

Unconventional Monetary Policies and Moral Hazard: Constructing or Deconstructing the Legitimacy of the European Central Bank's New Instruments?

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Abstract

In contrast to earlier periods, European Central Bank (ECB) monetary policy has been a contested policy issue since the outbreak of the Eurozone Sovereign Debt Crisis. The ideational consensus on central banking in Europe that shaped the foundation of the Economic and Monetary Union (EMU) project has been destabilized by, notably, a disagreement on unconventional monetary policies (UMP). One of the frequent arguments to question the legitimacy of the ECB's new instruments is that they undermine the prior objective of the EMU project of avoiding moral hazard. This paper offers an innovative perspective on the politics of UMP by focusing on how top officials in a selection of Eurozone central banks have discursively constructed the relationship between UMP and moral hazard with regard to sovereigns and banks to reinforce the legitimacy of UMP. This paper finds that ECB Executive Board members and the directorate members of the German, French and Italian central banks have aligned to large degree on the relationship between UMP and moral hazard — an alignment that took place despite the Bundesbank's repeated criticism of UMP. This apparent professional consensus illustrates how key elements of the EMU project have been pragmatically reinterpreted.

Keywords

Economic and Monetary Union; European Central Bank; unconventional monetary policies; Bundesbank; text analysis; discourse analysis; Moral hazard

Introduction

'Moral hazard will result from ECB bond buying' (Otmar Issing, ECB Executive Board 1998-2006, *Financial Times*, 2011).

'Monetary policy must be more careful — this is the "moral hazard" problem — not to create false incentives. That would tend to weaken the willingness to undertake reforms' (Wolfgang Schäuble, German Finance Minister 2009-2017, Speech, 2014).

'I have great respect for the independence of the [European] central bank, but I tell the central bankers again and again that their monetary policy decisions also have a moral-hazard dimension' (Wolfgang Schäuble, quoted in Reuters 2015).

The legitimacy of the European Central Bank's (ECB's) unconventional monetary policies (UMP) adopted since the Eurozone sovereign debt crisis is disputed.¹ UMP have been challenged by a range of academic economists, Eurozone member state governments, politicians and central bank officials on the grounds that they potentially contributed to inflation, thus undermining the price stability goals of the ECB, and that they created a moral hazard for governments — notably those with large fiscal deficits and debt loads — and for banks — notably those dependent on cheap ECB lending to bolster their balance sheets and purchase large quantities of government sovereign debt. Clearly, moral hazard was an acknowledged and supposedly managed problem of ECB monetary policy. Maastricht Treaty provisions explicitly banned the monetary financing of government debt (TFEU Article 123) and included specific fiscal rules which were further elaborated in the Stability and Growth Pact, designed to ensure that member state governments — no longer facing the pressure of national currency devaluation — would not run up excessive public spending deficits and debt loads in Economic and Monetary Union (EMU). Thus, whether explicitly or implicitly, a range of national policymakers and, notably, central bank officials designed both the ECB's monetary policy mandate and EU fiscal policy rules with the aim of preventing moral hazard in EMU.

For some policymakers and observers, UMP are not legitimate because they represent a problematic rupture with the past ideational consensus on central banking embodied in the Maastricht Treaty. Since the ECB's initial adoption of UMP in 2010 with the Securities Markets Programme (SMP), a range of national politicians and central bank officials have publicly noted their opposition to ECB policies, above all those in the so-called New Hanseatic League countries, and notably German politicians and Bundesbank officials. Two Bundesbank presidents led the charge against UMP: Axel Weber and Jens Weidemann. A series of court cases have been launched by conservative German politicians against ECB UMP (Fontan and Howarth 2021). A number of politicians, notably, the longstanding German Christian Democrat Finance Minister, Wolfgang Schäuble, blamed UMP for creating a moral hazard by undermining the pursuit of debt consolidation and sustainability in Eurozone member states with high debt loads, notably in the Eurozone periphery (Schäuble 2014; Reuters 2015).

For others, UMP are legitimate because they represent a necessary evolution of central banking. The preservation of the integrity of the Eurozone and the EMU project are socio-economic goals that a number of academic observers have presented as trumping a narrow interpretation of the ECB's mandate and a rigid application of EU fiscal policy rules (see, for example, Howarth and Schild 2021). Thus, for many policymakers and observers, the difficult macro-economic conditions created by the international financial crisis, the sovereign debt crisis and the Covid-19 pandemic justified the adoption of UMP, the repeated relaxation of EU fiscal rules, and encouraged a more pragmatic and nuanced discourse.

This paper offers an innovative perspective on the politics of UMP by focusing on the crucial relationship between UMP and moral hazard. Indeed, the legitimacy of the ECB's new instruments depends in part on this indeterminate relationship. To be more specific, we examine how actors discursively construct this relationship in the public discourse aimed to legitimise or delegitimise UMP. The analysis is conducted in relation to Eurozone central bank officials since the ability of EU central bankers to build a professional consensus on this matter is likely a necessary condition for the ECB's UMP to be legitimate.

We argue that the four central banks align to a large degree on UMP and moral hazard. Above all, top officials of the four central banks emphasised that UMP had the potential to create moral hazard for governments and banks but did not necessarily do so. Bundesbank officials

rarely commented on the link between UMP and moral hazard, and when they did they noted how measures were being undertaken to prevent it. At the same time Bundesbank officials were by far the most active in highlighting antonyms to moral hazard in their discussion of UMP. ECB and Bank of Italy officials were much more likely to discuss UMP and the possibility of moral hazard but normally in order to downplay its likelihood or to emphasise the need to be cautious to prevent UMP leading to moral hazard. We also detect and try to explain a number of other differences in how top officials from the four central banks discussed UMP and moral hazard. Overall though, top central bank officials were pragmatic and nuanced in the manner in which they publicly spoke of UMP, moral hazard, national fiscal policy and banking activities. This suggests the existence of an epistemic community which, to a certain extent, aligned its discourse on these topics whether intentionally or not.

This paper is structured as follows. In the next section, we situate our analysis in relation to existing studies focused on the importance of the idea of moral hazard in shaping the institutional foundation of the EMU project. In the third section, we elaborate our analytical framework which draws upon the epistemic communities approach, strategic constructivism and the mixed methods that we apply to demonstrate different usage of the moral hazard concept in our four central bank case studies: the ECB, Bundesbank, Bank of France and Bank of Italy. In the fourth section, we summarise the results of our empirical analysis demonstrating the similarities and differences in how central bank officials understand the moral hazard concept with regard to UMP-related issues. In the fifth section, we provide a summary of the discursive strategies employed by these central bankers to try to influence others' beliefs on moral hazard and UMP. In the final section, we conclude.

