



EUROPEAN CENTRAL BANK

EUROSYSTEM

Christine LAGARDE

President

Mr Gunnar Beck

Member of the European Parliament

European Parliament

60, rue Wiertz

B-1047 Brussels

Frankfurt am Main, 23 April 2021

L/CL/21/87

**Re: Your letter (QZ-010)**

Honourable Member of the European Parliament, dear Mr Beck,

Thank you for your letter, which was passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs (ECON), accompanied by a cover letter dated 1 March 2021.

Let me emphasise, first of all, that the ECB constantly monitors and evaluates whether its monetary policy measures achieve their intended purpose, are commensurate with the risks to the price stability objective and proportionate in their execution. This analysis is made transparent in the introductory statements of the press conferences, the accounts of the Governing Council's monetary policy meetings, the speeches, interviews and blog posts of the President and Executive Board members, and a wide range of other ECB publications.

At the same time, we are constantly working on making ourselves better understood by people living in the euro area whose everyday lives are directly affected by our measures. This is not only our duty as a European institution that serves all Europeans, but also an important monetary policy tool in itself which helps to make our policies more effective.<sup>1</sup> A growing body of analysis on central bank communication confirms that simpler

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<sup>1</sup> See, for example, Blinder, A. S., Ehrmann, M., Fratzscher, M., De Haan, J. and Jansen, D.-J., "Central Bank Communication and Monetary Policy: A Survey of Theory and Evidence", *Journal of Economic Literature*, Vol. 46, No 4, 2008, pp. 910–945, available at: [https://www.nber.org/system/files/working\\_papers/w13932/w13932.pdf](https://www.nber.org/system/files/working_papers/w13932/w13932.pdf); Coibion, O., Gorodnichenko, Y. and Weber, M., "Monetary Policy Communications and their Effects on Household Inflation Expectations", *NBER Working Paper*, No 25482, 2019, available at: [https://www.nber.org/system/files/working\\_papers/w25482/w25482.pdf](https://www.nber.org/system/files/working_papers/w25482/w25482.pdf); Girard, A. and Beaupain, R., "The Value of Understanding Central Bank Communication", *Economic Modelling*, Vol. 85, 2020, pp. 154-165, available at: <https://www.sciencedirect.com/science/article/pii/S026499931930361X#>.

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messages in accessible language targeted directly at a wider, non-expert audience are very effective in conveying the central bank's policy and influencing the inflation expectations of consumers and firms.<sup>2</sup>

To achieve this, we use digital platforms – among other channels – to explain what we do in formats that are more accessible and meet the diverse needs of our audience, serving the general public and experts alike. Social media has become an important channel through which we engage directly with Europeans. It does not replace but rather complements the more detailed information contained in the aforementioned sources published on our website.

As I explained when I appeared at my confirmatory hearing before the ECON Committee in September 2019, speaking and listening to a wide range of voices is one of my key priorities as ECB President and I am determined to put this into action, including by using innovative forms of communication.

Yours sincerely,

[signed]

Christine Lagarde

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<sup>2</sup> See, for example, Bholat, D., Broughton, N., Ter Meer, J. and Walczak, E., "Enhancing central bank communications using simple and relatable information", *Journal of Monetary Economics*, Vol. 108, 2019, pp.1-15, available at: <https://www.sciencedirect.com/science/article/pii/S0304393219301394>; Haldane, A. and McMahon, M., "The 3 E's of central bank communication with the public", *American Economic Association Papers and Proceedings*, Vol. 108, 2018, available at: <https://www.bankofengland.co.uk/-/media/boe/files/working-paper/2020/the-3-es-of-central-bank-communication-with-the-public.pdf>; Korhonen, I. and Newby, E., "Mastering Central Bank Communication Challenges via Twitter", *Bank of Finland Economics Review*, Vol. 7, 2019, available at: [https://helda.helsinki.fi/bof/bitstream/handle/123456789/16534/BoFER\\_7\\_2019.pdf?sequence=1&isAllowed=y](https://helda.helsinki.fi/bof/bitstream/handle/123456789/16534/BoFER_7_2019.pdf?sequence=1&isAllowed=y); and Kryvstov, O. and Petersen, L., "Central bank communication that works: Lessons from lab experiments", *Journal of Monetary Economics*, Vol. 117, 2021, pp. 760-780, available at: <https://www.sciencedirect.com/science/article/pii/S0304393220300660>.

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