



EUROPEAN CENTRAL BANK

EUROSYSTEM

Societal responsibility and central bank independence

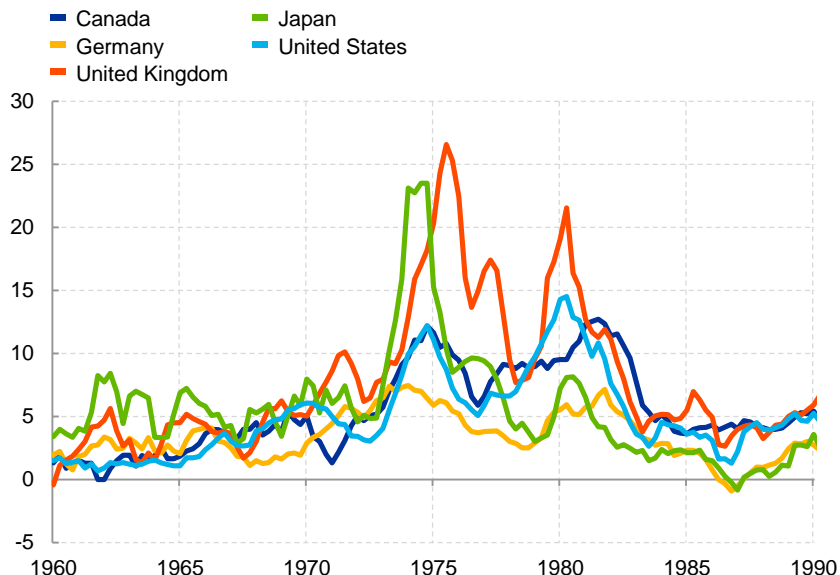
VIII. New Paradigm Workshop,
Forum New Economy,
27 May 2021



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Member of the ECB Executive Board

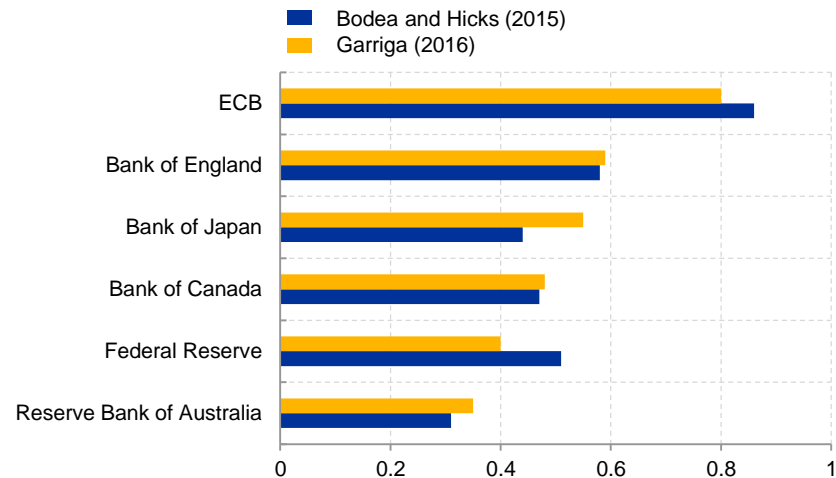
Experience of the 1970s shaping the model of independent central banks

Consumer price inflation (1960-1990) (year-on-year change, %)



Source: IMF.

Measures of central bank independence (index, 0-1)

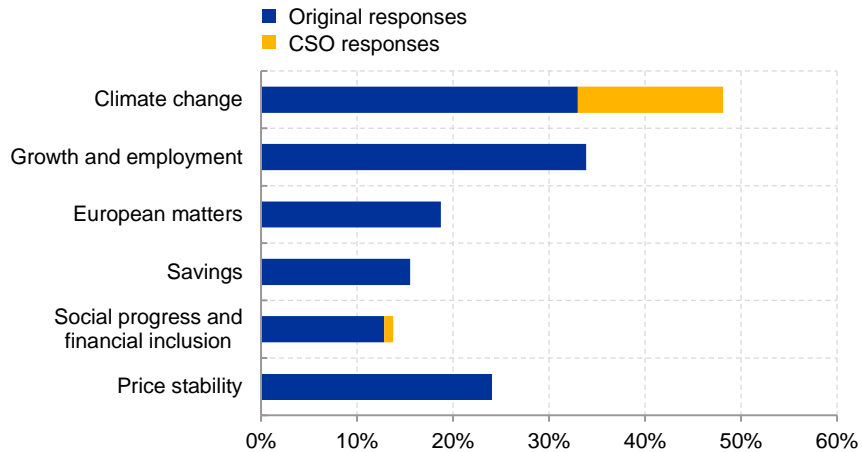


Source: Dall'Orto Mas et al. (2020), "The case for central bank independence", Occasional Paper Series, No 248, October.