The centrality of the concept of moral hazard in shaping the EMU project

German ordoliberal views shaped the institutional design and rules of the EMU project (Dyson and Featherstone 1999; Dyson 2021), and preoccupation with moral hazard is a core element of German ordoliberalism (Bonatti and Fracasso 2013; Bulmer 2014; Siems and Schnyder 2014). A substantial body of academic literature exists demonstrating the longstanding importance of the ordoliberal tradition for the Bundesbank — notably the need for sound money and to prevent moral hazard (Marsh 1992; McNamara 1998; Dyson 1994). Considerable literature also exists demonstrating the importance of the Bundesbank mandate and design as a model for the mandate and design of the ECB (Dyson 1994; Howarth and Loedel 2005). In addition, Hallerberg (2014) identifies the Stability and Growth Pact as the model of fiscal regulation designed to prevent moral hazard. Thus, there is extensive literature indicating that preventing moral hazard has been a governing principle in the foundation of EMU. Clearly, moral hazard was an acknowledged and supposedly managed problem in the Maastricht model. A number of scholars have also emphasized the importance of moral hazard in shaping EMU reform and other policies in the context of the post-2007 financial and economic crises (e.g., Dyson 2014: 43-45). More specifically, some authors point to the role of moral hazard arguments in the strengthening of fiscal policy rules and austerity (Blyth 2013), and the demise of the Eurobond proposal (Matthijs and McNamara 2015).

However, while preventing moral hazard appears as a shared principle among the architects of EMU, moral hazard is characterized by fuzzy and imperfect knowledge. Despite being a fertile source of research since the 1970s and the vivid interest in the concept of leading neoclassical economists (e.g., Arrow 1963, Holmström 1979, Stiglitz 1983), moral hazard means different things to different actors (Leaver 2015). In addition, the empirical research on moral hazard is

less extensive than theoretical work (Lane and Phillips 2000: 3) and is not conclusive. The empirical literature on moral hazard presents mixed results in a variety of contexts, including the financial system (see, for example Wheelock and Kumbhakar 1995, Gropp and Vesala 2004, Noy 2008). We argue that this uncertainty around moral hazard offers an opportunity for actors to politically construct the UMP-moral hazard relationship.

Analytical framework and methods

This paper aims to answer the following research question: *How do top officials in different Eurozone central banks wield the concept of moral hazard in relation to the European Central Bank's unconventional monetary policies and their implication for national fiscal policies, rising debt loads and banking activities?*

Carstensen and Schmidt (2016: 321) have developed the claim that ‘ideas matter’ in politics by conceptualizing ideational power, that is, ‘the capacity of actors (whether individual or collective) to influence other actors’ normative and cognitive beliefs through the use of ideational elements’. Ideational power implies that ideas are not dominant or significant *per se* but become so (or not). Theories that take ideas seriously present distinct sets of conditions under which ideas become dominant. For example, a number of studies using sociological institutionalism focus on the role of ideational consensus. For instance, McNamara (1998) examines the role of a new ideational consensus in the success of the European Monetary System (and the adoption of the EMU project). According to McNamara, the development of a neoliberal consensus among European policy-making elites since the mid-1970s allowed for a convergence in policy preferences and made the creation of a system based on German price stability possible. However, of relevance to the analysis here, other theories — such as strategic constructivism (Jabko 2006) — are helpful to explain the power of certain ideas when no ideational consensus is present and policy preferences are divergent. Here, ideas are strategic resources at the disposal of actors to influence others and help them achieve certain goals. According to Jabko (2006), the ambiguity of the concept of the ‘market’ allowed the promoters of Europe to bring together actors with diverse motivations and to build the single market and monetary union. The ambiguity of concepts often presents an opportunity to policymakers (e.g., Crespy and Vanheuverzwijn 2017). However, the strategic property of concepts is not limited to their ambiguity — that allows actors to construct and re-construct concepts depending on contexts and changing circumstances. Concepts are also strategically framed in policy discourses to persuade others of the validity, adequacy, or necessity of a particular policy action or to discredit and resist alternatives (Hay and Rosamond 2002).

Central bankers as an epistemic community and transnational policy network

The political science literature on central bankers as an epistemic community offers valuable insights to answer our proposed research question. The epistemic communities framework proposes to explain policy change in terms of the influence of a network of experts in a specific area (Adler and Haas 1992; Haas 1992; Verdun 1999). Haas defines an epistemic community as a ‘network of professionals with recognised expertise and competence in a particular domain and an authoritative claim to policy-relevant knowledge within that domain or issue area (Haas 1992: 3). To be considered as an epistemic community, the network of experts shall share (1) common normative and principled beliefs, (2) common causal beliefs, (3) common notion of validity for the knowledge in their domain of expertise and (4) a common policy enterprise with a corresponding practice (Haas 1992: 3). These common views are achieved through

interactions among members of this network of professionals over time. The epistemic communities' influence emerges often on technical matters, in situations of uncertainty, interpretation and institutionalisation, which are very common in international coordination (Haas 1992; Adler and Haas 1992). The technicality of policy domains concerned by epistemic communities limits the influence of national governments. Their influence is even more important when transnational epistemic communities are concerned since they can display their causal beliefs and policy preferences throughout different countries (Verdun 1999). A profession as such is not an epistemic community (Haas 1992). To constitute an epistemic community, in addition to knowledge and causal beliefs, members of the same profession need to share common principled beliefs and interests to promote their shared beliefs (Haas 1992; Verdun 1999).

The epistemic communities framework is also close to the transnational policy networks framework, which involves national experts and regulators, international authorities and other transnational policy professionals such as consultants or foundation officers (Henriksen and Seabrooke 2021; Slaughter 2004; Stone 2008). Professionals are defined as individuals with higher educational backgrounds and specific sets of skills, not limited to a formal profession (Seabrooke and Henriksen 2017). They form networks with other like-minded professionals whom they identify as having the same training and complementary skills (Seabrooke and Henriksen 2017). These transnational policy networks are not always official networks but often include unofficial communities with a shared identity around a common cause and constitute linked ecologies (Abbott 1998; 2005; Henriksen and Seabrooke 2021; Seabrooke and Tsingou 2009). A socialisation process shapes the preferences of central bankers through exchange opportunities and similar educational backgrounds and facilitates the creation of networks (Tsingou 2004, 2012). This socialisation — promoted by cooperation in international fora — will facilitate the creation of common ideational approaches (Tsingou 2012).

