morning, afternoon, and evening newscasts on radio, television (Ericson *et al.* 1989: 180), and increasingly, the internet. Second, newspapers are the preferred medium for politicians seeking detailed and sustained coverage of an issue, reflecting a "media hierarchy" whereby "newspapers (are) for major ongoing issues, television for ongoing images, and radio as a residual medium" (Ericson *et al.* 1989: 236). In my work, I used an open-source software package called *Yoshikoder*,⁶ which treats words as "data points" that can be counted and analyzed numerically to produce statistics and time trends. To obtain my newspaper sample, I used Factiva, a *Dow Jones & Co.* database that offers a sophisticated search engine, generous downloading privileges, and full-text coverage extending back to the paper's first electronic edition of November 14, 1977. I chose a set of keywords that attempts to walk a fine line in the inherent trade-off between the quality of the sample (efficiency) and sample size. The search pattern is indicated in the note attached to Figure 12.2.

To get a sense of the shape and size of *The Globe's* increasingly elite audience, we can construct a statistical profile of the "average" reader from a regular *Report on Business* section of the newspaper called "Financial Facelift," which *The Globe* has published since May 1999. The column is part of the "personal finance" or "news-you-can-use" output discussed by prominent business journalist Jeffrey Madrick (2001) in some of his work: Each column profiles a reader facing some financial challenge and includes a detailed accounting of their financial situation. Table 12.1 outlines some of the key demographic and financial variables derived by entering financial data from 176 columns over a period stretching from 1999 through to April 2006 into a Microsoft Access database developed for this research. It shows that demographically *The Globe's* readership is roughly comparable to average and median data for Canada as a whole. Financially and occupationally, however, the average of *The Globe's* reader earning is roughly double (in average and median income terms) what the average Canadian earns. From a balance-sheet perspective, the gap is even greater, with these representative *Globe* readers reporting net worth 2.5 times the Canadian average.

Figure 12.2 Frequency of the *Globe and Mail* coverage of monetary policy matters, 1978–2006

Note: Search performed in the Factiva database using the following search string: RST = GLOB, “monetary policy,” “Bank of Canada,” “interest rate,” and “Gerald Bouey” or “John Crow” or “Gordon Thiessen” or “David Dodge”.

Quantity evidence

Figure 12.2 shows the result of my effort to quantify the ebb and flow of *The Globe*’s monetary policy coverage. The evidence fits the historical record remarkably well, giving us some confidence in our sampling procedure and suggesting that until the early 1990s, *The Globe*’s agenda was set largely by real-world events, elite infighting, and the paper’s own agenda; afterward, *The Globe* followed the Bank lead, with coverage ebbing and flowing according to the Bank’s carefully managed “front-region” communication efforts.

Figure 12.2 shows, for example, a sharp increase in the number of monetary policy items from 1979 through to 1982, a period in which the Bank, following the US Federal Reserve, helped drive domestic mortgage rates to near 20 percent and thousands took to the streets in protest of the resulting economic carnage. *The Globe*’s monetary policy coverage subsequently subsided, spiking briefly in 1985 with the collapse of the Northland Bank of Canada and Canadian Commercial Bank. Coverage increased again beginning in 1988, a year after Crow took over as governor and indicated his intent to direct monetary policy toward the aforementioned price stability objective. Coverage peaked in 1990, as the Bank’s price stability target increasingly became the source of elite infighting, with provincial premiers, elements of the business community, labor, and even some former academic supporters lining up against its ill-defined policy agenda.

In 1991, monetary policy news coverage fell sharply as the Bank, with the Department of Finance’s support, adopted an inflation-targeting regime that aimed to reduce inflation to 2 percent by 1995. In Figure 12.2, we can almost

Table 12.1 Profile of targeted *Globe and Mail* audience based on data compiled from Financial Facelift column, May 1999 to April 2006

	Financial Facelift data	National data
Demographic profile		
Average age	41.0	39.0
Median age	40.0	39.5
Gender		
Male	46%	49%
Female	54%	51%
Married/couple	75%	71%
Income		
Average income (before taxes)	Can\$117,828	Can\$68,880
Median income	Can\$108,704	Can\$56,640
Average expenses	Can\$68,691	Can\$66,857
Median expenses	Can\$63,804	NA
Balance sheet		
Average assets	Can\$597,420	Can\$237,200
Median assets	Can\$462,750	Can\$136,600
Average liabilities	Can\$136,590	Can\$55,200
Median liabilities	Can\$110,400	Can\$29,000
Average net worth	Can\$460,830	Can\$182,000
Median net worth	Can\$279,000	Can\$81,000

- 1 Financial Facelift data collected from 176 columns beginning in 1999 through to April 2006. Data were entered into a proprietary Microsoft Access database that yielded the tabulations in this table.
- 2 The Financial Facelift columns mostly profile married or otherwise engaged couples (the 176 columns surveyed profiled 306 individuals). The data presented here reflect the total number of individuals profiled (i.e. 306). The average-age data, for example, represent the average age of *all* individuals profiled in the column.

