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## **Reputational pragmatism at the European Central Bank: Preserving reputation(s) amidst widening mandates**

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**Reputational pragmatism at the European Central Bank:**  
Preserving reputation(s) amidst widening mandates

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## **Abstract**

The process of widening mandates is an increasingly common phenomenon for central banks, but this has not yet been embedded in the ideas of bureaucratic reputation theory. As a result, little is known about the way central banks protect their reputation amidst widening mandates. Moreover, whether widening mandates represent reputational risks remains unclear. To obtain a better grasp of these dynamics, this thesis explores the climate engagement of the European Central Bank. Formal communication published since January 2022 is examined using a three-fold frame analysis, in combination with interviews with stakeholders of the European Central Bank's green agenda. This thesis finds that the three developed frames – prudence, promotion, and strategic ambiguity – are all mutually compatible and necessary components of the reputation management strategy of the European Central Bank amidst widening mandates. Their simultaneous presence enables the European Central Bank to respond to diverse audiences and cultivate conflicting reputations with minimum reputational risk. As such, the process of widening mandates seems to lead to a complex diversification of audiences, which, this thesis proposes, the ECB navigates through reputational pragmatism.

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## 1. INTRODUCTION

Non-majoritarian institutions are known to employ strategic communication to protect their reputation and maintain the idea among relevant audiences that they are legitimate and necessary bodies of the regulatory state (Maor, 2022; Maor et al., 2013; Müller & Braun, 2021; Rimkutė, 2020a; Tidå, 2021). Less is known, however, about the particularities of reputation management strategies when these institutions' mandates have widened. Widening mandates are increasingly common among non-majoritarian institutions, a shift that sees the gap between their *de jure* and *de facto* powers grow (Busuioc, 2013; Rimkutė, 2021). Among central banks, this phenomenon is gaining particular relevance, as they are required to reconcile their core tasks and the need to adapt and respond to complex economic, political, and environmental crises, for instance after the 2008 financial crisis or in the face of climate change.

Although central banks' widened mandates often emerge as an answer to relevant audiences' demands to include new ideas and instruments (Deyris, 2023), these changes have deep consequences. First, they divert central banks away from the original core duties that underly their creation. Second, widened mandates expand central banks' influence on society considerably, especially in terms of distributional effects. Finally, for central banks themselves, widened mandates could have consequences for their reputation and legitimacy. This latter point is increasingly discussed by scholars of central banking research (Boneva et al., 2022; Deyris et al., 2023; Monnet, 2023; Smoleńska, 2023; Smoleńska & Van 't Klooster, 2022; Van 't Klooster & De Boer, 2022) but has not been addressed from a bureaucratic reputation theory perspective, especially in connection to the concepts of reputation management and strategic communication. In particular, research to date has not yet examined how widened mandates may affect the reputation of non-majoritarian institutions and, consequently, how these cultivate their reputation amidst expanding mandates.

These concerns are of particular relevance for the European Central Bank (ECB), which, since the 2008 financial crisis, has been engaging in a widening of its mandates. The Treaties of the European Union (EU) originally tasked the ECB with two mandates. The first is price stability, which aims to control inflation. The second is the duty of supporting the general economic policies of the EU, though this must be without prejudice to the objective of price stability. In the aftermath of the financial crisis, the process of widening mandates effectively began when the ECB was forced to expand its operations and adopt new roles to prevent financial collapse in the Eurozone (Deyris et al., 2022). This entailed new supervision measures but also lending tools, such as quantitative easing (QE), corporate sector purchase programmes (CSPP), and targeted longer-term refinancing operations (TLTROs) (Deyris et al., 2022; Van 't Klooster, 2020). In the 2010s,



however, the ECB mandates were widened further as new objectives were adopted and new policy domains addressed. A key example lies with the ECB's engagement with environmental issues.

Traditionally ignored by most central banks, the issue of climate change has progressed to become one of the main concerns of the ECB. This required recognising that climate change threatens the economy and will impact central banks' ability to keep price stability (Campiglio et al., 2018; Chenet et al., 2021; Dafermos et al., 2018; Deyris et al., 2022; D'Orazio & Popoyan, 2022; Kedward et al., 2022b; Reghezza et al., 2022), but also that economic institutions such as the ECB contribute to unsustainable patterns in the banking and finance sectors (Deyris et al., 2022; Schoenmaker, 2021; Smoleńska, 2023). Under pressure from the public and changes in international political discourse, the ECB chose to respond to these demands by developing and adopting a climate strategy. Though some may have welcomed this step in light of the climate urgency, scholars have warned that the inclusion of sustainability objectives contributes to the unchecked widening of the ECB's mandates. Climate action represents a widening of the ECB's mandates as it involves a completely new domain of competencies that is not explicitly enshrined by the Treaties, emerging instead from central bankers' interpretation of the secondary mandate. This, however, can threaten the reputation and legitimacy of the ECB (D'Orazio & Popoyan, 2022). Indeed, the democratic legitimacy of the ECB "rests predominantly on its legal mandates" (Grünwald & Van 't Klooster, 2023, p. 5).

Moving away from these, then, appears to have implications for the reputation of the ECB, implications that need to be mitigated. Theory suggests that non-majoritarian institutions engage in reputation management strategies to deflect critiques and neutralise reputational threats, but also to create and cultivate a strong reputation on chosen domains, primarily done through communication with the public (Maor, 2022; Maor et al., 2013; Müller & Braun, 2021; Rimkutė, 2020a). With greater climate engagement, the ECB must not only cultivate the original reputation that is associated with its core duties (primary mandate), but also develop and strengthen its reputation in the new domain of climate action (widening mandates). Moreover, core and evolving duties are likely to be associated with different audiences, which could view differently what the desirable balance ought to be between the core duties of the ECB and the new duties and competencies it adopts. Likewise, the satisfaction of these diverse audiences must be taken into consideration for the ECB to be able to protect its reputation. In that regard, reputation management strategies could be both an empowering and determining factor in the ECB's ability to retain and protect its reputation. So far, however, the characteristics of the reputation management strategy that the ECB develops amidst widening mandates has not been closely examined. Although the general patterns in non-majoritarian institutions' reputation management

are well established and understood, existing scholarship presents competing expectations concerning the reputation management strategy that the ECB would employ as it widens its mandates through deeper climate engagement. Some authors suggest the dominance of prudence and a return to core duties (Maor, 2022; Müller & Braun, 2021; Rimkutė, 2020b; Tidå, 2021), but others refer to the promotion of new, evolving roles (Moschella et al., 2020), while strategic ambiguity has also been theorised (Braun, 2016; Krampf, 2016; Van 't Klooster, 2021). Which approach dominates in the ECB's communication has yet to be determined, however.

To answer this gap and test these three rhetorical scenarios, this thesis asks *how do widened mandates affect the reputation management strategies of central banks*. Taking the ECB as its subject of study, this thesis aims to understand which roles and domains of competencies are emphasised by the ECB, between core price stability duties (prudence), evolving climate roles arising from widened mandates (promotion), or a certain combination of both (strategic ambiguity). To do so, a specific timeframe is chosen where tensions between primary and secondary mandates are particularly palpable, namely the dramatic rise of inflation in the Eurozone since January 2022. To return to its inflation target, the ECB decided to adopt a contractionary monetary policy and increased interest rates in July 2022, for the first time in 11 years. Rates were increased another seven times between September 2022 and May 2023 to control high levels of inflation in the euro area (reaching 10.6% in October 2022), triggered by the combination of rising energy prices, food prices, and general instability with the onset of the Russian invasion of Ukraine in February 2022 (European Central Bank, 2022). Generally, theory expects that an increase in interest rates has strong consequences for the economy because the cost of capital increases, causing economic production to slow down, consumer spending to fall, and unemployment to rise (Van 't Klooster, 2022). The progress of the sustainability transition is therefore potentially undermined, as green investments become more expensive and less attractive. For instance, investments in renewable energy respond quickly to interest rate raises because they require high levels of capital, especially upfront (Eyraud et al., 2013). Rising interest rates also negatively affect the downward trend in renewable energy costs (Schmidt et al., 2019), which is likely to influence investment decisions. Arguably, then, with higher interest rates the incentives for investing in greening projects, across many sectors, could be reduced. As a result, the wider speed and progress of the sustainability transition in Europe could be adversely impacted. Consequently, this could affect the reputation of the ECB as an effective and committed actor in climate action, while the necessity to retain a strong reputation in the domain of price stability also persists. This chosen timeframe, therefore, is likely to offer fertile ground to observe the approach the ECB takes to protect its reputation and communicate with relevant audiences about its decisions and policies.

To study whether this is the case, a two-staged approach is taken to carry out a single case study of the ECB. First, data is gathered from ECB formal communication, which are then used to conduct a frame analysis. Secondly, this is triangulated with expert interviews with stakeholders of the ECB's green agenda. Under this approach, this thesis finds that prudence, promotion, and strategic ambiguity are all essential elements of the ECB's reputation management strategy amidst widening mandates. Indeed, widening mandates seem to represent a double reputational risk for the ECB, which requires the use of all three frames to protect and strengthen its reputation in the domains of price stability and climate action with the least reputational threats possible. In other words, the process of widening mandates seems to lead to a complex diversification of audiences, which, this thesis proposes, the ECB navigates through reputational pragmatism.

The main contribution and originality of this paper lie in its engagement with two strands of literature between which a bridge has yet to be established. Grounded in the analysis and theory developed by scholars of the ECB and central banks more generally, this thesis applies concepts of bureaucratic reputation theory to reveal the nature of reputation management strategy that the ECB employs whilst it engages in a further widening of its mandates. Conceptually, this approach has ample social relevance because there is evidence that increasingly more central banks are adopting new objectives beyond price stability (D'Orazio & Popoyan, 2022). Empirically, determining which strategy, between prudence, promotion, and strategic ambiguity, dominates in ECB formal communication offers new insights into central banks' reputation management approaches. It also complements the work of scholars who have sought to examine the patterns in ECB communication using machine learning techniques (see, for instance, Müller & Braun, 2021) by providing an in-depth quantitative and qualitative analysis of ECB formal communication. Finally, studying the ECB's reputation management strategy amidst widening mandates offers compelling insights once we connect these concerns to the wider urgency of seeing a sustainability transition unfold in Europe. As humanity continues to deepen its impact on the environment and faces the risk of trespassing increasingly more planetary boundaries (Rockström et al., 2009), a radical transformation of the economy is needed to achieve the EU's objective of becoming a carbon-neutral continent by 2050 (*A European Green Deal*, 2021). These concerns are pertinent when taking the ECB as a case study not only given its obligation to take other EU objectives into account through its secondary mandate, but also, and mainly, because the process of widening mandates gives the ECB roles and duties that are directly related to the sustainability transition. Firstly, the measures and instruments the ECB adopts can have a significant effect on the pace of decarbonisation in the European banking, finance, and investment sectors. Secondly, the formal communications of the ECB aim to guide markets through forward

guidance, yet inconsistent rhetoric in these communications leads to “mixed signals” (Moschella & Diodati, 2020, p. 198). These cause uncertainty and confusion among market actors, which negatively affects the reputation and legitimacy of the ECB (Díez-Martín et al., 2022). Consequently, this could also impact the process of sustainability transitions because uncertainty reduces incentives for riskier investment, even though there is an urgent need for green capital to be scaled up (D’Orazio & Popoyan, 2019; Emodi et al., 2022; Natalucci et al., 2021). As a result, by clarifying the stance of the ECB regarding the balance between price stability and environmental objectives, including the way in which this balance is communicated about and experienced by stakeholders of the ECB, this thesis provides new insights into the way decisions based on the primary mandate (here, contractionary monetary policy) may possibly affect the achievement of environmental objectives deriving from the secondary mandate, as well the reputation of the ECB. Relatedly, this thesis’s exploration of the ECB’s communication amidst widening mandates also contributes to a better understanding of the role played by the ECB in influencing and guiding the sustainability transition in Europe in the face of macroeconomic shocks, which provides new insights into the politicisation of central banks.

The structure of this thesis is as follows. Chapter two provides an overview of the existing literature on the linkages between central banks’ reputation and the sustainability transition. Chapter three details the methodology, primary source selection, and interview process used in this thesis. Results are presented in chapter four and subsequently discussed in the fifth chapter. The remaining chapter concludes.

## **2. CONTEXTUALISING THE RELATIONSHIP BETWEEN CENTRAL BANKS’ REPUTATION AND THE SUSTAINABILITY TRANSITION**

To develop a theoretical framework from which theoretical expectations can be identified, this section first reviews existing literature on the significance of reputation and independence for central banks, seeking to understand their strategic communication and reputation management as well as the origin of widening mandates. It then turns to the relationship between central banks and the sustainability transition to examine the evolution of the ECB’s green agenda. Third, the reputational challenges associated with the ECB’s new greening role are described. Lastly, three different perspectives on the ECB’s strategy in the face of these challenges are examined. Reflecting on these sections, a knowledge gap in existing research is subsequently identified.

## **2.1 Key elements of central bank behaviour: Independence, strategic communication, reputation management, and widening mandates**

### *2.1.1 The importance of independence*

The decision to create an independent central bank and delegate to it the task of conducting monetary policy is one of the core elements of the recent institutional developments that have made the EU a regulatory state (Moschella & Diodati, 2020). This EU regulatory state refers to the various EU agencies which are tasked with specific responsibilities related to regulation, such as the collection of information, the evaluation of evidence and policy options, and the formulation and monitoring of standards and policy advice (Magetti et al., 2022), and which monitor a multitude of domains besides monetary policy, such as public and environmental health, food safety, medical and pharmaceutical concerns, and border control, among others (Rimkutė, 2021). This agencification is grounded in the institutional argument that delegating powers achieves more efficient outcomes because agencies possess greater resources and expertise to make scientifically informed and objective evaluations of the subject at hand (Majone, 1999). Beyond efficiency rationales, delegation also offers the possibility to engage in blame-shifting and solve commitment problems (Lombardi & Moschella, 2017). There also is a symbolic dimension because the setting up of an agency and subsequent delegation signals to the public that measures are taken to tackle an issue more effectively in an apolitical manner, which, some argue, will protect democracy (Monnet, 2023).