A few works present central bankers as members of an epistemic community which met regularly in international fora and developed a common understanding of the need to establish EMU in order to bolster the pursuit of low inflationary economic growth (Marcussen 2000; McNamara 2019: 68; Verdun 1999). However, this understanding of central bankers as part of an epistemic community was not shared by some scholars. For instance, Kapstein (1992) argues that in order for central bankers to be part of an epistemic community three conditions must be fulfilled. First, they need to reach a consensus on theoretical and empirical knowledge about international banking. Second, this knowledge has then to be used for regulatory purposes with no national ideological arbitrage. Eventually, members of the epistemic community should be isolated from national governmental pressure in a (supranational) regulatory agency (Kapstein 1992).

Verdun (1999) considers that members of an epistemic community can use the same common goal to achieve diverging national interests. In addition, the fact that the ECB plays a dominant, leadership role in this community does not invalidate the potential relevance of this conceptual tool. The uncertainty that triggers the consultation of epistemic communities is important in such technical matters in that monetary policy and also triggers the transfer of policy-making responsibilities to central bankers. Moreover, the creation of the ECB can be perceived as an institutionalisation that, according to Haas (1997) and Kapstein (1992), is important for new epistemic communities to emerge. To be considered part of an epistemic community, central bankers must share a common vision in their area of expertise. The price stability goal is the main purpose of Eurozone monetary policy and can be considered the common objective of the epistemic community consisting of Eurozone central bankers.

Hypotheses

We test two distinct hypotheses in this paper. Based on the epistemic communities framework, we formulate the following hypothesis (1): *top Eurozone central bank officials forming part of an epistemic community share a similar approach to the concept of moral hazard and the relationship between unconventional monetary policies, government debt and bank activities.* According to the first hypothesis, we would expect to find no clear national differentiation in central bank usage of the concept of moral hazard. Alternatively, central bankers might not display a common understanding of moral hazard and instead use the ambiguity of the concept to promote different national or institutional preferences on UMP. According to hypothesis 2, in line with a strategic constructivist approach: *top Eurozone central bank officials, following broader national macroeconomic and political preferences, diverge in their use of the concept of moral hazard, and the relationship between unconventional monetary policies, government debt and bank activities.* According to the second hypothesis, we would expect the ECB Executive Board members to have a broadly defensive position on UMP and moral hazard, while the three NCBs examined in this paper would have distinct positions, with the Bundesbank most preoccupied with and insistent upon a moral hazard, the Bank of France somewhat preoccupied and the Bank of Italy the least preoccupied and / or the most willing to challenge the existence of a necessary moral hazard.

Selection of cases

There are several reasons to justify this selection of top ECB, Bundesbank, Bank of France and Bank of Italy officials. First, the ECB and most EU NCBs have dedicated considerable discourse to encourage governments to meet their fiscal policy commitments, in some cases backed up by the threat of using monetary policy to tackle the potential implications of expansionary monetary policy for price stability (Howarth 2004). We would expect an ongoing discourse on debt sustainability despite the pursuit of monetary policies that involves the purchase of sovereign debt. Second, the comparison of the ECB and three NCBs is of analytical interest as it allows us to determine the relevance of the cleavage ‘national versus supranational’ in relation to so-called technocratic institutions. Despite the independence of Eurozone central banks and the position of NCB governors on the ECB’s Governing Council as independent experts rather than national representatives, nothing in the treaties prevents NCB governors from representing institutional and/or national preferences. Indeed, a small body of literature exists that demonstrates a certain alignment between national government and NCB governor preferences or a perception of such an alignment on major institutional reforms (see, for example, Howarth 2007). We might also expect that NCB positioning on Eurozone developments would reflect or even align with national government economic priorities and thus, notably, German reluctance on UMP and Italian support. Third, there are several reasons to compare the ECB and the German central bank with regard to preferences on UMP specifically: even though the ECB was set up in emulation of the Bundesbank’s mandate and design, the ECB and the Bundesbank presented significantly divergent and even contradictory positions on UMP since 2010. However, fourth, the different positioning of the Bundesbank on UMP, on the one hand, and the ECB and the other NCBs, on the other, also reflected the greater influence of ordoliberalism in the former (Dyson 2010).

Methods

The testing of our hypotheses requires us to identify what moral hazard means to ECB and NCB officials and how these central bankers try to influence discursively the beliefs of others on UMP and moral hazard. To do this, a selection of press documents² — available on the respective institutional websites — was made based on the following cumulative criteria: there is at least one occurrence of the term moral hazard in the document; the date of the document is equal or superior to 01.01.2010; and the topic of UMP is present in the document.³ The result is a corpus of 140 documents (speeches and interviews, see Table 1 in the appendix):

- 97 occurrences in 78 speeches by and interviews with ECB Executive Board members in office between 2010 and 2022 — and 35 out of 97 (36%) specifically in relation to UMP;
- 37 occurrences in 26 speeches by and interviews with Bundesbank Executive Board members — and 12 out of 37 (32%) specifically in relation to UMP;
- 12 occurrences in 9 speeches by and interviews with Bank of France governors — and 4 out of 12 (33%) specifically in relation to UMP); and
- 33 occurrences in 27 speeches by and interviews with Bank of Italy Executive Board members — and 7 out of 33 (21%) specifically in relation to UMP.⁴

We place our detailed data in the appendices.

To identify meanings of moral hazard in our case studies, we first created a dataset of moral hazard occurrences in their textual context — one sentence before and after. To infer meanings from these occurrences and compare similarities and differences in how moral hazard is understood between cases, we used a mixed method that combines inductive quantitative and qualitative text analysis techniques. On the one hand, we looked at the semantic fields of moral hazard (word clouds, synonymous and antonymous concepts); on the other hand, we manually coded the descriptions of moral hazard according to four main dimensions: ‘what it is’, ‘what causes it’, ‘what it does’, and ‘how to deal with it’. The analysis is made using the software MAXQDA. In addition, this paper investigated the discursive strategies employed by officials from the four central banks to try to influence others’ beliefs on moral hazard, UMP, government debt and / or banks. To do so, we used an expanded dataset of moral hazard occurrences (5 sentences before and after). From this dataset, we surveyed expressed positions on unconventional monetary policies. The empirical results are presented in the next two sections.

