

ECB Central Bank Communications Conference

**“Communications challenges for policy effectiveness, accountability and reputation”**

**Dinner speech**

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It is an honour for me to be here this evening and to be part of a conference on a topic that has been a big part of my professional life. My senior thesis at university was on European Monetary Union; central bank policy was one of the first areas I covered as I was starting out as a reporter in the mid-1990s. Of my 13 years at The Wall Street Journal as a reporter and editor, five were devoted to the euro-zone crisis, and central banking is one of the areas to which we have traditionally devoted – and still devote – the most attention at Reuters.

I also welcome the opportunity to speak about journalism and communication at a time when the importance of separating fact from rumor and fiction has never been more important. This is a time when, in many countries around the world, the free and fair press is under threat. Media organizations over the past decade have faced, and are facing, rising financial pressures, forcing many to cut their resources around the world and to explore shortcuts that leave readers short-changed.

After a day in which we have talked about the challenges facing central bank communication, I think it would be helpful to give you a window into the other side, my world. Specifically, I would like to talk tonight about speed and credibility; both crucial to my job and yours; both crucial to journalism more broadly.

A lot of time was spent today on exploring communication to markets and the wider population. Reuters is a dual-model media business that sells to financial clients and to media clients (digital customers, TV networks, newspapers – who in turn sell to consumers). We also have our own consumer business via our website and mobile apps. So we are unique in the media business in that we speak to both markets and the public at large. While these are different audiences, what they seek is not very different. When I hold our global news meeting every day,

I run through the top stories on our Eikon terminal for financial clients (traders and investors) and on our website. Regularly, the most read stories are the same on both platforms.

In my current role as Reuters' Global News Editor, I have a very privileged view of the most important stories worldwide – financial and otherwise. I believe the journalistic challenges we face on the battlefield or in a central bank briefing room are actually – at the core – not that different. I also believe the core challenges faced by the traditional media and central banks are not that different either.

Journalism today is facing two, big overlapping challenges: one is driven by technological change; the other by economic, political and societal change.

First technology: Technology is pushing the boundaries of how we and other institutions, including central banks, disclose and propagate news.

In 1996, I was covering the Italian economy for Reuters in Rome. Economic indicators and rate changes were among the most stressful things a journalist could cover, because it was only through us – the news agencies – that you – the institutions – disclosed key facts to the world.

The difference between winning and losing depended on the reporters themselves; on how fast they understood a number; on how fast they typed or how fast they dialed a number to the newsroom.

For most of my time at the WSJ, another related dynamic prevailed: the value of a scoop. You could hold a world-beating exclusive from the evening you had it until publication the next morning.

Neither world exists any more. Today, at Reuters, we automate many of our economic indicators and corporate disclosures. This means that one of our machines goes into a press release by a central bank or statistics agency, scrapes the key figure and writes a headline that goes out on our terminal. Usually, the first end-user will not be a human; another machine will pick up that data and trade on it. As a result, we can be fast, but we will only be as fast as our algorithms or our telecommunications networks are. Today at the WSJ, no scoop holds. The notion that a reporter would wait until the next day's newspaper rather than publishing his or her scoop on the website for it to be picked up by other media is rather quaint.

Social media has shortened the timespans of information. Facebook, Google and Twitter allow us to publish and propagate our stories globally, reaching increasing audiences at lightning speed. This has changed consumer tastes: according to the Reuters Institute and Oxford University 2017 Digital News Report survey of 70,000 people in 36 countries, more than 54% of people prefer content that is selected by an algorithm (via social media or an aggregator) compared to 44% who say they prefer news selected by an editor or journalist. This, by the way, is especially true of the younger generation – 64% of under 35 year-olds say they prefer to get their news through social media.

The propagation of news has given you, institutions, new platforms and the ability to disintermediate us and go directly to consumers. Your rate decisions are published online; your press conferences are streamed, and your press officers are active twitterati.

Now, of course, automation and social media do not entirely invalidate traditional ways we cover spot news. A machine thus far cannot write anything beyond a simple story; we need back-up in case automation fails; and we need to manually publish everything that cannot be automated, such as live briefings and unexpected commentary. And while Nomura and Microsoft may be studying Governor Kuroda's face for clues about monetary policy, we still have not found any man or machine that could have predicted President Draghi's: "Believe me, it will be enough."

Still, social media continues to threaten the business model of traditional media. For advertising-based media, suffice it to say that Facebook and Google amass virtually the entire world pie of digital advertising. Automation and disintermediation mean the advantage of being first is eroding. It is still important to be first. But it is harder to differentiate ourselves by being first.

