

What's wrong with central bank websites?

Most central banks use their websites intelligently. However, Steve Hanke and Michael Morgenstern from John Hopkins University find that some central banks are failing to pass elementary tests of transparency.



Steve Hanke

Central banks have a long history of hiding information. Indeed, even Great Britain has engaged in these shenanigans. Prior to World War II, the government's "Exchange Equalisation Account" suppressed all statistics about its gold holdings, even though these exceeded the amount of gold shown to be held by the Bank of England. If this can occur in Great Britain, you can just imagine what goes on elsewhere.

In my view, there can be no excuse for suppressing central bank data. What is needed is transparency. There is nothing like the truth to build trust and confidence (see "More Transparency, Please", *Central Banking*, Vol. 8, No. 3, Winter 1997/98).

Fortunately, the IMF agrees. The Fund's first deputy managing director, Stanley Fischer, has been banging away in speech after speech about the need for central banks to clean up their acts and introduce more transparency. And Fischer has backed his speeches up with heavy artillery. In July 2000 the IMF issued a long technical document entitled, "Supporting Document to the Code of Good Practices on Transparency in Monetary and Financial Policies". Presently, their Special Data Dissemination Standards (SDDS) are awaiting more signatures. Yet central banks are lagging in response.

As of September 30 2000, the IMF's Special Data Dissemination Standard (SDDS) had 47 official subscribers, but the IMF reports that only 33 of those actually adhere to its principles - 33 out of the 174 central banks in the world. Perhaps these standards are unreasonable? Hardly. We're not talking about meeting the Generally Accepted Accounting Principles required of publicly-listed private companies in the US. All the SDDS requires is that its members maintain reasonable dissemination policies and current data. On page 25 (Appendix I) of the IMF's Supporting Document to the Code of Good Practices on Transparency in Monetary and Financial Policies (July 2000), line 3.1 states, "Presentations and releases of central bank data should meet the standards related to coverage, periodicity, timeliness of data and access by the public that are consistent

with the International Monetary Fund's data dissemination standards." Do central banks follow these practices? Apparently not.

Dissemination of economic and financial data is not rocket science. All it requires is a simple, easy to use, and current page on the world-wide-web. This is, after all, the most prolific, international, and inexpensive place to gather information in this day and age.

Our painstaking examination of which central banks maintain useful webpages and which do not was instructive. First we went to the central bank directory (*Morgan Stanley Dean Witter, Central Bank Directory 2000*, Central Banking Publications Ltd., London). Next we examined various webpages that attempt to maintain lists of the central banks and their contact information (Central Banking Publications maintains a page with information <http://www.centralbanking.co.uk/Links/default.htm>, the Stern Business School at New York University has a site <http://www.law.nyu.edu/centralbankscenter>, as does the BIS <http://www.bis.org/cbanks1.htm>, and a private individual <http://patriot.net/~bernkopf>). Then we used the most powerful internet search engines to search for individual central bank sites. This is an extremely cumbersome method of finding information, requiring an analysis of over a million pages. Finally we emailed the remaining central banks to inquire if they had a page after all. After all this, we concluded that 51, or 29%, of the central banks do not even have websites (see Table 1). If any of the countries listed in Table 1 does indeed have a webpage, it is so far buried in the internet as to make it useless and entirely unavailable to the general public.

Consider the numbers. There are currently 174 central banks in the world, covering over 200 countries. Of these, only 71% (123) have some form of website. How can this be? According to the IMF, "The content of disclosure [of information] is critical for the efficient functioning of markets... Failure to present public statements and reports on monetary and financial policy issues with appropriate content could undermine the credibility of central banks and financial agencies and thus become counterproductive. The focus ... should be on the materiality and relevance of the information" (Supporting Document to the Code of Good Practices on Transparency in Monetary and Financial Policies, July 2000, p.12).

Several results of this search bear mentioning. Most banks with websites present economic and financial information including balance sheets, in clearly labelled tables available with only a few "clicks". Some, however, only post information embedded deeply on their site, requiring the likes of Sherlock Holmes to find it. They are not at all user-friendly. Second, and perhaps most striking is that no standard format exists among the 123 central banks that do have sites. Each central bank has its own style and puts up only the information it deems necessary and in a format of its choice.

