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Great Power, Great Responsibility: Addressing the Underestimated Issue of Central Bank's Social Responsibility¹

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Abstract: This paper deals with the neglected issue of central banks' social responsibility. Since central banks exert the "structural power" on economies as well as on societies, their power should be regulated and controlled by society through a reliable framework of social responsibility. To that aim, this article sheds light on the 'why' and the 'how' of central bank's social responsibility: I suggest reforms in order to increase central banks' social legitimacy, while being consistent with the mapping out of a new framework of social responsibility.

Keywords: central banks, power, social responsibility, social legitimacy, institutions.

JEL codes: B52, E02, E14, E52, E58.

Introduction

The 2008 'Great recession' crisis (Fabris, 2018) and far more, the '2020 COVID-19' crisis, have mobilized central banks to the extent rarely seen in history to date. Far-sweeping measures were enforced to avert the risk of financial turmoil, and restore confidence in the global economy. For instance, these came in the form of massive asset-purchasing programs from the European Central Bank (ECB)

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launched on March 12th 2020 – the ‘Asset Purchase Program’, the ‘Pandemic Emergency Purchase Program’ (PEPP) and the ‘Public Sector Purchase Program’ (PSPP) – a package consisting of roughly €1000 billion worth of bond purchases with few or no strings attached.

Such measures were in dire need in the face of the impending economic melt-down, but were also the right course of action given the intrinsic mission of central banks. Indeed, central banks are institutions entrusted with producing public goods – macroeconomic stability and prosperity – which they do by achieving their macroeconomic objectives.

The means to fulfil central banks’ mission have largely evolved since the ‘Great recession’ crisis: before the latter, central banks followed an ‘independence – price stability – inflation targeting’ trypic framework, often called “New Consensus” (Walsh & Woodford, 2005). It is certain that such a model still exists and is likely to last, with the emphasis on central bank’s performance based on hitting price stability at its core.

However, there are now calls, even from central banks themselves (Marsh, 2020), to find a new model (Orr, 2019). Such a new model would incentivize central banks to redefine and broaden their mission in a way that better reflects the societal consequences of their actions in an increasingly complex economic context. It is not only a matter of “technical” purposes (how to build new models with the existing tools, such as interest rates models), but also to consider new transmission channels of monetary policy and redesign the role of central banks toward society. The recent two crises exemplify this, through the need for a more complete understanding of crises, from their roots to their management and their prevention (Luburić, 2021).

In other words, central banks’ power, which has been under greater scrutiny with the recent aforementioned two crises, deserves more attention. The analysis of such a power refers both to its expression and to its control, since the legitimacy of an institution’s power goes hand in hand with its social responsibility. Social responsibility here refers to the ability of an institution to serve the public or the common good through the exercise of its power, on the condition such a power is under the permanent supervision and the control of society. Therefore, in this paper, I shed more light on the neglected yet crucial issue of central banks’ social responsibility.

Addressing such an issue is vital regarding the dynamics of democracies, since central banks are in charge of participating in producing the common good.

Likewise, at stake is the status of central bankers who are the experts alleged to design and to implement monetary policies for the benefit of all: specifically, given central bankers are unelected experts, they must ensure the legitimacy of their decisions vis-à-vis society. Indeed, some economists have casted doubt on the social neutrality of central banks' monetary policies as well as on central bankers', stressing on the opposite that central banking is class-biased (Seccareccia & Lavoie, 2016). Such a doubt challenges central banks' alleged role to serve (all) the people (Dietsch, Claveau, and Fontan, 2018).

The paper is organized as follows. The second section explains why central banks should take seriously their social responsibility since they exert on "structural power" on the economy and society. The third section envisions new ways to concretize central banks' social responsibility. Finally, the fourth section concludes.

2. Central banks' structural power must be mitigated by their social responsibility

When we think of institutional social responsibility, private companies come first. Indeed, although private companies' social responsibility now encompasses issues of environment or social inequalities, it is mainly associated with business, as M. Friedman said once: "There is one and only one social responsibility of business – to use its resources to increase its profits so long as it stays within the rules of the game" (Friedman, 1970).

Obviously, as I shall explain throughout this paper, central banks' social responsibility is different by nature. Indeed, although private economic agents can sometimes be shareholders of them – such as in the case of the Swiss National Bank (SNB), the major part of the capital of central banks is shared among public economic actors (the state, regions, etc.). Likewise, central banks do not seek to make profit as their main objective.

