



FRAMING INFLATION AT THE ECB: AN ANALYSIS OF EUROPEAN CENTRAL BANK PRESS CONFERENCES

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Table of Contents

1. Introduction	5
2. Communicating the Unknown	7
2.1 Sensemaking: the nexus between Credibility and Legitimacy.....	9
2.2 From Risk to Uncertainty: a tandem of Monetary Policymaking.....	12
2.3 From Uncertainty to Ignorance: Strategic uses of Non-Knowledge.....	15
2.4 Dealing with 'Uncomfortable Knowledge' and 'Varieties of Ignorance'.....	17
3. Methodology and Research Design	22
4. Responding to Challenges: Empirical Analysis of ECB Press Conference Q&As.....	25
4.1 Trichet's Trials: Inflation from 2006 to 2008.....	26
4.2 Passing the Torch: Inflation from 2011 to 2012.....	31
4.3 Lagarde and the Untamable Rise of Prices: Inflation from 2021 to 2023.....	37
5. Conclusion	41
6. Annex of Tables	43
7. Bibliography.....	46

“The mystique thrives on a pervasive impression that Central Banking is an esoteric art. Access to this art and its proper execution is confined to the initiated elite. The esoteric nature of the art is moreover revealed by an inherent impossibility to articulate its insights in explicit and intelligible words and sentences.” (Brunner, 1986).

1. Introduction

Central banks have for decades been characterized as possessing an element of mystique. The father of monetarism, Milton Friedman, antagonistically described the primary strategy of central bankers as “avoiding accountability on the one hand and achieving public prestige on the other.” (Blinder, 2004). However, following the experiences of extreme inflation in the 1970s and 1980s, the notions of inflation-targeting and the complete legal independence of central banks transformed monetary policymaking during what John Singleton called the “second central bank revolution” (Singleton, 2011). Today, central banks across the globe, including the European Central Bank, have accepted that transparency and active communication of policy decisions are a worthwhile tradeoff for their exceptional autonomy. As independent, technocratic bodies, central banks are keenly aware of the importance of protecting their credibility and reputation-based expertise through mechanisms of accountability (Moschella, 2024).

For this perception to be maintained, not only must central banks succeed in achieving their mandate, but they must also engage in conversation with elected officials and market actors. In fact, in the last twenty years, there has been a progressive increase in the use of parliamentary hearings, the publication of minutes, and use of press conferences following monetary decision announcements (Fraccaroli et al., 2022). The convergence towards a more transparent and accountable model of central banking, in addition to the legal enshrining of central bank independence from legislative and executive authorities, was meant to ensure the trust of market actors in the banks’ commitment to maintaining price stability. The weight of words has, therefore, become an important feature in central banking, as the policy field moves beyond models of rational expectations towards the art of semiotics (Braun, 2016). Moreover, the use of interactive methods of communication has provided monetary authorities with a key tool for framing inflation, and thus also for curating their credibility.

However, opening central banks to wider scrutiny has also exposed them to the pitfalls of their own monopoly on expertise. Especially in the context of press conferences, central bankers today are confronted over their past policy decisions, models, projections, and priorities in real-time and are thus required to be able to provide an answer convincing enough to keep markets calm and maintain the trust of the wider public. In times of price and financial stability, this task proves to be sufficiently manageable. When inflation begins to rise, on the other hand, central banks must formulate an adequate policy response which is not always endorsed without contestation by their audience. These forms of direct challenges, especially in the context of press conferences, provide a window into the strategies of central banks in managing what has been called their “testimonial expertise” (Dietsch et al. 2018).

This thesis, thus, will attempt to unpack the following research question: how does the European Central Bank (ECB) respond to direct challenges to its authority when they arise during press conferences? Since its establishment, the ECB has held press conferences in which it explains and expands upon its interest rate decisions and provides a general analysis of the state of the Euro area. Following its presentation, the ECB President is then subjected to a ‘Questions and Answers’ style interaction with journalists from across the Eurozone and beyond. From the in-depth analysis of these press conferences conducted for the purposes of this thesis, it appears that more often than not the questions asked do not present a challenge to the regulatory or epistemic capabilities of the ECB. Yet, direct challenges do arise when the ECB does not seem capable of fulfilling its mandate, providing a unique opportunity for gaining insight into how the central bank perceives itself, and how it aspires to be perceived by the broader public and financial markets. The thesis thus presents two core hypotheses in attempting to respond to the research question. First, the thesis posits that the ECB will use the challenge as an opportunity to strengthen its framing of inflation, through which it seeks to justify its past decisions and actions to the wider public (H1). Secondly, the response to the challenges will evolve during the cycle, as interest-rate increase as a reaction to inflation, presenting initially a position of greater optimism and certainty, to then undertake a final position of greater introspection (H2).

To test these hypotheses, the thesis uses two theoretical frameworks to interpret the response to challenges by three different ECB Presidents during press conferences. First, the concept of “narrative

construction as sensemaking”, developed by Mitchel Abolafia, will be used to expand upon the first hypothesis of the thesis, namely that ECB Presidents view direct challenges as an opportunity for strengthening their framing of inflation (Abolafia, 2010). Second, the role of “ignorance” in policymaking and communicating, as elaborated by Steve Rayner and Jacqueline Best, will be used to codify the response by ECB Presidents to direct challenges during press conferences, thus allowing the thesis to test the both the framing (H1) and evolving character (H2) of the ECB’s response to direct challenges (Rayner, 2012; Best, 2022). Regarding the empirical basis to test these hypotheses, three case studies have been selected and thoroughly analyzed using a qualitative frame analysis approach. The case study selection is composed of three interest-rate cycles conducted by the ECB, from 2006 to 2009, 2011 to 2012, and 2021 to 2023. More generally, the thesis uses an abductive approach to case study research, by applying existing theoretical frameworks to smoothen the investigation into the response of the ECB to direct challenges. Thus, the aim is not to develop a new theory from scratch, but rather the grasp the applicability of existing theories of economic policymaking and communication to the context of ECB press conferences, to shed light on an original intuition linking direct challenges and inflation-framing.

2. Communicating the Unknown

Most studies focusing on the communication of central banks have highlighted the increased efficacy and reception of monetary policy, both by financial markets and households, because of greater transparency (Binder, 2017; Crowe & Meade, 2008; Woodford, 2005). The consensus position among orthodox academics and central bankers is that central bank independence, which has necessarily been accompanied by a greater transparency of monetary authorities, has also led to a stabilization of inflation (Dincer & Eichengreen, 2007). The impact of press conferences, specifically, has grown since the adoption of CBI as the organizational template for central banks. In fact, scholars have tracked the stark increase in market movements during press conferences and highlighted the importance of the ‘Questions & Answers’ segment for market actors (Lamla & Vinogradov, 2019). However, in addition to its role in strengthening monetary policy transmission, some scholars have begun to study the use of central bank communication as a mechanism for shoring up legitimacy. Borrowing from the vast literature on the legitimation of non-majoritarian institutions in the European Union (Majone, 1997; Thatcher et al., 2023), the importance of discourse for the maintenance of the ECB’s legitimacy

has been argued by various scholars (Moschella et al., 2020; Grunewald & van 't Klooster, 2023; Moschella, 2024). As is the case with other technocratic, independent bodies, the democratic legitimacy of the ECB is understood to come from its output, that is its ability to achieve its policy goals (Scharpf, 2010). By following a rules-based approach, the ECB aimed to “behave in a systematic and predictable manner in order to enhance policy effectiveness and credibility” (Papademos, 2004). Thus, the organizational structure which the ECB has sought to construct to preserve its legitimacy requires the balancing of transparency and accountability, on the one hand, with credibility and expert-knowledge on the other. Considering this delicate balance, the ECB press conferences function as a tool for increasing legitimacy through greater transparency. In the past two decades, the ECB has therefore increased its communication, leading the bank to outperform its American counterpart in various indexes measuring clarity of message by leveraging its nearly exclusive focus on its price stability mandate (De Haan et al., 2004; Dincer & Eichengreen, 2009). However, this strategy has become strained as the ECB has had to engage with a broader scope of policy aims in the last fifteen years, opting to use nonconventional policy tools, and modify its communication accordingly (Braun, 2016). The geopolitical and economic context in which the ECB operates today is vastly different from that of the “Brussels-Frankfurt-Washington Consensus”, which was the economic (and political) policy dogma dominant in Europe in 1998, the year of its founding (Fitoussi & Saraceno, 2014). Facing growing levels of economic, social and geopolitical uncertainty as a consequence of the mounting polycrisis, the ECB has once again had to adapt its communication in order to better defend and frame its policy-decisions, and thus protect the legitimacy of its exceptional independence. In the following paragraphs, two theoretical frameworks will be unpacked: the concept of institutional sensemaking and the management of “varieties of ignorance” and “uncomfortable knowledge”. These two frameworks gather intuitions and research from a broad, interdisciplinary background touching on economic sociology, organizational theory, and political science, functioning as useful tools for understanding the institutional behavior of the ECB, which is analyzed in the empirical section of this thesis.

2.1 Sensemaking: the nexus between Credibility and Legitimacy

As is the case with other independent regulatory authorities, the work of monetary policy is typically interpreted as a highly technical activity based on the possession of expert, “scientific knowledge” (Dyson & Marcussen, 2009; Carpenter 2010). In fact, at the time of its establishment, the rationale

concerning the institutional framework of the ECB was that while accountability and transparency were important, the foundation of the bank's legitimacy rested on its ability to fulfill its mandate (Braun et al., 2024). The wider public needed to have full trust in the abilities of the ECB to reach its goal of price stability. Otmar Issing, the ECB's first chief economist and a member of the Executive Board, identified the source of this trust not in the technical capabilities of the ECB, rather in the curation of a high level of "credibility and reputation" (Issing, 2002). Issing's stance was derived from an epistemological view of the public's interest and ability to grasp monetary policy. In fact, he clarified this more fundamental view of the relationship between institutions and citizens, writing:

"What matters most in order to make sense of reality (which is inherently non-transparent to policymakers and the public alike) and of policymakers' behaviour is a coherent frame of reasoning to interpret the subset of relevant information. In this sense, the 'public's right to know' has to be balanced by the 'public's need to understand'." (Issing, 2002).

The challenge presented by Issing of having to find the correct balance between expert knowledge and effective structures of accountability is not lost on the ECB. The practice of European Parliament hearings, for example, have proven to be an opportunity for elected lawmakers to scrutinize and challenge monetary policy and ECB Presidents (Ferrara et al., 2022; van 't Klooster, 2023). However, regardless of the framework of institutional relations between the ECB and democratically elected bodies, the protection of credibility and reputation through public outreach has also become key to the bank's strategy for maintaining its legitimacy. This "new frontier" was further cemented under the leadership of the ECB's current president, Christine Lagarde, who spoke of the role that communication plays in defending central bank independence in her nomination questionnaire, claiming: "Communication has become a core tool of central bank policy [...] it is instrumental to sustaining public trust in central banks and support for their independence and legitimacy." (Lagarde, 2019). The extent to which the ECB's recognition of the importance of communication with the public is matched by the reception and comprehension of ECB communication by that same public is dubious (Blinder et al., 2022). Nonetheless, the "trust" which Lagarde is describing, namely in the ECB's ability to keep prices stable, is an essential element of the "survival-driven" activity, like other non-majoritarian institutions at the European level (Koop et al., 2022). Furthermore, Lagarde's sentiments were confirmed in a survey of past ECB Governing Council members, who identified

“enhancing credibility and trust” as the primary objective of communication and noted the ample room for improvement in reaching the ears of the general public (Ehrmann et al., 2021).