Note: Indices calculated by Bodea and Hicks (2015) and Garriga (2016). Index values in Bodea and Hicks (2015) refer to 2014 (data for the ECB refers to 2010); index values in Garriga (2016) refer to 2012. The values correspond to the unweighted indices of central bank independence. Values closer to 1 indicate higher levels of independence. France, Germany and Italy are excluded from the sample given that the ECB is included.

“ECB Listens” survey highlighting importance of wider societal issues

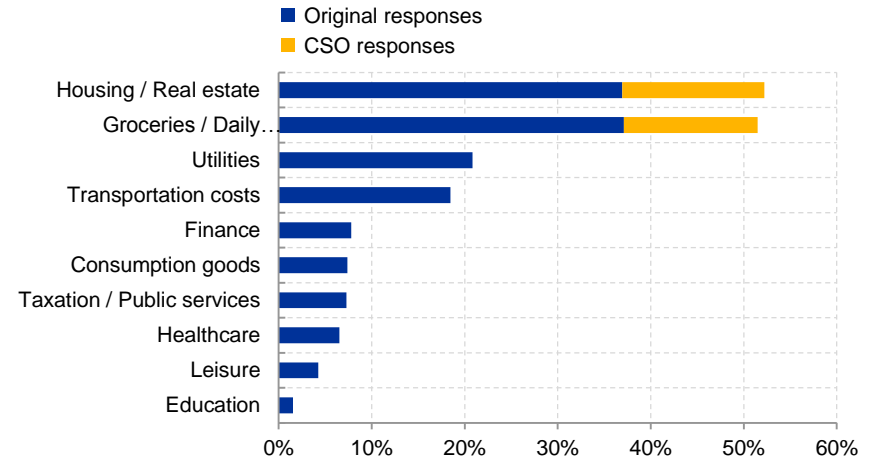
“ECB Listens” survey: issues that the ECB should consider beyond price stability (survey responses, %)



Source: ECB Listens portal.

Note: Estimated percentage of respondents in each category (sample size: 3,614). Results calculated by using a dictionary-based approach. Categories are not mutually exclusive. Civil society organisations (CSOs) drew attention to the ECB’s strategy review. Some of these organisations, most notably Greenpeace, called on the public to submit contributions to the ECB Listens Portal, offering standard answers that could be copied into the survey. Overall, around 14% of all responses were copy-paste answers provided by Greenpeace. Another 1% came from other CSOs. As such, original answers amounted to 85% of the sample.

“ECB Listens” survey: categories of goods and services with the most impactful perceived change in price (survey responses, %)

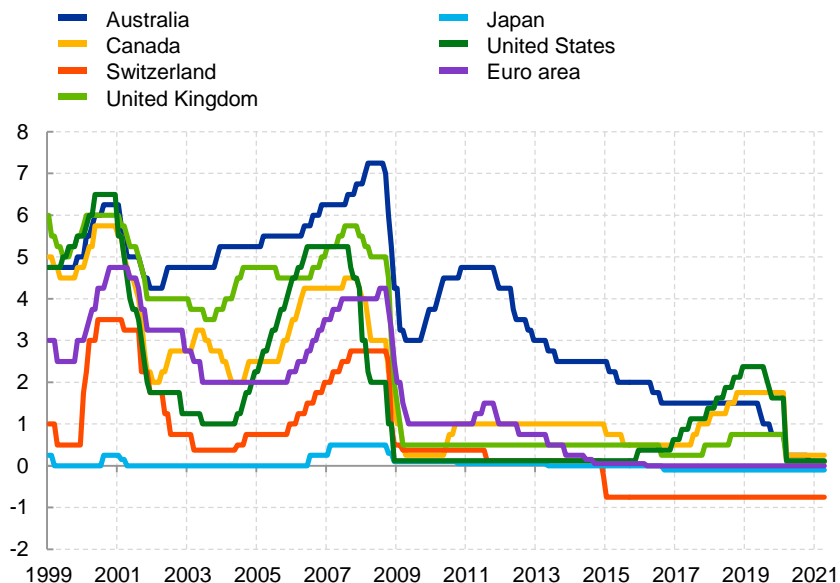


Source: ECB Listens portal.

Note: Estimated percentage of respondents in each category (sample size: 3,879). Results calculated by using a dictionary-based approach. Categories are not mutually exclusive. Civil society organisations (CSOs) drew attention to the ECB’s strategy review. Some of these organisations, most notably Greenpeace, called on the public to submit contributions to the ECB Listens Portal, offering standard answers that could be copied into the survey. Overall, around 14% of all responses were copy-paste answers provided by Greenpeace. Another 1% came from other CSOs. As such, original answers amounted to 85% of the sample.