How central bankers understand the concept of moral hazard

Semantic fields of moral hazard in the corpus

To determine the semantic field of moral hazard by case study, we focused on three types of word-relations: words that are frequently used around moral hazard; words described as having the same or similar general sense as moral hazard; and words described as having an opposite meaning to moral hazard. Figures 1 to 4 present the word clouds of moral hazard for the four central banks. The most frequently used words next to moral hazard in speeches by and interviews with the Bundesbank are: bank, financial, risk, and market. The most frequently used words by the ECB are: not, create, risk, bank, financial, mitigate. For the Bank of France the most frequent are: monetary, macroprudential, risks / risques, and stability. For the Bank of Italy they are: risk and avoid.

present in the four central banks' speeches / interviews suggest nuances in terms of allocation of blame: with incentives and 'too big to fail', the subject is passive; while in the case of behaviour, the subject is active. In addition, in all four case studies we found instances where moral hazard is close to the realm of morality and justice: as, for example, with 'irresponsible behaviour' in the case of the ECB and the Bank of France (with the latter's use of the expression '*comportements de passagers clandestins*'); 'abuses' and 'fraud' in the case of the Bank of Italy; and 'greedy' in the case of the Bundesbank. With regard to differences, ECB officials relate moral hazard to ideas of market imperfection than do officials from the three NCBs. For the Bank of Italy, moral hazard is often associated with (wrong) behaviours: abuses (chronic corrupt practice), fraud (criminal deception), malpractice (incompetence, negligence, or unethical conduct). Italian officials also depict different degrees of gravity: moral hazard is close to both negligence and a criminal act. It can also be something that is not serious in itself but that becomes so because it is repeated over time. These behaviours also imply different allocations in terms of blame, depending on the intentionality of actors.

In contrast, Bundesbank officials often present moral hazard as being similar to 'mutualization of risks', which suggests that moral hazard is perceived as something inherent to any mechanism that shares risks between parties. Furthermore, moral hazard is often described as a type of incentive (wrong, bad, adverse, etc.) in the cases of the Bundesbank and the ECB but not in the cases of the Bank of France and the Bank of Italy. To present moral hazard as an incentive problem is in line with the ordoliberal tradition and neoclassical economics. It is worth mentioning that in the case of Italy, moral hazard is often described as wrong behaviours — abuses, fraud, or malpractice.

Finally, we also compare antonyms (see Table 3, appendix). There were no antonyms common to all cases. There was much greater Bundesbank usage of antonyms of moral hazard (33 occurrences) and more variety (at least 8 different antonyms were used by the Bundesbank). In particular, in the case of the Bundesbank, moral hazard is the opposite of 'responsibility', 'ownership' and 'discipline'. The Bundesbank's use of antonyms to moral hazard suggests a sustained and deliberate effort to place emphasis on what its officials perceived as inherently positive behaviours. This use of antonyms also aligns with the relative importance of the ordoliberal framework. The Bank of France and ECB used fewer antonyms — five and three respectively — and far less often. Italian officials refrained from using any antonyms at all, suggesting a deliberate effort to downplay the dangers of moral hazard and the risks of UMP for more appropriate incentives.

Some preliminary conclusions can be drawn from the analysis of the semantic fields of moral hazard. In all cases, moral hazard is understood as a danger of exceeding an appropriate level of risk. However, central bankers appear to have different perceptions of the capacity of policymakers to control moral hazard. Italian officials present moral hazard as an actual undesirable behaviour; while ECB and Bank of France officials present moral hazard as a situation where there are incentives for an undesirable action (independently of whether the action takes place or not). For Bundesbank officials, by far the most used association with moral hazard is the 'mutualization of risks'. ECB, French and Italian officials present a certain confidence in their ability to avoid moral hazard. In contrast, Bundesbank officials appear to perceive moral hazard as a concomitant attribute of the mutualization of risks.

Multi-dimensional coding of moral hazard in the corpus

To identify how policy-makers in the four central banks understand moral hazard, we complement the analysis of the semantic fields with a coding exercise: each occurrence of moral hazard has been coded in relation to the four main dimensions: ‘what it is’, ‘what causes it’, ‘what it does’, and ‘how to deal with it’ (the results are presented in Tables 4-7, appendix). A first conclusion that can be drawn from these results is that, in both cases, policymakers put relatively more emphasis on policy prescriptions (155 coded segments in ‘how to deal with it’) and causes (168 coded segments in ‘what causes it’), than on its essence (55 coded segments in ‘what it is’) and effects (49 coded segments in ‘what it does’). This suggests that the heart of the policy debate about moral hazard with regard to UMP, fiscal policy and banks is centered on the potential solutions to moral hazard, not its meaning. The observation that ‘what moral hazard is’ is less explicit in the speeches of central bankers implies a certain professional consensus around its meaning, allowing policymakers to take the concept for granted in their communication.

Nonetheless, we found 23 ways to answer the question ‘what is moral hazard?’ (see Table 4, appendix) and none is common to all cases. Moral hazard as situations in which discipline is undermined or excessive risks are taken is present in all cases except the Bank of Italy. However, in the case of the ECB, the most frequent understanding of moral hazard is the ‘inciting’ of ‘excessive risk-taking’, and in the case of the Bank of France, moral hazard is defined above all as ‘creation of incentives for irresponsible behaviour’ or ‘to create bad incentives’ (3 and 2 occurrences, respectively). These results suggest that moral hazard is interpreted as both the fact of acting recklessly (actual outcome) and the possibility of acting in such manner (potential outcome). Despite this ambiguity present within our cases, no clear differences in interpretation arise between cases.

When looking for answers to ‘what causes moral hazard’ (Table 5, appendix), we found that all four central banks recognized that UMP was a potential — but not necessary — cause of moral hazard. Most surprisingly, in those occurrences of moral hazard in documents also discussing UMP, the Bundesbank was the least likely of the four central banks to identify UMP as a potential cause of moral hazard (only 1 occurrence, versus 11 for the ECB, 4 for the Bank of France and 3 for the Bank of Italy). Nonetheless, the Bundesbank found that ‘asymmetric monetary policy’ caused moral hazard and specifically the purchase of a disproportionate amount of bonds issued by highly indebted governments. We detect a marked difference with regard to the perceived relationship of bank activities and moral hazard. Bundesbank and Bank of Italy officials placed a particular emphasis on too-big-to-fail financial institutions as a cause for moral hazard in the context of UMP. However, Bank of France officials focused on the cause of moral hazard involved defending the country’s large national champion banks. Rather than emphasizing the dangers of too-big-to-fail financial institutions, Bank of France officials noted the danger of causing a moral hazard by focusing principally on too-big-to-fail financial institutions. Similarly, the Bundesbank placed considerable emphasis upon the financial sector as the cause of moral hazard (20 occurrences), an issue not mentioned by the ECB, only twice by the Bank of France and once by the Bank of Italy. The Bundesbank also placed particular emphasis upon the Lender of Last Resort role of the ECB and the mutualization of liability, which arguably points to the bank’s concern with UMP. More generally, the Bundesbank blamed the institutional design of the eurozone as a major cause of moral hazard (7 occurrences). The Bank of France blamed — no doubt with more deliberate vagueness — the expectation of public intervention in bad times (6 occurrences). Officials from all four central banks frequently discussed different types of public intervention as a potential source of moral hazard.