The second big challenge to the media business is the increasing politicization and polarization of news. In the US and UK, for example, there has been a rise in openly-partisan advocacy news organizations that have been fueled by the polarization of society. Like-minded people cluster together to read what they like. Partly, in response, some of the mainstream media organizations have also shifted their compass, taking on a more clearly-defined political agenda. In this world of cultural warriors, mainstream organizations that strive for impartiality are at times under sharp attack. They are treated with contempt for being unsexy or unfashionable – or even for not being hard-hitting enough by not taking sides or joining the mission of one of the two packs.

The rise of populist politics has affected central banks as well, certainly in Europe and in the US. Central banks have, for decades, been the province of brainy technocrats and have succeeded in fending off political intervention through hard fact and logic. But fact-challenging politicians are making it harder for central bankers to ply their trade.

Amid these challenges, overall trust in institutions – media and central banks are together on this – is dangerously low. According to the Reuters Institute study, 38% of those surveyed said they believed they could trust the news media. A poll by researcher Gallup showed last year that Americans' trust in the media had fallen to the lowest level since 1972. Similarly, fewer than 30 percent of the people surveyed in 20 countries by Edelman's Trust Barometer said they trusted the leaders of their country's key institutions.

So the overarching question for our profession – and for yours -- is: how do we regain global trust. For you, trust is fundamental to the key forward guidance policy we have been discussing today. Governor Carney said the goal of his communications was to show that the Bank of England was “credible and competent.” Managing expectations helps restore public confidence about the future of the economy – a public good. (One of the questions that did not come up as much as I had hoped today is: what are you, central banks, doing to protect yourselves from getting swept up in the rise of populist politics?)

For us, the question is how can we restore trust among our readers, our viewers and the society? In part, that comes from protecting ourselves from populist and fact-obliterating politicians – in order to fulfill our responsibility to provide the truth – also a public good.

What I would propose to you this evening is that the best way to restore trust and credibility for the media now and in the future is to go back to the future. At a time when the media business is facing a barrage of challenges and the advantages of being first are eroding, media organizations should focus on to the old-fashioned, fact-based reporting that is the very heart of our journalistic profession. Impartiality, facts, verification of facts and transparency about what we know and don't know – yet.

Good journalism helps people make better decisions. And, I can't stress it enough, to make informed decisions people need facts, synthesis and insight not our opinions. Some people ask me: what is the remedy to fake news. It is: don't produce fake news.

This is not just a journalistic imperative, but also a commercial opportunity. Consider this: social media that are grabbing more of the traditional media's market share are learning the limitations of advertising models themselves: Facebook is under extreme public and congressional scrutiny in the US after it confirmed that Russian funds had paid for advertising aimed at influencing the US elections. At the same time, there is evidence that – amid this decade of distrust – people are yearning for sources of news they can trust, and are willing to pay for it. Of that 64 percent of under 35-year olds who told the Reuters Institute that they favour news selected by social media, only 24 percent said they actually believed social media do a good job separating fact from fiction.

President Draghi said earlier that he strives to “stick with simple formulas and it works.” At Reuters, we too try to stick to a few simple rules. Does it always work? With us as with you, not always. We talked earlier about the balance between Odyssean and Delphic forward guidance. Well, what I describe below is a Platonic ideal.

- 1) Be first and be right. If you have to choose, be right.
- 2) There is no good news or bad news. There is fair and unbiased news. And that includes not producing news where the facts are right, but the meaning twisted to fit an ideological viewpoint.
- 3) Verify facts -- even when they come from the horse's mouth.
- 4) Take ourselves out of the equation. It is not about us. (We are not, as someone said today, “people trying to move markets”)
- 5) Correct mistakes, and as quickly as possible
- 6) Differentiate ourselves with insight, explanation.

I'd like to give you an example of how some of these principles work in real-time (and perhaps this will help explain what I meant when I said that the same journalistic principles apply in the war-room and in the briefing-room).

It was during the attempted coup in Turkey a year ago. You will all remember it – it was a Friday evening, and suddenly Twitter was ablaze with reports that rebel military forces had launched a coup against Turkish President Tayyip Erdogan. Very quickly, social media platforms were buzzing with unconfirmed rumors that the coup had been successful and that Erdogan was on a plane, fleeing the country. Some said the plane was headed to Germany. It wasn't just the

media and Twitter. International intelligence agencies and politicians in key capitals were telling us and others the same thing: that Erdogan was finished and fleeing for his life. What made this version of events so titillating was that many inside – and outside turkey – wanted for it to be true. There was the euphoria of a revolution.

The problem was that our journalists on the ground were seeing a different picture. One of our photographers in the central Taksim square witnessed coup soldiers kneeling before armed police. At the Istanbul airport, the rebel coup soldiers had surrounded the building – seemingly a clear sign that they had control. But our correspondent inside the airport saw a different reality, with the coup plotters nowhere in sight.