Because it guarantees effectiveness, the notion of independence is essential to central banks' existence, perennality, and identity. For all regulatory agencies, isolation from political influence is a key motive for their creation and is their *raison d'être*, to guarantee scientific integrity and accuracy (Busuioc & Jevnaker, 2020). Likewise, for central banks, central bank independence (CBI) is viewed as a core argument for delegation. By delegating monetary policy to central banks and sheltering them from politics, decisions are expected to remain objective and technical (Van 't Klooster & Fontan, 2020), bound to a legal mandate (Van 't Klooster, 2020), whereas politicians would be influenced by short-term horizons and re-election prospects (McNamara, 2022; Monnet, 2023). The presence of mandates is therefore key, and the ECB was given two. First, the ECB is tasked with maintaining price stability in the Euro. Since the early 2000s, this is defined as an inflation level below yet close to 2%. Second, the ECB is required to support the "general economic policies" of the EU in order to contribute to the success of other EU objectives, but "without prejudice to the objective of price stability", the first mandate (De Boer & Van 't Klooster, 2021). The prioritisation of price stability in the ECB's mandate was influenced by the dominant monetarist paradigm at the time when the Treaties were drafted. Indeed, the delegation

of monetary policy to a central bank was assumed to support the long-term growth and development of the economy the best (De Boer & Van 't Klooster, 2021). In short, independence was at the core of the creation of the ECB, argued to provide efficiency and economic advantages. Since then, the ECB must not only protect this independence to retain its legitimacy, but also its reputation in core and evolving roles. This is often done through the use of communication strategies, which are addressed next.

### *2.1.2 Strategic communication to cultivate reputation*

Strategic communication is a key tool of reputation management (Maor, 2022; Maor et al., 2013; Müller & Braun, 2021; Rimkutė, 2020a). Indeed, in the face of increasing criticism, and to retain autonomy and legitimacy, non-majoritarian institutions must protect their reputation, the “set of beliefs about an organization’s capacities, intentions, history, and mission that are embedded in a network of multiple audiences” (Carpenter and Krause, 2012, p. 26). Cultivating a strong reputation will be advantageous to agencies as they pursue their objectives but requires carefully balancing performative reputation (successful achievement of objectives), moral reputation (respect of morals and integrity), procedural reputation (respect of common norms and rules when taking decisions), and technical reputation (use of expertise and resources) (Carpenter and Krause, 2012). Moreover, a positive reputation is argued to contribute to legitimacy, legitimacy being a by-product of a strong reputation (Rimkutė, 2018). For central banks, however, this is not an autonomous process – to be able to retain legitimacy, the public must believe that their roles and authority are pertinent and productive for society (Diessner, 2022).

To influence these beliefs, central banks communicate intensively with both markets and the public. Central bank communication ranges from regular communications about goals, strategies, policy decisions and general economic outlook, to more specialised information about financial stability (Müller & Braun, 2021). This communication is usually directed at markets, but press releases, speeches, conferences, and interviews are sometimes also intended for the wider public (Moschella et al., 2020; Müller & Braun, 2021). Central bank communication entertains a two-fold relationship with central bank reputation. On the one hand, communications are tools to influence financial stability in markets. However, they must be perceived as credible by markets for them to achieve their purpose. As such, effective strategic communication “hinges on a central bank’s credibility, and [...] reputation” (Müller & Braun, 2021, p. 674). On the other hand, strategic communication also allows central banks to improve and cultivate their reputation, for instance by engaging with relevant stakeholders (Arras & Braun, 2018; Bryer, 2006; Rimkutė, 2020a). This

engagement allows agencies to boost their reputation and, consequently, their legitimacy, but also to respond to and deflect criticisms and threats.

Yet, while these threats can be simultaneously intense (Busuioc & Rimkutė, 2020), not all threats and critiques are necessarily acknowledged (Gilad et al., 2015; Maor et al., 2013; Rimkutė, 2020a; Yang & Callahan, 2007). More specifically, the literature shows that all demands are not equal, and will pose different levels of threat to reputation, sometimes depending on the type of audience (Van der Veer, 2021). Another important distinction can be made according to the subject of criticism. Müller and Braun (2021) suggest that a difference exists between threats targeting core duties and threats targeted at competencies or duties that are still evolving, the former leading to either silent or reactive communication, while the latter sees proactive communication. Similarly, Rimkutė (2020a), Maor et al. (2013), and Maor (2022) argue that communication is conditioned on the strength of reputation, as agencies will actively react and engage in communication when the content of critiques targets issues in which the agency's reputation is still weak and developing. Consequently, it is expected that central banks will ignore, or only reactively acknowledge, threats to core duties, as these are domains of a strong reputation. Conversely, they will engage in proactive communication strategies when the subject of critique is a domain in which their reputation is still weak and evolving.

Understanding the power of strategic communication, as a source of information for audiences, and a tool to engage with them, is essential to any analysis of non-majoritarian institutions (Maor, 2022). Importantly, however, recent developments have brought increasing complexity to the study of these communication strategies, due to institutions' changing interpretation of their duties, through the process of widening mandates.

### *2.1.3 Widening mandates*

Although the creation of the ECB was firmly rooted in commitments to independence, scholars have been approaching CBI with increasing nuance. McNamara (2002) was one of the first authors to question the relevance of CBI, qualifying it as “taken for granted” (p. 47). For McNamara, the independence of central banks is not motivated solely by technical and apolitical motives, but is also shaped by social, political, and cultural considerations. More specifically, she suggests that the rationale for delegation is also one of symbolism for governments. In neoliberal economic paradigms, the delegation of monetary policy represents economic prosperity, and is presented to society as a way to protect democracy. In other words, delegation and CBI are also about signalling – to investors, to citizens, to wider communities – that a country has adopted and adheres to the key commandments of the dominant economic ideology. Tucker (2018), for

instance, suggests that it is for these very reasons that CBI is one of the first institutional changes in emerging market economies, once they have opened to liberalisation.

Besides these socio-cultural and symbolic arguments, the very argument that central banks are politically neutral has itself been challenged. McNamara (2002), but also Van 't Klooster (2020), Fontan and de Cabanes (2022), De Boer & Van 't Klooster (2021), as well as Deyris et al. (2022), have all suggested that central banks are not apolitical. Choosing price stability over other economic objectives is a political choice, with distributional effects. Rates of inflation and investment are not mere numbers on a central banker's sheet, but determinants of people's livelihoods, of wage levels, of savings and retirement prospects, as well as drivers of economic activity, consumption, and investment (McNamara, 2002; Van 't Klooster, 2020). It could be argued that the distributional effects of monetary policy are not expected to be part of central banks' concerns. That they are necessary collateral damage. Following this logic, as long as the analysis and reflection behind central bankers' decision-making are impartial and objective, then the costs and benefits of policies would remain apolitical effects resulting from the pursuit of the central bank's mandate.

In this regard, however, several scholars have suggested that the ECB mandates may be prone to more politicisation than expected by the Treaties. According to these authors, this is due to the vague quality of the ECB's mandates (Monnet, 2023; Tucker, 2018; Van 't Klooster & De Boer, 2022). Though two mandates were given to the ECB, and while both should be considered duties (Van 't Klooster & De Boer, 2022), the Treaties offer little guidance about what can be considered as absence of prejudice to the first mandate of price stability, thereby affecting the rollout of the second (to support general economic policies of the EU) (Van 't Klooster & De Boer, 2022). Generally, vague mandates leave central banks with insufficient clarity over their duties, forcing and incentivising them to interpret these themselves (Tucker, 2018). The act of interpretation, however, will inevitably involve trade-offs and dilemmas between policies (Tucker, 2018), which, in turn, involve political values (Stiglitz, 1998, cited in Monnet, 2023). This entails that economic decisions will be influenced by political considerations and beliefs (Moschella & Diodati, 2020). More alarmingly, these values arise from a relatively undiversified environment, as central bankers are usually more likely to be middle-aged, male, and to have held uninterrupted careers in the finance sector (Van 't Klooster, 2020).

For some authors, a clear expression of the vagueness of the ECB's mandates is the process of widening mandates (Van 't Klooster, 2020). An expansion of powers away from *de jure* duties is a common phenomenon across non-majoritarian institutions (Busuioc, 2013; Rimkutė, 2021), but this has been especially intense at the ECB. The process of widening mandates started in the



aftermath of the 2008 financial crisis, as new supervision measures and unconventional lending instruments were adopted. This includes quantitative easing (QE), corporate sector purchase programmes (CSPP) and targeted longer-term refinancing operations (TLTROs), measures and instruments which diverge from the original, market-neutral methods used to maintain price stability (Deyris et al., 2022; Van 't Klooster, 2020). In the 2010s, widening mandates also became associated with the adoption of objectives which are not explicitly mentioned in the mandates of the ECB. A clear example of this is related to climate change, an issue the ECB started to tackle throughout the 2010s, and which has compelled the “greening of monetary policy tools” (Baer et al., 2021, p. 6), for instance with the tilting of the CSPP towards issuers with greener climate performance (Deyris, 2023).

For scholars, widening mandates are a consequence of the lack of guidance conferred by the Treaties about the way the ECB ought to approach new, unexpected challenges, such as the 2008 crisis of climate change (De Boer & Van 't Klooster, 2020). Some also see widening mandates as further proof that CBI must be challenged. For instance, Deyris et al. (2022) argue that the idea of TLTROs already stands in contradiction with the notion of market neutrality, as capital is intentionally directed at specific sectors. Likewise, a tilting of the CSPP represents a deliberate choice about allocation, which is contradictory with the principle of market neutrality (Baer et al., 2021). As a result, some scholars see widening mandates as reducing the pertinence of CBI, leading them to call market neutrality a myth (Van 't Klooster & Fontan, 2020). An absence of market neutrality in the actions of the ECB, however, can pose real threats to its legitimacy, impact its credibility, and possibly lead to conflicts with the achievement of its primary mandate (Baer et al., 2021). Likewise, widening mandates could affect the reputation of the ECB. Indeed, climate action is an example of a new domain of action for the ECB, which entails evolving competencies. As previously discussed, existing theory suggests evolving competencies to be a source of weak reputation, but it has not yet engaged with the specifics of this phenomenon under the process of widening mandates. To understand these dynamics further, the next section explores the origins of the ECB's green agenda, one of the domains in which the ECB has taken new duties, beyond its primary mandate role.

## **2.2 Studying the evolution of the ECB's green agenda: From risks to opportunities**

From relatively unaddressed to highly popular and debated, the issue of climate change has had an impressive progression within the walls of the ECB. After finally recognising the various risks posed by climate change to the economy, the ECB has gradually acknowledged its

responsibility in enabling unsustainable patterns in the banking and finance sectors. Extant literature suggests that three distinct shifts have brought climate action to the ECB's agenda.

### *2.2.1 Shift one: Climate change as a risk to be managed*

Thiemann et al. (2022) but also Deyris (2023) analyse the evolution of the ECB's green agenda in three periods. Thiemann et al. (2022) take the 2015 COP21 Paris Agreement as their starting point. By yielding a global commitment to limit the levels of global warming to 2° Celsius, the Paris Agreement accelerated the conversation surrounding climate change in many domains, including the finance and banking sector. At first, however, most central banks' engagement with environmental issues remained limited and their role in sustaining them was largely ignored. Rather, climate change was perceived as a risk to be managed, to be controlled, given the threats it poses to financial stability and to the wider economy (Thiemann et al., 2022).

More specifically, the ECB sees climate change as presenting two types of risks: physical risks and transition risks. Physical risks refer to the damages that climate change could have on the built and natural environments. For instance, extreme weather events (droughts, floods, storms, extreme temperatures) could damage roads or buildings, but also destroy crops or undermine harvests (Reghezza et al., 2022). Conversely, transition risks arise as a result of socioeconomic and policy changes when transitioning to a greener economy: new policies, more stringent regulation, altered consumer preferences, as well as technological innovation, are all likely to affect the profitability of assets that banks own (Chenet et al., 2021; Reghezza et al., 2022). Many assets could also be suddenly devaluated, becoming "stranded assets" (Thiemann et al., 2022). Particularly exposed assets are those in carbon-intensive sectors (Reghezza et al., 2022), which tend to be overrepresented in the ECB's asset and collateral portfolio (Schoenmaker, 2021). Whereas physical risks are likely to have indirect consequences on financial markets, mediated by their impact on the built and natural environments (Thiemann et al., 2022), transition risks are directly related to the content of investment funds and banks' portfolios. Nonetheless, physical and transition risks have comparable consequences on the economy, provoking credit risks (higher likelihood of seeing defaults), market risks (higher volatility in prices of food, energy, etc.), liquidity risks (fire sales, credit withdrawals), and larger, macroeconomic risks (inflation, falls in growth and productivity, supply chain uncertainty) (Albulescu & Ionescu, 2017; Campiglio et al., 2018; Dafermos et al., 2018; Kedward et al., 2022b).

Deyris (2023) argues that between 2015 and 2018, the ECB's approach to these risks remained moderate. The principle of market neutrality was still largely observed, and central bankers engaged with climate action only to the extent that neutrality was guaranteed. This is visible

in the declaration of Yves Mersch, then member of the Executive Board of the ECB, who cautioned against adopting a “political agenda” that would have consequences on the ECB’s legitimacy (Mersch, 2018, quoted in Deyris, 2023). Instead of directly intervening in markets, the emphasis was put on the supply of information to market actors and on the adoption of frameworks that incentivise and enable market actors to understand the risks they face (Thiemann et al., 2022). This included providing more information about risk metrics and risk management strategies, while implementing mandatory disclosure frameworks. This way, it was believed that the market would naturally move away from carbon-intensive, climate-exposed ventures, while the ECB would remain neutral, intervening to a minimum (Thiemann et al., 2022).