However, to deal with central banks' social responsibility is paramount regarding the existence of three channels.

(1) First, although central banks are independent from government in most of countries, they are not "black boxes" (Adolph, 2013), which would provide a purely "technical" and disembodied image of their operations, actions and missions. On the opposite, central banks are political institutions in the sense that they are institutions which perform the social mission of producing a public good – macroeconomic stability and prosperity – by achieving their targeted macro-

economic objectives, and a common good that is financial stability. Indeed, as Tucker (2018) asserts:

“[...] Price stability – stability in the value of money – is a public good, but the stability of the financial system is slightly different. In both cases, no one can be excluded from the benefits; but, unlike price stability, financial-system stability is, in the jargon, rivalrous. Like common grazing ground, the resilience of the financial system can be “consumed”, leaving it depleted and, thus, reducing the flow of benefits over time. Financial stability is rooted in a “common good” rather than a “public good” and, as such, can sometimes still warrant state intervention, but of a different kind and with different challenges”.

In sum, central bank is the “agent” of a “principal” (society and its political representatives (generally elected politicians)) (Walsh, 1995). As Janet Yellen, the former Governor of the American Federal Reserve System, summarized well: *“In every phase of our work and decision-making, we consider the well-being of the American people and the prosperity of our nation”* (Yellen, quoted in Dietsch, Claveau, and Fontan, 2018.). To be sure, as I shall expound later, there is not a unique preference coming from society with respect to what is expected as macroeconomic and financial stability. The latter is always the outcome of social conflict in democracy.

However, the objectives of monetary policy and more broadly, of central banks’ missions, are alleged to embody a people’s common will. The great economist Schumpeter had already such a political framework in mind when he asserted that *“everything that a people desires, does, suffers, is – is reflected in a people’s monetary system”* (Schumpeter, 2014). Moreover, his vision was clear: *“Nothing demonstrates so clearly what a people is made of than how it conducts its monetary policy”* (Schumpeter, 2014). Today central banks must ensure that their actions fit such a framework.

(2) In addition, central banks are political institutions since they are not neutral with respect to the macroeconomic and macrosocial consequences of their policies. Conversely, I believe that central banks wield significant societal power through the definition and implementation of monetary policy about the economy and society: central banks exercise “structural power” (Strange, 1994) on societies, influencing their structures and dynamics (Braunstein & Seguino, 2018). In particular, such a structural power is exercised through the regulation of credit growth and inflation – and increasingly on macroeconomic variables (GDP, debt, etc.) – as well as macroprudential supervision. Recent massive programs of purchasing public debt have made central banks become bondholders: although

the status of bondholder is also associated with risk – e.g. in case of debt default – it also gives the power to influence economic policies aiming at being paid back.

Likewise, in line with the aforementioned social conflict associated with the set-up of monetary policy, the impact of the latter on society is not socially neutral. In other words, monetary policy favors in fact certain social groups over others (Caglar, Prügl, and Zwingel, 2013; Pixley, 2018). A growing body of literature emphasizes the distributive nature of monetary policy (Brunnemeier & Sannikov, 2012; Cour-Thimann, 2013; Dietsch, Claveau, and Fontan, 2018; Pixley, 2018). Specifically, it is worth focusing on the distributive nature of the central bank's short-term interest rate as a macroeconomic variable affecting income (Smithin, 1996; Lavoie, 2014; Rochon & Seccareccia, 2021).

In tangible terms, variations in the interest rate for instance generate differentiated effects on social groups, modifying the distributive balance of resources between these groups. In particular, variations in the interest rate have an impact on the rate of returns on investments and the lending rates applied by commercial banks, as well as more broadly on the exchange rate from a macroeconomic perspective. It is within this framework that variations in interest rate affect the indebtedness of economic actors (e.g. for entrepreneurial projects or access to real estate ownership) and the productive capacity of economic sectors sensitive to variations in interest rate, the exchange rate and terms of trade. In both cases, variations in interest rate influence aggregate demand, which in turn affects GDP.

Such a socially differentiated impact is particularly visible for women, demonstrating the gendered dimension of monetary policy (Vallet, 2019). Indeed, depending on their sector of activity, variations in the interest rate can prove more or less favourable to women for access to employment or entrepreneurship for instance and continued employment as well as in relation to the distribution of income and access to real estate ownership (Braunstein & Heintz, 2008).