The analysis of effects of moral hazard — ‘what it does’ — brings additional information when it comes to how policymakers understand the concept (Table 6, appendix). Demonstrating the relative importance of its mandate, the ECB focused upon price stability as the main effect of moral hazard (but only 2 occurrences). Bundesbank officials found above all that moral hazard in the context of UMP undermines financial stability (6 of 9 occurrences) and leads to the accumulation of new imbalances (3 of 4 occurrences). For Bank of France officials, the effect of moral hazard on financial stability is emphasized. On the effect of moral hazard, Bank of Italy officials are much vaguer, emphasizing only the impact on trust and the likelihood of disruption. Thus, Bundesbank officials present a greater preoccupation of the effect of moral hazard on financial instability than on monetary policy — although this is also a preoccupation Bank of France and ECB officials.

The last dimension under scrutiny are policy prescriptions (‘how to deal with it’) (Table 7, appendix). Here we detect a significant difference among the central banks. The ECB and the Bank of Italy were notably focused upon the need for conditionality. Bundesbank officials focused above all on risk reduction before risk sharing — 13 of 14 total occurrences of risk reduction before risk sharing for the four central banks and half of all Bundesbank discussions of ‘how to deal with’ moral hazard. Bundesbank officials emphasized the need for the ECB to avoid purchasing the debt of highly indebted governments; to avoid building up market expectations of a monetary policy that will encourage ‘collective moral hazard’; and to avoid common debt issuance. These positions largely aligned with long standing German government positions on financial support for both sovereigns and banks (Howarth and Quaglia 2016). Officials from the Bank of France emphasized appropriate design and safeguards.

The results of our analysis of how central bankers understand the concept of moral hazard present similarities and differences. In all cases, moral hazard is understood as the danger to exceed an appropriate level of risk. However, the expected empirical significance of this danger — and hence the extent of the perceived problem — differs among cases. In particular, ECB and Bank of Italy officials appear more confident in the capacity of policymakers to avoid moral hazard — notably through conditionality. In contrast, in the case of the Bundesbank, moral hazard is mostly presented as a necessary implication of mutualization of risks. We situate the Bank of France in the middle of this ECB/Bank of Italy-Bundesbank spectrum. Finally, it is worth stressing that — surprisingly — while the causal relationship between UMP and moral hazard is discussed in all cases, Bundesbank officials do not emphasize this relationship.

Discourse on and around moral hazard

To further understand the role of the UMP-moral hazard relationship in the discursive strategies of central bankers to legitimize their positions on UMP, we conduct a discourse analysis that focuses on argumentation (see Tables 8-12, appendix). In all cases but the Bundesbank, UMP were welcomed for several reasons. Officials from the Bank of France most frequently welcomed UMP as an appropriate response to the severity of the crisis; officials of the Bank of Italy most frequently welcomed UMP as an appropriate response to preserve the functionality of markets and restore the monetary policy mechanism; and officials from the ECB most frequently welcomed UMP as a win-win situation. In addition, all three central banks provided legitimacy to their position by arguing that — against what is often claimed — UMP were in conformity with the ECB’s mandate and the principle of monetary dominance at the heart of the Treaty. See, for example:

‘It has been argued that the purchase programme goes beyond the ECB’s mandate of price stability, blurring the distinction between monetary and fiscal policies. I do not agree with such a view. It is evident to all members of the Governing Council that monetary policy cannot solve every economic problem that affects the euro area. The programme has the very clear objective of bringing inflation back on target and therefore is fully within the ECB’s mandate. It is not intended to address fiscal policy issues, or to prevent a country from defaulting on its obligations’ (Visco 2015, Bank of Italy).

‘As our main policy response to the crisis, we announced our decision to implement OMTs in the secondary government bond markets. Let me be clear: OMTs are not going to interfere with the pricing of sovereign bonds on the basis of economic fundamentals and the respective credit and liquidity risks of the sovereign. The goal of OMTs is a narrow one: to eliminate the unwarranted and self-reinforcing fears of a euro area break-up that have undermined our ability to effectively conduct monetary policy in the pursuit of price stability’ (Coëuré 2013, ECB).

‘We cannot simply say that we hope that things are getting better. If we were to say that accomplishing our objective is beyond our control or that we are powerless because our tools do not work or are limited, we would not respect our mandate. That would have huge implications for the independence of the ECB’ (Praet 2014, ECB).

Bundesbank officials were distinctive in their positioning on UMP which — in documents that mention moral hazard, at least — ranged from critical to neutral, but never positive.

‘Governments, too, are exposed to the problem of moral hazard, which can cause them to become greedy and dampen their efforts to reform. The dramatic waning of enthusiasm for reform on the part of the Berlusconi government following SMP purchases of Italian government bonds shows how quickly a country's will to reform can evaporate when budget constraints are eased’ (Weidmann 2015, Bundesbank).

On the UMP-moral hazard relationship, we found evidence that it indeed played a role in the legitimization of central bankers’ positions on UMP. Notably, central bankers in favour of UMP most often presented UMP as a potential — but not necessary — source of moral hazard. Concerns about UMP causing moral hazard were acknowledged:

‘Worries about possible side effects of the public bonds purchase programme have, however, been raised within the Governing Council as well as by external observers. They concern, in particular, the risk of moral hazard by governments and the risk of generating financial instability’ (Visco 2015, Bank of Italy).

‘The third challenge is the moral hazard implied by many, if not most, non-standard measures. Because the central bank may be expected to use its virtually unlimited “firepower”, the need for making the painful, but necessary, adjustments may easily be forgotten by the other actors – be they banks or sovereigns.’ (Gonzalez-Paramo 2012, ECB).

‘But this does not mean that markets and market participants should always expect central banks to make such interventions. Similar to its lender of last resort function, the role of buyer of last resort that central banks can take on must not extend to insolvent issuers and must not, at the risk of causing a very dangerous moral hazard, be systematic each time a problem arises. Such interventions must result, as rapidly as possible, in a return to normal market functioning, which is the only way to ensure a truly efficient allocation of capital and which enables us to determine economic agents’ expectations’ (Noyer 2010, Bank of France).