### *2.2.2 Shift two: Central banks as contributors to climate change*

A second shift occurred around 2018 when the ECB officially recognised that market actors could not tackle the issue of climate change by themselves. Instead, the ECB acknowledged how its passivity and neutrality contributed to the issue, and started to adopt climate objectives.

The first time that climate change was framed as a part of the ECB’s mission was in a speech by another of its Executive Board members, Benoit Cœuré, who in 2018, not too long after Mersch’s statement, advocated for the greening of the ECB’s portfolio (Deyris, 2023). These internal disagreements at the ECB further underline the lack of guidance conferred by the ECB’s mandates: even among central bankers themselves, different interpretations emerge. As a consequence of these diverging opinions, no formal agenda on climate action was developed before another two years, but an important shift nonetheless seemed to emerge. First, central banks finally acknowledged that they too own portfolios, equally threatened by climate change (Thiemann et al., 2022). Secondly, this shift saw central bankers reflect and take responsibility. While the principle of market neutrality restricted central bankers’ ability to intervene in the economy, they now commit to becoming “responsible investors” who will “lead by example” (Thiemann et al., 2022, pp. 21-22). This required admitting that the portfolio of the ECB is biased towards carbon industries (Schoenmaker, 2021), and that negative environmental externalities can only be prevented through interventions in markets (Deyris et al., 2022).

Deyris (2023) notes that while this commitment was superficial and flawed at times, the climate discussion at the ECB still gained in intensity compared to 2015. Various greening instruments were proposed, improvements to existing regulatory frameworks were suggested, and a potential reorganisation of the ECB’s portfolio was discussed (Deyris, 2023). The ECB also invested time and resources in improving its expertise by joining international green finance networks and establishing internal research institutes and departments. In short, after 2018, the

ECB seemed to abandon the idea that climate externalities and risks will be taken care of by the market, provided the right information and structures are available. Instead, it took a more active stance and launched some key instruments. It is only after 2020, however, that a formal strategy to green the banking and finance sectors was adopted.

### *2.2.3 Shift three: Widening mandates and green agenda*

Both Thiemann et al. (2022) and Deyris (2023) agree that the year of 2020 marks a turning point in the evolution of the ECB's greening agenda. The Network for Greening the Financial System, one of the leading networks to which the ECB adhered in 2018, published a series of reports encouraging central banks to consider additional, progressive instruments to align monetary policy with climate priorities (Thiemann et al., 2022). At the same time, critiques of the ECB's approach intensified and external pressure soared: from activists, NGOs, academia, watchdogs, and civil society at large, but also from Members of the European Parliament and colleagues in other central banks (Deyris, 2023). These reports and rising socio-political pressure, combined with fortuitous changes in Executive Board membership with more environmentally-minded members (including the appointment of Isabel Schnabel, Christine Lagarde and Frank Elderson) contributed to steering the ECB towards a change in climate approach. In 2021, the first four-year climate strategy was unveiled. The strategy includes stricter disclosure requirements, integrates climate risk exposure metrics into banks' rating framework as well into the ECB's price stability instruments, and adds environmental criteria to collateral and CSPP frameworks, thereby tilting them towards actors with stronger climate performances.

Though some have argued that the 2021 strategy falls short of the environmental commitment needed from the ECB (Van 't Klooster & De Boer, 2022), the review can be interpreted as a sign that the ECB has embraced a greening agenda. Indeed, while there are ideational (Deyris, 2023) and discursive (Thiemann et al., 2022) interpretations of this shift, it is evident that the ECB's climate rhetoric has seen profound changes since 2015. It has adopted ideas and opinions that were previously incompatible with market neutrality, and it has shown increasing engagement with external demands. In short, the 2021 strategy illustrates well that the ECB is disassociating itself from the idea that effective climate action by central banks equates to a hands-off approach to the economy. That is not to say, however, that no obstacles exist. The next section reviews one of these obstacles, namely the challenges climate engagement poses to the reputation of the ECB.

### 2.3 Widening mandates and challenges for the ECB's reputation

While widening mandates may be a response to new demands and pressures, they still represent a contested process. Within the ECB itself, members of the Governing Council and Executive Board still have different visions about how far the ECB should intervene (Deyris, 2023). Moreover, the legitimacy of the ECB as it deepens its climate engagements is not necessarily guaranteed, as for this to be regarded as legitimate, it must also be seen as rightful (Rimkutė & Mazepus, 2023). Indeed, though climate action may be a response to the demands of the public, the ECB is still developing a green strategy as it pleases, without accountability or guidance from democratically elected institutions (Deyris et al., 2022; Monnet, 2023; Smoleńska, 2023). In terms of distributional effects too, with its new “secondary objectives” (Grünewald & Van ‘t Klooster, 2023, p. 4), the ECB's influence on society is now considerably larger than intended by the Treaties. Secondly, as the ECB grows more responsive to a new set of challenges and demands, the further it moves from its original duties. The tendency for non-majoritarian institutions to adopt new roles and objectives beyond their original legal mandates is well known (Busuioc, 2013, Fontan & de Cabanes, 2022; Guaschino, 2022, Rimkutė, 2021). By definition, however, these roles will include new domains in which reputation is weak and has yet to be built. Consequently, in light of previous sections' discussion of the patterns of strategic communication by non-majoritarian institutions as being conditional on the level of reputation, the following expectation can be put forward:

*Expectation 1: As the ECB deepens its engagement with environmental issues and continues to widen its mandate duties, it will proactively communicate about its green agenda to strengthen its reputation in this domain.*

These widened mandates have led scholars to question the direction of the ECB's politicisation in the coming years. More specifically, two perspectives on the future of the ECB's mandates can be identified. The first scenario suggests that the current institutional status quo continues (Deyris et al., 2022). The vagueness of the mandates is still exploited by central bankers to direct the ECB towards the issues they wish to prioritise, and the balance between price stability and other EU objectives remains at their discretion. In this scenario, the ECB continues to engage in “strategic ambiguity”, intentionally leaving unclear where it is headed and how serious its commitment to issues beyond price stability is (Van ‘t Klooster, 2021). The second scenario sees reforms, with the creation of spaces for collaborative deliberation and democratisation of the ECB, as the way forward. In that respect, various ideas have been put forward, summarised in Deyris et al. (2022). First, a reform of the appointment procedure of members of the Governing Council could be envisaged to make it more democratic, but also accountable to other institutions of the

EU. Second, the appointment of another EU body to decide on the exact direction of the ECB's mandate, rather than leaving it up to interpretation, could be considered. This could be the European Parliament, one of its committees, or through the creation of a new body. For instance, Smoleńska (2023) and Monnet (2023) argue that an independent European Credit Council would provide a forum for deliberation about the policies preferred, thereby providing a democratic process. A third idea is to generally improve the transparency of the decision-making process of the ECB, for instance through mandatory disclosure of meeting minutes and justification of decisions taken (Grünwald & Van 't Klooster, 2023). More interaction and interinstitutional dialogue about the direction of monetary policy and between the ECB and the Parliament's committee is another common proposal (Grünwald & Van 't Klooster, 2023; Van 't Klooster & De Boer; 2022). Finally, many authors have put forward proposals for new instruments, which would make the ECB's greening agenda more democratic as well as more effective (Kedward et al., 2022a; Van 't Klooster & Van Tilburg, 2020).

Though it cannot be asserted which scenario will be pursued, and while different opinions will arise about which is preferable, existing literature makes clear that both scenarios will continue to pose new challenges for the reputation of the ECB. The first encourages the ECB's central bankers to test the limits of vagueness and ambiguity, as it becomes a "climate-friendly technocratic setting" (Baer et al., 2021, p. 9), but this will inevitably imperil its credibility and legitimacy in the long run (Deyris et al., 2022), especially if allegations of "mission creep" intensify (Boneva et al., 2022). So far, the ECB's widened mandates have not resulted in a general controversy because the adoption of unconventional instruments and roles has been perceived and argued as "proportionate" after the 2008 financial crisis and in reaction to climate change (Deyris et al., 2022, p. 13). But the framing of these measures as a new norm will inevitably be questioned at some point: for Grünwald & Van 't Klooster (2023), the democratic legitimacy of the ECB "rests predominantly on its legal mandate", which would imply that the ECB's legitimacy will suffer from continued mandate-widening (p. 5). Similarly, the second scenario is likely to give rise to reputational issues because the options put forward profoundly challenge the prevalent neoliberal, monetarist beliefs that underly the conduct of central banking (Braun, 2016). Moreover, some fear that prioritising green assets could heighten financial volatility (Demekas & Grippa, 2022), while others warn about "greenflation", an increase in inflation induced by green activities (Blas, 2022). This would endanger price stability, and is likely to be criticised by audiences to whom price stability is a priority. Consequently, this could be detrimental to the reputation of the ECB as it would be seen as taking decisions contradictory to its core duty of price stability.

In short, the ECB seems to be facing an important juncture with its green agenda. It must carefully balance between core and evolving duties, while also cultivating its reputation in these domains. As a result, it is likely to have developed a reputation management strategy, allowing it to protect and reconcile its reputation in core and new competencies. However, the existing literature provides three competing theoretical expectations about the nature of this strategy, examined next.

#### **2.4 Navigating reputational threats during sustainability transitions: Prudently, promotionally, or ambiguously**

The previous section suggests that new roles in climate action will inevitably result in an intensification of reputational challenges that the ECB faces. In light of this, it appears relevant to rely on existing theory to examine and interpret the ECB's reputation management strategy amidst widening mandates.

Puzzlingly, however, the existing literature is not always consistent regarding the reputation management strategy that can be expected from the ECB. Indeed, scholars have put forward diverging theoretical predictions about the effect of reputational threats on the ECB's communication strategy. Moreover, these emphasise core and evolving duties with varying levels of intensity. Three perspectives can be identified. First, some scholars argue that when faced with reputational threats from various and conflicting audiences, agencies will retreat to the duties and roles they were first ascribed, and which underlies their original purpose and rationale (Rimkutė, 2020b). This is qualified as prudence. Failing to address or prioritise critiques related to these duties would put agencies in a particularly vulnerable position, as their identity and legitimacy would be challenged without acknowledgement. Accordingly, Tidå (2021) and Müller and Braun (2021) argue that agencies are attentive to answer demands that are related to these core duties and will satisfy the audiences associated with them, as their support is essential to maintain a strong reputation. Under this interpretation, and the ECB's core duty being price stability, the primary mandate will be prioritised when situations that could potentially threaten the ECB's reputation arise. The following theoretical expectation can be inferred:

*Expectation 2a: To protect its reputation, the communication of the ECB will be prudential in nature and narrative, and will prioritise primary mandate duties.*

The second pattern in the literature is promotion. In their investigation of the ECB's reaction to public criticism, Moschella et al. (2020) found that the ECB does not always revert to

its original mandates to boost its reputation. In fact, the authors observed the opposite: when attacked, the ECB expands its attention to issues that usually fall beyond its price stability mandate. This is a strategic choice, that seeks to increase the legitimacy of the ECB among other audiences, but it stands in sharp contrast with the previous perspective that sees core duties as the sole source of legitimacy and guarantor of a strong reputation. By answering and promoting other domains, Moschella et al. (2020) argue, the ECB can develop an identity beyond price stability, while also engaging with more audiences, thereby diversifying its sources of legitimation. This, in turn, increases its ability to obtain wide public support. As a result, because it adopts ideas and concerns that do not fall traditionally in its mandate, the ECB employs a promotional discourse and engages with various social demands. Consequently, this perspective would lead to the following expectation:

*Expectation 2b: To protect its reputation, the communication of the ECB will be promotional in nature and narrative, and will support a widening of mandate duties through a green agenda.*

A final perspective on the characteristics of ECB's communication emphasises ambiguity. For Van 't Klooster (2021), the ECB's adoption of new roles and duties, in climate action and beyond, equates to a paradigm shift, as the beliefs about CBI that were held until then were radically abandoned. This shift is technocratic because more powers and duties are given to a non-elected, technocratic institution. To retain these powers, however, central bankers must avoid a wide politicisation of their actions that would result in demands for reforms and democratisation. To do so, central bankers employ "strategic ambiguity" in their communication: their discourse suggests that the new roles taken are in accordance with older definitions of the ECB's duties, allowing them to display both continuity (highlighting the initial premises of central banks' mandate) and change (responding to new challenges) in their speech.

Central bankers are able to rely on strategic ambiguity to maintain the institutional status quo because of "legal permissibility" (the ability to interpret mandates at their discretion) and "political feasibility" (the lack of public scrutinisation and politicisation of ECB decisions) (Van 't Klooster, 2021, p. 4). With strategic ambiguity, the ECB can refer to both primary mandate and secondary mandate duties in a seemingly coherent manner, by justifying its new greening roles and instruments as being congruent with its original, core duties (for instance, by referring to transition and physical risks' impact on price stability). Likewise, Krampf (2016) argues that strategic ambiguity provides the advantage of flexibility and discretion. This allows the ECB to present its (potentially controversial) decisions as its rightful interpretation of a "sound" pursuit of its



mandates (Van 't Klooster, 2021, p. 14). As a result, the ECB retains its legitimacy because its actions appear “reasonably effective” (Krampf, 2016, p. 468). In practice, however, this ambiguous discourse makes it difficult to discern the ECB’s real motives and interests (Van 't Klooster, 2021). Strategic ambiguity, therefore, is a rhetorical tool that can manage people’s beliefs and expectations about the purpose and roles of the ECB (Braun, 2016). Consequently, it also allows the ECB to minimise reputational threats. Under this perspective, it can be expected that:

*Expectation 2c: To protect its reputation, the communication of the ECB will be ambiguous in nature and narrative, and the level of emphasis put on price stability versus other green objectives will vary.*

In short, there is no consensus in existing literature when it concerns the ECB’s reputation management strategy amidst widening mandates. Whereas some scholars argue that primary and core duties always supersede, others found that the ECB sees criticisms as resources and opportunities to expand its operations and improve public support. A third perspective blends both of these views, suggesting that the ECB’s communication about its widened mandate features intentional strategic ambiguity.

