

Research Seminar "Quantitative Economics"

Summer Term 2023

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Abstract

The Economics of Public Policy Leaks

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Abstract

Leaks of confidential information emanating from public institutions have been the focus of a long-standing line of research. Yet, their determinants and their potential impact on public expectations and on policy effectiveness remain elusive. We construct a database of monetary policy leaks in the euro area and provide evidence that many of these do not represent accidents, but are intentionally placed – not by the institution, but by individual insiders. Central banks offer a unique setting to study the effects of leaks because associated changes in public expectations are instantaneously reflected in financial markets. While we find that leaks shape public expectations and weaken official policy announcements, the evidence also suggests that leaks do not lock in decision-makers, and that attributed communication can mitigate some of their effects.

Keywords: leaks, media, confidential information, central bank communication, monetary policy, European Central Bank