This was, in fact, the driving rationale behind the 2021 ECB Strategy Review, which sought to adjust the central bank’s monetary policy framework across the board including through a strengthening of its communication channels. One of the major changes to the communication strategy was the simplification of the structure of the “Introductory Statements” of press releases, by removing the more technical forms of analysis such as “cross-checking.” The stated objective of this change in structure was to “focus on an integrated narrative.” (ECB, 2021). ECB communication helps to make order of the cacophony surrounding the immensely consequential policy decisions coming from the central bank, providing the monetary authority with an additional tool to control the transmission and reception of its interest rate decision. Thus, the ECB uses communication not only as a form of engagement with the public, but also to guide the reception and framing of its policies, “strategically responding to negative public opinion” (Moschella et al., 2020). In so doing, the shift from an historically guarded communication strategy aimed at reducing the risk of over-sharing, to a communication strategy which seeks to actively engage with the wider public to demonstrate transparency, serves the quest for legitimacy by reframing the central banks public image away from criticisms (Moschella et al., 2020; Müller & Braun, 2021). Consequently, the structure of the ECB press conferences also began to shift, assigning greater weight to the Questions and Answers section. Most research, however, has focused on the “Introductory Statement” of ECB press conferences and on its real-time impact on financial markets (Ulrich et al., 2019; Kanelis & Siklos, 2024). Limited research focusing on the impact of the “Questions & Answers” portion of the press statement on the financial movements has been carried out, noting the clarificatory purpose of allowing journalists to liaise information for markets (Ehrmann & Fratzcher, 2007). Another added value of reaching a wider public through Q&As has been highlighted in recent research. In a study carried out by in-house ECB communication analysts, the authors posit the role of media journalists as proxies for the interests of the public. They find that when more space is left to journalist from national media outlets to ask questions, the topics focus on issues closer to the preoccupations of the public, and further from the ECB’s comfort zone, such as the “banking system” and the “sovereign debt crisis and EMU” (Angino & Robitu, 2023; Pavelkova, 2022). While this places the ECB in the uncomfortable position of having to comment on non-technical, and sometimes political, matters which diverge from a strict interpretation of an independent central bank’s area of interest, it provides an opportunity for

showcasing a greater degree of transparency and openness to accountability (Angino & Robitu, 2023). Nonetheless, there is still a great deal of analysis to be conducted on the Q&As portion of ECB press conferences, especially as a window to the broader strategic and organizational trends of the Bank.

Taken as a whole, this kind of interactive communication between the president of the ECB and a room of journalists can be understood as a “sensemaking” activity. The concept of “sensemaking” has been amply developed in the field of organizational sociology, indicating the reduction of equivocality through aspects of “discovery and invention.” (Brown et al., 2015). Applied to ECB communication, sensemaking occurs through the use of discourse in what Abolafia calls a “narrative-as-sensemaking process.” (Abolafia, 2010). In his analysis of Federal Open Market Committee (FOMC) minutes, Abolafia seeks to plot the evolving translations of models to narratives constructed by the American monetary policymakers. His analysis, thus, concerns the internal deliberation of the Federal Reserve, identifying three key processes to the production of a narrative in meetings: abduction, plotting, and selective retention. These three steps fortify the ‘operating model’ through the implementation of organizational filters, which provide an explanation not only for how things occur, but how they ought to occur when discrepancies between models and reality emerge. The final stage identified by Abolafia of the sensemaking process, “selective retention,” is the part of the process that serves as a “medium by which legitimate policy and action are talked into existence.” (Abolafia, 2010, p. 360). In fact, having established an internal narrative through the process of sensemaking, policymakers turn to the wider audience and craft an adequate narrative to communicate. Thus, while Abolafia focuses on what happens within the FOMC, he specifies that the aim of his research is to “better understand their efforts to shape their environment and legitimate their organization.” (Abolafia, 2010, p. 351). This thesis, therefore, makes use of the notion of “sensemaking” as a description of the interaction between the ECB and its press conference audience.¹ In responding to direct challenges from journalists, the ECB president aims to externalize the narrative created within the Governing Council meeting to accrue credibility and legitimacy from the wider public and to guide a favorable narrative. In this sense, the ECB recognizes the important role played by the media as an

¹This audience-based distinction in discourse has been developed thoroughly by Vivien Schmidt (2008, p. 8-9), in her work on “Discursive Institutionalism”, where she distinguished between the ‘coordinative’ discourse amongst policymakers and ‘communicative’ discourse between institutional actors and the broader public. Furthermore, the broader study of communication in politics and the role of deliberation for achieving legitimacy has been studied in the form of what Habermas calls “communicative action” (Habermas, 1992).

“institutionally rich indicator of society-wide legitimacy,” both in its ability to reflect and, more importantly, to shape popular opinion (Deephouse & Suchman, 2008, p. 55).

2.2 From Risk to Uncertainty: A tandem in Monetary Policymaking

As central bankers became increasingly talkative, using information sharing and communication as their accountability strategies, they began to reveal an important vulnerability to the wider public: the limits of their knowledge. During the central banking era known as the Great Moderation, in the 1990s, financial markets were widely believed to be self-regulating, and the narrow mandate of independent central banks was largely unquestioned as the most correct organizational template. Allegedly, the task of central banks was important but limited, and as such it was to be conducted as a science, thus leaving little space for the unknown. Kessler notes how this position on monetary policymaking emerged from the “spread of rational expectation models in both microeconomics and macroeconomics that have transformed the outlook of economics completely.” In fact, he emphasizes how already in the 1930s, the notion of a distinction between risk and uncertainty was well established in the field of economics (Kessler, 2022, p. 342). So pervasive was the perception of uncertainty prior to the process of rationalization that took place in the 1970s, that one Austrian School economist, Carl Menger, went so far as to claim that the application of scientific standards and methods to economics lead to “wrong conclusions” (Kessler, 2022, p. 345). Nonetheless, as the study of probabilities and statistical methods developed, space for uncertainty and immeasurable contingencies in the monetary policy debate dwindled. Again, Kessler describes this shift eloquently, writing:

“This argument about the possible closure of the probability space, and hence the exclusion of uncertainty, came along not only with a praise for mathematical formalism for the study of economic practices, but also with the marginalization of those approaches that discussed uncertainty and challenged the move to formal reasoning in economics.” (Kessler, 2022, p. 343).

Thus, the rule-based approach of inflation targeting through the fixing of short-term interest rates was believed to be sufficient for “steering the economy to its natural equilibrium.” (van ‘t Klooster, 2020, p. 587). Notwithstanding the rather simplistic approach adopted by central bankers, it is true that the

economic situation of the 1990s was one of relative stability, in which the “microprudential approach to financial stability” appeared to be for the most part satisfactory (Borio, 2014, p. 195). The European Monetary Union and the ECB emerged from this macroeconomic context. The ECB especially embodied this narrow approach to economic policymaking in its single mandate of price stability and the prohibition of any form of monetary financing through the purchase of government bonds (van ‘t Klooster, 2022, p. 776). Those variables which did fall outside the immediate scope of the models used by central bankers were neatly adapted into quantifiable and measurable indicators of risk. As Best explains, “financial regulators developed a number of techniques for managing risk, simultaneously ignoring the uncertainties they faced in an increasingly complex global economy” (Best, 2016, p. 218). Thus, the task of monitoring and modelling to identify the correct level of interest to limit inflation became the sole focus of the ECB and other central banks, and nothing was believed to fall outside of “any calculable probability” (Keynes, 1936, pp. 213). As long as they were free to pursue price stability, that is as long as democratic politics were excluded from interfering, then “uncertainty could be tamed” (Best, 2016, p. 219). By and large, central bankers believed they had identified the fundamental laws of monetary policymaking and, therefore, could only make technical errors from then on out – not epistemological or theoretical ones regarding the structures of the economy itself (Drezner & McNamara, 2013).

The 2008 Global Financial Crisis completely shattered the illusion of infinite measurability which had dominated for the two decades prior. Suddenly, central bankers came to the dramatic realization that financial markets were not self-regulating and that, in fact, there was a great deal of incalculable uncertainty in the global economy which impacted their mandate.² Underlining the change in perception among central bankers as a consequence of the financial crisis, former Governor of the Bank of Canada, Stephen Poloz, wrote: “I believe that the sort of uncertainty we are dealing with today is more profound than that which is typically subjected to rigorous analysis—that it simply does not lend itself as easily to either mathematical or empirical analysis, or any real sort of formalization” (Poloz, 2014, p. 1). Uncertainty about the impact of monetary policy decisions, the diagnosis of the sources of inflation, the wider economic situation, and the endogenous limits of central banks themselves have become inevitable variables in central bank communication (Tucker, 2018, Part IV; Weber, 2023). Central bankers have progressively come to understand the importance of embracing

² The decision by the ECB to continue to raise rates as the fragility of the markets dramatically increased shows just how suddenly they had to come to this awareness.

uncertainty in their communication to manage the “reputational costs” of unanticipated shocks (Moschella & Pinto, 2019; Kozicki & Vardy, 2017, p. 1). Among the numerous sources and kinds of uncertainty, scholars have underlined “measurement uncertainty”, “shock uncertainty”, “model uncertainty”, and “mandate uncertainty” (Kozicki & Vardy, 2017. p.3). Furthermore, central bankers face uncertainty not only in diagnosing inflationary pressures and devising policy responses, but also in measuring the effectiveness of their decisions, that is the monetary transmission (Wieland, 2000, pp. 15-16). Thus, communication and recognition of uncertainty have become key in upholding central bank legitimacy through the anticipation of the possibility of limited effects of their policy decision. Poloz noted as much, writing: “Helping people to appreciate the underlying reality and the limitations of our craft without invalidating our core value proposition is a challenging task.” (Poloz, 2014, p. 12). In fact, presidents of the dominant central banks have opened-up to explicate their understanding of uncertainty itself to defend their credibility. In an elaborate analogy between the British weather forecast and monetary forecasts, former Bank of England Governor, Mervyn King, stated in a speech that to “publish forecasts only when the outcome is virtually certain would be an admission of at least partial defeat.” (King, 2010, p. 2). The threat posed by uncertainty to the survival of the central bank’s monopoly on monetary knowledge emerges clearly in King’s invocation to engage with uncertainty. Former Federal Reserve Chairman, Ben Bernanke, observed that “monetary policy is 98% talk and only 2% action”, and remarked on the advice given by his predecessor, Alan Greenspan, to learn how to “mumble with great incoherence” (Bernanke, 2015). Taking this same rationale a step further, former ECB President, Mario Draghi, acknowledged limited prediction abilities of central bankers, stating that “there are many instances when policymakers are compelled to act knowing that the consequences of their decisions are uncertain.” He then continues to highlight the importance of challenges to technical authority in a context of heightened uncertainty, claiming: “policymakers depend on dissent to hold a mirror up to their actions and to break the power of dominant narratives.” (Draghi, 2019, p. 3). Further in his speech, Draghi hinted at the necessity of caretaking the ECB’s reputation as a competent independent body by claiming that in the face of growing dissent and distrust from the public, “nothing can replace rigorous analysis accompanied by experience” (Draghi, 2019, p. 3). The risk posed by uncertainty, thus, is a real one and challenges the public trust which central banks have relied on for decades. As former Bundesbank President stated, “central banks should not overstretch their hard-earned credibility.” (Weidmann, 2022, p. 13).

