



EUROPEAN CENTRAL BANK
EUROSYSTEM



Summary report on the **ECB Listens event**

I. Event overview

The first ever “ECB Listens” event was hosted by European Central Bank (ECB) President Christine Lagarde and Chief Economist Philip R. Lane on 21 October 2020. This virtual event brought together 22 representatives from 18 civil society organisations, active in nine different sectors. The representatives joined remotely from seven countries to have their comments and questions heard as the ECB reviews its monetary policy strategy.

The reason for the ECB being in “listening” mode during the review is to ensure that “what we do actually corresponds to what is understood, what is expected by European citizens,” explained President Lagarde, opening the event. The President clarified that the ECB is at the service of European citizens: “this is why we are reviewing and why we are listening”.

There were two sessions: one on the impact of the ECB’s monetary policy and communication, and the other on the global challenges ahead. Both sessions were developed around statements and discussion panels. Civil society organisations represented groups promoting the environment, sustainability, social welfare, business, religion, culture and transparency.

Mr Lane explained that “One of the big lessons in economics in the last 25 years since the euro was founded is that the public understands the central bank and that the central bank understands the public”. For monetary policy to be effective “we have to understand the beliefs, the confidence level, the uncertainties, the fears of individual households and firms”.

II. Main topics discussed

1. A real conversation: Why are we listening?

The ECB is reviewing its monetary policy strategy for the first time since 2003. The coronavirus (COVID-19) pandemic delayed the review timeline, but listening to civil society has remained a central part of the review.

Civil society representatives at the half-day event welcomed the opportunity to engage directly with the ECB’s President Lagarde and Philip R. Lane as part of the review. Several organisations noted that the current crisis presents an opportunity to overhaul the ECB’s monetary policy strategy, taking into consideration public and civil society concerns.

A common theme of the “ECB Listens” event was to encourage the ECB to further expand its transparency and accountability framework, explaining the impact of its policies to the general public. Transparency International welcomed this initiative and highlighted that one way the ECB could enhance its accountability would be to introduce adequate whistle-blowing protections, which the ECB has since launched.

The event highlighted wide-ranging perspectives and experiences concerning the impact of the ECB’s monetary policy on societal groups. Some organisations, such as New Europeans, Positive Money and the Confederation of Family Organisations in the EU, urged the ECB to use its powers to expand on its primary mandate and consider the impact of policies such as universal basic

income on price stability. Others, such as BusinessEurope and Better Finance, cautioned against an expansion of the ECB's mandate and warned of side effects such as excessive government debt and dis-incentivising personal savings for retirement.

2. Reviewing the ECB strategy: Secondary mandate and sweet spots

President Lagarde stressed that the ECB had been given a primary mandate to deliver price stability by the European Treaties. The primary mandate of the ECB will not change under the review. President Lagarde explained that, without prejudice to the primary mandate, the ECB could also support the general economic policies of the European Union. As part of the review, the ECB has the room to explore avenues for delivering its mandate in the best possible way. For instance, by discussing how environmental costs “have an impact on price stability, which is our primary mandate”.

Luca Visentini, General Secretary of the European Trade Union Confederation, stated that “It's really high time for the ECB to rethink, redesign and implement ways to fulfil its secondary mandate” through the review process. This means the ECB should use its secondary mandate to support investment in “quality” job creation and a more sustainable social protection system.

Stanislas Jourdan, Executive Director of Positive Money Europe, said the ECB was “facing a profound question about its role in the economy and the way it is working”. In particular, he asked if there was a way for the ECB to have a direct impact on people, instead of working through banks and financial institutions.

Thierry Philipponnat, Head of Research and Advocacy at Finance Watch, asked if the transmission mechanism the ECB uses to maintain price stability was broken. “You inject liquidity to financial institutions, and financial institutions provide less and less support to the real economy,” he said. Mr Philipponnat asked the ECB to think about whether the very structure of the financial system “could not be a hindrance to your price stability policy”.

Philip R. Lane elaborated on the historical evolution of the concept of price stability and the not-so-easy role of central banks to find the “sweet spot” between excessive inflation and risks of deflation to support economic activity.

3. New realities for central banks and citizens: The age of uncertainty

Mr Lane went on to explain that “The European Treaty gives us a very general obligation: it is basically to deliver price stability. It's silent on the condition of the world. It's silent on the structure of the economy”. This means that the strategy today needs to respond to very different circumstances than were originally foreseen.

Robert Manchin, President of Culture Action Europe, said there was a “very general shift in terms of the overall cultural climate in Europe. It's an age of uncertainty”. This means for instance that, while the ECB used to talk only about price stability, it can now claim a much wider mandate to support general EU economic policies.

Jeroen Kwakkenbos, Senior Aid Policy and Development Finance Advisor at Oxfam, pointed out that the current COVID-19 pandemic also creates new challenges for monetary policy, explaining that the virus-induced lockdown has dramatically increased the risk of starvation in many poorer countries.

