

Webinar on: A Green Interest Rate for the Eurozone



Discussion of Francesco Papadia of the paper by:

Stanislas Jourdan, Rens van Tilburg, Aleksandar Simić, Brenda Kramer,
Gaston Bronstering

March 17th



Three preliminary points

1. I am fully convinced about the importance and urgency of dealing with the climate issue
2. If you want to do a green rate, this paper shows the way
3. The urgency from high interest rates is no longer there

My five criticisms

- The ECB has no advantage in incentivising green investment
- Going down again to zero interest rates
- Adding more losses to those already incurred by the ECB
- Reinforcing the banking intermediation channel
- Central banks and resource allocation

- The ECB has no advantage in incentivising green investment. If you have 5 billion to spend on incentivising green investment it is not optimal to give it to ECB
 - The Taxonomy is difficult to be used and requires specialized knowledge
 - The information basis for a green interest rate is uneven and unlimited
- Going back to zero rates?
- The ECB is already losing money
- Reinforcing the bank intermediation channel
- A slippery road
- My Weltanschauung – no resource allocation to central banks;

Different approaches

- What does “support” in the Treaty means?
 - Climate properly taken into account in modelling and economic analysis?
 - And in inflation forecasts, in particular?
- Green issues more relevant for bank supervision?

In conclusion



- I am not convinced that the ECB should start a green TLTRO program.
- I would, instead, look for other avenues to give content to the “support” prescription of the Treaty.



bruegel.org
Improving economic policy