Sources: Demographic data: Statistics Canada 2006a; average income data: Statistics Canada 2006b,c; balance sheet data: Statistics Canada 2001.

“see” a tentative elite consensus begin to form around this time. With the exceptions of 1993 and 1998, the search pattern shows *The Globe’s* coverage leveling off at about 50 items per year for the rest of the decade. Finally, we see a spike in the number of items beginning in 2001, a period that coincided with four major events that speak of the Bank’s increasingly sophisticated communications practices. First, an experienced senior bureaucrat named David Dodge took over as governor and dramatically increased the volume of public presentations. Second, the Bank renewed its inflation-targeting regime for a 5-year period. Third, the Bank was called upon to react to the financial and economic consequences of 9/11 and engage in a great deal of outreach to the media and, through them, the public. Fourth, 2001 was the first full year

of fixed policy announcement dates, a move designed to focus media attention on events in Canada by reducing speculation about the Bank's perceived tendency of responding to changes in US monetary policy rather than charting an independent course worthy of a sovereign nation.

Quality or voice evidence

Using the sample depicted in Figure 12.3, we also can measure the extent to which different voices were used as sources in *The Globe's* coverage of fiscal and monetary policy matters. In critical theory and critical discourse analysis, analysts are urged to attend to voices that are represented and *how* they are represented. For the purposes of this research, monetary policy news sources were grouped into two main categories, namely, "Bay Street"⁷ (financial sector commentators) and "Main Street" (commentators representing small- and medium-sized businesses plus manufacturing), with Bay Street *generally* supporting the Bank, even in its pursuit of such an ill-defined concept as "price stability," and "Main Street" *generally* critical of the Bank's pursuit of low inflation and price stability but rarely offering a compelling theoretically based alternative.⁸ Above all, Main Street simply wanted the pain of high interest rates to stop. We also can identify a third type of source I have called "Heterodox" because they offered a theoretically grounded critical alternative to the "monetarist" views of Bay Street and the pragmatic concerns of Main Street.

Using these categorizations, we find Bay Street was the dominant source by a wide margin, although the split was more even than found in similar research conducted for fiscal policy (Pigeon 2008). Figure 12.3 shows that *The Globe* cited Bay Street sources more frequently than Main Street and Heterodox sources

Figure 12.3 Bay Street versus Main Street and Heterodox views in monetary policy discourse—mentions by category, 1978–2006

but that the gaps in mentions were relatively small over the period through to 1997. It also shows a rather strong correlation between the incidence of Bay Street citations and Main Street plus Heterodox citations from about 1987, which is when John Crow became governor at the Bank and the number of citations for all categories spikes higher, through to 1996 and 1997, when economist Pierre Fortin used his position as head of the Canadian Economics Association to argue (unsuccessfully) for a more inflation-tolerant view at the Bank.

In the late 1990s and especially after 2000, Figure 12.3 also shows a sharp increase in Bay Street citations, which I believe speaks to the depoliticization of monetary policy as a discretionary policy tool thanks to the Bank's embrace of strategic communication practices. By this point, alternative critical voices had been sidelined while "within-consensus" voices (those who supported inflation targeting as proposed) had plenty to talk about given the Asian financial crisis in 1997–8, debates about whether to adopt the US dollar in the 1999 and 2000 period, the move to fixed announcement dates in late 2000, David Dodge's appointment as governor in 2001, and Canadian dollar gyrations from 2001 through to today.

Finally, this analysis squares with the agenda-setting data presented a moment ago. The Bank's explicit and unrelenting pursuit of an ill-defined price stability target beginning in 1987, relatively primitive communication practices, and Crow's acerbic personality helped make inflation more of an issue than it otherwise might have been, a contention supported by the dissensus among elites over the "price stability" target and the corresponding increase in media attention. In the early going, the Bank was simply a "bad" communicator in the sense that its utterances or lack thereof created rather than dissipated negative media attention. The 1991 inflation-targeting regimes, combined with a fortuitous drop in inflation, almost immediately stitched together a tentative consensus, which was briefly challenged in 1993 when the Liberal Party failed to reappoint Crow as governor. Thiessen's clear fealty to the inflation-targeting regime combined with a laid-back personality and a focused communications effort put the inflation-targeting consensus on a firmer footing. The seemingly sharp and somewhat permanent increase in coverage beginning in 2001 was due in part to the force of governor Dodge's personality, his considerable communicative abilities, and in part to the permissiveness of "within-consensus" debates.

