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# Gender, women economic concerns and monetary policy decision-making<sup>1</sup>

“My ambition is to be this owl that is often associated with a little bit of wisdom.” – Christine Lagarde, ECB President at her first ECB press conference, December 2019.

From the city of Athens back in ancient Greece to the European Central Bank (ECB) today, the owl of Athena, called Athene Noctua, is linked with money. A symbol of knowledge, wisdom, perspicacity and erudition, Athene Noctua was then both a representation of the Goddess and the symbol struck on Athenian coins. Today, it is still engraved on Euro coins struck in Greece, and – as underlined by Christine Lagarde in the introductory quote – the principles it enshrines are at the heart of any decision-making committee serving the public good.

From various experts in monetary policy, we know that knowledge, wisdom, perspicacity and erudition are among the most-needed ingredients of any central bank deliberation:

- *Knowledge* about the real economy and about the various views of economic agents is required for decisionmakers to take informed decisions to minimize policy errors (Morris and Shin, 2002; Gaballo, 2016);
- *Wisdom* gives the ability to use the available knowledge and experience to make good decisions and judgments. From a monetary policy point of view, it is key that the economic agents capture the diversity of views on future economic developments, especially when policy rates are at the effective lower bound (Krugman, 1998; Eggertson and Woodford, 2003);
- *Perspicacity* gives the ability to understand things quickly and make accurate judgments, be it in situations requiring urgency, e.g. in case of a financial crisis, the lender of last resort

should act quickly as advocated by Bagehot (1873), or patience, e.g. to decrease or increase its policy rate (see Bernanke, 2004);

- *Erudition* is especially helpful for committees to minimize policy errors arising from the beliefs, dogmas or ill-rooted theories of policymakers (Friedman and Schwartz, 1961) or, in the words of Hansen and Sargent (2001), to adopt a robust approach that avoids errors based on using the wrong model for policy decisions.

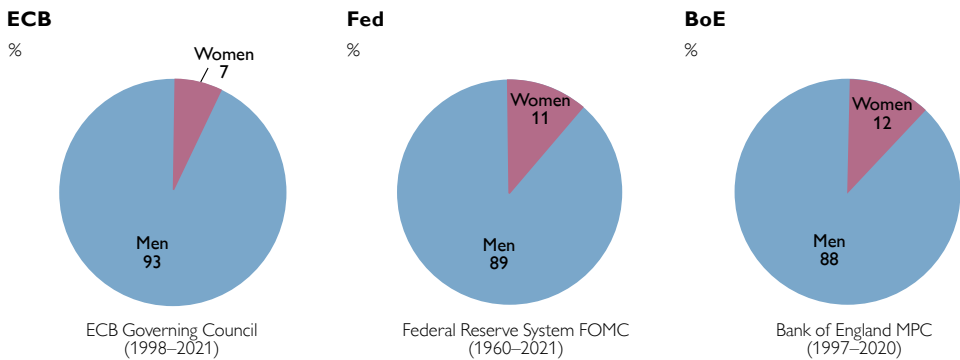
Against this background, the extreme gender imbalance in central banking impedes those four qualities. Therefore, accounting for the diversity of views and theories should be the goal of any decision-making committee. After a brief outline of the gender imbalance, I illustrate how more gender diversity will help decision-making committees to better match those four “owl-associated” qualities.

## 1 It’s a man’s world with a glass ceiling slow to crack

At the top, central banking was and still is a man’s world: Up until now, decisions have been deliberated and taken by men, and since the creation of the ECB, women have held 7% of the governing council’s seat – a percentage that is slightly lower than at the Federal Reserve System (Fed) or the Bank of England (BoE), where women have held 11% and respectively 12% of the seats of the Federal Open Market Committee (FOMC) or the Monetary Policy Committee (MPC) (chart 1). In the first 23 years of the Eurosystem’s existence, Chrystalla Georghadji was the only female governor of a national central bank (NCB), namely in Cyprus between 2014 and 2019. Since she has left, there is no more female governor – only the

<sup>1</sup> The views expressed here do not necessarily reflect those of the Banque de France or the Eurosystem.

### A hard “glass ceiling” in monetary policy committees



Source: Istrefi K. and G. Sestieri. 2018. Central banking at the top: it's a man's world. Banque de France blog. <https://blocnotesdeleco.banque-france.fr/en/blog-entry/central-banking-top-its-mans-world>.

board includes two women, Christine Lagarde and Isabel Schnabel. The numbers are not that different for top managers, though the situation is slowly improving. To take the Banque de France as an example, women hold 30% of the top management positions against 21% in 2012, despite the fact that 46% of the staff is female.