2.3 From Uncertainty to Ignorance: Strategic uses of Non-Knowledge

It is clear, then, that uncertainty has not only become an inevitable variable in the monetary policymaking, but also an important topic of discussion in the interactive sensemaking process between central bankers and the wider public. Uncertainty, as clarified in the paragraph above, is a passive variable of the unknown which goes beyond measurable risks in its challenge to the knowledge of technocratic monetary experts. As evidenced by the quotes from various central bankers, uncertainty has been accepted as an unavoidable and indelible variable of monetary policymaking. There is, however, also an active dimension of these unknowns, which is the strategic use of non-knowledge or ignorance by organizations, that calls into question the validity of the technocratic nexus of expertise-to-authority by adding an additional variable: expertise-ignorance-authority (McGoey, 2012). Scholars of “ignorance studies” have used an infamous example to describe this new form of “strategic unknowns” (Paul et al., 2022, p. 423). In a press conference, former US Defense Secretary Donald Rumsfeld responded to questions challenging the US governments statement concerning Iraq’s possession of ‘weapons of mass destruction’. The Secretary made the following statement:

“As we know, there are known knowns; there are things we know we know. We also know there are known unknowns; that is to say we know there are some things we do not know. But there are also unknown unknowns—the ones we don’t know we don’t know.” (Rumsfeld, 2001)

Rumsfeld’s response gave rise to a new way of describing an “emergent zeitgeist” which enlists a “new comprehension of the economic and political value of unlimited risks and indeterminable threats for those who stand to gain from *failing* to identify solutions” (McGoey, 2012, p. 7). In the field of organizational sociology, one explanation for this strategic use of unknowns is the autopoeitic interpretation of institutional activity, by which “[institutions] are constantly involved in interpreting their own operations and seek goals [...] that make what happens or has happened understandable and determinable.” (Luhmann, 1992, p. 105). By making ignorance a kind of “commodity”, regulatory institutions can work around their ability or inability to fulfill their mandate (McGoey, 2007; McGoey, 2012). Precisely because of this normalization of ignorance in policymaking, institutions are keenly aware of the “reputational and political costs” that the unmitigated admission of non-knowledge may have (Paul et al., 2022, p. 427). Hence, the active use of ignorance by organizations requires deliberate

communication with interested stakeholders as part of a sensemaking process, in order to “deflect certain forms of knowledge, obscuring and concealing some, while magnifying others.” This allows for the definition of what is knowable and relevant, dictating the accountability structure (Paul et al., 2022, p. 423). Therefore, the “institutional design matters for how knowledge practices can contribute to accountability or lack thereof” (Paul et al., 2022, p. 428).

While criticism concerning the “pretense-to-knowledge” has been lobbed against the entire macroeconomic field, especially regarding the over-reliance on models and metrics (Caballero, 2010), a so-called “will to ignorance” has specifically been identified in the field of central banking. In his book titled *The Rise of Central Banks: State Power in Financial Capitalism*, Leon Wansleben discusses the illusion of self-regulated stability in the financial market which central banks actively promoted to ensure their own credibility. In his deconstruction of the 2008 Financial Crisis, Wansleben describes how the Swiss National Bank entrenched its “strategic disengagement” already starting in the 1930s, choosing to focus solely on inflation in terms of prices and wages and dissociate from monetary and financial oversight (Wansleben, 2022). Similarly, Arvind Jain uses the common legal concept of “wilful ignorance,” by which he means “the unwillingness to ask questions”, to describe the treatment of systemic risks by central bankers prior to the 2008 financial crisis. He notes that, while central bankers were aware of the possible consequences of an “incomplete understanding of the precise locations of obligations resulting from the default of complex derivatives contracts”, they were still unwilling to ask questions which would have risked challenging their regulatory capabilities and handling of the shift towards a financialized economy (Jain, 2023, p. 118; p. 125). In choosing to ignore, central banks applied their selective blindness with the goal of defending their credibility and legitimacy, thus delineating what the audience of their sensemaking dynamic could and couldn’t expect them to know. This process of shifting the boundaries of knowledge is explained in a paper by Jacqueline Best, in which she expands on the notions of ignorance and non-knowledge in central banking, describing central banks as particularly prone to challenges of expertise because of their aversion to political contestation (Best, 2024). Best uses the frameworks of “contested failures” and “knowledge controversies”, which she defines as instances in which the fundamental metrics and objectives of central banks themselves are called into question. In her analysis of the 2008 financial crisis, an example of a contested failure both in terms of failed regulation and in terms of failed ex-post diagnosis, Best borrows the concept of “knowledge controversies”, used primarily in Science and Technology Studies, to describe the imperative felt by central bankers to shift the frame around the

scope of their expertise. Post-2008 monetary policy ceased to fit neatly in the “Great Moderation” frames of central bank responsibility, leading the major western central banks to either “normalize”, “avoid”, or “blur” the nonconventional policy tools in their strategy reviews (Best, 2024). Thus, when the expertise of central bankers is debated by financial markets and the wider public, the central bank will either double-down on its “core expertise” or it will engage in “epistemic blurring”, attempting to “avoid contentious questions, normalizing them within an existing frame, identify satellite issues, just outside of the core of their expertise, introducing greater temporal flexibility, multiplying data sources and models, and relying on epistemic ambiguity.” (Best, 2024, p. 2). What emerges from this research is that central banks, on the one hand, internalize the uncertainty and ignorance that they must manage, while also drafting various framing strategies to avoid confronting fundamental challenges to their institutional structure. Hence, the frame analysis of institutional discourse allows researchers to identify the filters used by institutions to manage their non-knowledge in such a way which protects their reputation (Moschella and Pinto, 2019). The following section will delve into the numerous different filters and framings used by regulatory policymakers in response to the external contestation or internal ignorance.

2.4 Dealing with ‘Uncomfortable Knowledge’ and ‘Varieties of Ignorance’

“Since becoming a central banker, I have learned to mumble with great incoherence. If I seem unduly clear to you, you must have misunderstood what I said.” (Greenspan, 1987).

It has been established that institutions make active use of non-knowledge in the narrative-as-sensemaking process to protect their credibility and reputation from the threat of the limits of their knowledge. However, there is a great variety of strategies which central bankers choose to utilize in their communication to manage these limits. The following section will focus on the work of two scholars, Steve Rayner (2012) and Jacqueline Best (2022; 2022). These two scholars present a thorough deconstruction of both the kinds of ignorance faced by regulatory authorities such as central banks, and the various ways in which these same institutions creatively manage the threat of their lack of knowledge. This section provides the second theoretical framework used in this thesis, that of

managing “varieties of ignorance” and “uncomfortable knowledge”, which is used in depth in the discourse analysis of ECB press conferences.

Starting from the premise of the diffusion of “wishful economic thinking” in contemporary policymaking, Jacqueline Best’s article seeks to shed light on the instrumentalization of ignorance in the “practical politics of economic expertise” (Best, 2022, p. 1160). Thus, she endogenizes ignorance as part of the economic policymaking process, through moments of recognition of ignorance and the development of a range of strategies for directing it. Best differentiates between three kinds of ignorance: external, ideational and practical. For external ignorance, what is intended are “gaps in knowledge created by the uncertainty and contingency of the wider world” (Best, 2022, p. 1161). As noted by Best, this issue of the ambiguity and uncertainty of the broader environment in which policy decisions are made is certainly the question most scholars interested in deconstructing the processes of policymaking have focused on, including in the study of central banking (Stiglitz, 1998; Spanjers, 2008) and its dependence on perceived credibility (Eijffinger et al., 1997). The kind of ignorance that the article focuses on, however is not that which is derived from exogenous sources, rather those which emerge as a consequence of endogenous challenges, which Best calls “ideational” and “practical ignorance” (Best, 2022, p. 1164). Her intuition regarding the fundamental importance of endogenous sources of ignorance comes from the ample research conducted among scholars of the New Institutional community who have sought to go beyond the narrow interpretation of policymaking from rational-choice models (Hall & Taylor, 1996; Hall & Franzese, 1998; Schmidt, 2009). The objective, thus, is not to emphasize the empirical mishaps or persistent incompetence which can occur in any kind of organization, technocratic institutions included, rather to first, assess the “underlying source of ignorance” and second, “consider the practical ways that different kinds of policy ignorance work” (Best, 2022, p. 1163). Having already clarified the role of external ignorance (or “risk” and “uncertainty” in the above paragraphs), it is important to clearly define and decline the remaining two forms identified by Best. “Ideational” ignorance is defined as an outcome of the rigid “frame that any form of expertise applies in looking at the world” thus allowing for the differentiation between “what matters and what can be ignored” (Best, 2022, p. 1165). This has meant that for more than fifty-years, central bankers have operated according to the belief that “the only government policy that is likely to be effective in this context is a minimalist, rule-based form of monetary policy” (Best, 2022, p. 1166). For example, the model developed in the period of the Great Moderation was a sort of tripartite “Holy Trinity”, which profoundly limited the ability of central banks to swiftly diagnose the causes of

the 2008 Financial Crisis both in United States (Braun & Downey, 2020, p. 3) and in the European Union (Goutsmedt & Fontan, 2023). This demonstrates the impermeability of the frames and ideas which guide central banks in drafting monetary decisions. However, central bankers must also implement and actively communicate the policy decisions they draft. This leads to the last category of the varieties of ignorance which is “practical ignorance”. Like McGoey’s concept of “strategic interests”, Best’s final category describes an intentional use of ignorance by economic policymakers who aim to preserve the authority of their institution. However, she notes that her concept of “practical ignorance” also incorporates accidental uses of ignorance in implementation, which do not stem from a conscious strategy of policymakers, but instead emerge as a byproduct of the external and ideational ignorance which they confront (Best, 2022, p. 1167). This final form of ignorance is further subdivided into five strategies for mobilizing and responding to external and ideational ignorance in practice: wishful thinking, confusion, fudging the evidence, denying, and puzzling (Best, 2022). The first two are attempts by economic policymakers to make sense of shortcomings in the effectiveness or believed outcome of policy decisions, such as interest rate increases. The remaining three, instead, represent the managerial response to the realization of ignorance and are attempts to mitigate the impacts on the institution making the decisions. Because of their clarity and explicit reference to the strategic use of “ignorance”, these categories were chosen for the frame analysis of ECB Press Conferences conducted for this thesis.