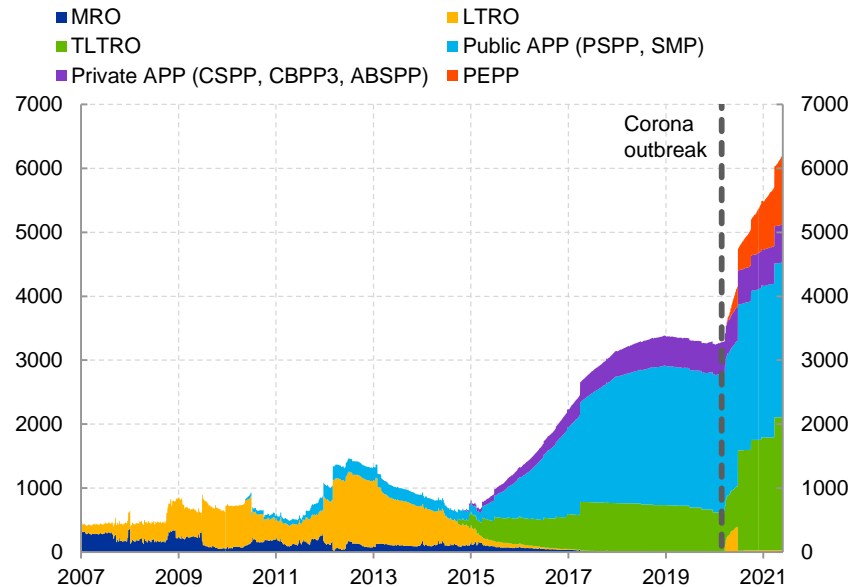
Sharp expansion of ECB balance sheet in response to exhaustion of conventional monetary policy space

Central bank policy rates
(%)



Source: BIS.
Note: The policy rate for the euro area refers to the main refinancing operation (MRO).

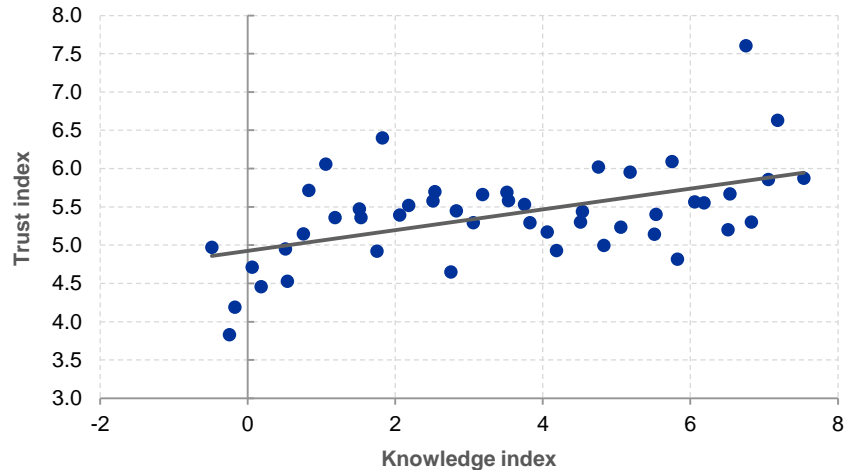
Evolution of ECB balance sheet
(€ billion)



Source: ECB, ECB calculations.
Latest observation: 25 May 2021.

Correlation of trust in the ECB with knowledge of central banks' tasks, with net trust declining notably after the global financial crisis

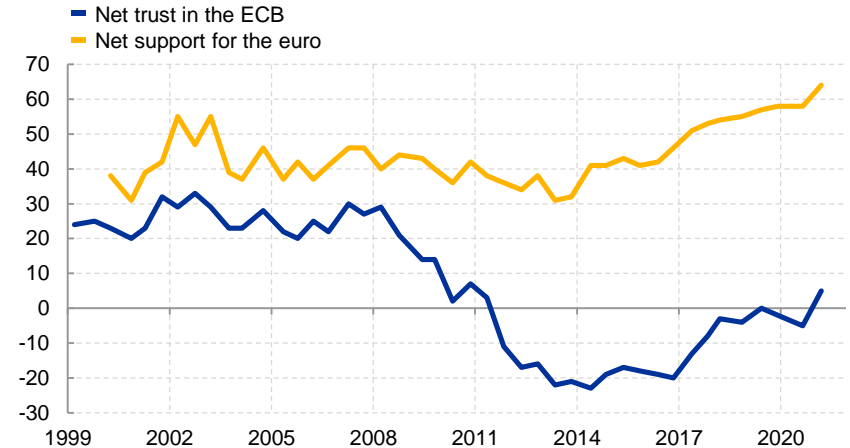
ECB knowledge and trust in the ECB
(x-axis: index, 0-7; y-axis: index, 0-10)



Source: ECB Consumer Expectations Survey.