On the whole, the distributive nature of monetary policy is recognized by certain central banks (Bank of England, 2012), as attested to by their governors highlighting that “*the distributional consequences of the response to the financial crisis have been significant*” (Carney, 2014). The way in which central banks function nevertheless gives the impression that achieving their objectives, when they succeed in it, remains merely a goal in itself without questioning how their policies can influence the real economy through new channels (Braunstein, 2013). Once again, the recent massive purchasing programs operated by central banks are likely to entail income and wealth effects which should be understated.

This is why questioning central banks' social responsibility has become a crucial issue, which includes also the role of central bankers themselves.

(3) Indeed, the mission conferred by society to central banks involves relying on experts, namely central bankers. According to the existing literature, central bankers' expertise is twofold (Dietsch, Claveau, and Fontan, 2018):

- "Regulatory expertise" designates the cognitive nature of central banks' actions, i.e. the technical capacity to achieve an objective linked to their remit. Such a capacity relates to central bankers' academic background: central bankers have become increasingly recruited for their skills in macroeconomics, finance and econometrics (Diouf & Pépin, 2017; Vallet, 2019).
- "Testimonial expertise", which refers to the management of the production and circulation of information. At stake here is mostly the capacity to explain the implemented monetary policy to the public, and to convince economic actors of the relevance and the success of monetary policy. Such a "testimonial expertise" is embedded in the aforementioned "new consensus" model and its implicit associated rational anticipations. Although monetary policy is always, in every central bank, the outcome of a collective process, the extension of governors' mandates as well as the personalization of central banks' communication over time have strengthened the relevance of the "testimonial expertise".

These two types of expertise give central bankers power since central bankers are able to control information related to the central banks, a type of information that most people do not fully understand (Pixley, 2018). To put it in another way, central bankers exert a kind of technocratic power, one of the concrete forms of their "structural power," which could 'clash' with their societal mission if such power merely served central bankers' own interests or were not legitimate in the eyes of the people.

Indeed, the key concern here is that central bankers are not democratically elected, instead being appointed by politicians on the basis of their competencies, namely, their ability to reach the targets defined by the "principal" (Walsh, 1995; Alesina & Tabellini, 2008). Even though such a feature has become the norm within key institutions for more than a century – in order to avoid capture of resources by some social groups: following a Weberian approach, specialized bureaucratic institutions such as central banks are alleged to be focused on a unique mission for the benefit of the whole society (Tucker, 2018), a growing number of people questions the legitimacy of such institutional power.

Central bankers are not a part of these critics, through their reputation as a closed-off group (Johnson, 2016). Such a reputation relates to their academic profiles – they have been educated in a few institutions imparting the same type of knowledge (Vallet, 2019) – but also to their links with the world of banking and finance and even with politics (Riles, 2018).

Therefore, central bankers are sometimes accused not to serve the people but their own career or interests², and worse, social groups, thus violating the rule of being preserved from capture. The “new consensus” model would not be neutral, neither economically nor culturally: low inflation favours the interests of capital, and then of “rentiers” (Smithin, 1996). In this case, monetary policy is not value free, beyond the debate of central bankers’ degree of awareness of the distributive nature of their decisions.

Indeed, if we take the environmental issue for instance, it is certain that central bankers’ decisions have an unequal distributive impact on people. But the legitimacy of the associated inequalities should be questioned. Two channels of distribution can be emphasized here, knowing that they do not have the same status regarding democratic rules.

First, through their policies – massive purchasing programs notably – central banks and central bankers can channel economic resources far from “harmful industries” (Matikainen, Campiglio, and Zenghelis, 2017). This is a way to promote a differential treatment of environmental resources in favour of sustainable industries, in the context of global uncertainty related to climate change. In this case, central banks’ decisions in favour of low-carbon industries “*is not a value judgement but a prudential judgement*” (Dietsch, 2020, p. 13). Such a “precautionary approach” (Chenet, Ryan-Collins, and van Lerven, 2019, 2021) is required since it seeks to have a distributive impact benefitting the common good. In other words, the environmentally unequal distributive impact of monetary policy serves the people.