Also interested in the role played by ignorance in the process of policymaking by regulatory authorities, Steve Rayner aims to develop a conceptual map of the strategies used by institutions to deal with the variable of ‘uncomfortable knowledge’ (Rayner, 2012). Before delving in to the four strategies he identifies, it is important to underline his understanding of these four strategies, which he calls “informational and perceptual filters,” as fundamental not only for the institutions own survival but because without them “we would have no information at all, only noise” (Rayner, 2012, p. 110). Thus, for Rayner, the policy outcome of technocratic institutions, which we can interpret as a form of ‘knowledge’, is possible “only through the social construction of ignorance.” (Rayner, 2012). In fact, the threat to institutions of what he calls “uncomfortable knowledge” occurs due to the inoperability of the existing filters to new variables or sources of knowledge. In this case, the threat is dual: on the one hand, admission of a piece of information to the realm of the knowable “may undermine the organizational principles of a society or organization”; on the other hand, to not admit that information would provide ammunition to competing authorities or entities of civil society who would

criticize the institutions on the grounds that they should have known (as described in the paragraphs above concerning the 2008 financial crisis) (Rayner, 2012, p. 111). To manage this conundrum, therefore, Rayner delineates four strategies used by regulatory agencies in the management of this so-called ‘uncomfortable knowledge’. He uses a selection of environmental regulatory agencies, mostly in the United States, and explores their response to internal disputes, opposition from their principal organizations, and public contestation. These strategies are to be interpreted as a set of tools for organizations to choose from, meaning that they do not necessarily use all four (or any) and that they do not use them in any specific order. He notes that the use of the term “strategy” is not meant to denote a deliberate and conscious attempt to misguide the broader public, necessarily, but may also describe a more subtle kind of institutional reflex common to all organizations to lead the narrative to their benefit (Rayner, 2012, p. 113). It is important to underline that Rayner is siding with a well-founded theory of “New-Institutionalism” concerning organizational life, which assumes that organizations place greater importance on their perceived legitimacy than efficiency in evaluating their success and survival (Hall & Taylor, 1996; Thornton and Ocasio, 2008). The first strategy presented by Rayner is that of “denial”, which he defines as a “refusal or inability of organizations at any level to acknowledge information, even when external bodies or individuals within the organization seek actively to bring it to collective attention” (Rayner, 2012, p. 113). This can be due to what is commonly called in psychology a “confirmation bias”, thus pushing policy makers to accept and acknowledge information only when it fits in their existing frame (Jones & Sugden, 2001). The second strategy Rayner describes is that of “dismissal”, which differs from denial in that it does not exclude the possibility of acknowledging the ‘uncomfortable information’ to the extent that this acknowledgement allows for the institution to make “claims that it is unreliable, not relevant, imprecise, not timely or on the wrong spatial scale.” (Rayner, 2012, p. 116). Thus, by dismissing uncomfortable knowledge as erroneous, the institutions pit themselves in an ‘our-word-against-yours’ situation, hoping to gain the trust of the interested stakeholders. Third, Rayner identifies the strategy of “diversion”, which involves institutions actively creating or indicating external events as a distraction, or as Rayner puts it: “establishing a decoy activity that distracts attention from a subject or problem, thus ensuring that knowledge about it is not created or shared” (Rayner, 2012, p. 118). The last of the four strategies coined by Rayner to describe the management of ‘uncomfortable knowledge’ is what he calls “displacement”. This tool is the most nuanced of the four and borrows elements from the previous three in its expression. Rayner defines it as the instance in which an “object or activity, such as a computer model, designed to inform management of a real-world phenomenon actually becomes the

object of management” (Rayner, 2012, p. 120). Thus, this is a savvier strategy than simply attempting to prop-up a decoy or create a distraction; opting instead for the active promotion of a sense of ambiguity between what is simulated (such as, emphasizing the results of model-runs) and what is the on-the-ground reality. Though Rayner has focused on the actors involved in formulating environmental policy, the organizational logic and mechanisms of strategic management of uncomfortable knowledge (a kind of ignorance) can be applied to most all technocratic, independent, regulatory bodies, including central banks as is seen in the empirical work of this thesis.

Best has also engaged with the concept of ‘uncomfortable knowledge’, crediting Rayner for having contributed to her interest in applying his four strategies to the actions and communication of monetary policymakers (Best, 2022, p. 560). In her article, titled *Uncomfortable knowledge in central banking: Economic expertise confronts the visibility dilemma*, she unpacks the core issue confronted in this thesis very clearly: “Because central banks’ authority is linked to their expertise, the knowledge that is often most uncomfortable for them is the fact of their own ignorance in the face of an uncertain economy.” (Best, 2022, p. 560). Furthermore, she, like other scholars, ties this question back to that of accountability and legitimacy, recognizing that the latter depends on the credibility-through-expertise notion which has become dominant especially following the adoption of CBI (Fernández-Albertos, 2015; Bodea & Hicks, 2015). While Best acknowledges the intrinsic nature of ignorance in the policymaking process as the other side of the same coin as knowledge, she breaks it down this into different phases and expressions. Gathering evidence from monetary policy episodes from the 1980s onwards, Best adds three strategies, specific to the field of central banking, to Rayner’s, which are: exceptionalism, obfuscation and strategic reflexivity (Best, 2022, p. 565). In her analysis, Best finds that across the eras of central banking (her analysis begins with the Volcker shock), the strategy which has continuously played a part in the framing efforts of central banks has been that of “obfuscation”, or the “attempt to conceal the limits of their expertise and of the often *ad hoc* nature of their actions” (Best, 2022, p. 561). Thus, she delineates a kind of monetary policy debate in which the technical discussion is necessarily intertwined with the political considerations concerning how to manage this ‘uncomfortable knowledge’, in an attempt to deal with what she calls a “visibility dilemma” of over- or under-sharing their expertise. In the cases of the 2008 financial crisis or the Covid-19 pandemic, Best states that central banks actively used the strategy of “exceptionalism” as a way to mask the underlying issue of ‘uncomfortable knowledge’ behind the supposed uniqueness of that specific historical moment. Obfuscation and strategic reflexivity differ, according to Best, in that they require

“more conscious efforts to conceal or display uncomfortable truths” (Best, 2022, p. 565). Obfuscation is a form of secrecy, which aims to make specific facts that pose a danger to the central bank invisible. Strategic reflexivity, on the other hand, involves an admission of ignorance either to increase the institution’s credibility standpoint vis-à-vis other stakeholders or as an actual moment of reflection on the limits of institutional knowledge (Rosanvallon, 2011; Monnet, 2023). While each strategy describes a distinct method of communication or decision-making, they often co-exist and happen simultaneously. While Best focuses on the use of management strategies in a very broad sense by operationalizing an historical analysis of numerous central banks from 1980 to today, these same categories can be a helpful tool in analyzing a specific area of activity of a single central bank, as done in this thesis with the press conferences of the ECB.

The purpose of deconstructing the fact of ignorance in policymaking and communication is not to invite for a stricter adherence to empirical models or for the hiring of more competent technocratic advisors. On the contrary, analyzing the presence of ignorance and the use of strategies for managing it recalibrates the expectations citizens should have towards expert institutions, allowing also for a more pondered consideration of where the limits of their powers should lie, in addition to the limits of their knowledge.

3. Methodology and Research Design

In analyzing the communication of the ECB in the format of press conferences, it is helpful to adopt a flexible, iterative approach. The reasons for this are two-fold: firstly, the broader context in which the communication occurs varies greatly, both economically and institutionally; second, while the institution remains the same, the person communicating changes, implying variation in style and vocabulary. These variables make a strict deductive or inductive approach too rigid for successful analysis of an evolving phenomenon. Thus, this thesis operationalizes an abductive research design, moving from observed effects and particularities of ECB press conference responses to plausible causes and explanatory variables. The benefit of using an abductive approach is that it is exploratory, facilitating the ideation and testing of hypotheses in a more fluid and malleable manner. The strength of the abductive research design lies in the fact that, in contrast to induction, it leaves room for complexity in generalizations, to provide an “inference to the best explanation” (Thomas, 2010, p. 576). While the initiation of an abductive research project does require the mobilization of pre-existing

social and intellectual standpoints to formulate hypotheses, it is nonetheless reliant on the use of methods and the analysis of data, often in the form of case studies. The added value of using case studies in abductive research is that they allow the researcher to contextualize the case within the broader framework and context in which the phenomenon of interest occurs, providing insight into the variable which does not fit within the larger frame. The methodology used in this thesis, thus, relies on three case studies of interest rate cycles spanning across two decades of European Central Bank operation.

With the focus of this thesis being the ECB's press conferences, the choice of qualitative text analysis methods was between discourse analysis and frame analysis. Both methods focus on extrapolating the less explicit meanings behind forms of communication. They are, in this sense, similar, both analyzing the "discursive battles over meaning and definition of reality" (Lindekilde, 2014, p. 196). However, the difference between the two forms of analysis is important: while discourse analysis focuses significantly on linguistic structures and word choice, frame analysis unpacks construction, communication and interpretation of ideas and how these reflect the culture and ideology of the organization that is communicating (Lindekilde, 2014). These attributes make frame analysis particularly apt for research in organizational studies, as it centers on the causal questions which provoke the phenomenon of interest. In analyzing a frame, the researcher is looking for the moments and topics of accentuation by the communicator who is seeking to mobilize a certain frame through the "strategic and deliberative side of language usage" (Lindekilde, 2014, p. 200). Because of the fundamental importance that both the Bank itself and market-actors assign to the official communication of the ECB (as seen above), deciphering frames is key to unveiling their understanding of inflation. Framing, in this context, is defined as "the process of culling a few elements of perceived reality and assembling a narrative that highlights the connections among them to promote a particular interpretation" (Entman, 2007, p. 4). Hence, frame analysis works well when deconstructing the communication of central banks and has applied to the ECB in recent research (Cerqueira & Rimkutė, 2024; Müller & Braun, 2021). Borrowing from the analysis of Rayner and Best, this thesis uses a multi-pronged framework to code and categorize the evolving framing of the ECB in its response to the direct challenges during the press conference Q&As. By using the categories coming from the "Varieties of Ignorance" and "Uncomfortable Knowledge" research (2022; 2022) as the sub-codes that structure the manual coding, the frame analysis reveals the organizational intent behind the "discursive interactions" between the ECB and the press core regarding inflation and in response to

the direct challenges. Thus, for this thesis, the five categories used in the manual coding of the ECB's responses to journalists during the Q&As are taken from the forms of 'practical ignorance' identified by Best (2022): *wishful thinking*, *confusion*, *fudging the evidence*, *denying*, *puzzling*. While not explicitly used in the text of this thesis, the categories identified by Reyner and explained in the paragraphs above provided a better understanding of how to apply Best's five sub-categories of 'practical ignorance'. To structure the manual coding, the following definitions for each category have been adopted: *wishful thinking* is the promotion of unlikely economic results from either adopting a policy or doing nothing; *confusion* is the reaction of dismay or heightened uncertainty when events do not unfold as planned; *fudging the evidence* takes the form of presenting evidence in a way which conceals institutional ignorance within the ECB; *denying* is to shift the cause of the policy problem entirely outside of the ECB, thus not accepting endogenous ignorance; and, lastly, *puzzling* is a shift towards a tone of reflexivity in response to challenges from journalists. These categories not only provide insight into how the ECB's uses its reaction to challenges of its expertise to frame inflation (H1)³, they also allow for the analysis of an evolutionary trend in the discourse of the ECB across the inflation cycle (H2)⁴. Furthermore, by manually coding the responses of the ECB presidents to the challenges posed by journalists, a simple graphical representation was produced to better represent the evolution of the ECB framing across the span of the inflation cycle (see Table of Annexes). Displays and graphical representations help in detecting patterns and overall trends in the institutional communication (Lindekilde, 2014, p. 215).