To adjudicate which expectation is borne out by empirical evidence, further research is needed to study the ECB’s reputation management strategy amidst widening mandates. More specifically, it is necessary to establish which communication strategy, between prudence, promotion, and strategic ambiguity, is chosen by the ECB to cultivate its reputation in light of its evolving duties in climate action. Conversely, this also requires clarifying which theoretical expectation is the most plausible and compelling in light of empirical evidence. The next section describes how this thesis intends to meet these objectives is addressed next.

### **3. METHODOLOGY**

Building on the gaps revealed in the previous chapter, this thesis asks: *How do widened mandates affect the reputation management strategies of central banks?* This chapter details how this thesis seeks to research and answer this question empirically. First, the motivations for conducting a single case study of the ECB are presented. The second section discusses the reasons for employing a frame analysis and presents the analytical framework employed. Subsequently, the third section gives an overview of the data used, including the process of source selection and the organisation of interviews. Finally, the limitations of this research design are discussed.

### 3.1 Case selection

This thesis carries out a single case study, an arguably ideal choice for exploratory research that seeks to obtain in-depth information and detail about the studied phenomenon (Gerring, 2004). Case studies offer the possibility to study a single unit intensively (Seawright & Gerring, 2008), which fits this thesis's intention to explore the ECB's communication at a specific time period as its single case. To select a case, an "information-oriented" strategy was taken to purposefully select a particular case for the information it contains (Flyvbjerg, 2006, p. 230). Moreover, a typical case offers the representativeness that is needed to compare and evaluate the data and evidence gathered through the case study against causal mechanisms put forward in existing theory, which are subsequently tested (Seawright & Gerring, 2008). In this thesis, this involves testing the causal mechanisms of prudence, promotion, and strategic ambiguity, and establishing which dominates.

To do so, a case study of the ECB is conducted, as it is a typical case of a non-majoritarian institution that engages in mandate-widening. Indeed, previous chapters have demonstrated in depth how the ECB embodies the process of widening mandates. Still, key elements can be summarised as follows: (i) the 2008 financial crisis saw the ECB take on new roles and adopt new instruments to protect financial markets and economies of the Eurozone (Deyris et al., 2022; Van 't Klooster, 2020), (ii) new roles continued to emerge throughout the 2010s, especially as the ECB adopted a climate strategy that put additional objectives on its agenda (Deyris, 2023; Thiemann et al., 2022), and (iii) the process of widening mandates at the ECB is increasingly discussed in academic and research circles, with intensifying debates about the potential consequences of these widened roles for democracy and the economy (Monnet, 2023; Smoleńska, 2023). Together, these developments make the ECB an ideal case for studying the reputational effects of widening mandates.

Additionally, a specific timeframe is chosen, from January 2022 to May 2023. This timeframe follows the logic that events before 2021 are disregarded because academic literature makes clear that this would be before the critical juncture in sustainability discourse at the ECB (Deyris, 2023; Thiemann et al., 2022). Moreover, January 2022 is taken as the starting point for data collection as this marks the start of the rise of inflation in the Eurozone. Indeed, inflation rose considerably in early 2022 as a result of rising energy and food prices. This was further exacerbated by the geopolitical, economic, and supply crisis triggered by the Russian invasion of Ukraine in February 2022 (European Central Bank, 2022). May 2023 is the month of the latest publication by the ECB at the time of writing.

By specifying this timeframe, it is possible to isolate a period where reputational management and strategic communication are particularly likely, as tensions between core and evolving duties rose. Indeed, to combat inflation, the ECB adopted a contractionary monetary policy and increased interest rates in July 2022, the first time in 11 years. Rates were increased another seven times between September 2022 and May 2023 to control high levels of inflation in the euro area, which reached an all-time high of 10.6% in October 2022. With higher interest rates, however, the ECB's environmental objectives are also impacted. This is due to higher interest rates' negative relationship with investment and spending generally (Van 't Klooster, 2022), and green investment especially. Green investment is very capital-intensive and large quantities of upfront capital are usually needed (Eyraud et al., 2013). Higher interest rates disincentivise riskier investment in green projects while also affecting the cost of production of green technology such as renewable energy (Schmidt et al., 2019). As a result, this could slow down the progress of the sustainability transition in Europe by reducing investment intensity, even though it is widely recognised that green investment needs to be scaled up to achieve the objectives of the Paris Agreement (D'Orazio & Popoyan, 2019; Emodi et al., 2022; Natalucci et al., 2021). Therefore, while contractionary monetary policy is the conventional answer to control rising inflation and maintain price stability, which the ECB is obliged to do through its primary mandate, it could nevertheless affect the achievement of its environmental objectives by hindering the progress of the sustainability transition. This further demonstrates the suitability of this timeframe for this thesis' objective of examining the reputation management strategy the ECB adopted, as it balances both price stability and climate action.

### **3.2 Frame analysis and operationalisation**

This thesis applies a frame analysis to determine the accuracy of theories of prudence, promotion, and strategic ambiguity in explaining the ECB's reputation management strategy. To do so, the frame analysis is inspired by congruence analysis, which aims to establish a dominant explanation between competing theoretical approaches (Blatter & Haverland, 2012). The advantage of frame analysis is that it reveals diverse interpretations of the subject of study by identifying frames – sets of elements that together represent a coherent understanding or narrative about a subject of study (Creed et al., 2002). Combining it with the approach of congruence analysis allows for a selection and evaluation of each frame relative to one another, thereby establishing which one is the most pertinent in light of pre-defined expectations. The frame analysis itself is based on an adapted version of Müller and Braun's (2021) three-fold framework, which is aligned with the themes of prudence, promotion, and strategic ambiguity, this thesis's three frames.

Müller and Braun (2021) identify three frames: an ECB core frame, an ECB expansion frame, and an ECB unusual frame. These express “attention to particular regulatory competences”, from price stability as a core duty (core frame) to new instruments (expansion frame) and unusual measures (unusual frame) (p. 675). This thesis follows a similar logic to develop its frames. The frame of *prudence* refers to the ECB’s core duty, price stability, to evoke the strategic retreat of the ECB towards its primary mandate as a way to safeguard its reputation through communication with relevant audiences. The second frame, *promotion*, indicates the strategic support and publicity of evolving (or widening) duties in ECB communication. The third and final frame, *strategic ambiguity*, signals vagueness and ambiguity in ECB communication regarding its prioritisation of core and evolving duties.

Employing these three frames allows to decipher the ECB’s reputation management amidst widening mandates. These frames, however, must be operationalised, from concepts to observable indicators that can be researched empirically. Given their academic origin, it is unlikely to see “prudence”, “promotion” or “strategic ambiguity” explicitly mentioned. Instead, it is necessary to identify broader themes, specific to each of the three frames, and which are expected to be implicitly or explicitly present. Table 1 gives an overview of the three frames and their associated themes.

The expected themes derive from and are informed by empirical and conceptual arguments in the existing literature. Themes associated with *prudence* refer to the ECB’s retreat to price stability and its prioritisation of its core duties as a way to protect its reputation, as suggested by Maor (2022), Müller & Braun (2021), Rimkutė (2020b), and Tidå (2021). Conversely, the *promotion* frame expects themes that indicate an appraisal of new demands and objectives, along the lines of Moschella et al.’s (2020) argument. Lastly, the frame of *strategic ambiguity* includes themes related to ambivalence and inconsistency, mixing prudence and promotion, where old and new objectives are presented as part of a coherent narrative, as argued by Van ‘t Klooster (2021). The flexible and discrete character of strategic ambiguity is also included (Braun, 2016; Krampf, 2016).

Subsequently, these expected themes form the sub-codes that structure the manual coding in ATLAS.ti. To achieve a precise identification of each frame, words and sentences cannot be analysed individually, however. Rather, it is necessary to analyse these elements with regard to the entire document and narrative they are part of. This will require looking at the wider context and narrative throughout the text, but also putting coded sections in relation to each other by noting their sequence and proportionality. This provides the basis for a thorough detection of the three frames, which are analysed first quantitatively and then qualitatively, by examining their frequencies as well as their content. In the next section, the process of data collection is outlined.

**Table 1***Frames and expected themes*

<b>Frame</b>	<b>Expected Themes</b>
<b>Prudence</b>	<ul style="list-style-type: none"> <li>- Advocacy of caution and restraint</li> <li>- Primacy and prioritisation of price stability</li> <li>- Protection of market neutrality</li> <li>- Control of inflation as mission and purpose</li> <li>- Pursuit of climate action only within legal obligations</li> </ul>
<b>Promotion</b>	<ul style="list-style-type: none"> <li>- Necessity to address environmental issues</li> <li>- Socio-political necessity to keep abreast with diverse demands</li> <li>- Publicity of green agenda</li> <li>- Obstacles to the sustainability transition</li> </ul>
<b>Strategic Ambiguity</b>	<ul style="list-style-type: none"> <li>- Justification of green agenda as coherent and necessary for the achievement of price stability</li> <li>- Restrained commitment</li> <li>- Conflicting objectives</li> <li>- Redefinition and recontextualisation of mandates</li> </ul>

### **3.3 Data collection: Source selection and interview process**

The data on which this methodology is built originates from two sources: documents gathered from the ECB database and interviews with relevant stakeholders. Concerning the former, formal communications (press releases, speeches, conferences, and interviews) issued by the ECB between January 2022 and May 2023 were retrieved from the ECB website. This follows the approach of other authors who used ECB formal communication as a relevant medium to study the issue attention and policy agenda of the ECB (see, for instance, Braun et al., 2022; Müller & Braun, 2021), by exploiting the “performativity” of ECB formal communication (Deyris, 2023, p. 4). The documents were found using a set of keywords on the search bar options of the ECB website, including “environment”, “secondary mandate”, “green”, “sustainability”, “transition”, and “investment”, but also by reviewing the ECB’s database for climate-change-related publications (see, European Central Bank, n.d.). Lastly, though not always considered part of the formal communication venues of the ECB, some blog posts published on the ECB website were included, on the basis that they were solely written by members of the Governing Council or by

the head of the ECB's climate centre, and could therefore be relevant conveyors of the ECB's ideas. In total, 51 documents were gathered, compiled in Appendix A. Given that multiple frames can be juxtaposed in the same document and that the different terms can convey the same frame (Müller & Braun, 2021), the documents were manually coded using the software ATLAS.ti to achieve greater precision. By doing so, the three frames can be detected more effectively and accurately. This then provides the basis for the quantitative and qualitative analysis of the frequency and preponderance of each frame, working towards answering the guiding research question

The second step of the data collection is a series of semi-structured interviews with stakeholders of the ECB's green agenda. This not only complements the document analysis but also offers an opportunity for triangulation. Triangulation combines different designs and enables the researcher to gather multiple perspectives on the subject of study through mixed data collection (Bowen, 2009). This method also allows for cross-validation, thereby confirming assumptions and results more powerfully, which yields greater credibility and validity for results but also minimises the effect of biases (Bowen, 2009). Potential interviewees were identified using purposive sampling (judgment-based selection of individuals presenting a good fit), expert sampling (selection of known experts in the target field), and snowball sampling (interviewees themselves refer the researcher to other relevant individuals that are then contacted) (Kumar, 2010). Overall, purposive sampling targeted renowned investment firms, (green) venture capital funds and banks, as well as renowned research centres specialising in monetary policy and central banking research. Additionally, a deeper search was executed to find smaller, niche, stakeholders, especially investment actors that do not benefit from the same level of market power and media coverage as larger investment firms and banks. This step is important to ensure that the data collected does not come uniquely from one type of stakeholder, so that the sample collected is more representative and diversified. Sometimes, these smaller actors were found via specialised news articles that put a spotlight on innovative, green capital (see, for instance, Orsini, 2022).

In total, 76 interview requests were sent. This resulted in six interviews, detailed in Table 2. Five interviews were held through the online meeting platform *Zoom* and were also recorded and transcribed. One of the interviews took place in written form, focusing on questions one of the other interviewees had not been able to answer, thereby referring to another colleague. Transcripts were subsequently manually analysed, following the frame analysis framework previously outlined.

**Table 2***Interviews*

<b>Number</b>	<b>Interviewee's position</b>	<b>Date</b>	<b>Format</b>	<b>Length</b>
Interviewee 1	Associate at fund manager focused on green investments	15/05/23	Online interview	47'32"
Interviewee 2	Investment director at venture capital fund and startup accelerator	19/05/23	Online interview	41'03"
Interviewee 3	Researcher at an ethical bank's sustainability research department	22/05/23	Online interview	24'21"
Interviewee 4	Head of policy at non-profit focused on alternative monetary policy and central banking	23/05/23	Online interview	1h07'22"
Interviewee 5	ESG investment strategist at ethical bank	23/05/23	Written email	N/A
Interviewee 6	Head of investor relations at venture capital fund focused on climate technology and circular economy	24/05/23	Online interview	53'21"

**3.4 Limitations**

This research design contains some limitations that are necessary to highlight. First, while the selection of sources was done with great rigour, there always are retrievability issues when extracting primary sources (Bowen, 2009). Consequently, this is likely to lead to a biased selectivity, as the sample of documents used is limited to those that could be found. This, however, is “unavoidable” in qualitative research (Thies, 2002, p. 355). Indeed, research relying on primary sources is largely constrained by availability and accessibility concerns (Kumar, 2010), leading some to argue that sources will in fact select the researcher (Thies, 2002). Nonetheless, this is somewhat relieved through the triangulation provided by interviews. Moreover, intentionally seeking contradictory evidence, or at least considering alternative explanations, also contributes to preventing flawed interpretations that derive from selection bias (Thies, 2002). This is especially

relevant for the manual coding of frames, though similar concerns arise regarding the possibility of personal bias in the manual reading and coding of the documents and interviews present in this research.