Second, in case central banks and central bankers deliberately orient monetary policy – for their own sake or because of political pressures coming from some groups – to serve economic sectors deteriorating environment, the environmen-

² The case of the former Governor of the SNB, Philipp Hildebrand, comes to mind here. On August 15, 2011, his wife Kashya purchased \$ 504,000 worth of foreign currencies, mainly US dollar. The American currency was at its lowest at the time. On September 6, the SNB decided to peg the rate of the Swiss franc to that of the euro, 1.20 Swiss francs to 1 euro (see Vallet, 2016). Immediately, the dollar went up. As a result, Kashya Hildebrand made a nice profit. The only problem was that Philipp Hildebrand was the one who actually took this step.

tally unequal distributive impact of monetary policy is out of legitimacy. We could imagine here for instance the financing of oil forage programs by a central bank for instance, which would serve merely a few social groups while damaging the environmental capital of the whole population in the long run.

This explains why the issue of central banks' social responsibility cannot be separated from that of central bankers': central banks and central bankers have the duty to redefine their relations with society in order to be perceived as legitimate and reliable, and to serve the common good. This is of utmost importance within democracy and with central banks' status of independence: independence should not be taken for granted and should always been under the real control of the people.

In line with the previous statements, we turn now to different options enabling to concretize central banks' social responsibility.

3. How to concretize central banks' social responsibility?

Once we have acknowledged that central banks' social responsibility toward society matters, it is crucial to question how to concretize it. I believe that changing both central banks' mandates (the 'external' dimension) and their internal structure (the 'internal' dimension) is at stake.

Regarding the 'external' dimension, the redesigning of both "regulatory" expertise and "testimonial" expertise is required. As far as "regulatory" expertise is concerned, I think that central banks should envision a shift from the current official single mission ("price stability") associated with a single metric ("low inflation") to a multigoal mandate, with new objectives and concerns. Such new objectives and concerns would be set up by society, and central bankers, as experts, would be in charge to hit them. Therefore, these objectives and concerns would be culturally built in the sense that they would embody a people's preferences: a key issue in a given country is not necessarily of utmost importance in another. For example, although the Bank of Israel has turned recently to the treatment of social inequalities among its official missions, the Bank of Ecuador has implemented policies aiming at supporting women under the governorship of Veronica Artola (Vallet, 2020).

Furthermore, monetary policy has become increasingly complex, in a world characterized by uncertainty and unexpected shocks³. In such a world, monetary policy has become less easily foreseeable, with negative consequences on inflation forecasting for instance (Guillaumin & Vallet, 2017). Therefore, the monetary policy transmission channels to the economy have evolved toward more complexity, with new overlapping concerns. A given monetary policy can have different effects according to people's culture of saving and spending. Likewise, these mechanisms must take into account banks' networks, which are increasingly complex.

The impact of environmental shocks on price comes to mind here. Several central bankers or leading economists working in central banks have given relevant talks and speeches, or have written papers on the topic during the recent years (see for instance Coeuré, 2018; Fabris, 2020). Indeed, climate change will modify both demand and supply shocks, affecting the formation of prices and modifying the distributive effects of monetary policy. Therefore, environmental variables should be regarded as relevant for monetary policy (Fabris, 2020).

In addition, it is worth reminding that the side effects associated with quantitative easing policies such as financial instability and asset price bubbles (Palley, 2003), will certainly become the norm. This will compel central banks to redesign the way they set up and implement monetary policy.

With respect to "testimonial" expertise, it is crucial to go beyond mere communication policies of central banks. At stake is confidence a people place in central banks, which includes the ability of such a people to control central banks' decisions on a regular basis. This is what Downey (2020) calls a "regular assessment" of central banks' policies by the legislature, involving a control undertaken by society and its representatives to ensure central banks fulfil their mission. Central bankers' "testimonial" expertise should be regulated since it is related to a type of information that most people do not fully understand (Pixley, 2018): worse, in case such a power would merely serve central bankers' own interests, people may lose confidence in central banks.

To expound on the issue of confidence, in reference to Schumpeter's aforementioned quote, confidence people place in a central bank is paramount to trust in the currency they use. Central banks are institutions in charge of the stability

³ In my view, unexpected does not mean exogenous shocks: indeed, the great majority of shocks is embedded into the dynamics of capitalism, and thus are the visible outcome of capitalism's excess. Therefore, unexpected shocks mean here that their occurrence is hardly predictable and foreseeable, but is frequent.

of the monetary and financial system for the benefit of every user of a currency, which includes price stability. Moreover, central banks are the monetary institutions transcending individuals and embodying a specific culture (Vallet, 2020). Central banks must thus be the bearers of such a specific culture.