Because a frame analysis has a broad ambition to provide an intuition as to the "why" for certain organizational behaviors and not simply the "how", it is important to utilize numerous case studies and a large corpus of discourse. Having a larger data set, or corpus, to analyze provides greater strength to the claims of systematic framing efforts and allows for the testing of iterative hypotheses, including those with an evolutionary claim such as the second hypothesis of this thesis. This thesis analyzes three case studies of inflation cycles confronted by the European Central Bank: the 2006 to 2008 inflation cycle immediately preceding the Global Financial Crisis; the brief 2011-2012 inflation cycle that occurred at the start of the Eurozone crisis; and the post-Covid inflation cycle that, for the purposes of this research, spans from 2021 to 2023. For each case study, the (almost) monthly ECB

³ Hypothesis 1: The thesis posits that the ECB will use the challenge as an opportunity to strengthen its framing or diagnosis of inflation, through which it seeks to justify its past decisions and actions to the wider public;

⁴ Hypothesis 2: The response to the challenges will evolve during the cycle interest-rate increases implemented as a reaction to inflation, presenting initially a position of greater optimism and certainty, to then undertake a final position of greater introspection

Press Conferences are analyzed, starting from the month in which inflation began to increase and ending with either the last decrease in interest rates or with the stabilization of inflation trends. In terms of the number of press conferences analyzed, this meant coding thirty-five press conferences from March 2006 to January 2009, twenty-two press conferences from October 2010 to July 2012, and thirty-four press conferences from June 2021 to April 2024. The focus of the analysis was on the Q&A portion of the press conferences, in which journalists have the possibility to challenge the president of the ECB directly. In addition to the varying contexts of the three inflation cycles, which greatly impacted the response of the ECB, the three case studies also span across three ECB presidencies, allowing for a greater control in distinguishing between personal communication abilities and institutional responses to challenges in framing.⁵

4. Responding to Challenges: Empirical Analysis of ECB Press Conference Q&As

The aim of the empirical analysis section of this thesis is not to verify a specific policy position on monetary policy taken by the ECB. In fact, the correctness of the interest rate decisions and understanding of inflation will not be analyzed *per se*. The aim of this section is, rather, to interpret the responses of the ECB to challenges of its expertise, and thus its authority, regardless of the ideological origin of the challenge. For this reason, all challenges from the Q&A portion of the ECB Press Conferences, be they from “dovish” or “hawkish” journalists, were analyzed in the frame analysis manual coding of this thesis. As will be seen below, the manual coding helps to unpack the ECB’s responses. However, this analysis does not pretend to be the only or most complete interpretation possible of the framing by the ECB. More empirical work should be done on ECB Q&As, including through the use of quantitative methods which reduce the subjective limits of a frame analysis. Nonetheless, interesting insights concerning H1 are certainly identified, and a limited correspondence of H2 is also found – though the intuition is not entirely confirmed.

⁵ The three ECB Presidents are: Jean-Claude Trichet (2003-2011); Mario Draghi (2011-2019); and Christine Lagarde (2019-today).

4.1 Trichet's Trials: Inflation from 2006 to 2008

"You may remember that I said several times that, on the basis of our cross-checking of the economic analysis and the monetary analysis, we had judged it to be time to increase rates. I remember that, at the time I said that here, we had a great deal of good advice from major international institutions, from a lot of economists, a lot of advice telling us not to do that, saying that it was premature, that we should not move our rates. But we did it nevertheless and the monetary pillar played an important role in our decision. Everybody in this room knows that we have been fully vindicated for what we did at that time in December 2005, and then in 2006 and at the beginning of 2007." (Jean-Claude Trichet, Frankfurt-am-Main, April 2007).

The youngest by far of the global major central banks, the European Central Bank actively used the first decade of its operation to construct and solidify its reputation around its single mandate of price stability (Moschella, 2024, p. 96). In line with the Maastricht Treaty, the ECB aimed to keep interest rates at a level that kept inflation below but close to 2%. As stated by the ECB's first chief economist, this was not only meant to preserve sustainable economic growth, but also as a strategy for gaining credibility and building a reputation from scratch since, unlike the Federal Reserve, the ECB did not have a lengthy history to back it up (Issing, 2004). This was seen as particularly necessary to increase market confidence in the periphery economies of the Eurozone, which the ECB had decided to treat the same as core economies for repurchasing agreement purposes (Tooze, 2018, p. 118). Therefore, trust and credibility were to be built through strict price stability, which meant an expectation of predictability by market actors who believed that the ECB would operate according to clear models of money growth. Nonetheless, the honeymoon phase came to an end as oil prices and M3, the broadest measure of an economy's money supply, began to rise dramatically in 2005 and 2006. As the pressure on the ECB to act against the risk of contagion from rising oil prices grew, the press questions challenging the ECB's epistemological authority also increased, both regarding its ability to control inflation and its ability to make sound decisions while also taking the distributive effects of interest rate increases into consideration. In applying a frame analysis through a manual coding of the Q&As

from March 2006 to January 2009, both the first hypothesis (that the ECB uses challenges as a framing opportunity for inflation) and the second hypothesis (that this process evolves from a position of greater confidence to one of uncertainty) are tested.

As borrowing by households and companies rose to record levels in the Spring of 2006 (OECD, 2006), the ECB took the decision to raise interest rates by 0.25% in March, bringing the Main Refinancing Rate to 2.50 percent. When asked what he would respond to families who began to feel the effects of interest rate increases on their loans, particularly housing, Trichet shifted the focus immediately to what he understood as families' demand for price stability above all, and to the ECB's ability in achieving it in the short-term (ECB, March 2006). For the following two months, the ECB chose to keep interest rates stable at 2.50%, while highlighting the risk of second-round effects, specifically in the form of wage increases (ECB, April & May 2006). In a further expression of confidence, when asked about the rising producer prices seen across the Eurozone since January 2006, Trichet responded by saying that while prices are volatile, he saw Spring 2006 as an "inflection point." This statement of certainty was further strengthened in the response to challenges of the ECB's use of soft-data rather than hard-data in making interest decisions, to which Trichet responded saying: "what is important to us is to eliminate the noise from the data and filter out the pertinent information" (ECB, May 2006). Lastly, in that same press conference in May 2006, Trichet compared the ECB decisions in the previous six months to the rates attained by the Bundesbank, which is generally regarded as the prime example of price stability amongst monetary authorities (Warlouzot, 2019). He would continue to make this comparison for the remainder of the inflation cycle. These examples demonstrate a level of *wishful thinking* which, while modest, still exemplify the quest for trust and certainty that the ECB President would often display.

By the Summer of 2006, expressions of confidence in the ECB's models and past decisions began to wane, due to the worsening financial conditions and a stable rate of inflation, which put pressure on the ECB to stop increasing rates. Succeeding the growth of oil prices, the ECB had to face the rapid and constant increase in M3 and the growing uncertainty in financial markets. While not showing a particular level of *confusion*, the ECB President did use the strategies of *fudging the evidence* and *denying* the facts in his attempt to maintain a frame of certainty and consistency in the ECB's decision-making on the limited rise of inflation. In the fourteen months between July 2006, when inflation was at 2.4%, and September 2007, when inflation peaked back up above 2% after having been below, BNP Paribas

announced its decision to freeze \$2.2 billion in assets, bringing the financial crisis to Europe. In that period, journalists challenged Trichet on: the consequences of a tighter interest rates on household owners in the Eurozone periphery, on the growth of money supply, and on the volatility of the financial markets and what that meant for price stability. In an almost prophetic manner, journalists questioned Trichet about his view on the negative effects that the future higher rates would have on Spanish (ECB, June 2006), Greek (ECB, July 2006) and Irish (ECB, August 2006) homeowners who were continuing to borrow at record (and increasingly unsustainable) levels. In each case, the President answered by highlighting that the ECB Governing Board does not judge based on specifics, but on the “full body of the Euro area, namely 313 million people” (ECB, July 2006). This refrain progressively lost factual validity, as more and more “specific cases” emerged across the Eurozone, both regarding loan costs and the growth trend of Eurozone countries, questioning Trichet’s framing of the increase in interest rate as “withdrawing monetary accommodation” rather than “restriction” (ECB, June 2006). When pushed to provide a greater explanation for what was to be considered “accommodative”, Trichet responded in a way exemplary of the *fudging the evidence* strategy, stating: “When we will judge that monetary policy is not accommodative, we will tell you.” (ECB, October 2006). In the latter half of 2006, the use of *fudging* became more evident in response to challenges concerning the ECB’s reliance on data, especially concerning M3 growth, in its decision-making on raising (or waiting to raise) interest rates. This was particularly evident in the press conference of December 2006, in which Trichet discussed data and projections coming from the Eurosystem staff in detail, using them to justify the decision to raise rates by 0.25% in his introductory statement. However, Trichet later confirmed in different responses that: “the projections themselves are made by our Eurosystem staff and under their responsibility [...] it is their responsibility; we do not underwrite these projections.” The ECB’s framing was further complicated, then, by Trichet’s insistence that the data and projections of the Eurosystem staff “has the credibility and the legitimacy of our own staff in the eyes of external observers” (ECB, December 2006). This stance would be reiterated a year and a half later, in June 2008, when asked about the Eurosystem staff projections for the yearly inflation rate, Trichet responded by saying “it is important, but it is not our position.” (ECB, June 2008). By distancing, while appreciating, the ECB from the projections of the Eurosystem staff, Trichet attempt to accentuate the market’s and public’s dependence on the expertise and technical judgment of the ECB Governing Council and invoked this in his answers.