Rhetorical evidence

Metaphors are potentially powerful rhetorical tools because of their ability to reveal, conceal, and color our interpretations. For cognitive theorists, they map features from a "source domain" to a "target domain." The more concrete and culturally embedded the source domain and the greater its role in early childhood development, the greater the potential power of the metaphor to

shape our world view. From this, we can infer that the power of a metaphor is a function of the quality of the metaphor (concreteness, imageability, early childhood role) and its quantity (frequency of exposure). I will address first the question of quality. By carefully reading through my sample of the *Globe* monetary policy coverage, I identified four main categories of monetary policy metaphors:

- 1 *Monetary policy is war*—This class of metaphor calls on the Bank to *target*, *combat*, *fight*, *battle*, and *defend* against inflation, which is perceived as an *entrenched enemy* and a *threat* that must be *tackled*, *defeated*, *beaten*, *vanquished*, and *resisted* using interest rates as an *arsenal*, *weapon*, and *unguided missile* despite the potential for *casualties* and a *body count*. Fortunately, the Bank was *victorious* in its *campaign* against inflation in the early 1990s, leaving more room to *maneuver* in the years to come. Koller (2004) suggests that war metaphors are common in business news and serve to build cohesion among a predominantly male audience. The use of war metaphors in monetary policy discourse plays another complimentary role, however, because they also minimize attention to the casualties of the war on inflation, namely, workers who bear the brunt of layoffs caused by rising interest rates. In short, the “monetary policy is war” metaphors work roughly the way Gramm (1996) suggests they do in his study of dominant economic metaphors, namely, as apologetics for those who make decisions—such as central bankers—with important distributional consequences.
- 2 *Inflation is a siren’s song*—This class of metaphor calls on the Bank to resist the sirens’ song by *staying the course* despite the entrancing allure of inflation as extolled by the Bank’s critics in the manufacturing, labor union, academic, and political classes. The Bank must *show resolve* and turn a *blind eye* to its victims. It must demonstrate *perseverance*, *determination*, *steadfastness*, *firmness* while being *tough*, *strict*, and *tightfisted* with its control over the money supply. It must not *waver* or *let up* in its efforts to *restrict* the money supply. The Bank must do all this lest it, like the fabled sailors in the allegory, be lead (and lead others) to its demise. This class of metaphor has strong ties to the “monetary policy is war” metaphors because the Bank’s job can be likened to that of a general who must set aside feelings for the daily tragedies of war while keeping a firm and steady eye on the larger strategic, long-run picture.
- 3 *Monetary variables are liquids*—In this class of metaphor, the Bank increases the money supply by *injecting liquidity* into the market; inflation is *wrung* or *squeezed* out of the economy; inflation can

evaporate; exchange rates *float* in the international market; interest rates and the exchange rate can *dive*, *plunge*, or *drift*, all because of the sudden movement of animal spirits (another popular economic metaphor); and interest rates can *shore up* or *dampen* the economy and/or inflation. For the most part, these metaphors are utilitarian, employed frequently in academic and popular discourses. The depoliticization effects of these metaphors only really occur when writers use them in a disciplinary context. Thus, the governor of the Bank is likened to a *pilot* said to be at the *helm* of the Bank, which is characterized as a *ship* that must *stay the course* with its price stability and inflation-targeting objectives. The resulting impression is of a Bank that is more or less *in control* and understands the tendency of markets to create *stormy seas* of liquidity that *slosh* around the global economy. Crucially, the Bank achieves its policy objectives by *anchoring* expectations—where animal spirits express themselves—to its inflation target, a metaphor that speaks explicitly of the Bank’s communicative function and that can be loosely translated as follows: “the Bank’s job is to persuade everyone that it exercises the control that it claims it does.”

- 4 *Inflation is a disease*—This category of monetary policy metaphors works on two levels. First, like “monetary policy is war,” it attributes a “bad” to inflation. Disease is *contagious*, *dirty*, and *deadly*. Second, “inflation is like a disease” metaphors tap into the traditional view of medicine and doctors as demigods who symbolize the steady progress of history, science, and knowledge. Thus, inflation is a *disease* that is *contracted* by the Canadian economy, which in turn is often characterized as a *sick patient convalescing* from *inflation fever*. The Bank is a doctor who knowledgeably *administers doses* of interest rate policy that are like *medicine* and *tourniquets*.