Confidence in money is therefore embedded in a complex relationship with the central bank and the state, existing simultaneously outside the state and within its system: although monetary creation takes place privately through bank loans (private debt), it is also a common good that the central bank and the State actively supervise. All the previous features explain why “hierarchical” confidence in central bank is necessary to sustain a monetary order, since “hierarchical” confidence counts as one of the factors accounting for money’s growing legitimacy and acceptability over time (Aglietta & Orléan, 1982).

At this stage, it is clear that central banks need to change as public institutions in charge of the public good and in search for social responsibility. To that end, they must rely on new tools and types of expertise. Specifically, since central banks have increasingly been asked to cope with new objectives in order to reach the aforementioned macroeconomic stability and prosperity, they should turn to new staff. Central bankers should follow and promote an “attitude” (Vallet, 2016): “attitude” refers here to an individual behaviour but which is socially oriented, in the sense that individuals take into account the social consequences of their actions and behaviour. Thus “attitude” and social responsibility are vital since this means that the *métier* of central banker is socially-oriented by nature and should be exerted by individuals having such feature in mind.

We should remind here that until now, the *métier* of central banker has been conceptualized in reference to the technical ability to achieve a final objective defined with regard to the production of a public good linked to the remit of a central bank. More broadly, exercising the *métier* corresponds to the central banker’s ability to align themselves personally with the epistemic culture of central banking, as their career in part depends on this. According to Adolph (2013), it would be better to be a more conservative central banker oriented towards anti-inflation (“hawks”) than a central banker who is more tolerant of inflation and accords more importance to other variables (“doves”) with a view to enhancing a career. Within this framework, the “principal-agent” relation described above can be developed around the convergence of the social preferences of the central banker and the politics, focusing on a desire for price stability (Walsh, 1995): this mission provides benefits both to society and the central bankers whose ability to complete their mission in part determines their career. Specifically, since low inflation enables to preserve the value of capital and thus of the interests of banking

and financial institutions, being “hawks” eases the possibility of cross-mobility that exists between careers in central banks and careers in the above institutions (Diouf & Pépin, 2017; Vallet, 2019).

Likewise, the increasing complexity and the uncertainty of the environment of central banks push for new types of recruitment to train new central banks. On the one hand, I suggest hiring people coming from other social sciences than mere economics: this would increase diversity among central banks' inner organization and would also foster creativity (Haldane, 2016; Vallet, 2020). Indeed, *“economics (like all disciplines) ignores certain aspects of reality in order to focus on others. In particular, it lacks a framework for understanding the nature of politics, of culture, and of regulation. For this we need new tools”* (Riles 2018).

Moreover, such an increased diversity would support the development of a new type of expertise, which seems crucial regarding the forthcoming challenges for central banks. To that aim, I coined the concept of “managerial expertise” to emphasize the need to promote new skills among the central bankers' community (Vallet, 2020). “Managerial expertise” would incentivize them to set new concerns on their agenda, placing the common good at the centre of their decisions. Specifically, “managerial expertise” is twofold.

First, it refers to the ability of central bankers to manage the inner organization of central banks in order to promote the common good within central banks, enabling such institutions:

- 1) To reach new central bank objectives: this is in line with the proposal to turn to multigoal mandate.
- 2) To improve cooperation within the internal organization of the central bank, in order to deal more efficiently with the management of the complexity of information. From the perspective of the personnel of central banks, the internal organization is paramount to their own “empowerment” as individuals.
- 3) To promote the culture of the institution, which is of the utmost importance in the creation of legitimized national models of the central banks. Every central bank must ‘reproduce’ itself as a specific entity in relation to a given context. Along with their structure, the organizations of central banks display properties that are more than the sum of the properties of their internal components. Including such properties in the analysis is crucial for fulfilling (2), on the condition there is the adhesion of central banks' members to these properties. This enables a central bank to repro-

duce itself over time as an institution, and to contribute to a culture and history that transcend the framework of the organization (Vallet, 2020).

Second, “managerial expertise” should be exerted with the objective to better cope with the new concerns central banks are dealing with. This is in line with the aforementioned possibility for central banks to turn to a multigoal mandate and to new profiles for their staff. Although I assert that central banks must still hire economists who are specialized in macroeconomics, finance and econometrics, it is also paramount for central banks to hire other types of economist working in other fields of economics (Haldane, 2016). Indeed, *“economics (like all disciplines) ignores certain aspects of reality in order to focus on others. In particular, it lacks a framework for understanding the nature of politics, of culture, and of regulation. For this we need new tools”* (Riles, 2018, p. 68).