In the final months of 2007 and throughout all of 2008, Trichet displayed a more active use of *denying* isolated from the use of the *judging the evidence* strategy. The broader economic context had changed, as the subprime crisis in the U.S. markets made it impossible for the major Eurozone financial entities such as BNP Paribas, to “value certain assets” and led to the early bailout of the German fund, IKB (Tooze, 2018, p. 162). Thus, not only did the ECB have to monitor the growing rate of inflation due to the renewed pressure from rising oil prices, it now also had to ensure market stability for the continued well-functioning of financial actors. This proved a particularly challenging balance to communicate for President Jean-Claude Trichet, who found himself *denying* the premise of questions from journalists or refusing to really engage with the content of their query. For example, in November 2007, when one journalist used an anecdote from ECB history to ask a question about “having underestimated the effect of high oil prices on the economy”, Trichet answered by saying that he had no recollection of that episode and proceeded to defend his rather ambiguous projection of “growth around potential” and a call to “judge the situation and assess the developments.” (ECB, November 2007). As price growth increased to 3.1% in December 2007, one journalist drew the comparison between the high-inflation environment of the 2001 dot-com bubble and the high-inflation environment of the looming housing bubble that had begun to emerge. Here Trichet rejected the premise entirely, on the grounds that it was a “too naïve a comparison”, and portraying the subprime mortgage issues as something that is to be dealt with on the “other side of the Atlantic” (ECB, December 2007). Though he did recognize the negative consequences that such a crisis in the US might have on the financial stability of the Eurozone, he reaffirmed the ECB’s ability to maintain price stability and to make tough decisions “even when we are advised not to do things” (ECB, December 2007). Pushing further on this point, another journalist questioned the ECB’s ability to balance the two responsibilities of managing the price increases and maintaining stability in the money markets, particularly since the interest rates remained stable while inflation and M3 reached record highs. Here a flat-out rejection to engage with the challenge to the ECB’s abilities was made by Trichet, who said “I say no to your question. We do not mix the two responsibilities” (ECB, December 2007). As the uncertainty coming from the economic slowdown and growing money market angst grew, the ECB found itself between a rock and a hard place regarding interest rates, having to choose whether to prop up the Eurozone economy or unequivocally stick to its price-stability mandate. Variations of this question of balancing price-stability with financial and economic volatility were made in January, February and March of 2008. Each time, the ECB President would refuse to engage with the question, preferring to externalize the issue by focusing on price-setters and wage-bargainers or job-growth

levels. In one particularly testy challenge, a journalist went straight to the crux of the debate asking, “Are you sure that you, as the ECB, have the people in mind which you should have in mind regarding your mandate or are you placing too much importance on the banking sector?”. In a very brief response, Trichet stated that the ECB’s responsibility was to the 320 million citizens of the Eurozone, and that the Governing Council’s decision reflected this (ECB, March 2008).

As the stability of the global financial system seemed increasingly at risk, the framing of inflation in the ECB Press Conferences tended towards the final phase of *puzzling*. Inflation reached its peak of 4.1% in July 2008, leading to an additional 0.25% increase of interest rates. Nonetheless, the effectiveness of the rate increases was called into question by numerous journalists. Trichet once again centered his responses on the credibility and authority of the ECB in managing inflation, reaffirming the Bank’s commitment to price stability and making an appeal to the broader public, saying:

“Confidence is absolutely of the essence at the present juncture. We consider ourselves as an anchor of stability and an anchor of confidence. I call upon all market participants, economic agents and authorities to take into account that confidence is absolutely of the essence at the present juncture” (ECB, July 2008).

Yet, inflation soon came to a rather rapid descent as the Eurozone slipped into economic recession in the third quarter of 2008. As the economic and social uncertainty increased, Trichet’s responses to challenges posed by journalists during press conference Q&As began to include a more reflexive element. In November 2008, just a short time after the shock of the Lehman Brothers collapse, monetary decisions of the major central banks across the globe headed towards accommodation. In response to a question regarding the decision by the Bank of England to dramatically cut rates by 1.50%, Trichet demonstrated a kind of vulnerability by speaking of a “brotherhood”⁶ of central bankers and expressing solidarity with other central banks (ECB, November 2008). In the following months, a kind of interactive deliberation between journalists and Trichet played out concerning the need to lower rates at a faster pace to match the more aggressive cuts of the Federal Reserve and Bank of England. When asked in December, when the ECB announced a cut of 0.75% to reach a 2.00 rate,

⁶ While the use of a gendered term may appear strange today, it remains true that Central Banking has stayed a male-dominated field. Of the twenty-eight governors and presidents in the European System of Central Banks, ECB President Christine Lagarde is the sole female; and the heads of the Federal Reserve, Bank of Canada, Bank of Japan and Bank of England are also all males. See Bodea and Kerner, 2022 for an inflation-oriented explanation.

whether it was moving at a sluggish pace because of a bias towards higher rates, thus coming off as a “bit of a Calvinist at a time when expansionary policies are what is needed and what is being adopted”⁷, Trichet rebuffed underlining that in the past the ECB had been criticized for having rates which were too low (ECB, December 2008). He did, however, also recognize the extraordinary circumstances and high levels of uncertainty, leaving open the possibility for faster cuts. The following month, the *puzzling* framing was heavily on display, as additional cuts of 0.50% had to be made to reduce rates to below 2.00%. This time, when a journalist challenged Trichet on the need to cut rates further and faster, he appreciated the past work of the ECB, but was explicit in highlighting the real possibility of further reductions, saying: “I don’t say that it is the lowest point that is in the view of the Governing Council the appropriate one [...] we will see what we will do in March” (ECB, January 2009). The last questions of the January press conference, concerning the descent below 2% interest rates and how to plan for an exit strategy from “cheap credit”, offer an even better view of the *puzzling* strategy adopted by Trichet in this phase. To this challenge, the ECB President again deferred the decision to the March 2009 meeting but acknowledged the importance of steering clear of a “liquidity trap” while taking into account the necessity for “non-standard action” (ECB, January 2009). This, in fact, was the start of what would be a long debate about the danger of sticky low interest rates in a time of nonconventional monetary policies, demonstrating greater reflexivity on the part of the ECB. The frame analysis from the Spring of 2006 through the end of 2008, therefore, confirms both the use of Q&As for framing inflation, and the evolution in framing through the course of the inflation cycle (see Table 1).

4.2 Passing the Torch: Inflation from 2011 to 2012

The rippling effects of the subprime mortgage crisis which hit the United States were numerous, leading to a recession for the whole of the Eurozone economy and sparking off what would be known as the Sovereign Debt Crisis in Europe. The poor economic context complicated monetary policymaking, especially as temporary price shocks in oil and food prices sparked a short-lived inflation cycle that challenged the ECB’s commitment to its primary mandate. Whether the fact that inflation had surpassed 2.0% was a risk to economic growth in the Eurozone or a blessing in disguise for EU economies that risked deflation, such as Italy and Spain, was hotly debated (Surowiecki, 2011; Tilford, 2011). In fact, a tendency towards higher rates was deemed harmful to the Eurozone economy at a

⁷ By then, the Federal Reserve had lowered rates to 1.00, and was preparing to announce further cuts to reach between 0 and 0.25.

time when greater stimulus and counter-cyclical measures were needed. This would prove particularly challenging due to the institutional framework of the Eurozone, which lacks the fiscal entity and coordination needed for effective expansionary policies (Dyson and Featherstone, 1999). Scholars have accused the ECB of having an “antigrowth bias” due to its promotion of competitive-wage reduction policies through structural reforms, leading to the risk of stagflation rather than inflation (Bibow, 2016). At the same time, a growing contradiction in policies emerged in the aftermath of the 2008 financial crisis, as Eurozone governments faced difficulties refinancing their debts. The actions taken by the ECB between 2010 and 2012 were described as “non-standard measures” and “nonconventional” as they included extending the list of eligible collaterals and instituting the Securities Market Programme (SMP), which allowed for the central banks of the Eurosystem to accept public bonds issued by the countries in crisis as collateral (Monnet, 2024). While the so-called “nonconventional” toolbox would continue to expand, these programs specifically would clash with the rise of inflation in 2011, posing a unique dilemma for President Jean-Claude Trichet and his successor, Mario Draghi. The tension between on the one hand the focus on its primary mandate and on the other hand the actions taken by the ECB to intervene in sustaining private banks and public debt were on display in the press conferences of this time. In terms of the frame analysis, the 2011-2012 case study runs less smoothly than 2006-2008 due to two important differences: the broader economic context was not focused on inflation and a change in leadership occurred midway through the inflation cycle. Nonetheless, the manual coding and frame analysis still provide important insight into understanding how the framing of inflation fit into the broader economic story of these tumultuous years.

Because of the global financial meltdown, the subsequent recession, and the debt crisis which was beginning to takeover European public discourse, there was little room for the use of the *wishful thinking* strategy in the management of inflation uncertainties. It would not have been well received in the early months of the increase in prices because of the lackluster performance of the EU economy writ large. Trichet did display, however, a certain use of *confusion* as described above, that is surprise or dismay at the panning out of events, though less so when discussing inflation. The former ECB President used this kind of framing when discussing the difficulties in establishing an effective transmission of monetary policy, which he accredited to the lack of structural reforms and an unwillingness of national governments to follow the Stability and Growth Pact, in both the November and December 2010 press conferences. In response to a question concerning the risks that spreads

posed to the monetary transmission, Trichet pivoted back to the topic of structural reform, recounting his and the ECB's surprise and dissent at the 2005 decision to ease the conditions of the Stability and Growth Pact. He stated: "Unfortunately, we now see that everybody agrees with these grave concerns that we had expressed. We had called permanently for a rigorous implementation of the Pact and we have been calling permanently, including in the most recent weeks and months, for changing policies" (ECB, November 2010). In the early months of 2011, Trichet would continue to shift to the matter of fiscal responsibility and structural reforms in response to questions of rising spreads and economic disparity between core and periphery countries, always with an element of dismay at what he framed as an unwillingness of governments to act (ECB, February and March 2011; The Guardian, 2011).