When it comes to uniformity, one thing that merits particular attention is central banks' balance sheets. There is absolutely no standard here. With the exception of currency board countries, balance sheet form is literally all over the map. Indeed, in many cases it takes an expert to read and interpret central bank balance sheets. Given that the balance sheet is the key to figuring out what a central bank is actually doing, this shortcoming is

**Sherlock Holmes
needed**

inexcusable. It is clear that central banking needs the equivalent of the private sector's International Accounting Standards Committee to set standards. That would go a long way toward lifting the fog surrounding most central banks' operations. Presently most banks do not post current monthly balance sheets at all. And this is using a liberal definition of "current". We considered any form of balance sheet from November 2000, December 2000, or January 2001 to meet this criterion. Of the 127 banks that have webpages, only 45 (35%) have accessible current monthly balance sheets at all.

Unfortunately for financial markets, the story gets worse. Not only is there no standard format for displaying information, but not all the countries even post their data in English! Indeed, only 63% of the total had an English site, an accessible translation, or an English mirror site (see Table 2 for those countries without English access). These are predominantly Spanish speaking countries, with one or two others.

This still hasn't told the whole story. What about the 47 poster children, the signatories of the IMF's SDDS? Even they do not follow any standard practices. All display current balance sheets, again in one form or another, but actually getting to the balance sheet can be quite a tribulation. Consider Columbia, listed as one of the 33 that actually do adhere in practice. Columbia's website is in Spanish only. It contains a link for English information that reads "coming soon". When? That link has read coming soon for over 6 months. And the others? Some have annual balance sheets; others only have monthly sheets. Some have them displayed outwardly, others keep their data buried in their financial reports. So much for standard practice.

Perhaps there is a common reason for the other 51 banks to have neglected a website as a means of promoting transparency. Deep examination into those countries, however, revealed that there are no common traits among all of them, only a few important general characteristics. We looked at GDP, risk characteristics, FDI, political rights, civil rights and overall freedom ratings. Many of the 51 are unfree and poor. And over half of these countries are from the poorer African and former Soviet states. Could the lack of a website be explained by prohibitive costs? No. Web design and space is incredibly cheap, under the cost of printing and mailing 100 annual reports to interested parties. This leads us to conclude that most of the countries without sites don't want a transparent presentation of current economic and financial data.

Recommendations for more transparency The state of central bank transparency is deplorable. To rectify this sad state of affairs, all central banks must:

- Establish websites.
- Maintain versions of their websites in both their local language and English.
- Implement a common and similar method of disseminating data, including a common format for central bank webpages.
- Post current, relevant economic and financial data, especially a current monthly balance sheet.
- Sign and implement the IMF's SDDS.

To accomplish this task, the IMF should move from bark to bite. In short, anything less than full transparency should be met with a cold shoulder from the IMF. □

Steve H. Hanke is a Professor of Applied Economics at The Johns Hopkins University in Baltimore and Michael I. Morgenstern is a Research Associate at The Johns Hopkins Institute for Applied Economics and the Study of Business Enterprise.

Table 1 Countries without websites or with non-working sites

✗ Afghanistan	✗ Cambodia	✗ Guinea Republic	✗ Morocco	✗ Somalia
✗ Algeria	✗ Cape Verde	✗ Haiti	✗ Nauru	✗ Suriname
✗ Azerbaijan	✗ Central African States	✗ Iraq	✗ Nigeria	✗ Syria
✗ Bahamas	✗ Comoros	✗ Korea, North	✗ Oman	✗ Tajikistan
✗ Bangladesh	✗ Congo (DemRep)	✗ Laos	✗ Papa New Guinea	✗ Tonga
✗ Belarus	✗ Cuba	✗ Liberia	✗ Rwanda	✗ Turkmenistan
✗ Belize	✗ Djibouti	✗ Libya	✗ Sao Tome Principe	✗ Uganda
✗ Bhutan	✗ Eritrea	✗ Madagascar	✗ Seychelles	✗ Uzbekistan
✗ Brunei	✗ Ethiopia	✗ Maldives	✗ Sierra Leone	✗ Vanuatu
✗ Burundi	✗ Gambia, The	✗ Mauritania	✗ Solomon Islands	✗ Vietnam
				✗ Yugoslavia

Table 2 Countries with websites not in English

✗ Angola
✗ Bolivia
✗ Colombia
✗ Costa Rica
✗ Dominican Republic
✗ Ecuador
✗ Haiti
✗ Honduras
✗ Kyrgyz Republic
✗ Nicaragua
✗ Panama
✗ Paraguay
✗ Sudan
✗ Venezuela