Interviews present another set of limitations. Firstly, given the sample selection methods used, there could be a selection bias in the selection of interviewees that makes it overrepresented or underrepresented in certain characteristics. As an example, the sampling only yielded male interviewees, and most were business actors. Therefore, this thesis participates in methodological elitism (Braun, 2016), as it only obtains insights about the interaction that financial and business elites entertain with ECB formal communication. Selection bias could be relieved by a larger sample size, which would provide more diverse backgrounds and experiences, but time constraints have limited the number of requests sent and the number of interviews held. Secondly, there could be a social desirability bias, as interviewees seek to respond in such a way that is informed by social expectations and norms rather than in an authentic manner. This is relevant given the potential perception of some questions as controversial or confidential. Arguably, this bias was reduced by assuring interviewees of their anonymity as well as by providing non-leading questions which would provide interviewees with the “freedom to respond” (Rubin & Rubin, 2012, p. 133). Thirdly, some interviewees are market actors, a type of professional elites known to behave in a specific way in interviews (Harvey, 2011). Given their status, renown, and even expertise, elite interviewees may (un)intentionally challenge the subject of research. Their answers can also be cultivated, rather than honest and spontaneous, as a way to protect their reputation and position. Using a semi-structured approach with open-ended questions, sometimes sent in advance, represents one way in which it was tried to gain their trust, aiming to obtain valid and credible results.

## **4. RESULTS**

This chapter presents the findings from the frame analysis, resulting from the manual coding of the documents, and which is supplemented by interviews with stakeholders of the ECB’s green agenda. First, the occurrence of the three frames is analysed quantitatively, by examining the frequencies of the frames. Then, each frame is studied individually, narrowing down on their specific sub-themes, in conjunction with insights from interviews.

### **4.1 Quantitative analysis of the frames**

The occurrence of the frames of prudence, promotion, and strategic ambiguity can be first examined quantitatively. This approach yields valuable information about the distribution of

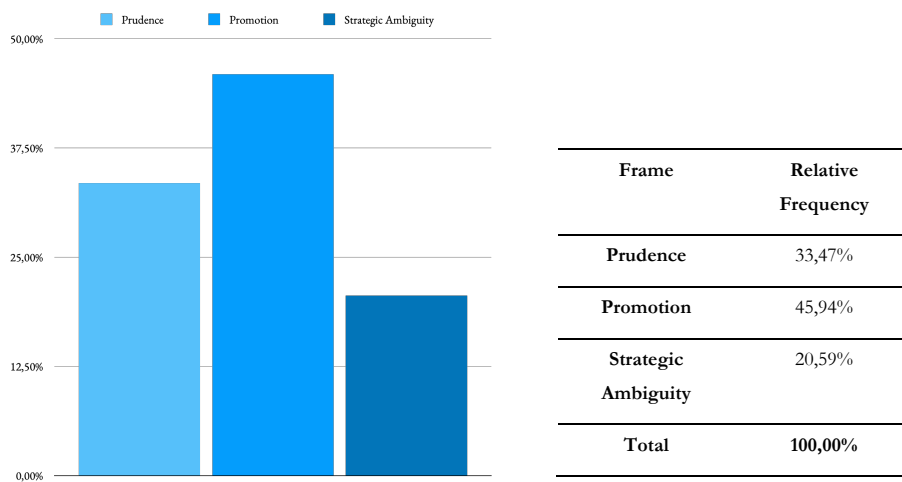


frames across document types as well as about the frequency and proportionality of each frame relative to one another.

The coding resulted in 505 quotations (sections, sentences, or words to which a code is applied), associated with either prudence, promotion, or strategic ambiguity. The relative frequency of these three frames is presented in Figure 1, with percentages indicated in the accompanying table. The data shows that the sub-codes associated with the promotion frame were identified the most frequently. The frame of prudence encompasses a third of the total number of quotations, while strategic ambiguity is represented more than twice as less as the promotion frame.

**Figure 1**

*Relative frequencies of frames*

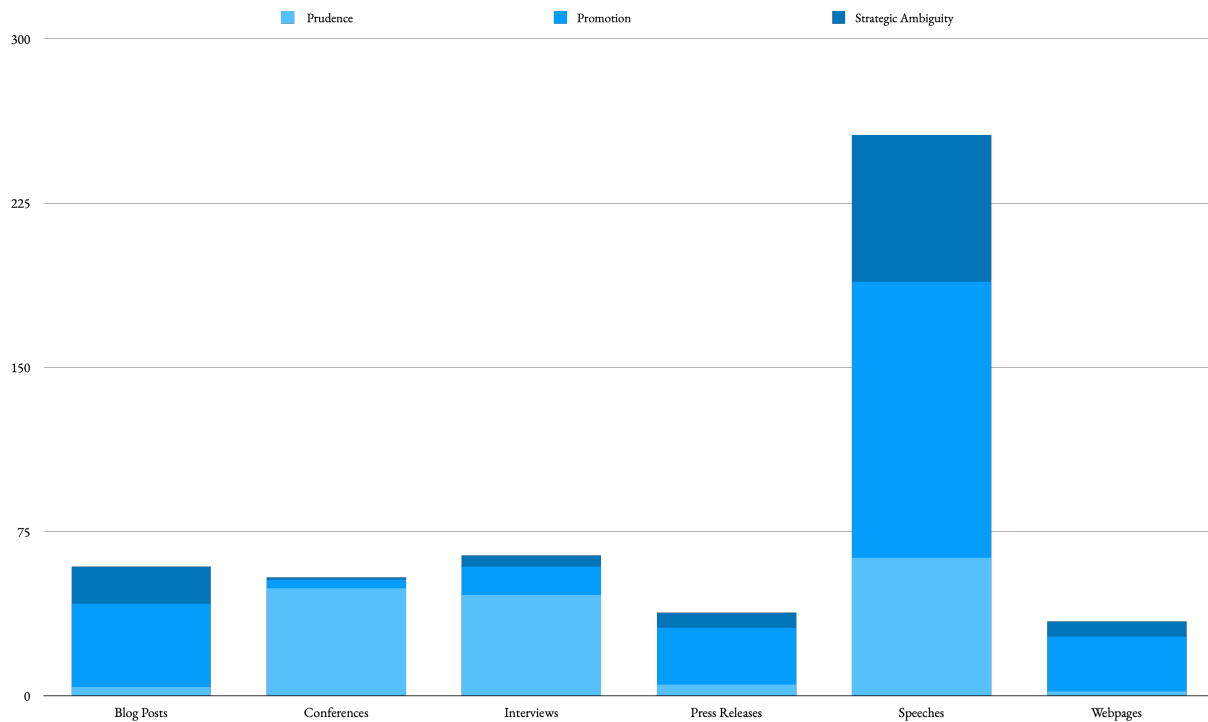


*Note:* Own work.

For further insights, the quantitative analysis also examined the frequency of each frame across document types. Figure 2 shows the absolute frequencies of the frames, where it can be seen that while all frames are present in all documents at least once, their proportion varies. Prudence is the predominant frame in conferences and interviews but appears substantially less frequently in other documents. In these other document types, promotion is the prevailing frame, but strategic ambiguity also features abundantly in speeches.

**Figure 2**

*Absolute frequencies of frames across document types*

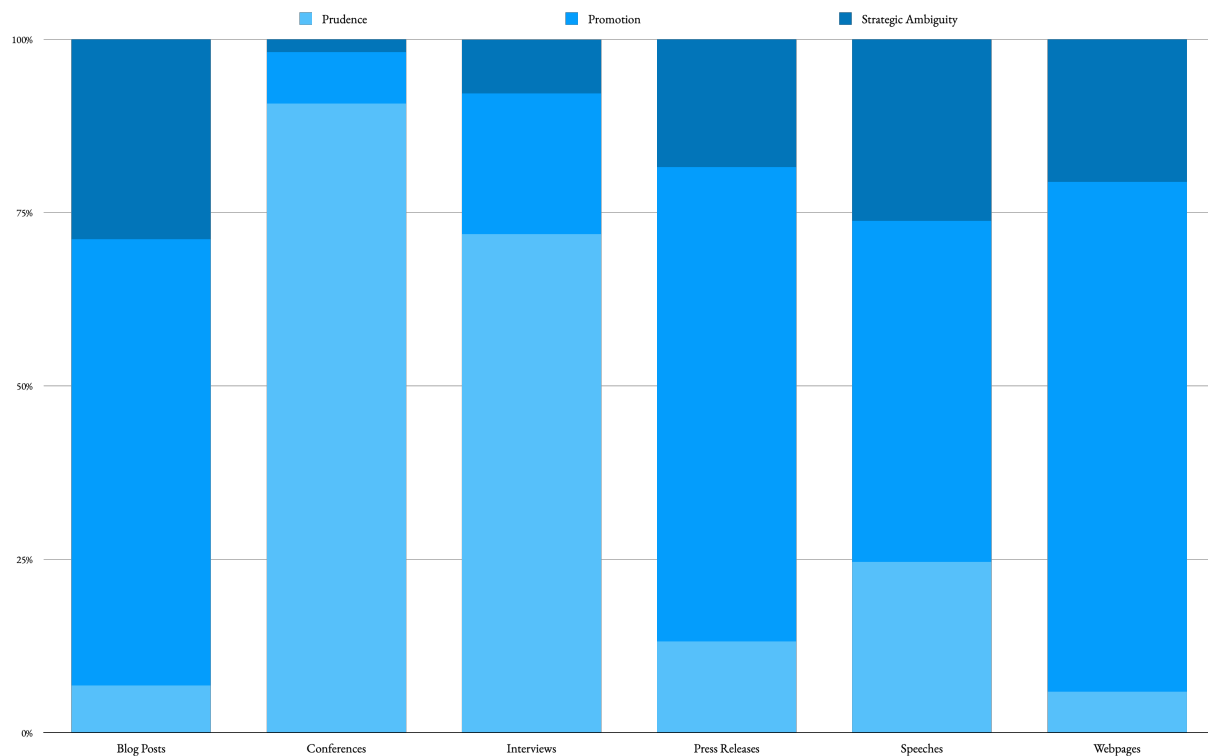


*Note:* Own work.

The analysis of absolute frequencies is insufficient on its own because the number of documents is not equal across document types, which leads to misleading results. Relative frequencies, shown in Figure 3, provide a more accurate picture of each frame's frequency by taking into account the number of documents across document types. With this approach, it is apparent that both promotion and strategic ambiguity now appear more frequently. Moreover, promotion mainly prevails in the press releases, speeches, and webpages but prudence is the principal frame in conferences and interviews. While strategic ambiguity never is the primary frame in any of the documents, it nonetheless represents an important share of the codes identified. These patterns did not change when controlling for code co-occurrence – when more than one sub-code is applied to the same quotation.

**Figure 3**

*Relative frequencies of frames across document types*



*Note:* Own work.

These results indicate that while promotion is the frame that was most frequently applied in the coding of documents, it is, however, not the prevailing frame for all document types. The other two frames still represent a non-negligible part of the coding. This is particularly noticeable when examining the absolute and relative frequencies of each frame’s sub-themes across document types, as presented in Table 3. Evidently, the largest number of quotations are associated with the promotion frame. The sub-code “publicity of green agenda” tallies more than a fourth (131) of the total quotations (505). Interestingly, besides this outlier, the number of quotations between the three families of sub-codes remains fairly comparable. This is especially so when comparing the sub-codes of prudence and strategic ambiguity and their average quotation per sub-code (33.8 versus 26, respectively). Graphical representations, in absolute and relative terms, of the frequency of each frame’s sub-codes, are presented in Appendix B.

**Table 3***Absolute and relative frequency of sub-themes across document types*

		Absolute and Relative Frequency						
	Sub-themes	Blog Posts	Conferences	Interviews	Press Releases	Speeches	Webpages	Totals
Prudence	Advocacy of caution and restraint	2 (3,39%)	18 (33,33%)	8 (12,50%)	0 (0,00%)	10 (3,91%)	0 (0,00%)	38
	Control of inflation as mission and purpose	0 (0,00%)	16 (29,63%)	18 (28,13%)	1 (2,63%)	23 (8,98%)	0 (0,00%)	58
	Primacy and prioritisation of price stability	2 (3,39%)	14 (25,93%)	13 (20,31%)	1 (2,63%)	16 (6,25%)	1 (2,94%)	47
	Protection of market neutrality	0 (0,00%)	1 (1,85%)	3 (4,69%)	0 (0,00%)	3 (1,17%)	0 (0,00%)	7
	Pursuit of climate action only within legal obligations	0 (0,00%)	0 (0,00%)	4 (6,25%)	3 (7,89%)	11 (4,30%)	1 (2,94%)	19
Promotion	Necessity to address environmental issues	11 (18,64%)	1 (1,85%)	0 (0,00%)	3 (7,89%)	37 (14,45%)	2 (5,88%)	54
	Obstacles to sustainability transition	7 (11,86%)	1 (1,85%)	0 (0,00%)	4 (10,53%)	24 (9,38%)	0 (0,00%)	36
	Publicity of green agenda	18 (30,51%)	1 (1,85%)	11 (17,19%)	19 (50,00%)	59 (23,05%)	23 (67,65%)	131
	Socio-political necessity to keep abreast with diverse demands	2 (3,39%)	1 (1,85%)	2 (3,13%)	0 (0,00%)	6 (2,34%)	0 (0,00%)	11
Strategic Ambiguity	Conflicting objectives	3 (5,08%)	0 (0,00%)	0 (0,00%)	2 (5,26%)	21 (8,20%)	0 (0,00%)	26
	Justification of green agenda as coherent and necessary for the achievement of price stability	10 (16,95%)	1 (1,85%)	2 (3,13%)	3 (7,89%)	27 (10,55%)	3 (8,82%)	46
	Redefinition and recontextualisation of mandates	4 (6,78%)	0 (0,00%)	2 (3,13%)	2 (5,26%)	10 (3,91%)	0 (0,00%)	18
	Restrained commitment	0 (0,00%)	0 (0,00%)	1 (1,56%)	0 (0,00%)	9 (3,52%)	4 (11,76%)	14
	<b>Totals</b>	59 (100%)	54 (100%)	64 (100%)	38 (100%)	256 (100%)	34 (100%)	505

*Note:* Numbers on top represent the absolute frequencies of a sub-code. Numbers in bracket show relative frequencies. Own work.