Quantitatively, I was able to roughly gauge the impact of these metaphors by associating a set of unique keywords to each category and then counting word frequencies. The results of this exercise are encouraging, supporting the conclusion that the metaphoric language of monetary policy is strongly discouraging of critical thinking. Figure 12.4 puts the use of metaphoric activity in the context of the total news corpus (for a given year). Strikingly, it reveals a long-term stability in the relative use of all the major metaphor categories except the “siren song” class. The stability and weight of “war” metaphors are especially intriguing, suggesting that this class of metaphor is a permanent feature of the monetary policy discourse in Canada. With some exceptions, the “disease” and “liquid” metaphors are similarly stable through time, again suggestive of their deeply embedded (but less pervasive) nature in the discourse. The “siren song” metaphors by contrast trend lower through time, a fact that is probably attributable to (a) the absence of dramatic interest

Figure 12.4 Major metaphor categories for monetary policy, counts/year as a fraction of words in sample, 1978–2006

rate events like those of the early 1990s, (b) relatively stable inflation, and (c) the absence of divisive leadership exemplified by John Crow.

In sum, the monetary policy discourse draws heavily on two well-known categories of metaphors frequently discussed in the cognitive literature, namely, metaphors built around restraint (“siren song” metaphors) and violence (“war” metaphors). “Disease” and “liquid” metaphors are probably less grounded in the sense that, for the most part, they do not bear on our early childhood development to the same universal extent or in the same manner.

Conclusion

The evidence suggests that the Bank has been effective in convincing the policy community and the public that it has the ability to control inflation. It has done so through a purposeful strategy that integrates communications considerations into the *heart* of its policy-making process, choosing the CPI as its policy target on purely communicative grounds. The media have given this strategy effect, taking the technical language of monetary policy and, drawing on Bay Street sources, translated it with metaphors that suggest the Bank’s masterly control over an inflation nemesis.

Remarkably, this communications endeavor has been achieved against the backdrop of an academic debate over whether in fact central banks have had *anything* to do with the global trend toward low inflation since the early 1990s, a debate well known in the back regions of central banking (Angeriz and Arestis

2006) but rarely voiced in front-region interactions with the news media. In my research, I interviewed a very senior Bank official (since retired) who, in a moment of candor, told me, for example, that “it’s a very real historical issue as to how much of the success that we attribute to inflation targeting is really attributable to changes in the structure of global trade, the reduction in the cost of global communications, and so on” (Confidential interview August 4, 2006, Ottawa). More remarkably perhaps, the author has had several discussions with senior Statistics Canada personnel who confirm what many suspect, namely, that the CPI is a deeply flawed measure of inflation (Statistics Canada is responsible for this tabulation). Given the Bank’s questionable influence over such a flawed measure, a case can be made that central bank talk serves two deeper purposes beyond “anchoring” inflation expectations.

First, the Bank’s communication efforts insulate it from much critical scrutiny in an area where it *does* play a vital role, namely, in the traditional central bank role of backstopping the financial system (Goodhart 1988), which since the early 1980s has been consolidating within Canadian borders while expanding abroad. The situation is paralleled in most other developed countries that have undergone financial “big bangs,” that is the regulatory effacement of barriers between insurance, banking, investment banks, and trusts into one-size-fits-all, super-sized financial institutions that “innovate” financial products and adopt increasingly levered positions characteristic of financialization and the lead up to the 2008–9 financial crisis. The Bank’s complicity in this process was vividly illustrated in the spring of 2008 when it sponsored changes to the Bank of Canada Act that gave it the power to purchase *any* security of its choosing for whatever purpose it deemed necessary to protect the integrity of Canada’s financial system and to do so without making public anything about the transaction. This purely communicative policy change did away with the previous requirement of notifying the public whenever the Bank purchased securities not explicitly enumerated in the Bank of Canada Act, a requirement viewed by the Bank as akin to yelling “fire” in a crowded theater because these types of purchases would tend to happen only in times of extreme financial stress. This little-noted and largely misunderstood legislative change occurred even as the Bank continued to trumpet the “openness” and “accountability” built into its adherence to easy-to-monitor inflation targets.