Note: Data as of May 2020. Data takes country-level differences into account. With respect to ECB knowledge, respondents were asked to assess the correctness of seven statements about the objectives and responsibilities of the ECB. ECB knowledge is computed as the total number of correct responses out of seven statements. Negative values and values above 7 are due to the netting out of country-specific effects. Self-reported trust in the ECB is measured over an 11-point scale from 0 (no trust at all) to 10 (trust completely).

Trust in the ECB and support for the euro
(net trust, net support)



Source: Eurobarometer, own calculations.

Notes: Net support for the euro is calculated as the share answering "for" minus the share answering "against" to the question "Please tell me whether you are for or against it: A European economic and monetary union with one single currency, the euro." Net trust is calculated as the share of respondents giving the answer "Tend to trust" minus the share giving the answer "Tend not to trust" to the question "Please tell me if you tend to trust it or tend not to trust it?: The European Central Bank." Respondents who answered "don't know" are excluded in both cases. Latest observation: Winter 2020/2021.

The obligation to act according to the Treaties

Primary mandate: Art. 127(1) TFEU

“The primary objective of the European System of Central Banks ... shall be to **maintain price stability.**”

Secondary mandate: Art. 127(1) TFEU

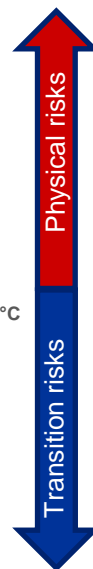
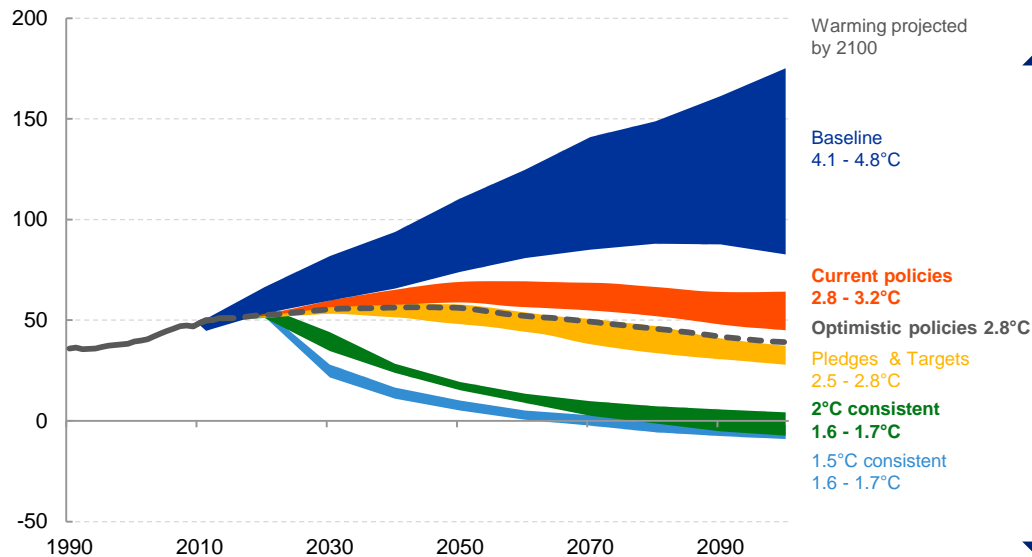
“Without prejudice to the objective of price stability, the ESCB shall **support the general economic policies in the Union** with a view to contributing to the achievement of the objectives of the Union as laid down in Article 3 of the Treaty on European Union.”

Integration obligation: Art. 11 TFEU

Environmental protection requirements must be integrated into the definition and implementation of the Union's policies and activities, in particular with a view to promoting sustainable development.

No reduction in global emissions under current climate policies

Climate risk scenarios: projections of carbon emissions and global warming (emissions of CO₂, gigatonnes per year)



Note:

“Baseline”: In the absence of policies, global warming is expected to reach 4.1°C – 4.8°C above pre-industrial levels by the end of the century. The emissions that drive this warming are often called baseline scenarios.

“Current policies” in place around the world are projected to reduce baseline emissions and result in about 3°C warming above pre-industrial levels.

The **“optimistic policies”** scenario factors in additional as well as planned, but not yet implemented, policies and a continuation of recent developments.

The **“2°C consistent”** benchmark pathways are drawn from the “lower-2°C” and “high-overshoot 1.5°C” pathways in the new set of IAM pathways assessed in IPCC in its latest report.

The central **“1.5°C consistent”** benchmark is defined as the median of pathways that limit global warming to 1.7°C, or below.

Source: Climate Action Tracker, Warming Projections Global Update (projections: December 2019).

Thank you for your attention!