The gender share in central banking is especially low when compared to the level achieved in national and local assemblies or in the governments of the European Union's countries.<sup>2</sup> It is also much lower than the gender share of European listed companies. To add some pessimism, the glass ceiling in expert groups seems slower to crack, as shown by the large imbalance in national COVID-19 task forces reported by the 2021 EU report on gender equality (van Daalen et al., 2020).

## 2 Do economic concerns of women differ from those of men?

It is always dangerous to generalize. However, women tend to have differing views from men on economic and monetary matters, maybe because they are

women; but maybe also because as women, they are often less educated, less paid and still more likely in charge of housekeeping than men. This difference was once again confirmed during the various events organized this year by the ECB and the national central banks of the Eurosystem in the context of the ongoing Strategy Review of the Eurosystem.

At the European level, the ECB launched the ECB Listens Portal<sup>3</sup>, encouraging the public to express their views on a range of issues. As most of the academic literature on gender indicates, women and young adults were underrepresented, as only 22% of respondents were female (at least most of them young, which is encouraging). When expressing their concerns, they were more vocal about issues such as the declining purchasing power, the worsening economic outlook, unemployment and job precariousness, climate change and growing inequality as well as poverty (chart 2).

In France, the results of a survey, conducted by the Banque de France in the course of its Banque de France

<sup>2</sup> See the 2021 report on gender equality in the EU: [https://ec.europa.eu/info/sites/default/files/aid\\_development\\_cooperation\\_fundamental\\_rights\\_annual\\_report\\_ge\\_2021\\_en.pdf](https://ec.europa.eu/info/sites/default/files/aid_development_cooperation_fundamental_rights_annual_report_ge_2021_en.pdf).

<sup>3</sup> <https://www.ecb.europa.eu/home/search/review/html/ecb.strategyreview002.en.html>.

listens event<sup>4</sup> with over 5 000 French people participating, also confirm some of the ECB's findings. Unsurprisingly, respondents working in the financial sector and men were considerably more likely to admit to having sound knowledge of the ECB and NCBs. As in the ECB survey, women are more worried about the economic situation than men, they put social exclusion and poverty among their top economic priorities (44% vs. 36% of men), and they are less likely to report basic or very good knowledge of monetary policy (4% vs. 11% of men).

Two consequences follow:

Firstly, men and women have diverging views, and their differing ratings of their knowledge about monetary policy makes them pay attention to different topics of monetary policy news. As underlined by Isabel Schnabel from the ECB, "It's really about equality of opportunity, not about equality of outcome" (Arnold and Dombey, 2021). Following this perspective, a highly imbalanced gender share in a central banking committee may – at least sometimes – slow down the process of gathering informa-

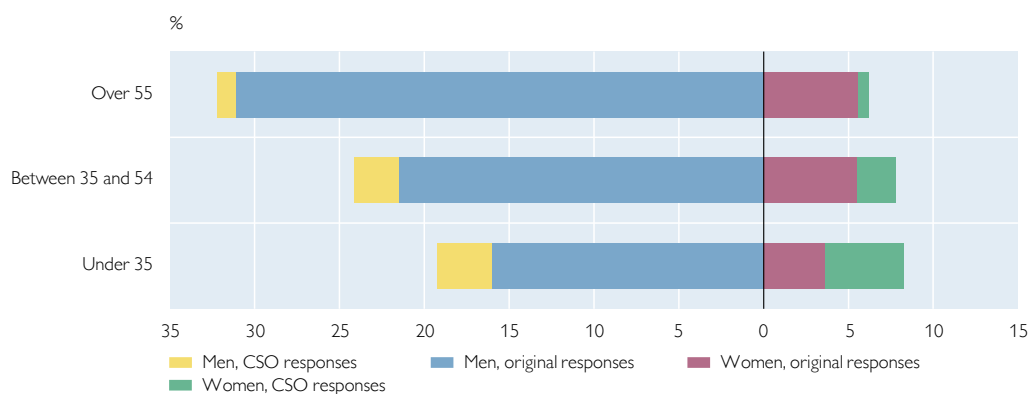
tion on diverse views about monetary policy and therefore may complicate or slow the implementation of monetary policy as well as the introduction of new topics, such as climate change or gender equality, into the agenda.

Secondly, a high gender imbalance in central banking is worrying for ethical reasons. Women offer a diverse pool of talents which aging societies cannot afford to let go to waste. Concerning the COVID-19 pandemic, women were on average more exposed to the virus, from hospitals to nursery homes as well as schools and grocery stores. They were also more likely to be negatively affected by their governments' restrictions to contain the pandemic, notably by the lockdowns, e.g. in terms of balancing their professional and personal life when schools had to close or regarding increasing unemployment rates and the introduction of short-time work. With indirect channels for transmitting information missing, the aggregation of their views and constraints may have been less timely.

For all these reasons, women should be better represented in central banks.