Overall, this quantitative analysis reveals that promotion seems to be the dominating pattern in the ECB's formal communication, and especially so in blog posts, press releases, speeches, and webpages. However, while this is true across absolute and relative perspectives, this appears to be largely driven by the preponderance of the "publicity of green agenda" sub-code. Beyond this, most sub-codes are relatively frequently used. This suggests that an analysis of the

ECB requires acknowledging the relevance of all three frames, which is further supported by the results of the qualitative analysis, outlined next.

## 4.2 Qualitative analysis of the frames

### 4.2.1 *Prudence*

With a total of 169 quotations, prudence is the second most-frequent frame in the analysis. One of its main themes is the advocacy of caution and restraint, or the idea that the ECB, as the central bank of the Eurozone, must approach macroeconomic management in line with risk assessment and decision frameworks. Such emphasis is visible at the onset of inflation, with many documents containing the idea that inflation risks must be carefully monitored and examined (Lagarde, 2022a; Lagarde, 2020b; Schnabel, 2022b). The need for caution in the face of rising inflation is also sometimes expressed explicitly: “High uncertainty merits caution regarding any [...] policy action” (Lagarde, 2022b). This approach is also argued to be one of “gradualism and flexibility” (Lagarde, 2022b; Lagarde & de Guindos, 2022b), grounded in the continuous data assessment made by ECB staff (Lagarde, 2022a; Lagarde & de Guindos, 2022b; Lagarde & de Guindos, 2022c; Lagarde & de Guindos, 2023). Caution and restraint also concern the necessity to carefully monitor economic developments, and to carry out monetary policy with “prudence”, so as to “minimise” negative consequences (Schnabel, 2022c).

The prioritisation of price stability is another important and recurrent theme in the prudence frame. The necessity to return to inflation levels close to the 2% target features very frequently across document types (see, for instance, Elderson, 2022e; Elderson, 2022i; Lagarde & de Guindos, 2022a; Lagarde & de Guindos, 2022c; Lagarde & de Guindos, 2023), a prioritisation one of interviewees also observed (interviewee 5). Interestingly, this price stability imperative is often associated with concerns about credibility. In a speech in February 2022 that addresses the growing gap between inflation levels and the ECB’s inflation targets, Executive Board member Isabel Schnabel sees proposals to raise the target as a costly endeavour that would not only undermine markets’ expectations of the course of monetary policy, but which also would “certainly” lead to losses in credibility (Schnabel, 2022c). In a similar vein, recovering price stability is argued to improve public trust in the ECB and prevent “social unrest” (Schnabel, 2022b; Schnabel, 2022e).

The framing of inflation control as the ECB’s mission and purpose, is a prominent theme in the interviews conducted. One interviewee commented that “their first priority is to get the inflation low” (interviewee 6). This supports the coding done in documents, where inflation as mission and purpose surfaces in two manners. First, as the ECB’s core objective, through

statements in which the ECB's commitment to the primary mandate is asserted "forcefully", to avoid it being "questioned" (Schnabel, 2022d). Price stability is also said to be the "primary concern" (Elderson, 2022e). Moreover, ample attention is given to ascertaining the ECB's commitment to the protection and pursuit of the primary mandate of controlling inflation (Elderson, 2022e; Elderson, 2022i; Lagarde & de Guindos, 2022a; Lagarde & de Guindos, 2023), inflation being the "top priority" (Schnabel, 2023b). The second way in which this theme emerges is through the use of certain formulations which feature repeatedly throughout the documents, and which seek to convey the ECB's attention to inflation. This includes statements such as having to respond "swiftly and decisively" to the challenges faced (Schnabel, 2022d), or when it is declared that the ECB is "not just on its guard but [...] taking action" (Elderson, 2022i). Similarly, other examples are that the ECB will "ensure" (Lagarde, 2022e) and "make sure" (Schnabel, 2022b) that inflation is controlled. More explicit formulations are apparent too, for instance in a press conference in February 2023, where, while referring to inflation control, the head of the ECB Christine Lagarde, declares "we need to do our job, we need to deliver our mission" (Lagarde & de Guindos, 2023).

The remaining themes, i.e., the protection of market neutrality and the pursuit of climate action only within legal obligations, though quite smaller, still offer some valuable insights into the ECB's prudential approach to monetary policy. An interviewee stated that while the ECB is in fact "going beyond market neutrality, they just don't want to say it publicly because this would [...] shock some people" (interviewee 4). Moreover, while the ECB has rejected the belief that markets will fix their carbon bias independently, the argument that climate change is primarily an issue of knowledge and information asymmetries between authorities and market actors persists (Elderson & Schnabel, 2023). Central bank independence, as a concept, also surfaces (Braunberger & Siedenbiedel, 2022; Lagarde & de Guindos, 2022c; Schnabel, 2022e; Schnabel, 2023a; Schnabel, 2023b). Concerning the framing of climate action as determined by legal obligations the ECB faces, this is striking when it is asserted that the ECB is not an "environmental activist, but rather a prudent realist" (Elderson, 2022j). Moreover, the necessity to restate the boundaries between the ECB's mandate and other political institutions, with regards to environmental issues, features frequently, for instance in declarations that emphasise that the "ECB is not an environmental policy institution", nor a "policy-maker", but rather a "central bank and banking supervisor" and "policy-taker" (Elderson, 2022j; Elderson, 2023b). At the same time, this is where the "opportunity lies", stated one of the interviewees (interviewee 2).

#### 4.2.2 *Promotion*

The promotion frame includes references to a large variety of themes. One of the most frequently evoked themes is the necessity to address environmental issues. The ECB sometimes qualifies climate change as its “most pressing challenge” (Elderson, 2023c) and an “urgency” (Schnabel, 2022c) for which there is “no time to lose” (Elderson, 2023a). This challenge is also framed in economic terms, such as the argument that global climate action can generate growth, productivity, and cheaper prices (Panetta, 2022). Beyond calls to action, it is worth noting that this theme often takes a legal angle – namely, the obligation to align with the objectives laid out in the Paris Agreement (Elderson, 2022h; Elderson, 2023b; Elderson, 2023c; Lagarde & de Guindos, 2023; Schnabel, 2022c). This highlights the increasing importance of climate change for the ECB. One interviewee goes as far as saying: “It shows maybe that’s equally important [as price stability], it shows that they institutionalise it” (interviewee 3).

Contrastingly, the necessity to keep abreast with diverse demands, though an important theoretical component of the promotion frame, remains a rare theme. Documents contain some references to the ECB’s engagement with the public, communication being referred to as improving credibility and trust (Lagarde, 2022a; Schnabel, 2022b), but it is not always clear if the ECB truly desires to satisfy these audiences. In a speech in February 2022, Elderson refers to the environmental crisis as “impossible to avoid” and adds that the “public knows it and the ECB knows it”, which could suggest a certain desire for reflexivity coming from the ECB (Elderson, 2022a). Likewise, ideas for new green instruments, such as green TLTROs, are acknowledged as “interesting to consider” (Lagarde & de Guindos, 2022b). Overall, this theme surfaces largely implicitly in the documents analysed. Contrastingly, however, one interviewee argued that demands from society matter immensely for the ECB, and that Lagarde has been “using the pressure from society to push the [green] agenda forward” (interviewee 4). For one interviewee, answering public demands for greater climate action benefits the overall reputation of the EC: “Its objective to support the green transition has improved the ECB’s reputation” and “is building credibility” (interviewee 5).

The most frequent theme within the promotion frame is the publicity of the ECB’s green agenda, featuring primarily in speeches and press releases. Promoting its green strategy appears to be a core concern of the ECB. As one interviewee declared: “They are sending signals through their publications [...], trying to make sure that their green policies are being understood” (interviewee 4). These publications cover two main topics: what the ECB has already achieved and what it aims to do in the future. The first topic mainly highlights the progress made on the policies contained in the 2021 strategic review. This includes the ECB’s decision to tilt the CSPP

framework towards greener companies and activities (Elderson, 2022h; Elderson, 2022j; European Central Bank, 2022c), environmental-disclosure requirements and changes to banks' risk assessment procedure (de Guindos, 2022), but also stress-tests on banks (Elderson, 2022a). Frequently, the ECB encourages banks to adopt climate-related requirements and align with disclosure practices, in order to minimise and mitigate physical and transition risks (Elderson, 2023c). Allusions to the changing regulatory and supervisory context for climate risks are also made, framed as a shift the ECB will contribute to (Elderson, 2022a) and for which it has taken "concrete steps" (Lagarde, 2022b). These measures represent a shift away from market neutrality, a shift that the ECB justifies by pointing at the carbon bias it induced and which has led to an "accumulation of climate risks" (Elderson & Schnabel, 2022) and an inefficient "allocation of resources" (Schnabel, 2022c). The second topic in this theme is the ECB's announcement of its future projects and policies, such as the unveiling of additional climate criteria (Panetta, 2022) or "new experimental statistical indicators" (Schnabel, 2023a). Interestingly, this is often accompanied by assertive threats. For instance, when declaring that "banks under our supervision need to step up their game" (Elderson, 2022h) and that banks must meet the ECB's deadlines for aligning their activities and portfolio, deadlines which the ECB "will enforce" (Elderson, 2023b). Likewise, warnings are made, threatening to "publicly list" banks lagging behind (Elderson, 2022c), which could result in "supervisory consequences" (Elderson, 2022i). Overall, within this theme, the ECB appears to be wanting to "make a real difference" through its supervision and expertise (European Central Bank, 2022a).

The last theme of the promotion frame alludes to the obstacles faced by the sustainability transition. This ranges from the necessity to boost green investment (Panetta, 2022), especially in renewable energies (Schnabel, 2022c), to the need of closing green finance gaps (Elderson, 2023c) and harmonising taxonomies and disclosure frameworks (Schnabel, 2022c). The importance of avoiding greenwashing, and more specifically, of avoiding the continuation of regulatory frameworks that would permit greenwashing by companies and banks, is also discussed extensively (Lagarde & de Guindos, 2023; Lane, 2022; Miel, 2022). For interviewee 4, the ECB is extremely cautious about not being associated with greenwashing because "if they go a bit outside of their mandate, and they do it badly, [there's] the risk of getting backlash". Moreover, within this frame, two complementary perspectives emerge. On the one hand, the ECB frequently underlines national governments' responsibility when discussing the progress made to green the economy. These must not only "do their part" (European Central Bank, 2022a) but are also argued to be the main actors of the transition (Elderson, 2022h). They are the true "climate and environmental policymakers" (Elderson, 2022e), those in the "driving seat" (Schnabel, 2023b), for which the ECB



is “no substitute” (Elderson & Schnabel, 2022). As such, some communications present the ECB as not being “primarily responsible” (Elderson, 2022e). On the other hand, however, the ECB also takes the blame for a series of issues. For instance, Schnabel acknowledges that the risks and intensity of inflation were underestimated in the early months, and that late action failed to prevent inflation to rise to the levels seen (European Central Bank, 2023a; Schnabel, 2023b). Likewise, the carbon bias in the ECB’s portfolio is largely framed as a failure for which the ECB takes responsibility (Elderson & Schnabel, 2022).

#### *4.2.3 Strategic ambiguity*

Although constituting the smallest frame, the strategic ambiguity frame provides a rich ensemble of references. A first theme is the justification of the green agenda as coherent with and necessary for the achievement of price stability. This can be identified in statements where the urgency of the climate crisis is framed and formulated as an imperative that, once tackled, will contribute to maintaining price stability in the Eurozone. Climate change is thus presented as being one of the many risks that must be managed, because “apart from its scope and potential severity, accounting for the climate and environmental crises is no different than accounting for globalisation, demographics or financial innovation” (Elderson, 2023b). Likewise, within this theme, the ECB’s green agenda, with its policies and decisions, is in constant connection with price stability. For instance, the tilting of the CSPP is stated as being “essential” for price stability (Elderson, 2022i), by “preserving the soundness of central banks’ balance sheets” and reducing the volatility coming from a carbon bias (Elderson, 2023b). This will ensure that climate risks do “not jeopardise the achievement of our monetary policy objectives” (de Guindos, 2022). As such, failing to act on climate change is presented as a threat to the ECB’s ability to deliver its mandate. Interestingly, it is worth noting that this relation is also established in reverse, and the argument is made that controlling inflation “provides the conditions under which the green transition can thrive” (Schnabel, 2023a). Within this perspective, therefore, commitment to climate action “does not undermine” the commitment to price stability (Elderson, 2022e). For Fabio Panetta, member of the ECB Executive Board, this is a new “divine coincidence” (Panetta, 2022) through which price stability can be better guaranteed. For most of the interviewees, the framing of climate action as conducive to price stability does not come as a surprise. As interviewee 1 put it: “The expectation [...] from us [...] was never that they were going to rip up the book on monetary policy and rewrite it now with climate as a title”. Consequently, for this interviewee, this framing does not represent a disappointment. “It’s basically fairly much what we expected”, they stated. Similarly, for another interviewee, this seems coherent because this “climate risk narrative” enabled

the ECB to justify its green agenda in the first place (interviewee 4). For interviewee 2, this compromise between price stability and the green agenda “isn't the strongest way of building climate action. But maybe it's the best one, since it's the only one [...] and it's trustworthy”. Similarly, interviewee 6 stated feeling that “we are in the best hands possible” and for this approach to be the most “credible in the world”.