Sorcha Edwards, Secretary General of Housing Europe, warned that many people today struggle to find affordable, energy-efficient housing – a problem highlighted by COVID-19 stay-at-home policies. For many cities and regions, addressing the problems of homelessness and social infrastructure “would really require much more flexibility on investment rules,” she said.

Teresa Badia, Secretary General of Culture Action Europe, stated the social and economic model was “completely broken”. She asked the ECB to “integrate new perspectives and paradigms into its strategies,” recognising the importance of culture, especially now that COVID-19 is “devastating” theatres and concert halls.

4. Greener central banking: How climate change alters the conversation

A global health pandemic was not the only challenge facing the economy and financial markets, according to participants.

“The climate crisis is the biggest market failure the world has ever seen,” said Adam Pawloff, a Climate and Energy Campaigner for Greenpeace, expressing the thoughts of several civil society representatives at the event. He explained that the market neutrality principle, under which the ECB buys assets, causes a bias in favour of industries that are driving the climate emergency, as markets do not price in environmental risk. “It’s imperative that the ECB abandons this principle,” he said.

Henry Eviston, Sustainable Finance Officer at WWF Europe’s Policy Office, noted that there is an EU tool which enables policymakers to determine which activities are sustainable, in the form of the EU Taxonomy of Sustainable Investments. He asked if the ECB would be willing to green its asset purchases by aligning them with the EU taxonomy.

Alessia del Vasto, Advocacy Officer of Positive Money Europe, argued that there would be popular support for the ECB to fund action against climate change. “People are starting to wonder why central banks should remain independent if they are not willing to use their independent powers for the greater good of societies, such as tackling climate change or inequality,” she stated.

Guillaume Prache, Managing Director of Better Finance, also noted the importance of considering environmental and sustainability issues. “Citizens want real results, not greenwashing,” he said. This is why “the ECB should better price environmental externalities” in investment decisions. The EU’s taxonomy meanwhile “needs to be continuously improved” in line with environmental objectives, he added.

But not all speakers thought the bank should abandon market neutrality in favour of funding climate action. “We don’t think that the ECB should go outside of its role and of what is defined in the Treaty,” said Markus Beyrer, Director General of BusinessEurope. “For instance, we very much support the Green Deal and climate neutrality,” he explained, “but we don’t think that the ECB should prioritise certain assets over others.”

The ECB’s President welcomed these remarks and thanked the organisations for their research and contributions on issues related to climate change: “I share with you – and I think that many of us are sharing with you – the priority of dealing with the catastrophic potential outcome of not paying attention to climate change as we should.” The President referred to specific seminars and workstreams in which the ECB will discuss these issues further.

5. What's next for the ECB? Key takeaways and next steps

Several participants noted that the ECB should broaden the scope of its monetary policy strategy review, giving the ECB objectives to follow up from the listening event.

Wolfgang Kuhn, Director of Financial Sector Strategies at ShareAction, pointed to the systemic relevance of the challenges discussed during the event. He explained that “people see the value of the money eroded in the name of inflation fighting”. In order to win back credibility and make investors take systemic risk seriously, Mr Kuhn suggested the ECB could publish information on how much time the ECB’s policymakers spend with representatives of the financial industry and trade bodies, as opposed to how much time they spend with consumer and climate advocates.

Bent Norby Bonde, Secretary General of Europe's People's Forum highlighted the importance of listening to citizens at the local, national and European levels: “Citizens could play an important role in prioritising some of the goals in your work.”

President Lagarde closed the discussion by thanking all participants for their contributions. The President stated that, together with the Eurosystem’s national central banks, the ECB will continue to hold discussions with civil society and with Members of the European Parliament.

Explaining the next steps, Chief Economist Philip R. Lane said that all the views expressed at the ECB Listens event would be studied by ECB staff and fed into the review. He added that seminars dedicated to some of the issues raised, including climate change and communication, would also take place. He also asked participants to be in touch with the ECB if they have further views and documents to share. “Above all,” Mr Lane concluded, “do not see this as a one-off.”

Reflecting on the ECB Listens event, President Lagarde concluded: “We will do our job as best as we can, including all the challenges and this new paradigm within which we operate, and hopefully with a focus on being greener, on being more digital, on being more inclusive and on being mindful of all Europeans. That's what drives me and wakes me up in the morning.”

III. Annex: List of participating organisations

- Better Finance
- BusinessEurope
- Confederation of Family Organisations in the EU (COFACE Families Europe)
- Conference of European Churches (CEC)
- Culture Action Europe
- Eurodiaconia
- European Trade Union Confederation (ETUC)
- Europe's People's Forum
- Finance Watch
- Greenpeace International
- Housing Europe (European Federation of Public, Cooperative, and Social Housing)
- New Europeans
- Oxfam International
- Positive Money
- ShareAction
- Social Platform
- Transparency International
- World Wildlife Fund Europe Policy Office (WWF)