We also verified – by looking at flight data in London – that Erdogan’s plane was nowhere near Germany. It was actually circling over Istanbul, waiting for clearance to land. Indisputable facts on the ground – seen with our own eyes and camera lenses – told us what the real situation was, and that’s what we reported. Reuters stood out that evening for steadfastly telling the world what was happening in Turkey, in real time: which was that the coup had not worked, that Erdogan was still in power. We were both first and right. By sticking to the facts, we avoided rushing in where others had gone. There is no glory in being fast but wrong.

Now: what do we mean about not producing biased news. Let me give you another example, not from the banking world. Last week, we published two stories about agricultural business giant Monsanto.

The first story detailed how a large long-term study into the weedkiller glyphosate in the United States had found no firm link between exposure to the pesticide and cancer. The story was the latest in a series of articles we have published this year which has examined the way regulators use – and in some cases ignore – scientific research on such pesticides.

The second story was an in-depth look at the way Monsanto repeatedly ignored warnings by crop scientists about the dangers of releasing a certain seed without an accompanying herbicide. That has led to illegal overspraying of soybean crops.

To critics of Monsanto the second story would have proven their assertions that the company is reckless and dangerous.

But those same people might have – in fact probably did – see the first story as evidence of media bias in favor of big companies.

At Reuters, we are neither for nor against Monsanto. Our stories are based on the evidence and on where our reporting takes us. The fact those two stories came out within hours of each other perfectly encapsulates that idea.

I get asked many times how Reuters is covering the US administration which, whether you observe it from within the U.S. or without, is clearly polarizing the country — and its journalists. The answer is the same as above: put your citizenship aside and treat everyone with the same level of fairness. This is what we do in the U.S. as we do around the world – in Europe, in China, in Russia or in the Middle East.

Stand above the fray when everyone is taking a side - and when there is pressure to take a side — by sifting through the facts, weeding out opinion and resisting the blind passion. At Thomson Reuters, we have a set of Trust Principles that read: “the integrity, independence and freedom from bias of Reuters shall at all times be fully preserved.”

Finally, let me bring these examples closer to home. If the advantage of being first is being eroded, then getting ahead – journalistically and commercially – requires us to be way ahead or provide insight no one else has. In the case of last September’s decision by the Bank of Japan to adopt yield curve control (which Governor Kuroda talked about at length today) we were both. Between August 9<sup>th</sup> and September 21<sup>st</sup>, when the decision was taken, our bureau in Tokyo published a series of exclusives telling the world that the BOJ was considering this shift; why it was considering this shift; and when it was ready to pull the trigger.

I could go into much detail, but I want to highlight a few aspects:

1) Context: our stories came through deep understanding of the Japanese economy; deep knowledge of the BOJ’s thinking and deep sourcing in and around the central bank. Indeed, the first person to tip us off was a former BOJ official, not a current one.

2) Verification and taking ourselves out of the equation: at each step of the way, we reported no more than what we knew to be fact. Chair Yellen said something important today. How can a policymaker talk about a decision that has not been taken? It is not our role to predict the future.

3) Insight: on September 21<sup>st</sup>, the day the BOJ announced that it would target interest rates on government bonds to achieve its inflation target, we were well-placed to publish an analysis – called “less QQE, more YCC” that explained how the BOJ had come to its decision and why. It was one of our best-read stories of the year world-wide.

Before I conclude, I want to take a moment to tackle the question of “leaks” that came up today. Why is it that you consider a leak that helps communicate forward guidance not to be a leak; but a scoop reported by a dogged journalist to definitely be a leak? I have told you how we strive, at least at Reuters, to provide intrepid journalism, while being balanced and fair. I would urge you to also to consider the bigger public role that we try to serve when you think about our coverage of you.

This takes me back to where our worlds meet. We both operate in a fast-moving world where speed is important; but credibility is crucial. President Draghi said earlier that “transparency improves the transmission of monetary policy.”

Well, transparency holds officials to account, uncovers wrongdoing and makes markets run smoothly and fairly.

It can be tempting for institutions such as yours to continue down the path of disintermediation. It is particularly tempting as a way to ensure “good news.” It is also hard to see how a 140-character Twitter post or Facebook item can replace the kind of intermediation provided by financially-literate reporters – such as our BOJ correspondent -- who cover your activities with sophistication. And by the way, not to put a damper on things, but two-thirds of all of your followers are probably machines anyway.

As for us: how do we swim in the vast ocean of information – and in the red ink of financial media statements? We go back to the fundamentals of journalism: speed; not haste; accuracy and fairness, not opinion.

As Louis Brandeis, associate justice of the US Supreme Court, said in 1913: “Sunlight is said to be the best of disinfectants.”

Thank you.