‘On the other hand, fostering economic recovery and reducing unemployment goes in the direction of helping the most vulnerable part of the population. In other cases, strong intervention may raise legitimate moral hazard concerns. Should Central Banks have refrained from acting at the risk of not fulfilling their mandate? (Noyer 2015, Bank of France)

In addition, in all three cases, the objective of avoiding moral hazard is described as a shared principle and a matter of consensus:

‘We may say that the Germans are fixated with moral hazard, but it is something important, we need to trust each other as Europeans and therefore we need ways to avoid moral hazard’ (Visco 2016, Bank of Italy).

‘Amid these concerns, it is hoped that all the relevant legislation and related exemptions are applied in the wake of our Comprehensive Assessment with the adequate balance between the different values of avoiding moral hazard, assuring market discipline and level playing field, and safeguarding financial stability’ (Contâncio 2014, ECB).

However, central bankers in favour of UMP argued that there is no need to be worried about UMP causing moral hazard since effective mechanisms have been put in place to prevent such effect:

‘The Governing Council addressed the moral hazard concern by opting for a partial risk-sharing of the purchase programme. The decision to let the balance sheets of the individual national central banks (NCBs) bear the entire risk of losses on the government bonds they purchase reflects the concern within the Council that full sharing might have led to unintended cross-country transfers of resources, without the approval of the competent bodies, and might have induced governments to relax their reform efforts’ (Visco 2015, Bank of Italy).

‘It is based on fiscal discipline leading to debt reduction. If those disciplines are not respected or implemented with insufficient vigilance, then monetary policy through public sector debt securities purchases may be perceived as creating strong moral hazard, thereby weakening the necessary consensus and compromising its efficiency. When fiscal transfers take place between countries of the Eurozone, they are implemented through mutually agreed and conditional programs (Noyer 2015, Bank of France).

‘The securities market programme in place from 2009-2012 again aimed at specific dysfunctional government bond markets, where volatility had increased and liquidity diminished. Purchases were not aimed at targeting specific yields and were fully

sterilized to offset impact on the size of the Eurosystem balance sheet. The Outright Monetary Transactions announced last September to address unwarranted tail risks, allow for ex ante unlimited interventions, but are subject to strict conditionality (IMF/EU programme) to address concerns over moral hazard' (Mersch 2013, ECB).

'Consistently with the results of the academic literature, offering partial insurance has been our guiding principle to mitigate moral hazard concerns. The conditionality associated with our OMT programme, can be viewed as direct applications of this principle' (Coeuré 2013, ECB).

'For example, there is no evidence that purchases of government debt have undermined the disciplinary function of financial markets or created moral hazard' (Schnabel 2020, ECB).

'By allocating purchases to each country in accordance with the ECB capital key, the Eurosystem seeks to avoid the moral hazard that could arise as a result of purchasing a disproportionately large amount of bonds issued by highly indebted governments' (Wuermeling 2017, Bundesbank).

If central bankers in favour of UMP framed the UMP-moral hazard relationship so as to legitimise their position on UMP and challenged the arguments of their opponents, it is worth stressing that the officials of the Bundesbank did not emphasize the UMP-moral hazard relationship in their discourse to justify not welcoming UMP. This result suggests a professional consensus among central bankers on the capacity of policy-makers to prevent UMP causing moral hazard.

<Place Table 13 about here>

Conclusion

In our attempt to investigate the role of the UMP-moral hazard relationship in the discursive strategies of central bankers to legitimize their positions on UMP, we first studied how these central bankers understood the concept of moral hazard. We found evidence of a shared understanding of moral hazard as the danger to exceed an appropriate level of risk. However, central bankers appear to disagree on the expected empirical significance of moral hazard. Some were more confident in the capacity to control moral hazard than others. In particular, Bundesbank officials present a greater pessimism than others and tended to present moral hazard as a necessary effect of mutualization, therefore favouring risk reduction over conditionality.

Second, we investigated the discursive strategies of central bankers to legitimize their positions on UMP. Senior central bank officials demonstrate caution with regard to how they presented the UMP-moral hazard relationship. While to avoid moral hazard was presented as a shared principle, officials in none of the three NCBs wielded the moral hazard concept directly to oppose the ECB's UMP. Interestingly, Bundesbank officials did not emphasize a necessary causal relationship between UMP and moral hazard. Instead, officials in all four central banks emphasised that UMP had the potential to create moral hazard for governments and banks but did not necessarily do so. On this crucial issue, we detect the operation of an epistemic community and an effort to avoid delegitimising ECB monetary policymaking. The most

significant and surprising difference with regard to moral hazard used in the context of documents focused in part on UMP was quantitative. The Bundesbank and the Bank of France were far less likely to mention moral hazard than were the ECB and the Bank of Italy. This greater use by the ECB may suggest the perceived need to respond to widespread criticisms of UMP and concerns about its effects. At the same time, the Bundesbank was far more likely to use antonyms to moral hazard in its discourse on UMP and to emphasize specific behaviours in line with ordoliberal principles.

The empirical analysis of how senior central bank officials understood and made use of the moral hazard concept with regard to UMP provides evidence in favour of our first hypothesis: we found elements to conclude that there is a professional consensus on the relationship between UMP and moral hazard and thus the presence of an epistemic community. However, we also found several distinctions in the discourse of senior central bankers as to the UMP-moral hazard relationship, demonstrating the importance of national and institutional differences.

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NB. References to central bankers' speeches and interviews are placed in the online appendix.

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¹ We use the term 'unconventional monetary policies' in this paper even though the European Central Bank and Eurozone national central banks have come to prefer other terms, including

‘nonstandard monetary policies’ and / or ‘accommodative monetary policies’ or refrain from using any umbrella term because of potential negative connotations.

² The data was collected from July to October 2022.

³ The following proxies for unconventional monetary policy were used: non-standard; unconventional; quantitative easing; QE; balance sheet; asset purchase; bond purchase; sovereign debt purchase; public debt purchase; public sector purchase; securities markets programme; SMP; outright monetary transactions; OMT; pandemic emergency purchase programme; PEPP.

⁴ The fifteen ECB officials were: Asmussen, Bini Smaghi, Coeuré, Constancio, de Guindos, Draghi, Gonzalez-Paramo, Lautenschlager, Mersch, Papademos Praet, Schnabel, Stark, Trichet, and Tumpel-Gugerell. The six Bundesbank officials were: Dombret, Weber, Weidmann, Buch, Zeitler and Nagel. The fourteen ECB officials were: Trichet, Draghi, Papademos, Schnabel, Praet, Constancio, Coeuré, Gonzáles-Paramo, Asmussen, Bini Smaghi, Stark, Tumpel-Gugerell, Mersch, and Lautenschläger. Four of the ECB officials (Schnabel, Asmussen, Stark and Lautenschläger) were Germans. For the Bank of France, the speeches of / interviews with the governors and deputy governors of the period were examined. The speeches of / interviews with General Council members were not examined on the grounds that these officials do not speak on Eurosystem matters. The nine Bank of Italy officials were: Barbagallo, Draghi, Gobbi, Passacantando, Perrazzelli, Rossi, Sannucci, Signorini, and Visco. The Bundesbank officials were Andreas Dombret, Jens Weidmann, Joachim Wuermeling, and 2 statements attributed to the ‘Deutsche Bundesbank’.

