



**Central Bank
of Armenia**

CBA Academy

**Onboarding Platform
for New Board
Members**

Monetary Policy

Onboarding Platform for New CBA Board Members

Monetary Policy and the Evolution of Modern Central Banking

Overview

Purpose and Audience:

This onboarding platform has been designed for newly appointed members of the Board of the Central Bank of Armenia. It provides a structured, accessible, and intellectually engaging introduction to the evolution of monetary policy thinking – from its global historical roots to Armenia's current framework, known as **Prudent Risk Management Approach to Price Stability (PRMAPS) or FPAS Mark II**.

Format:

The program consists of **21 short videos (5–10 minutes each)**, each accompanied by a concise **note** summarizing key ideas, background readings, and CBA-specific practices. The tone is conceptual and engaging – aiming to help Board members **build intuition** rather than technical mastery.

Video 0 – Welcome to the Central Bank of Armenia

Purpose:

Introduce new Board members to the Central Bank of Armenia's mission, structure, and culture of policymaking, and explain the purpose of this onboarding platform.

Key Themes:

- A warm welcome from the Governor / Head of the Monetary Policy Department.
- Brief overview of the CBA's mandate – A brief journey on what the CBA has accomplished over the last years.
- Introduction to the *CBA Learning Hub*: what it offers and how to use it.
- The importance of a well-informed Board in shaping effective and credible monetary policy decisions.
- Overview of the learning journey – from the evolution of global monetary policy ideas to the CBA's current framework.

Takeaway Message:

Understanding monetary policy is not only about economics – it's about building a shared mindset for decision-making under uncertainty.

The Great Inflation and Change in Economic Thinking

Video 1 – Lessons from the 1970s: The “Great Inflation”

Purpose: Explore how economic thinking evolved through the 1960s–70s and how misunderstandings about policy led to the Great Inflation.

Key Themes:

- Dominant ideas of the 1960s: the Phillips Curve and trade-off thinking.
- Milton Friedman’s and Edmund Phelps’s critiques – the natural rate hypothesis.
- Policy misjudgments that fueled U.S. inflation in the 1970s.
- Oil price shocks and the limits of fine-tuning.
- Paul Volcker’s disinflation: the painful but necessary correction.

Video 2 – Monetary Targeting: Controlling Money to Control Inflation

Purpose: Explain the logic behind targeting monetary aggregates and why it seemed promising after the 1970s inflation.

Key Themes:

- Monetarist principles and the idea of stable money demand.
- Implementation in Canada and other early adopters.
- Armenia’s own period of monetary targeting – experience and challenges.
- Difficulties in linking money growth to inflation outcomes.

Video 3 – When Money Aggregates Failed: Why the Money “Abandoned” Us

Purpose: Show why monetary targeting became unsustainable.

Key Themes:

- Why money aggregates failed to deliver predictable control over inflation. Why it was impossible to deliver a targeted growth of money.
- Endogenous money creation – how credit decisions by banks drive money supply.
- The conceptual shift: from controlling quantities to influencing prices (interest rates).
- The search for a more reliable nominal anchor – paving the way for inflation targeting.

The Principles of Inflation Targeting

Video 4 – The Birth of Inflation Targeting: A New Era in Monetary Policy

Purpose: Present the logic, history, and institutional design of inflation targeting.

Key Themes:

- New Zealand's pioneering model and its spread to other countries.
- Why an explicit inflation target matters.
- Setting a target above zero – the rationale behind that.
- Communication revolution of the 1990s: "say what you do, do what you say."
- The BOCs advancement of these principle into the FPAS.

Video 5 – Principles 1&2: A Clear Nominal Anchor and consistency between objectives

Purpose: Emphasize why every successful framework rests on a credible, well-understood anchor.

Key Themes:

- Definition and function of the nominal anchor.
- Consistency among objectives – avoiding conflicting goals.
- Welfare gains from anchored expectations and stable prices.
- Global lessons on maintaining credibility.

Video 6 – Principles 3&4: MP and Other Policies. The inflation-output trade-off

Purpose: Discuss the interdependence between monetary policy and fiscal, structural, and financial policies.

Key Themes:

- The interplay between monetary and other macroeconomic policies.
- How fiscal discipline, wage policies, and structural reforms can ease or complicate the central bank's task.
- The Phillips Curve and inflation–output trade-offs: understanding short-run dynamics.
- The shape and nonlinearity of the Phillips Curve – implications for policymaking.

- The role of labor market conditions and inflation expectations.
- The importance of understanding monetary transmission to interpret the economy's response.

Video 6.1 (Bonus) – Monetary Policy Transmission Mechanisms

Purpose: Offer a clear, intuitive guide to how policy decisions affect inflation and output.

Key Themes:

- Interest-rate, exchange-rate, credit, and expectations channels.
- Lags and asymmetries in transmission.
- Armenia's small-open-economy specifics.
- The evolving understanding of transmission in open economies.

Video 7 – Principles 5&6: Independence, Transparency, and Accountability

Purpose: Highlight why institutional integrity is indispensable for credibility.

