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Yale Program on Financial Stability

Lessons Learned

Jack Gutt

By Mercedes Cardona

Gutt, who joined the Federal Reserve Bank of New York in 2009 as Vice President, Head of Media Relations and Public Affairs, shares with us his reflections on that period.¹

Understand the narrative.

Financial institutions are not traditionally considered the good guys, so the moment a financial crisis begins, the banks and investment groups become suspect. While regulators are focused on the crisis, an information vacuum can form and will be filled with a popular narrative.

Get a quick grasp of the issues before you jump in, because there is no time for reflection once you're mid-crisis. The first order of business is to get a handle on what the issues and the pain points are.

Take control of your narrative or someone else will.

The FRBNY was not known for being very communicative. It was even referred to as a "secretive" organization with a technocratic tradition of being closed off and letting its work speak for itself. As Gutt explained, "When I arrived in early 2009, there was broad recognition that we'd lost the thread of the narrative about our work to fight the crisis. Somebody else had created a narrative that not only was not accurate, but which questioned our motives and also was quite damaging to the institution and to its ability to execute. We had to work to reclaim the narrative and direct the communications about our efforts to ensure that we could be as effective as possible."

Don't let a crisis be the moment when you introduce yourself to the public.

"To be effective you have to get out in front of a crisis, establish your presence, voice and relevance beforehand, get to know the media people and the audiences that you will need to speak to in a crisis. The FRBNY had a press corps, but even to the media as a whole, it was an unknown entity before the GFC. That put it at a disadvantage when the crisis hit, and new audiences were looking at its actions. Gutt advises, "As an institution, you have to build relationships. You have to be relevant, because if a crisis hits, if that's the first time people are hearing about you, you're starting at a deficit."

¹ *Lessons Learned* are distilled from interviews with the principal conducted by YPFS.

Communicate, communicate, communicate.

The media environment is more fragmented and faster than it was even in 2008, so that needs to be taken into account. Twitter was barely a year old in 2007, and reporters still used Blackberries. According to Gutt, “digital has just been another accelerant.” Today, audiences have shorter attention spans and are more comfortable with partial reports, so rather than wait to brief the media when all the information is available, share information frequently. “People are more comfortable with incomplete communication, sort of the ‘here’s what we know so far, but we’ll add to it as things become available,’” said Gutt.

Identify the several stakeholders that you need to communicate with.

While communicating with the Administration and Congress is important, it is just as important to communicate with the public, something that Gutt says the Fed could have done better. If the institution loses the public’s faith, the effects can be long-lasting even after the crisis is over. The Fed is a public service institution that according to Gutt, should take on the burden of explaining what it’s doing because that is very important to maintaining the public trust. It need not explain every little detail; the GFC involved very complicated issues. But the goal should be to communicate sufficiently so that the public understands the Fed’s motives and that it is acting in their best interests.

The institution has made changes says Gutt, “There are always things we’re not going to be able to talk about, but short of those, we try to make as much information available as possible. We’ve enhanced our transparency around any number of things, from posting minutes of our board-of-directors’ meetings, to the president’s calendars, to our advisory groups.”

Have a bias for openness in the day-to-day.

Even if you do not have a crisis communications plan, you need to build a culture that encourages openness to better deal with crises. The NY Fed has added more digital media and included more documents online, such as meeting minutes and calendars, to keep the public abreast of what it’s doing. That has required deep cultural change in the organization, said Gutt: “Rather than ask, ‘Why would we share this?’ The question now is, ‘Why wouldn’t we?’” Organizations must “embrace the duty of explanation,” he said. “If something were to happen, our culture now is, ‘Let’s communicate around it.’”

Use what you learn from the experience to improve the organization.

There has been a big cultural shift designed to keep the Fed connected to its broad publics and to maintain relationships. The institution has adopted more transparency and more engagement through the use of advisory groups, among other things. Gutt described the shift as substantial. “We try to be as open as we can be. There are some constraints, obviously. That’s part of it. So, yes. I would absolutely argue that we’re much more open. We have a very open policy with press. We take a lot of inquiries. We try to be as helpful as possible where we can. We do regular press briefings and there’s a whole series of actions that we do.”