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Appendices

Table 1. Total occurrences of moral hazard

	Buba	BdeF	BoI	ECB
Total number of moral hazard occurrences in documents with UMP	12	12	33	97
Total number of documents with moral hazard and UMP	7	9	27	78
Number of moral hazard occurrences in relation to UMP	7	4	7	35

1. How central bankers understand the concept of moral hazard

1.1 Semantic fields of moral hazard

Table 2: List of synonyms

	Bundesbank	Bank of France	Bank of Italy	ECB	Total
mutualisation of risks	24	1	0	0	25
excessive risk taking	6	1	2	3	12

Credit misallocation	6	0	0	0	6
Excessive or highly indebted	6	0	0	0	6
wrong / false incentives	3	0	0	2	5
mispricing	2	0	0	0	2
irresponsible behaviour	0	1	0	1	2
fewer incentives	1	0	0	1	2
communitarisation	2	0	0	0	2
lender of last resort	2	0	0	0	2
Weak or flexible rules	2	0	0	0	2
the too-big-to-fail problem	0	0	1	1	2
bad incentives	0	0	0	2	2
the fiscal free lunch	0	0	1	0	1
abuses	0	0	1	0	1
fraud	0	0	1	0	1
information asymmetries	0	0	0	1	1
the lender of first resort	0	0	0	1	1
malpractice	0	0	1	0	1
Fehlverhalten (misconduct)	0	0	0	1	1
Fehlanreize (disincentives)	3	0	0	1	1
adverse incentives	0	0	0	1	1
misaligned incentives	0	0	0	1	1
the hunt for yield	0	0	0	1	1
reduced market discipline	0	1	0	0	1
adverse effects for financial stability	0	1	0	0	1
N = Documents	26	9	27	78	140

Table 3: List of antonyms*

	Bundesbank	Bank of France	Bank of Italy	ECB	Total
appropriate incentives	1	1	0	1	3
Responsibility and ownership / 'skin in the game'	11	0	0	1	11
fiscal discipline	5	0	0	1	6
market discipline	8	1	0	0	9
Compliance with rules	4	1	0	0	5
Incentives to reform	1	1	0	0	2
Limit liability	2	0	0	0	2
Financial soundness	1	0	0	0	1
constraining reform contracts <i>contrats de réforme contraignants</i>	0	1	0	0	1
N = Documents	26	9	27	78	140

*The numbers indicate the frequency of coded segments.

1.2 multi-dimensional coding

Table 4: What it is

	Buba	BoFF	BoFI	ECB	Total
When discipline is undermined	5	1	0	2	6
To take excessive risks	4	1	0	1	6
To create incentives for irresponsible behaviour	0	3	0	2	5
To incite excessive risk-taking	0	1	0	3	4
To create bad incentives	0	2	0	2	4
To reduce incentives for due diligence	1	1	0	1	3
To defer something necessary	0	0	0	2	2
To reduce incentives for something necessary	0	0	0	2	2
To ignore something necessary	0	0	0	2	2
To count on help from others to persevere in the bad policies	1	0	1	0	2
The risk of encouraging opportunistic behaviour	0	1	0	1	2
When the public sector backstops private risk-taking	0	1	0	1	2
To invest without knowing that I may lose everything	0	0	1	0	1
To induce actors to relax their efforts	0	0	1	0	1
To take risks when feeling sheltered from the risk of failure	0	0	1	0	1
To forget about something necessary	0	0	0	1	1
When someone becomes permanently dependent on someone else	0	0	0	1	1
When someone else becomes the lender of first resort	0	0	0	1	1
When someone does something undesirable	0	0	0	1	1
To create incentives for misconduct	0	0	0	1	1
When treatments are independent of the actual situation	0	0	0	1	1
The 'originate to distribute' model	0	0	0	1	1
Taking the benefit from someone else's actions	0	0	0	1	1
N = Documents	26	9	27	78	140

Table 5: What causes it

	Buba	BoFF	Bank of Italy	ECB	Total
Public intervention					
Non-standard measures	0	3	0	1	4
Outright Monetary Transactions	0	0	1	4	5
Expansion of balance sheets	0	0	0	4	4
The public bonds purchase programme	1	1	1	0	3
Full sharing of the purchase programme	0	0	1	0	1
Trying to influence bond yields	0	0	0	1	1
sovereign QE	0	0	0	1	1

Insurance	1	1	1	5	6
Support countries with irresponsible behaviours	0	2	0	1	3
Coming to the aid of fiscal authorities	0	1	0	1	2
Liquidity support	0	0	0	1	1
Support mechanisms	0	1	0	1	1
Lender of Last Resort and mutualization of liability	7	1	1	2	11
The institutional design of the euro area	7	0	0	1	8
Expectation of public intervention in bad times	0	6	1	0	7
Euro area fiscal capacity	0	2	0	4	6
The expectation of bailouts	3	1	0	2	6
Expectation of a 'central bank put'	3	1	1	0	5
Central bank crises measures	2	1	0	1	5
Strong accommodative central bank intervention	1	2	0	1	5
Expectation of support in bad times	1	3	0	1	5
Implicit public guarantees	3	0	1	0	4
Bailouts	0	0	0	2	2
Assigning financial stability as an explicit objective to MP	0	1	1	0	2
Any type of intervention	0	1	0	1	2
The risk of confusion of authorities' roles	0	1	0	1	2
Actions that eliminate pressure from the markets	0	1	0	1	2
'Market makers of last resort'	0	0	1	0	1
Public money	0	0	1	0	1
A form of fiscal union	0	0	1	0	1
Some monetary policies	0	0	0	1	1
Direct recapitalisations	0	0	0	1	1
Expectation of protection from tail events	0	0	0	1	1
Leaving measures in place for too long	0	0	0	1	1
Safety nets	0	0	0	1	1
A permanent crisis management institution	0	0	0	1	1
EFSF	0	0	0	1	1
Expansion of credit to banks at a time of banks' mismanagement	0	0	0	1	1
The monetary policy response to this crisis	0	0	0	1	1
To buy according to the outstanding debt	0	0	0	1	1
Role for third parties in STS certification process	0	0	0	1	1
SRF	0	0	0	1	1
The asymmetry in the previous consensus view of monetary policy	0	0	0	1	1
Financial sector characteristics and activities					
The financial sector	20	2	1	0	23
Too-big-to-fail	8	0	5	1	14
(Large) financial sector counting on CBs support in bad times	1	1	0	2	4