With the rate of inflation steadily past 2% by March 2011, the ECB Governing Council took the contested and risky decision to raise rates by 0.25% in April 2011. This would spark numerous challenges from the press corps regarding whether the ECB's interest rate decisions clashed with the "non-standard measures" which had been adopted, and subsequently expanded. Already, in the months prior the "transmission mechanism" justification for the purchase of bonds seemed to wear thin as journalists saw the SMP as a rescue tool for periphery countries, leading Trichet to double-down on the inflation-oriented transmission frame in a more explicit manner. When challenged on the purchase of Portuguese bonds, he stated in clear words: "Specifically, I said the programme is an ongoing programme to help restore a better transmission mechanism. Full stop!" (ECB, January 2011). In the following months, Trichet upheld the official ECB line that interest rates, that is standard monetary policy, and the programmes initiated to sustain credit levels, that is non-standard measures, were to be considered completely separate. In March 2011, however, one journalist went to the heart of the matter, challenging Trichet by asking:

"You can uphold this separation only to a certain extent. If you flood markets with money, of course it will affect money market rates, and even if you increase your interest rates, you might still have an effect from non-standard operations. So, the question is: to what extent is it possible to separate these two areas?" (ECB, March 2011)

Making use of the *fudging* strategy, Trichet did not engage with theoretical and epistemological implications of the question. Rather, he insists again on the moderation of all the measurements of

money supply (M1, M2, and M3) and on the necessity of non-standard measures for the sake of monetary transmission, without answering to the opposing forces between the two policies (ECB, March 2011). On this same point, Trichet would move into the strategy of *denying* just a month later, following the decision to raise rates by 0.25%, when a journalist characterized the ECB as a servant to two masters: price stabilization and the sustainability of Eurozone debt (ECB, April 2011). When the same journalist asked Trichet when we would be a “free man again?”, the ECB President reiterated that the ECB has only one primary mandate, and “That primary mandate is price stability. That primary mandate commanded us.” (ECB, April 2011). Thus, he refused again to entice the notion that the non-standard measures went beyond what could linearly be considered part of the primary mandate operations, let alone that the two kinds of policies were at all in juxtaposition. Between April 2011 and the start of Draghi’s tenure in November 2011, Trichet would continue to oscillate between framing through *fudging* and framing through *denying* when discussing this topic of separating the two actions of the ECB, and the possible contrast between the SMP and the decision to raise interest rates to fight inflation. The pressure to express himself on topics outside the strict bounds of price stability put Trichet in an awkward position,⁸ as journalists insisted on discussing the non-standard measures and the state of the Eurozone economy. In the concluding statements of the July 2011 press conference, in which the Governing Council announced its controversial decision to raise rates by 0.25%, Trichet made another appeal to the press corps, reprimanding them for swaying away from the subject of his primary mandate, stating: “Next time, could we agree that we all concentrate on the first part, on our monetary policy which is much more, I would say, important than some of you suspect” (ECB, July 2011). The next month, one journalist challenged Trichet’s monetary transmission narrative even further, affirming that by then it was clear to most that the SMP was a tool for the ECB to target bond yields and that therefore this would be priced into the market. Once more, Trichet pivoted from the question underlining the importance of the commitments and reforms which national governments had to implement, and then stating: “On the SMP: don’t expect me to say any more than what I have already said before. Since the very beginning of the SMP, I have never said anything, except that, if we intervene, we intervene” (ECB, August 2011). When his response was followed-up by an even more direct question, asking “In which aspect, in detail, is the monetary transmission disturbed?”, providing Trichet with an opportunity to explain the monetary transmission justification for the coexistence of the SMP and interest rate increases, he responded by saying: “I do

⁸ See *Balance of Power*, Éric Monnet (2024), pp. 66-69, for an explanation of the role of CBI and the accusations of adopting a “credit policy” would impact ECB communication during this phase of the Eurozone.

not want to get into too much detail” (ECB, August 2011). These responses, together with the numerous refusals to comment on the decision of other major central banks to either lower rates further or hold them low (see December 2010, May and August 2011), demonstrate an active use of *fudging* and *denying* strategies as the inflation cycle persisted.

In November 2011, Jean-Claude Trichet completed his 9-year term as president of the European Central Bank, passing the torch to the Bank of Italy’s Governor, Mario Draghi. Generally perceived as a ‘hawk’ on inflation, it was not anticipated that Draghi would (together with the Governing Council) decide to lower rates from his first month as ECB President (Financial Times, 2011). Nonetheless, with inflation still above 3%, Draghi announced 0.25% interest rate cuts at his first press conference as ECB President in November 2011, a step which would then be repeated in December. In fact, though inflation would remain above 2% across the Eurozone for all of 2012, Draghi continued to lower rates due to the pressures on government solvency and the widespread credit-crunch in the Eurozone economy. These decisions were accompanied by a change in tone on the non-standard measures implemented by the ECB. While Draghi continued to insist that all which the ECB did was in pursuit of its primary mandate, substituting the “monetary policy transmission” explanation with that of the “medium-term”, he also showed a greater flexibility and openness to adopting and owning up to these measures.⁹ This did not, however, lead to a complete revision of the ECB’s communication. Draghi continued, though to a limited extent, to use the *denying* strategy for challenges concerning the competence and attention of the ECB concerning tackling price stability, and *puzzling* when the journalists challenged him on the future of the SMP and its relation to standard monetary policy. In April 2012, for example, when asked about the risk that the Eurozone economy was moving on two different tracks, making it unwise to implement the same interest-rate decisions across the board for fears of never reaching “below but close to 2%”, Draghi refused to waste any breath in his answer, stating dryly: “No, I don’t think so. I think we can have a 2% - or below 2% - inflationary rate for the whole euro area without the need to inflate the good performers. I think it is a very feasible objective” (ECB, March 2012). Draghi, therefore, externalized the question of the role of monetary policy in pushing towards a convergence of price growth rates. In the same press conference but coming from the opposite view of the one discussed above, Draghi was asked if he believed more

⁹ Prior to his December announcement, Draghi hinted at the possibility of an extension of “non-standard measures” and interview with the Financial Times in which he was asked whether he would consider adopting US-style ‘quantitative easing’, to which he answered the important thing was to re-establish public trust in the ECB (Financial Times, 2011).

than 16 months above 2% inflation went against “medium-term” success. This question presented an opportunity for explaining ECB policy rather than a challenge to them, and Draghi felt much more at ease expanding upon the internal logic of the ECB Governing Council concerning oil price-hikes and the pass-through to other prices in the economy, demonstrating openness to the possibility that further data could require a policy shift (ECB, April 2012). Nonetheless, the press’ interest in the question of inflation and prices stability in and of itself largely dissipated, with no strictly inflation-oriented questions in May 2012 and only one in June and July 2012, due to the pressing issue of the growing spread and solvency of peripheral governments. In fact, the ECB had by and large moved onto matters other than price stability (though it would not recognize this). This shift away from its primary mandate was itself the content of a question posed by a journalist in June 2012. The journalist challenged not only Draghi but the ECB’s own understanding of its primary mandate, and the limits of its operations, when they asked:

“Mr Draghi, you have just said that some of the problems in the euro area have nothing to do with monetary policy. I would say the only problem that has to do with monetary policy is that the inflation rate has been significantly higher than 2% for the past one and a half years. What other problems would you say have to do with monetary policy?” (ECB, June 2012)

To this explicit question, Draghi provided a dense response regarding pass-throughs and role of second-round effects, stating that inflation was indeed coming down at a slower pace than they had hoped. Not having received a clear answer, the journalist pushed Draghi further, reiterating his question on what exactly was to be considered relevant to monetary policy, implicitly challenging the ECB President to delineate the limit of the powers and mandate of his own institution. This time, Draghi gave a much vaguer answer, refusing to unpack the details of the contribution made by non-standard measures to reaching price stability. He did, nonetheless, provide insight into the ECB’s future framing of its nonconventional policies, saying: “Our primary mandate is price stability, and we think that if we achieve this objective in the medium term with all our necessary instruments we really contribute in the best possible way to growth.” (ECB, June 2012). By including the words “all our necessary instruments”, Draghi hinted at what was yet to come. In conclusion, while still showing a limited use of *denying* and *puzzling*, Draghi’s Q&As demonstrated that inflation being mostly upstaged by other economic phenomena seems to have changed the ECB’s framing from the previous inflation

cycle, thus not fitting the ‘varieties of ignorance’ manual coding of inflation framing as well (see Table 2).

4.3 Lagarde and the Untamable Rise of Prices: Inflation from 2021 to 2023

“So we have that humility, and we recognise that we have to not only look at forecasting models, but also look outside the window and try to figure out what is happening and what is the likely impact. Looking at past history is not in and of itself sufficient” (Lagarde, April 2022).

As countries began to remove Covid-19 restrictions domestically, and the global economy re-opened to international trade and commerce, an economic storm was brewing. Supply chains across a variety of sectors, some critical such as semi-conductors, were heavily impacted by the shutdown of the global economy and were unable to bounce-back at the same pace as demand (Council on Foreign Relations, 2021). Furthermore, as demand for raw materials grew and industries re-opened, so did the demand for oil. At its lowest price, oil was being sold at negative \$40 a barrel in April 2020, which led the OPEC oil cartel to drastically reduce its production. However, as the global economy rapidly awoke, OPEC did not increase its production – preferring instead to raise oil prices, reaching \$65 by March 2021 (Nersisyan & Wray, 2022). Moreover, the large increases in profit margins by enterprises in oligopolistic sectors of the economy, such as food production in the United States, had rippling effects across the global economy which led to profit margins largely exceeding cost-growth (Weber, 2022). In Europe, the situation of rising prices was then worsened by the full-scale invasion by Russia of Ukraine, accounting for more than two-thirds of the inflation increase in 2022 alone (ECB, 2023). The role that interest rate increases could play in halting inflation, taking into account its supposed origins in supply shocks and geopolitical episodes, was also debated due to what was understood to be the “transitory” nature of this inflation cycle (Galbraith, 2023; Nersisyan & Wray, 2022; Heimberger, 2022). Nonetheless, the following paragraphs will focus on the framing of inflation by the ECB and President Lagarde in the context of high uncertainty, and not on the correct or different courses of action which should or could have been taken. It is furthermore important to note that, from a communication perspective, the adoption of the 2021 Strategy Review had the objective of reducing the self-inflicted uncertainty traps which previous ECB Presidents faced. For example, the decision to target 2% inflation rather than “below but close to 2%” made it simpler to justify decisions on rates

and define policy objectives. The use of “forward guidance” (i.e., the anticipated communication of monetary policy intentions in order to impact inflation expectations) from 2013 onwards deepened the institutional understanding of the importance of communication and reduced the perception of risk in professing uncertainty (ECB, 2021). Using the manual coding of the frame analysis, this last case study will allow for a final testing of the first and second hypotheses of this thesis.

Looking at the first category of the manual coding, *wishful thinking*, the already gravely uncertain economic context of the pandemic did not leave much room for optimism on inflation. However, ECB President Christine Lagarde, whose term began in 2019, did mobilize the strategy in two occasions at the start of the inflation cycle. In June 2021, as prices began to increase at a worrying pace in the United States, a journalist questioned Lagarde on the attention and preparedness of the ECB. In responding to this provocation, Lagarde made what would turn out to be a gross overestimation of the general stability of the global economy, stating:

“As a result, whatever is ultimately the characterization, the longevity of the price upward pressure that would occur in the United States I think is completely different from anything that we will see in the euro area, although of course there will be some spill-over, as I think I have indicated at our last March conference, as a result of the Biden plan, but certainly of too small a magnitude to actually make a huge difference.” (ECB, June 2021).

In her response, it is clear not only that the Governing Council did not fully grasp the depth of the inflationary pressures, but also that they believed with a certain degree of confidence that price increases would not pose a significant problem. This demonstration of *wishful thinking* was again put on display the following month when a journalist worried about the increasing trend of prices questioned Lagarde on the ECB’s ability to lower inflation considering they had failed for to increase inflation in the past decade. To this Lagarde provided a detailed, though optimistic, assessment of the steps taken to better fiscal and monetary coordination in the Eurozone, acclaiming: “So let’s learn from the past, stay together in this commitment to deliver on our target, and demonstrate that we mean what we say” (ECB, July 2021). Like other examples seen in this thesis, Lagarde is inviting and invoking market actors and governments to cooperate with the ECB in achieving its mandate.