Key Themes:

- The rationale for central bank independence: avoiding political cycles and short-term biases.
 - Different dimensions of independence – goal, operational, and financial.
 - Why independence must always be paired with transparency and accountability.
 - The importance of clear communication – enabling the public to understand and evaluate policy decisions.
 - International best practices and how the CBA aligns with them.
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Prudent Risk Management Approach to Price Stability

Video 8 – When the World Changed: The Limits of FPAS Mark I

Purpose: Describe why FPAS Mark I was no longer sufficient in an era of persistent uncertainty.

Key Themes:

- The new era of high structural uncertainty: pandemic shocks, geopolitical conflicts, and deglobalization.
- How these developments challenged the predictive and optimizing logic of FPAS Mark I.
- Understanding the multiple layers of uncertainty:
- The need for a new, risk-aware mindset in monetary policymaking.

Video 9 – FPAS Mark II: The Least-Regrets Mindset

Purpose: Introduce the Prudent Risk Management Approach and its conceptual foundation.

Key Themes:

- From optimizing the baseline to minimizing potential regret.
- Monetary policy as risk management.
- Case studies illustrating how central banks adapted their strategies during high-uncertainty periods.

Video 10 – Scenario-Based Forward Guidance

Purpose: Explain how forward guidance evolved under FPAS Mark II – replacing the single “baseline scenario” with a scenario-based approach.

Key Themes:

- What a market reference scenario is and how it differs from a traditional baseline.
- The role of financial markets in shaping and reflecting expectations.
- Benefits and limitations of using market information for policymaking.
- Scenario-driven communication under uncertainty.

Video 11 – Building Scenarios: The 3R Principle

Purpose: Explore how multiple scenarios are selected, structured, and quantified.

Key Themes:

- The 3R principle: *Related, Relevant, Realistic*.
- How the Board and staff collaborate to define taxonomy of scenarios.
- The role of *illustrative* scenarios in Board discussions.
- Quantifying and evaluating scenarios.

Video 12 – Changing Roles: Board and Staff under FPAS Mark II

Purpose: Explain how policymaking roles have evolved in a scenario-based framework.

Key Themes:

- Board members as decision-makers under uncertainty.
- Staff as facilitators of structured, non-deterministic analysis.
- From deterministic “baselines” to uncertainty-aware briefings.
- Building a shared language between analysis and judgment.
- The importance of regular meetings between the Board and Staff.

Video 13 – Policy-Making Cycle and Policy-Relevant Analysis

Purpose: Present the new procedures and daily rhythm of decision-making.

Key Themes:

- The 29-day policy cycle – stages and responsibilities.
- “Folly in baselines” – lessons from deterministic analysis.
- Designing policy-relevant analysis that informs risk-based decisions.

Video 14 – Analytical Toolkit and Modeling Innovations

Purpose: Showcase the analytical toolkit enabling FPAS Mark II.

Key Themes:

- The role of models: Incorporating nonlinearities and endogenous credibility.

- The convex Phillips Curve and endogenous credibility.
- Analytical Dashboards: the importance of them under rotational system
- Better measures of underlying inflation: NTSPI
- Integrating judgment with model-based evidence.

Video 15 – Dynamic Learning and Human Capital Development

Purpose: Describe the new learning culture within the Monetary Policy Department.

Key Themes:

- From hierarchy to continuous learning and feedback.
- Internal seminars, training routines, and international exchanges.
- Setting new professional standards within the department.

Video 16 – Organization, Rotation, and Performance Management

Purpose: Explain how institutional design supports the framework's goals.

Key Themes:

- Reorganized structure of the Monetary Policy Department.
- Rotational system within and between teams.
- Policy round organization and knowledge sharing.
- Performance metrics and accountability for results.

Video 17 – Strategic Communication in Modern Central Banking

Purpose: Emphasize why communication has become a core policy tool.

Key Themes:

- Evolution of communication from secrecy to transparency.
- Target audiences: markets, media, public, and partners.
- CBA communication vehicles: Monetary Policy Report, Executive Statement, analyst briefings, media interviews, publications.
- Timing, coherence, and tone.

🔍 Video 18 – Measuring and Enhancing Transparency

Purpose: Examine how transparency is assessed and why it matters.

Key Themes:

- Quantitative and qualitative measures of transparency.
- Cross-country evidence – smaller economies as leaders.
- Armenia's new transparency standards.

📋 Video 19 – Decision-Making Transparency and Individual Accountability

Purpose: Present the CBA's world-leading initiatives in decision-making openness.

Key Themes:

- Attributed minutes, individual votes, and explanations.
- The logic of personal accountability within a collective decision.
- Publication timelines, blackout periods, and meeting transcripts.
- Preventing discretion through openness.

💻 Video 20 – The Accountability Framework

Purpose: Describe how the CBA evaluates and communicates the “Board’s performance”.

Key Themes:

- Measuring policy outcomes against objectives.
- Internal and external review mechanisms.
- The cycle of accountability: transparency → evaluation → improvement.
- Embedding accountability in institutional culture.

🎬 Conclusion

Together, these 21 videos form a complete onboarding journey – from the intellectual roots of modern monetary policy to the cutting-edge framework the Central Bank of Armenia now operates under.

By the end, every Board member will understand **how the CBA makes policy decisions, how uncertainty is managed, and how communication and accountability sustain credibility**.

Reading List



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