Large banks	0	1	1	0	2
ABSs	0	0	0	1	1
An oversized financial industry	0	0	0	1	1
Large cross-border banks	0	0	0	1	1
Financial dominance	0	0	0	1	1
N = Documents	26	9	27	78	140

Table 6: What it does

	Buba	BoFF	BoFI	ECB	Total
It undermines stability					
It undermines financial stability	6	2	0	1	9
It leads to the accumulation of new imbalances	3	0	0	1	4
It can affect price stability	0	1	0	2	3
It creates financial stability concerns	0	2	0	1	3
It undermines long term stability	0	1	0	1	2
It makes disruption more likely	0	0	1	0	1
It makes liquidity buffers insufficient	0	0	0	1	1
It triggers financial turmoil	0	0	0	1	1
It (may) lead to excessive risk-taking	2	2	1	2	7
It harms the economy and society	0	1	0	2	3
It feeds reckless behaviour	0	2	0	1	3
It undermines trust	0	1	1	0	2
It creates an unfair distribution of costs	0	1	0	1	2
Greek crisis/large budget deficits	1	0	0	1	2
Delegitimise and undermine the credibility of institutions	0	1	0	1	2
It creates systemic negative externalities	0	0	0	1	1
It delays the inevitable	0	0	0	1	1
It creates a trade-off between ex ante and ex post efficiency	0	0	0	1	1
Blurs monetary and fiscal policy	1	0	0	0	1
N = Documents	26	9	27	78	140

Table 7: How to deal with it

	Buba	BoFF	BoFI	ECB	Total
Banking Union	1	0	0	1	2
Resolution	2	0	5	8	15
Regulation	3	0	2	6	11
Supervision	2	1	2	0	5
Conditionality	2	1	3	17	23
Risk reduction before risk sharing	13	0	0	1	14

Appropriate design	0	4	0	6	10
Appropriate / preventive safeguards	2	2	1	3	8
(Macro) Prudential framework	2	2	2	1	7
Fiscal reform	6	0	0	0	6
Market discipline	0	1	0	4	5
Financial sector reform	3	1	0	1	5
Not a reason for inaction	0	2	0	3	5
Sanctions & penalties	0	0	2	2	4
Partial insurance	0	1	1	1	3
Minimizing the financial involvement of taxpayers	2	0	1	0	3
Provide appropriate incentives	0	2	0	1	3
Ways to internalise potential costs	0	0	0	2	2
Discretion	0	1	0	1	2
Not underestimate it	0	1	0	1	2
Make difficult judgments	0	1	0	1	2
The threat of defaults	0	0	1	0	1
Do not allow State aid	0	0	1	0	1
Reduce systemic risk	0	0	1	0	1
Evaluate the balance of the benefits and possible costs	0	0	1	0	1
Equity	0	0	1	0	1
Strong political and regulatory pressure to fulfil commitments	0	0	1	0	1
Be aware that I can lose my investment	0	0	1	0	1
Respond symmetrically to pressures on price stability	0	0	0	1	1
Unwinding of UMP as conditions improve	0	0	0	1	1
Powerful incentives	0	0	0	1	1
Apply Bagehot principle	0	0	0	1	1
Do not use monetary policy for crisis resolution	0	0	0	1	1
Do not distract from need by other policy domains	0	0	0	1	1
Mitigating it	0	0	0	1	1
Disintermediation	0	0	0	1	1
Structural fix of vulnerabilities in the non-bank sector	0	0	0	1	1
Deal with it outside crisis times	0	0	0	1	1
Outright purchasing without loss-sharing	0	0	0	1	1
N = Documents	26	9	27	78	140

2. The discourse on and around moral hazard

2.1 Argumentation-oriented analysis and legitimation of positions

Table 8: Justification of UMP

	Buba	BoFF	BoFI	ECB	Total
A response to preserve the functionality of markets	0	1	3	1	5

A response to restore the monetary policy mechanism	0	2	3	0	5
A response to the severity of the crisis	0	3	0	2	5
The redistribution of risk is not a zero-sum game	0	1	0	3	4
A response to maintain price stability	0	1	0	2	3
A response to fears of currency redenomination	0	0	0	2	2
PEPP to counter the negative shock on the economy	0	1	0	1	2
OMT totally different from standard bail-out programs	0	1	1	0	2
Rational calculation of benefits and costs in favor of UMP	0	1	1	0	2
PEPP as a response to stabilise financial markets	0	1	0	1	2
Why PEPP is unconditional vs. OMT	0	0	0	1	1
A response to foster better credit conditions for borrowers	0	0	0	1	1
A response to foster economic recovery, reduce unemployment and help the most vulnerable part of the population	0	1	0	0	1
Changes perception of risk (warning against)	1	0	0	0	1
N = Documents	26	9	27	78	140

Table 9: In conformity with mandate / Treaty

	Buba	BoFF	BoI	ECB	Total
Conformity with mandate / Treaty	1	2	4	24	31
N = Documents	26	9	27	78	140

Table 10: Cause-effect relationship between UMP and moral hazard

	Buba	BoFF	BoI	ECB	Total
UMP more or less moral hazard	3	6	3	3	12
UMP not equal moral hazard	0	0	2	2	4
UMP equal moral hazard	1	0	0	1	1
N = Documents	26	9	27	78	140

Table 11: moral hazard at the heart of a trade-off

	Buba	BoFF	BoI	ECB	Total
Between moral hazard and stability	0	5	3	3	11
Between moral hazard and solvency problems	0	1	0	1	2
Between moral hazard and disruptive deleveraging processes	0	0	0	1	1
Between short term stability and long term instability	1	0	0	1	2
N = Documents	26	9	27	78	140

Table 12: What is described as consensual?

	Buba	BoFF	BoI	ECB	Total
--	------	------	-----	-----	-------

Avoiding/ addressing/ reducing/ discouraging moral hazard	3	1	4	1	5
The bail-in principle	1	0	1	1	2
Protecting taxpayers' money	0	0	0	1	1
moral hazard associated with bailouts	1	0	0	1	1
The pandemic recovery fund	0	0	0	1	1
The fact that capital markets should be more developed	0	0	1	0	1
The need for fiscal discipline	0	1	0	0	0
N = Documents	26	9	27	78	140