Second, the modern central bank’s communications efforts are also an exercise in distraction in the sense that they take our eye away from where the real and enduring power over economic outcomes is to be found—in our democratically elected institutions and their power to affect change through spending and taxation. If central banks are assumed to have near-perfect control over inflation outcomes and if this in turn means that central banks necessarily adopt counter-cyclical (symmetric) policy stances, then there is really no need for the politicians to get their hands messy with fiscal policy.

The 2008–9 crisis briefly exposed the hollowness of the assumptions underpinning this view, but despite the sudden pragmatic reembrace of fiscal policy, few have called for a permanent return to activist fiscal policy. Instead, most worry about the “destabilizing” effects of rising government deficits and debt (“sovereign default risk”) and the “inflationary-effects” of central bank policy interventions because of all the “money sloshing” around in the banking system. In short, the narrative is shaping up as one where the central bank must once again discipline the Canadian economy by vanquishing any hint of inflation while scolding sovereign governments about their fiscal policies.

This attempt to reimpose what is essentially the inflation-targeting discourse of the past 20 years is particularly distressing because it coincides with a growing community of economic scholars (Mitchell 2008; Wray 1998) who persuasively argue that the limits of fiscal policy are, for the most part, self-imposed. While the rationale for this argument is too detailed to address here, the nub of the argument rests on recognizing the full implications of abandoning the same gold standard regime that may have been the genesis of Frank L. Baum’s *The Wonderful Wizard of Oz* and whose abandonment arguably kick-started the communications revolution in central banking:⁹ In a non-gold standard world such as ours, sovereign governments create money *ex nihilo* every time they spend. They are no more limited in this capacity than a scorekeeper in a football game—only self-imposed rules define the limits of our score keeping, much like poor self-image limited the development of the characters in *The Wizard of Oz*. The media, unfortunately, have not seen fit to peer behind the curtain and discuss this new, persuasive, research. Rather, they have actively constructed and propagated a deception based on the purported folly of fiscal policy and the sanctity of monetary mechanisms. In so doing, this discourse prevents people from recognizing that much of the power to wrestle control over economic outcomes lies in having the heart, the mind, and the courage to see true and through the forces of monetary mystification.

Notes

- 1 “Front-region” refers to the intersection of government, bureaucratic, and media discourses, the “public sphere” if you will; bureaucrats and governments typically try to impose some “enclosure” on internal discourse, to fence it in and allow only a well-defined narrative to be exposed in front-region activities 4.
- 2 For example, unions typically base their wage demands on expected inflation to avoid a loss in real income for their members. If union and employers are reasonably certain that the Bank can deliver on its 2 percent inflation target, then wage increase will tend to settle around this figure, potentially creating a self-fulfilling prophecy such that the general rate of price change (influenced greatly by wage settlements) is on target at 2 percent.

- 3 “Crowding out” refers to the theory that the government borrowing displaces private-sector borrowing by “using up” a supposedly limited pool of savings.
- 4 As I argue elsewhere (Pigeon 2008), television, radio, and the general news section of newspapers played an important—albeit second order—role in spreading elite views about monetary policy (crystallized through, and by, the business media) to the general nonelite public. The general public’s views, in turn, were measured (and fed back to the elite) using the technology of public-opinion polling that, following Lewis (2001), I argue acted largely as a barometer of the degree to which elite views—carried through these more general interest media—were becoming the instinctual—rather than elaborated—response to monetary policy (and fiscal policy) questions.
- 5 Personal communication with Warren Clement, a long-time editorial writer at *The Globe and Mail*.
- 6 For information on this software package and related theoretical work, visit the Yoshikoder homepage at <http://www.yoshikoder.wordpress.com/>.
- 7 “Bay Street” is Canada’s version of “Wall Street.” In other words, this downtown Toronto street represents the hub of Canada’s financial sector.
- 8 In a 2007 column, *National Post* editor Terence Corcoran (2007) echoed this view, noting that Canada’s “now sacrosanct inflation targets” were not always popular among business leaders. Corcoran quotes Catherine Swift, head of the Canadian Federation of Independent Business (CFIB), as praising Dodge upon his retirement for taking “the punch bowl away just as the party was getting good and everybody was starting to have a good time” (a common metaphor used to describe inflation-targeting monetary policy) and contrasts this quotation with what she had said in the early 1990s, when she accused Crow of instituting a policy that “guaranteed that domestic business will be crippled” and noted that “when you kill an economy, one of the things you kill is inflation.”
- 9 In Pigeon (2008), I note that the Bank’s first serious attempts to engage with the public occurred around the time of the collapse of the Bretton Woods agreement.