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Building Trust in Uncertain Times: Challenges for Central Bank Communication

International Economics Series

As the set of challenges the European Central Bank is facing steadily increases, so does its need to communicate its activities to international markets, policymakers and European citizens. For observers of the global economy this statement might seem like a truism. However, for central bankers it amounts to a sea change in how they reach out to their audiences, in particular the wider public.

This is the assessment shared by Gabriel Glöckler, Principal Adviser at the Directorate General for Communications at the ECB, at a recent presentation moderated by Professor Erik Jones at the Bologna Institute for Policy Research. A native of Leipzig, Germany, Glöckler has devoted his entire professional life to Europe's single currency. Over his career, Glöckler has served the European Central Bank in various senior positions including as Counsellor to the Vice-President of the ECB.

In the earlier days of central banking, secrecy and opacity were seen as a virtue. Back in 1927, Bank of England Governor Montagu Norman was associated with the notion of "never explain, never apologize" in relation to the Bank's communication. Today however, central banks face a vastly transformed communications environment. "There is a wealth of information and a poverty of attention" Glöckler pointedly observed. The role of central banks is hotly debated, especially in Europe. All of their decisions are under intense public scrutiny. Equally so, the policy environment and the tasks central bankers are asked to fulfill have increased in variety and complexity. Next to setting interest rates, banking supervision has become additional tasks in the portfolio of the ECB, and its toolbox has expanded considerably, for instance through the use of large-scale asset purchases. The ECB also explores how it can be effective in responding to global challenges like the fight against climate change, digitalisation and is investigating options for a digital euro. At the same time, economic uncertainty, especially since the outbreak of the Covid-19 pandemic, has further increased.

Amid these challenges, the new ECB President Christine Lagarde has declared the goal of bringing the ECB closer to the people, Glöckler explained. As any monetary system is based on trust, central bankers rely on the trust of their citizens. "Without it we wouldn't be able to do our job" Glöckler said, adding that it ensures "our legitimacy and the public support for independence."

In tackling this challenge, the ECB is not only seeking to enhance public knowledge and understanding of the ECB and its policies, but also capture the interest of people and possibly create some form of emotional connection between the people and "their central bank". By simplifying its message, listening more to its citizens and communicating in a way that is relatable to people's everyday life, the ECB hopes to enhance trust and understanding among European citizens. In short, communicating simple but never simplistic is crucial to reaching the citizens the ECB ultimately serves.