Strategic ambiguity was also evoked in terms of conflicting objectives. It includes statements where tensions and dilemmas between price stability and environmental objectives are evoked and acknowledged. Whereas the previous theme reconciled price stability and the sustainability transition, the latter now potentially “poses risks to price stability” (Schnabel, 2022a). Often, this is connected to the complexity of the energy crisis. While energy independence is framed as increasingly urgent, it is warned that it could lead to higher energy prices that would affect price stability (Panetta, 2022). Other documents also discuss the issue of “climateflation” and “greenflation” (Schnabel, 2022c; Schnabel, 2023a). As such, for the ECB, “a trade-off between energy security, the green transition and price stability may be emerging” (de Guindos, 2022). This sentiment is shared by interviewee 1, who argued that between price stability and climate action, “they put themselves in a bit of a catch-22”. The issue of conflicting objectives also surfaces when the impact of higher interest rates on green investment is discussed. The sustainability transition requires a “structural transformation” that cannot happen “without green investment” (Heemskerk et al., 2022), but the ECB acknowledges that its decision to raise interest rates “may slow down the pace of decarbonisation” (Schnabel, 2023a). Still, the inevitability of these interest rate hikes was a common view among interviewees. Interviewee 1 viewed those as an “inevitable decision, necessary to stop the rising prices” while interviewee 6 stated that “everyone knows that they [...] must increase interest rates”. In a similar vein, interviewee 4 noted that with its publications, the ECB seeks to prove that “green narrative can be embedded into tightening theory”. Interviewee 5’s opinion on the matter differed, however, with the interest rate hike representing for them a threat to the ECB’s reputation as climate actor.

This is related to a third theme, restrained commitment, an engagement that is half-hearted or performative. What is particularly striking is the repeated presence of the formulations “within our mandate” and “without prejudice to the primary mandate”, usually preceding or following a sentence in which the ECB asserts its commitment to climate action. For instance, “we will continue to be [...] a force that contributes to the transition, within our mandate” (Elderson, 2022e). Or: “We at the ECB must also do our part by promoting sustainable finance and greening our monetary policy operations, without prejudice to our primary objective of price stability” (European Central Bank, n.d.-g). For interviewee 4, this restrained commitment to climate action

stems from the ECB's traumatic experience with the harshness of the German press during Mario Draghi's term as president of the ECB: "The worst case would be that they go green, and they get accused [by] a German orthodox that they are going beyond the price stability mandate". At the same time, however, some commitment is necessary, even if restrained, because an "anti-adaptation publication" could entail "reputational risk" and "losing credibility" (interviewee 1).

The last identified theme is the redefinition and recontextualisation of mandates. While examining the documents gathered, it appeared that the mandates were at times presented with varying points of emphasis and nuances. For instance, the secondary mandate is sometimes reformulated as "without prejudice to price stability, we stand ready to support the fight against climate change and ensure alignment with the Paris Agreement" (Schnabel, 2023b). Other times, price stability and climate action are put on the same level, both a "policy priority" that requires "strategic commitment" (Elderson, 2022e). Perhaps the most striking aspect emerging from the document analysis, however, is that this continual redefinition and reinvention of mandates can sometimes lead to contradictory messages over time. This is apparent when comparing the three following excerpts:

"I have referred to the progress that banks are making, which is in itself encouraging. However, as a supervisor we will only be satisfied when all banks are fully aligned with all of our expectations." (Elderson, 2022d)

To be clear, it is not for us as supervisors to tell banks how green their lending policies must be. However, we insist that not taking into account the transition towards a more sustainable economy is no longer compatible with sound risk management." (Elderson, 2023a)

"To be clear, it is not for supervisors to tell banks how green their lending policies must be. Supervisors are not pickers of winners and losers in the green transition." (Elderson, 2023b)

Juxtaposing these three statements illustrates well the frame of strategic ambiguity. The first statement evokes a total commitment from the ECB to deliver a greening of the banking and finance sector. Some months later, however, this commitment seems to falter. In March 2023, the ECB declares that banks shall retain full autonomy over their lending policies, thereby allowing them to continue to engage with high-carbon activities if they wish, for instance. A month later, the ECB reaffirms this position, adding that winners and losers will not be chosen, which implies that ECB leaves the sustainability transition to the markets themselves, a process which it

previously identified as a driver of a carbon bias. As a result, this also stands in opposition to the green objectives the ECB has adopted and the carbon-neutral agenda of the EU. The two latter statements also stand in sharp contrast with the ECB's warning that it would "publicly list" banks lagging behind (Elderson, 2022c), a statement part of the promotion frame.

Overall, while this short comparison is noteworthy because it showcases well the essence of the strategic ambiguity frame, it is necessary to repeat the prevalence and importance of the other two frames, prudence and promotion. Quantitatively, promotion somewhat dominates. Qualitatively, however, all three frames appear to provide valuable insights into the reputation management strategy of the ECB since January 2022. The next chapter seeks to interpret these insights in light of the research question.

## **5. DISCUSSION**

This chapter builds on the results of the frame analysis to provide a discussion on *how widened mandates affect the reputation management strategies of central banks*. To do so, the theoretical expectations are assessed in light of the findings and in connection with existing scholarship. First, the strategic dimension of the formal communication of the ECB is examined. Then, the pertinence of each frame when attempting to understand the ECB's reputation management strategy amidst a widening of its mandates is examined, suggesting that a clear dominant frame cannot be identified as these are not mutually incompatible. Following this assessment, an interpretation of the ECB's reputation management as being guided by pragmatism is put forward.

### **5.1 Strategic formal communication**

Both quantitatively and qualitatively, the findings support the first expectation that the ECB will proactively communicate about its green agenda to strengthen its reputation in the domain of climate action. Widening mandates imply domains of competencies in which reputation is either only emerging and weak or has yet to be built. In this regard, existing theory suggests that one of the key remedies to strengthen organisational reputation is the use of strategic communication (Maor, 2022; Maor et al., 2013; Müller & Braun, 2021; Rimkutė, 2020a; Tidå, 2021).

The content of its many publications, as well as the insights provided by the interviewees, suggest a similar conclusion for the ECB. Indeed, the issue of climate change as well as the stance and policies taken by the ECB in the face of this challenge feature prominently in its publications. This is true across document types, such as in speeches and conferences, which usually target a more specialised audience, but also in interviews for magazines and on the social network Twitter,

which likely reach more diverse audiences. Likewise, the simple fact that there is an entire section dedicated to the ECB's climate approach on its website (the webpages), which details extensively the mechanisms behind the instruments and policies adopted, could be interpreted as intentional, strategic communication.

Overall, the analysis of these webpages, as well as the other documents and the interviews, offers further evidence in favour of the assessments made by Deyris (2023) and Thiemann et al. (2022): it is clear that climate change has become a core priority for the ECB. Interestingly, however, it does not always emerge in the same manner. In some documents, the green agenda, climate-related risks, and policies are the sole and exclusive themes, and substantial spotlight is therefore given to them. In other documents, however, these themes only feature moderately, constituting only a short part of the whole content.

It could be argued that within this latter group of documents, climate change is included for performative and signalling purposes. Another view, however, and the one this thesis advances, is to look at these publications in their collectivity, even if they present different levels of emphasis. Indeed, it should be noted that the total number of documents discussing climate action is quite substantial for a relatively short timeframe. Potentially, publications that only briefly discuss climate-related topics are an indication that the ECB takes every opportunity to underline the urgency with which environmental issues must be tackled as well as to promote its policies and strategies in this regard. Likewise, the presence of climate-related discussions, albeit short and concise, could suggest that the ECB finds it important to stress the deep connections between economic and environmental concerns. Such perspective would be in accordance with the "climate risk narrative" that both documents and interviews contained, and which previous work has established as being an important characteristic of ECB formal communication in the past years (Thiemann et al., 2022). While determining which rationale guides these publications would perhaps require another set of interviews with the individuals conceiving and drafting them, it nonetheless appears that these publications are written with the objective of signalling to relevant audiences that the ECB engages in climate action. In other words, they represent proactive strategic communication, thereby supporting the first expectation that the ECB proactively communicates about its green agenda to strengthen its reputation in the domain of climate action.

## **5.2 Prudence, promotion, ambiguity, or perhaps, pragmatism?**

The characterisation of the ECB's formal communication as being strategic and proactive is further supported by the assessment of the three frames in view of the second set of theoretical expectations. One unexpected finding is the extent to which all three frames surfaced as relevant

elements of the ECB's reputation management strategy and, as a result, the extent to which all three versions of the second expectation (2a-c) appear to be supported. Indeed, the document analysis and interviews illustrate well that all frames present some relevance, shedding light on different aspects of the reputation management strategy of the ECB. To protect its reputation in the domain of price stability, the ECB resorts to a prudential narrative that emphasises inflation control, and a general prioritisation of the core activities its primary mandate is associated with. Yet, to guarantee and strengthen its reputation as climate actor, the ECB also engages in an explicit promotion and publicity of its green agenda, current and future, and issues warnings to market actors that would not comply and align with these objectives. Finally, at times, it also displays an ambiguous rhetoric, weaving prudential and promotional narratives into a coherent strategy.

The verification of all three frames is somewhat contrary to what was anticipated. Rather than obtaining a situation in which one frame would be standing out distinctly, all three appear to describe and encompass some aspects of the ECB's reputation management strategy. Consequently, it could be conceived that this reputation management is simultaneously embedded in and characterised by prudence, promotion, and strategic ambiguity. Interestingly, this cohabitation of frames seems to have been expected by most interviewees. What is particularly striking, however, is that some interviewees, especially those involved in venture capital, did not find these conflicting narratives problematic. Rather, they seemed to understand that the ECB must entertain different stances in its communications to protect its varied reputations, and did not find this rhetorical approach to be detrimental. Instead, these interviewees expressed their trust in the ECB, emphasising its high levels of credibility and legitimacy, in spite of the trade-offs and the interest rate hikes which directly impact their investment ventures. This finding is contradictory with previous studies that argued that "mixed signals" and ambiguous rhetoric would lead to increased confusion and distrust among market actors (Díez-Martín et al., 2022; Moschella & Diodati, 2020, p. 198). On the contrary, the reputation of the ECB for these interviewees did not appear to be affected by its strategy to use prudence, promotion, and ambiguity simultaneously. It is important, however, to bear in mind the possible bias in these insights given the limited number of interviewees conducted. Indeed, two interviewees working in fields other than venture capital declared sharing different views on the reputation of the ECB as climate actor, which could suggest that additional interviews with other professional backgrounds could lead to potentially different results.

Nonetheless, to make sense of the somewhat surprising finding of three coexisting frames, it appears useful to reconsider the idea that the frame analysis must produce a clear dominant frame. Rather, this finding can be interpreted as an indication that the three frames, in contrast

with previous work that saw them as antagonist perspectives, are in fact mutually compatible. As a result, this also suggests that taking a different approach to these frames' relevance can perhaps yield a new perspective on the reputation management strategy of the ECB

The different interpretation proposed in this thesis is to see the presence and equal pertinence of the three frames as evidence of pragmatism. More specifically, this stems from the fact that widening mandates in the domain of climate action seem to represent a double reputational risk for the ECB. Indeed, with its green agenda, there could be accusations that the ECB unjustifiably goes beyond its legal mandates (such as the “German orthodoxy” threat). On the other hand, accusations that the ECB goes beyond its legal mandates yet fails to truly make a difference (such as the “greenwashing threat”), are also a possibility. The ECB, therefore, has no choice but to cultivate both extremes of the spectrum (prudence and promotion) but also ensure that none supersedes, hence why it established an in-between (strategic ambiguity). This thesis proposes that this represents a pragmatic strategy, as it provides the ECB with the opportunity to simultaneously strengthen its reputation in both price stability and climate, while also minimising the occurrence of reputational threats from either camp. Moreover, the usage of the three frames in its communications allows the ECB to reconcile core and evolving duties, which supports a reading of the ECB's reputation management strategy as being guided by pragmatism. As such, this provides further evidence for the fact that stakeholder engagement by non-majoritarian institutions truly is a “multifaceted phenomenon” (Braun & Busuioc, 2020). Indeed, it could be envisaged that this pragmatism is an answer to the increasing complexity that widening mandates bring to institutional reputation management.