These changes would help to promote several types of “managerial expertise”, such as “managerial expertise” on gender, “managerial expertise” on income distribution or “managerial expertise” on environment, among others.

From this, I am in favour of the creation of new bodies in central banks, in particular a body devoted to the discussion of devising monetary policy. Such a body would gather both central banks’ staff exerting a type of “managerial expertise” mentioned above and individuals embodying the social diversity of a given society. The common will of these two parts would be to promote the common good of such a society. On the one hand, crucial topics such as the gendered impact of monetary policy, the distributive nature of monetary policy or the relations between monetary policy and environment would be better considered when discussing the choices of monetary policy. On the other hand, even though such a new body would not be a “small parliament”, it would avoid ‘from the inside’ the risk of atrophy and concentration of power by central banks and central bankers: representatives of society would have the opportunity to counterbalance experts’ power in the stage of designing monetary policy.

This type of body already exists to some extent within the SNB through the so-called “Conseil de Banque”. The latter is in charge of supervising and controlling the management of the affairs of the SNB. Nominated either by the SNB itself or by the Federal Council, the members of this SNB’s body are selected for their trustworthiness and their recognized knowledge in the fields of banking and financial services, business management (with representatives of the Swiss industry in particular), economic policy or science.

In sum, our idea of creating this new body is in line both with the necessity for central banks to increase their 'technical' ability to grapple with new concerns and issues, and to be under the aforementioned "regular assessment" (Downey, 2020) characterizing the democratic life.

4. Conclusion

This article seeks to deal with an underestimated issue, namely the social responsibility of central banks. This is a buoyant issue with respect to the forthcoming challenges of societies: financial instability, climate change, increasing social inequalities, and so forth. Although central banks have rested on their status of independence as well as on their main objective of preserving price stability until now, they should consider new concerns due to their fundamental mission of participating in the production of the common good. The recent two crises exemplify the extent to which such a mission has become crucial, with central banks being mobilized to the extent rarely seen in history (Fabris, 2018).

For those reasons, we understand why central banks are not actually neutral institutions, and why they exert great power on both the economy and the society. But great power goes along with great social responsibility: central banks must take into account the social consequences of their actions, and even internalize them when they set up their monetary policies. Likewise, the acknowledgement of central banks' social responsibility implies the possibility of their power by the people, through a framework of "regular assessment" (Downey, 2020).

This is the *sine qua non* for central banks to gain social legitimacy and to be entrusted by the confidence people place in them. To be sure, it is of utmost relevance regarding the status of independence of central banks but also regarding that of central bankers, who are unelected experts. There is an increasing need in today's democracies all over the world to build strong ties between elites and people, and central banks are not a part of this trend.

Therefore, I advocate in this paper the need for central banks not only to turn to a multigoal mandate but also to change their inner organizations. This proposal to design new types of inner organization would imply hiring new profiles of personnel in order to promote new kinds of expertise, and also to create new internal bodies. These new bodies, which would include people from economic and civil society in particular, would be in charge of discussing central bankers' decisions, and then would have the ability to mitigate central bankers' power 'from the inside'.

Nevertheless, we should remind that central banks cannot do everything for society. The effectiveness of their policies and their social responsibility are *de facto* limited. Central bankers are not super heroes. It would be wrong to think that central banks have an unlimited power on the economy and society. The economic literature has demonstrated for long the limited impact of monetary policy on the economy, particularly in comparison to fiscal policy. However, it would be also dangerous to think in terms of central banks' unlimited power from a political perspective.

Indeed, it is worth stressing that central banks should not be the only game in town regarding the dynamics of the economy and society in democracies. Democratic life, which fundamentally rests on people's choices, needs to be concretized through policies which are the outcome of political debates. This is particularly the case of fiscal policy. The increase in central banks' power, visible through the "monetary dominance framework", that has occurred over the past 40 years can also be understood as the outcome of the recoil and the dismissal of the role given to fiscal policy in democracies. In my view, this is a political problem and the time is ripe to promote a new balance of economic power in democracies. Great power associated with great responsibility is necessarily a mitigated power.

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