Chart 2

### Share of respondents by gender, age group and type of contribution



Source: ECB website, "Key Findings. The ECB Listens Portal".

Note: "CSO responses" refers to responses that were copy-pasted from contributions offered by organizations such as Greenpeace. "Original responses" refers to the remaining responses.

<sup>4</sup> <https://www.banque-france.fr/la-banque-de-france-votre-ecoute>.

This would also contribute positively to their legitimacy in a time when “experts” and “technocrats” are criticized as being too aloof.

### 3 Why should diversity in central bank governance be promoted?

Promoting gender equality in central banks makes sense from a legal perspective, as it is one of the EU’s goals and is written down in national laws. However, there are many more reasons why women should be equally represented, which I want to bring to the discussion.

As already suggested above, the mere existence (and success) of monetary policy committees is to pool knowledge and bring a diversity of views and perspectives to the table. Gender imbalance at the top deprives these bodies of improving the knowledge quality needed to make informed policy decisions, and this may push some given concern to the background. As monetary policy decisions are made after careful deliberation and are based on the votes of the committee, the relative weight given to the various relevant concerns is necessarily a product of the different talents and concerns of the people assembled around the table.

Yet, the impact of gender on the quality of a committee’s decision is difficult to measure, as it is hard to objectively tell which decision is linked to gender imbalance or to personal or professional characteristics. Research is also more than scarce on that matter, partly because very few women have been in the position to decide on monetary policy.

However, recent research is insightful for discussions about the issue at stake. In finance, it is now common to find that more diverse boards in terms of gender are associated with better bank performance, better monitoring of bank managers and therefore lower agency

costs (Cardillo et al., 2020). There is also a strong positive link between the share of women in senior positions and firms’ performance (Christiansen et al., 2016).

In terms of monetary policy outcomes, researchers have mostly wondered whether women had a more dovish stance, i.e. are more in favor of fighting unemployment than inflation – or a more hawkish one, i.e. whether they were more inclined to use the interest rate policy to drive the inflation rate. In a large sample of various countries, Masciandaro, Profeta and Romelli (2020) have found that relatively more gender-balanced central bank boards tend to push monetary policy committees towards setting more hawkish policies. By construction, those results do not control for the mandate assigned to the central banks. Looking at US history, a recent research conducted by the Banque de France has indicated that female FOMC members were mostly on the dovish side, while men were more hawkish (Istrefi, 2019).

But are women intrinsically more dovish or hawkish than men? Not necessarily, as Istrefi and Bordo (2018) have shown. They rather advocate that the three following main factors influenced the FOMC members’ approach: 1) the national and global economic situation when they were born – FOMC members born during the Great Depression of the 1930s were more inclined to fight unemployment than those born during the Great Inflation of the 1960s and 1970s; 2) the economic ideology of their alma mater – e.g. having graduated from Chicago University makes it more likely to be hawkish than having graduated from Harvard University; and 3) the political affiliation of the US president who appointed the FOMC members.

Moreover, bringing more diversity to the table is not only an ethical and legal imperative, it also widens the talent pool. To cite Margarita Delgado, Deputy

Governor of the Banco de España, “We cannot let 50% of our talent go to waste.” (Arnold and Dombey, 2021).

Communication is de facto an important monetary policy tool, as the use of forward guidance for managing future economic outlooks shows. Given that central banks have to communicate not only with experts but also with the public – meaning men *and* women as well – having women as decisionmakers of monetary policy must be a top priority for central banks.

Central banks will succeed in their attempts to reach out to the wider public if they can connect to, listen to and reach a common understanding with the people, using innovative communication means. For this to happen, central banks need to observe how individuals process and react to information and to the vocabulary used, as both can influence their expectations. If the formation of expectations differs across “types of people”, personal history or gender, central banks have to adapt their messages and means of communication accordingly when addressing the public. This will require parity at the decision-making table as well as bringing in more diversity – in general, beyond gender – when collecting information about the general public to be able to take into account all the various eco-

nomie beliefs and expectations. In return, central bank credibility will be strengthened and the people’s trust rebuilt, thus making monetary policy more effective.

## Conclusions

This paper starts with an old paradox: The world of decisionmakers is still a man’s world. However, it is *women* who are mainly in charge of crucial and vital economic tasks in our societies and in households. Yet, their economic concerns and the way they form expectations differ at first glance from those of men, maybe mostly because of their personal history, level of education or occupations. Now, the question is whether central banks need to take into account and address this issue. They may well, as women may react differently to the way central banks communicate, in turn making it necessary for central banks to adapt their communication accordingly to be more effective at implementing their monetary policy. Yet, it is not only gender per se that matters but the fact that decisions are better informed when diverse point of views are represented around the table, in all and every dimension of diversity. Greater diversity at the top will make the world a better place to live in. And it would be fairer.

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