Interestingly, the recognition of a greenwashing threat implies that a widening of mandates towards greater climate engagement is not sufficient to satisfy demands for more green action, the ECB must also do this well. This could explain the ECB's deepening engagement with environmental issues since 2015, and 2021 especially, but it also provides an explanation for the presence of the promotion frame. For the ECB to be perceived as an effective, credible actor of climate action that adopts legitimate and necessary policies, the audiences to which the topic is relevant must be reached. This provides a potential explanation for the wide array of publications containing a promotional narrative. This, then, could also suggest that green audiences have, in only a few years, gained a relatively important position in the ECB's hierarchy of reputational sources, and the associated hierarchy of reputational threats. While many authors consider core duties to be the main, if not sole, viable source of reputation and legitimacy (Maor, 2022; Maor et al., 2013; Müller & Braun, 2021; Rimkutė, 2020a; Tidå, 2021), the findings suggest that evolving duties are valued and protected sources of reputation, which can grow in salience over time. Such

observation would be in accord with Moschella et al.'s (2020) finding that non-majoritarian institutions' reputation management is increasingly led by a desire to establish a diversification of audiences and sources of reputation, in addition to the original audiences associated with their core duties. Likewise, it demonstrates that the selection of audiences that are acknowledged can be a dynamic and changing process, as Gilad et al. (2015), Yang & Callahan (2007), Rimkutė (2020a), Maor et al. (2013), and Van der Veer (2021) have suggested.

Importantly, however, the greenwashing threat does not seem to supersede other concerns. A prudential stance that signals to German orthodox audiences, and other price stability-devoted audiences, that core duties are prioritised, is also necessary to prevent damaging reputational threats. This would be congruent with previous work that established that communication can be employed to manage expectations and demands for more or less climate engagement (Boneva et al., 2022). Potentially then, the strategic ambiguity that sometimes surfaces could be the expression of the predicament the ECB faces when it cannot strictly adopt either promotion or prudence. For instance, if it expects a publication to be scrutinised by more than one type of audience. In this case, it is pragmatic to opt for a reputation management strategy that caters to both prudence and promotion demands ambiguously. As such, strategic ambiguity is not only driven by legal permissibility and political feasibility (Van 't Klooster, 2021), but is also guided by reputational pragmatism in the face of equally valued, yet conflicting, sources of reputation. Interpreting the ECB's approach as pragmatic also makes it possible to provide a potential explanation for the origin of the discrepancy between the three statements highlighted at the end of the previous chapter. Perhaps, the change in narrative and deviation towards greater prudence and less intervention could be indicative of increased reputational threats coming from prudence-avid audiences which did not welcome the stance of the first statement ("we will only be satisfied when all banks are fully aligned"). This could have alarmed the ECB, leading its promotional stance to subside. Further research into these specific mechanisms would need to be undertaken, however.

Moreover, the inability of the ECB to fully embrace a promotional stance could also be partially due to central banks' deep concern to avoid politicisation. Indeed, previous work has established that a politicisation of independent agencies and central banks can be conducive to increased oversight and renewed control by the political authorities that originally delegated powers (Van 't Klooster & Fontan, 2020). Yet, climate action is an inherently politicised subject. A recent groundbreaking publication by the ECB, in May 2023, in which it agrees to take into account the European Parliament's guiding interpretation of its secondary mandate (see, European Central Bank, 2023), could be the product of this politicisation. Indeed, though this is argued to



“help to guide the ECB”, input by the Parliament about which measures and objectives to prioritise effectively represents a recovery of powers by a political authority. As such, the usage of the three frames until May 2023 could be indicative of the ECB’s attempt to “depoliticise” its actions (Van ‘t Klooster & Fontan, 2020), though perhaps unsuccessfully. Whether this radical shift in the nature of the interactions between the ECB and the Parliament would alter the ECB’s reputation management strategy could be explored in further research.

In short, the process of widening mandates in the domain of climate action presents the ECB with a double reputational risk. On the one hand, widening mandates can lead to accusations that the core duty of price stability is no longer protected, creating a substantial reputational threat to the ECB’s core mission as central bank. On the other hand, the audiences associated with the new, evolving duties derived from the process of widening mandates appear to have gained an increased importance for the ECB, and safeguarding their approval appears as a new priority. Committing to either side, however, is not always conceivable, as this could lead to potentially catastrophic reputational outcomes. As such, the process of widening mandates seems to compel the ECB to diversify its sources of reputation. Pragmatically then, the ECB appears to have opted for a reputation management approach in which prudential and promotional demands are appeased individually, and sometimes weaved together through a strategically ambiguous narrative in which they are reconciled. This represents reputational pragmatism by the ECB, navigated through prudence, promotion, and ambiguity.

## 6. CONCLUSION

Widening mandates are an increasingly common phenomenon for central banks. While they arise from the necessity to respond to new and complex economic, political, and environmental challenges, they also contribute to a growing discrepancy between intended core duties when mandates were drafted and *de facto* domains of action. Scholars of central banking research have been following closely and discussing the development of widening mandates, but their work has not yet been embedded in the ideas of bureaucratic reputation theory. After reviewing existing literature, this thesis established that this lack of synergy between the two fields had led to an absence of research on the potential reputational effects of widening mandates and, consequently, on the strategies central banks developed to safeguard their reputation amidst widening mandates. To obtain a better grasp of these dynamics, this thesis sought to examine *how widened mandates affect the reputation management strategies of central banks*, picking the ECB’s engagement with climate action as its case study. To do so, a three-fold frame analysis framework was developed, incorporating the diverging theoretical predictions that existing literature had put

forward about the nature of the ECB's reputation management strategy. This framework was then applied to the ECB's formal communication published since January 2022, while a set of interviews provided further insights and contextualisation.

This thesis has found that the process of widening mandates seems to lead to a complex diversification of audiences, which, this thesis proposes, the ECB navigates through reputational pragmatism. This reputation management strategy is pragmatic because the simultaneous presence of the three frames – prudence, promotion, and strategic ambiguity – enables the ECB to respond to diverse sources of reputation and cultivate conflicting reputations with minimum reputational risk. As such, the three frames are all mutually compatible and necessary components of the ECB's reputation management strategy amidst widening mandates. Indeed, a widening of its mandates towards deeper climate action seems to create a double reputational risk for the ECB. On the one hand, a changing international political discourse and increasing public pressure have compelled the ECB to develop a green agenda, as a result of which it has gained a reputation as a climate actor in Europe. Given its recency, however, this reputation is still weak and evolving and must be strengthened, hence the presence of a promotional narrative. On the other hand, the ECB cannot afford to displease and lose the support of audiences traditionally devoted to price stability, its primary mandate and core duty, hence why it sometimes resorts to more prudential rhetoric. Importantly, the ECB must explicitly attend to both extremes of the spectrum to guarantee a strong reputation in these domains, but cannot adopt either exclusively. To navigate this difficult situation, the ECB also employs strategic ambiguity, which weaves prudence and promotion into a coherent narrative, thereby minimising their antagonisms and seizing the opportunity to satisfy both sides of the discussion. As such, a pragmatic approach for the ECB to be able to strike a balance between core and evolving duties, and between core and evolving reputations, is the simultaneous usage of the three frames in its communication. In other words, the reputational management strategy of the ECB appears to be guided by reputational pragmatism, grounded in the necessity to develop prudential, promotional, and ambiguous narratives.

Taken together, these results indicate that reputation management remains a crucial part of central banking management. They also provide support for the prudential, promotional, and ambiguous theories that previous scholarship has put forward, demonstrating further their pertinence and value for assessments of the reputation management that the ECB develops. By engaging with both central banking research and bureaucratic reputation theory, this thesis also shows that new domains of competencies that derive from a widening of mandates are subjected to the same reputation imperatives as other duties. Indeed, reputation management seems to have become increasingly complex for the ECB since 2015, and strategic communication appears to be

a key tool to avoid profound reputational threats. Moreover, this thesis contributes to rapidly expanding research into the study of the ECB's rhetorical approach since 2008, namely by offering some insights into the methodological quandaries posed by strategic ambiguity. Likewise, analytically, these results could be of interest to authors who have employed machine learning techniques to study ECB formal communication. Additionally, this thesis provides further insights into the dynamics that shape bureaucratic responsiveness by demonstrating that audiences of the ECB, associated with evolving climate duties, have gained increased relevance, obtaining the same attention as audiences devoted to price stability. Finally, this research proves to be useful in expanding our understanding of the dynamics underlying the politicisation of the ECB. Firstly, the analysis of formal communication finds supporting evidence for the presence of mixed signals coming from the ECB, namely the three narratives of prudence, promotion, and strategic ambiguity. Importantly, however, these do not seem to negatively impact the reputation of the ECB as climate actor, at least not for all stakeholders. Some interviewees expressed their unwavering trust in the ECB, emphasising its legitimacy and credibility, despite the trade-offs, uncertainty, and inconsistency in its approach. Secondly, the recent groundbreaking decision of the ECB to subject its decisions related to its secondary mandate to the opinion of the Parliament suggests that delegation dynamics could be changing in the EU. Whether stakeholders' views and these changing institutional trends will have an effect on the current reputational management strategy of the ECB remains for future investigation.

Some limitations must be acknowledged. First, the document analysis could be influenced by selection bias, though this is usually inevitable with primary sources. Similarly, selection bias could have arisen in the selection of interviewees due to time and resource constraints, limiting the number of interviewees conducted and the diversity of perspectives gathered. As such, this thesis participates in methodological elitism as it focuses solely on the relationship that financial and business elites entertain with ECB formal communication. Accordingly, additional interviews with individuals from different backgrounds, for instance, environmental activists or political authorities, could provide more diverse reflections, potentially leading to new perspectives on the ECB's reputation management amidst widening mandates. Interviews with ECB staff could also yield precious insights into the rationale guiding ECB formal communication, providing more robust evidence for a triangulation of the document analysis. Another avenue for further research would be to proceed with a similar study of other central banks and non-majoritarian institutions, to assess whether reputational pragmatism holds in other contexts, as well as also to examine whether widening mandates lead to similar or different reputation management strategies in these cases. Finally, future studies could also favour a wider timeframe, investigating whether the

combination of the three frames has been present since the ECB started to engage with environmental issues, or if certain rhetorical trends can be identified over time and across document types. This could provide a more robust understanding of the identity and reputation the ECB aims to build with regard to its climate engagement and, consequently, whether reputational pragmatism will stand for, or in the way, of a sustainability transition in Europe.

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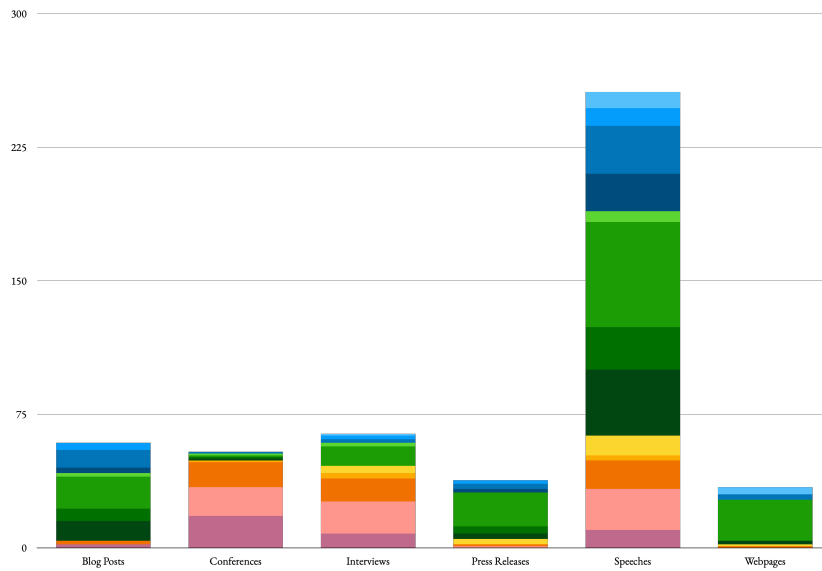
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## Appendix B

### Frequency of sub-codes across document types

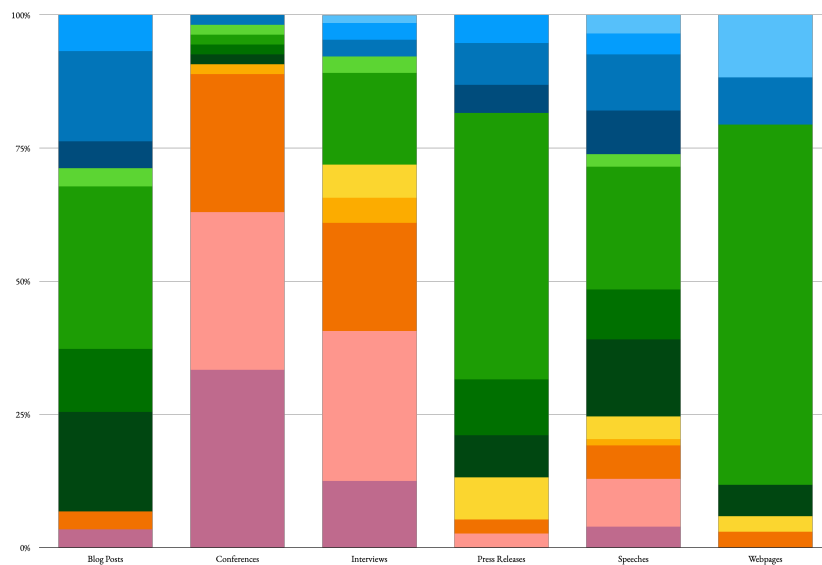
**Figure B1**

*Absolute frequency of sub-codes across document types*



**Figure B2**

*Absolute frequency of sub-codes across document types*



- Strategic Ambiguity: Restrained commitment
- Strategic Ambiguity: Redefinition and reconceptualisation of mandates
- Strategic Ambiguity: Justification of green agenda as coherent and necessary for the achievement of price stability
- Strategic Ambiguity: Conflicting objectives
- Promotion: Socio-political necessity to keep abreast with diverse demands
- Promotion: Publicity of green agenda
- Promotion: Obstacles to sustainability transition
- Promotion: Necessity to address environmental issues
- Prudence: Pursuit of climate action only within legal obligations
- Prudence: Protection of market neutrality
- Prudence: Primacy and prioritisation of price stability
- Prudence: Control of inflation as mission and purpose
- Prudence: Advocacy of caution and restraint