The ECB's optimistic 'wait and see' framing of inflation would quickly come under fire, however, as the Federal Reserve and the Bank of England began to rapidly increase interest rates.¹⁰ In March 2022, the Federal Reserve took the step of raising rates by 0.25%, later increasing the percentage to 0.50% in May and 0.75% in June of the same year (US Federal Reserve, 2024). The Bank of England had started raising rates even sooner, with a 0.25% increase in December 2021, and steady monthly 0.25% increases up until August 2021, when it increased by 0.50% (Bank of England, 2024). The ECB, on the other hand, was hesitant. Using the three ignorance management strategies of *wishful thinking*, *confusion* and *fudging the evidence*, President Lagarde framed the threat of inflation and the ECB decision to hold off on raising rates in different ways. The use of *confusion* was most evident in the discussions and challenges which focused on the matter of "fiscal dominance", that is the inability of the ECB to control inflation because of the size of deficits and debt. In October 2021, Lagarde was challenged by a member of the press corps who asked whether Eurozone monetary policy was conditioned by fiscal policy. In presenting a detailed response, Lagarde laid out also the new aspects of the 2021 Strategy Review, such as the use of forward guidance and the commitment to 2% inflation rate, which she was certain would be enough to keep inflation expectation under control (ECB, October 2021). The pressure only increased in 2022, as inflation continued to rise. In February, when asked why the ECB had not yet followed in the steps of the Bank of England, Lagarde backed-up the Governing Council's claim that wage-growth in the Eurozone had not increased to the same extent that it had in the United Kingdom and United States (ECB, February 2022), though this was not actually the source of inflation on the other side of the Atlantic and Channel thus discrediting the relevance of her claim (Bernanke & Blanchard, 2023).¹¹ Thus, at the start of 2022, there was a shift in Lagarde's communication away from *wishful thinking*, towards the *fudging* strategy. After the Russian full-scale invasion of Ukraine which took place at the end of February, energy prices increased even more rapidly. This led to further questions about when the ECB would decide to raise interest rates, as the pressure on prices now came not only from the swift re-opening of the global economy, but also from the energy shock due to sanctions against imports of Russian oil and gas. Aware of the fragile economic state of the Eurozone, Lagarde was keen to answer journalists' questions providing as much detail as possible,

¹⁰ The first central bank to begin heavily increase interest rates was the Central Bank of Brazil, which hiked its rate by 0.75% on March 17, 2021, reaching 9.25% by the end of the year.

¹¹ This mix of the strategies of *confusion* and *fudging* was further confirmed at the press conference of September 2022, when President Lagarde said that the power of the ECB to control inflation was limited because the price increases were a side-effect of supply shortages, particularly in the energy sector. This contradicts her statements from February of that year concerning differing trends in wage-increases between the Eurozone and its counterparts in the US and UK.

without putting the ECB's credibility and authority at risk. This led to further uses of the *fudging* strategy, such as in April 2022, when Lagarde rebutted against a journalist who accused the ECB of dragging its heels on interest rates by explaining in detail the termination of the exceptional pandemic-era asset-purchase programme known as PEPP (Pandemic emergency purchase programme) and the APP rather than discussing interest rates (ECB, April 2022).

Differently from her predecessors and the previous case studies of inflation cycles analyzed in this thesis, Lagarde seldomly used the framing strategy of *denying*. In the few occasions in which she did use *denying*, it was not in response to challenges concerning inflation per se, rather to questions from journalists concerning the risk of recession due to higher rates and the criticisms from heads of government regarding the ECB's actions or lack thereof (ECB, October 2022; ECB, September 2023). One notable exception was, however, in June 2022 at the last press conference prior to the ECB's series of interest rate hikes. Once again, on the topic of whether the ECB was late to raise rates, one journalist attempted to anticipate Lagarde's response by asking explicitly whether the situation faced in the Eurozone was still different from that faced in the United States or if the ECB had effectively waited too long. Slightly interpreting this journalist's question, it was clear that they were challenging the ECB to recognize its role and endogenous ignorance in confronting inflation. In this case, Lagarde did in fact use the *denying* strategy, saying: "I would like to add that it's not just a step; it's a journey" (ECB, June 2022). The "journey" framing would return in other instances (ECB, March 2023), functioning as an irrefutable, though highly ambiguous, affirmation.

Nonetheless, from when the Governing Council decided to raise rates to the present day, Lagarde has relied most heavily on the strategy of *puzzling*. The extent to which this was due to the implementation of the 2021 Strategy Review or to the communication style of President Lagarde has been studied (Reichlin et al., 2021; Ehrmann et al., 2023) and will continue to be, but will not be further analyzed in this thesis. Instead, this final paragraph will focus on the general shift and embrace of the *puzzling* strategy by Christine Lagarde, who has responded to numerous direct challenges in the context of press conference Q&As since raising rates for the first time in July 2022. What can be seen in her responses during Q&As are lengthy explanations of the rationale behind the decision made by the Governing Council, and how Lagarde frames that decision in the broader economic context.¹²

¹² The lengthiness and depth of her responses also contribute, however, to a lack of clarity and greater risk of self-contradiction, such as in response to the first journalist in February 2023 (ECB, February 2023).

Consequently, the questions at press conferences have also gotten lengthier, with each journalist usually asking two or three questions at a time. These two trends have contributed to making ECB Press Conference Q&As a much more deliberative event. An example of this open *puzzling* can be found in September 2022, when Lagarde spoke of the ECB's failure to raise rates but underlined its greater awareness of territorial "heterogeneity" and the need for considering all citizens across the Eurozone (ECB, September 2022). In March 2023, Lagarde indicated openness to the discussion happening amongst economists at the time concerning the role of profits in keeping inflation higher for longer, saying that it is a question of "burden-sharing" of the negative effects of inflation, inviting for it to be "debated at the society level, which is certainly something we would welcome." (ECB, March 2023). Lastly, in April 2024, Lagarde expanded on something she had discussed in numerous press conferences prior: data-dependence (see ECB press conferences from January 2024 onwards). In the second half of this inflation cycle, as price increases have slowed down, this has become the position on which she stands firm, similar to the framing of the interest-rate "journey" in the first months of the cycle. In response to a the first question of the April 2024 Q&A, which challenged the ECB's confidence in its decision-making and the trust that the public should have in it, Lagarde noted that the data they consider comes not only from themselves, but from the Eurosystem and from indicators published by the US Federal Reserve and other entities, and that they actively debate when data is sufficient in the context of the Governing Council, sometimes reaching disagreements (ECB, April 2024). Thus, data-dependence takes on, as seen in other cases with Lagarde, an ambiguous and unclear definition, which allows it to be used both to justify decisions but also to demonstrate an openness to critique as done in this case. In summary, however, the greater appreciation and ease with ambiguity and demonstrating uncertainty to the public complicated the ability of the frame analysis' coding categories to effectively test the first hypothesis of this thesis, concerning the use of challenges as a framing opportunity, and complicated the second hypothesis concerning the evolution from a position of confidence to open uncertainty (see Table 3).

5. Conclusion

This thesis has sought to apply notions of Organizational Sociology to the communication of monetary policy decisions in the context of ECB Press Conferences. By operationalizing existing categories of ignorance, from the thoroughly developed literature on the use of uncertainty and non-

knowledge by technocratic institutions, and analyzing the ECB's response to direct challenges, the thesis attempted to further develop our understanding of the ECB's framing of inflation. The two hypotheses, that the ECB uses direct challenges as an opportunity to strengthen its framing of inflation and that this framing would evolve from a state of greater to lesser certainty, were partly confirmed. More research will have to be conducted, especially with the use of quantitative methods, to better understand and confirm both hypotheses. The importance of narratives, however, and the use of different framing strategies has emerged as an undeniably important and persistent element of monetary policymaking and communication. This topic must be further developed, not only for a better understanding of the effectiveness of central banks as public institutions, but also for a more critical evaluation of their democratic accountability. In the long-term, this kind of research could have an important role in developing innovations and reforms in the structure of central banks, and in fine-tuning their role in economic governance. For this reason, especially, this research is of fundamental importance, as it pushes a critical understanding of what it means for central banks to be public institutions that serve a citizenry.

6. Annex of Tables

Table 1: 2006 - 2009

IGNORANCE	Wishful Thinking	Confusion/ Displacement	Fudging the Evidence/ Diversion	Denying/ Dismissal	Puzzling	Inflation Rate
PRESS CONF.						
March 2006						2.2
April 2006						2.4
May 2006						2.5
June 2006						2.4
July 2006						2.4
August 2006						2.3
September 2006						1.8
October 2006						1.6
November 2006						1.8
December 2006						1.9
January 2007						1.8
February 2007						1.8
March 2007						1.9
April 2007						1.9
May 2007						1.9
June 2007						1.9
July 2007						1.8
August 2007						1.7
September 2007						2.1
October 2007						2.5
November 2007						3.1
December 2007						3.1
January 2008						3.2
February 2008						3.3
March 2008						3.6
April 2008						3.3
May 2008						3.7
June 2008						3.9
July 2008						4.1
August 2008						3.8
September 2008						3.6
October 2008						3.2
November 2008						2.1
December 2008						1.6
January 2009						1.1

Table 2: 2010-2012

IGNORANCE	Wishful Thinking	Confusion/ Displacement	Fudging the Evidence/ Diversion	Denying/ Dismissal	Puzzling	Inflation Rate
PRESS CONF.						
October 2010						1.9
November 2010						1.9
December 2010						2.2
January 2011						2.3
February 2011						2.4
March 2011						2.7
April 2011						2.8
May 2011						2.7
June 2011						2.7
July 2011						2.6
August 2011						2.5
September 2011						3.0
October 2011						3.0
November 2011						3.0
December 2011						2.8
January 2012						2.7
February 2012						2.7
March 2012						2.7
April 2012						2.6
May 2012						2.4
June 2012						2.4
July 2012						2.4

Table 3: 2021-2024

IGNORANCE	Wishful Thinking	Confusion/ Displacement	Fudging the Evidence/ Diversion	Denying/ Dismissal	Puzzling	Inflation Rate
PRESS CONF.						
June 2021						1.9
July 2021 (1)						2.2
July 2021 (2)						2.2
September 2021						3.4
October 2021						4.1
December 2021						5.0
February 2022						5.9
March 2022						7.4
April 2022						7.4
June 2022						8.6
July 2022						8.9
September 2022						9.9
October 2022						10.6
December 2022						9.2
January 2023						8.6
February 2023						8.5
March 2023						6.9
May 2023						6.1
June 2023						5.9
August 2023						5.2
September 2023						4.3
October 2023						2.9
November 2023						2.4
December 2023						2.9
January 2024						2.8
March 2024						2.4
April 2024						2.4

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