



Central Banks and Climate Change: A Path for Politics in Central Banking?

Hoover Economic Policy Working Group

April 6, 2022

Professor Christina P. Skinner

Federal Reserve Bank of San Francisco

BANKING

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Mary Daly on Why the Fed Cares about Financial Inclusion

April 15, 2021

By Sean Creehan and Paul Tierno

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By Michael T. Belongia and Peter N. Ireland
June 9, 2021 6:21 pm ET

SAVE PRINT TEXT 65

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The 107-year-old institution has moved faster and farther in just weeks than it did during the entire 2008 financial crisis

By Nick Timiras
March 30, 2020 3:29 pm ET

THE WALL STREET JOURNAL
CFO NEWS

Many Major Central Banks, Minus U.S. Fed, Taking Action on Climate Change Risks

By [Jill Ward](#) | September 24, 2019



FSR

NGFS

**Supervisory
Committees**

**E.O. on FSOC
and Climate**

**Nov.
2020**

**Dec.
2020**

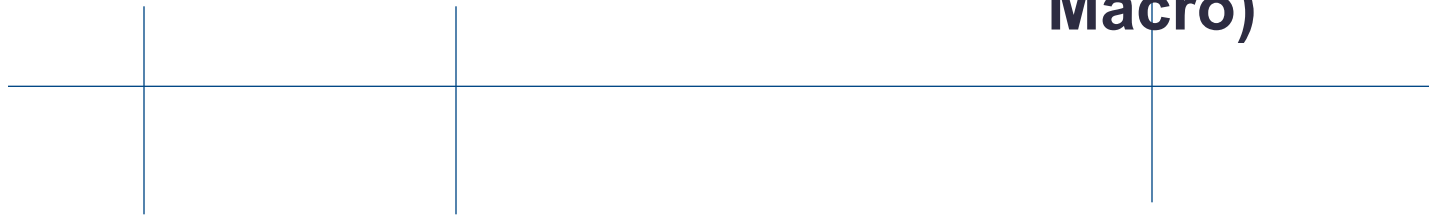
**Mar.
2021**

**May
2021**



Monetary Regulation Policy

Supervision (Micro / Macro)



LOLR

- §10(b) (discount window)
- §13(3) (nonbank LOLR)

Asset purchases

- §14(2) (OMO, QE)

CHAPTER 2
MONETARY POLICY

Article 127
(ex Article 105 TEC)

1. The primary objective of the European System of Central Banks (ESCB) shall be to maintain price stability. Without prejudice to the ESCB shall support the general economic policies in the Union with achievement of the objectives of the Union as laid down in Article 119. The ESCB shall act in accordance with the principle of an efficient competition, favouring an efficient allocation of resources, and in accordance with the principle set out in Article 119.

Article 11
(ex Article 6 TEC)

Environmental protection requirements must be integrated into the Union's policies and activities, in particular with a view to



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

3 March 2021

Andrew Bailey
Governor
Bank of England
Threadneedle Street
London
EC2R 8AH

REMIT FOR THE MONETARY POLICY COMMITTEE (MPC)

The Bank of England Act 1998 (the Act) requires that I specify the definition of price stability and the government's economic policy objectives at least once in every period of 12 months beginning on the anniversary of the day the Act came into force.

I hereby re-confirm the inflation target as 2 per cent as measured by the 12-month increase in the Consumer Prices Index (CPI). The inflation target of 2 per cent is symmetric and applies at all times. This reflects the primacy of price stability and the forward-looking inflation target in the UK monetary policy framework. The government's commitment to price stability, and the Bank of England's operational independence remains absolute.

In accordance with the Act, I also confirm that the government's economic policy objective is to achieve strong, sustainable and balanced growth. Price and financial stability are essential pre-requisites to achieve this objective in all parts of the UK and sectors of the economy, providing the stability required for businesses to thrive and to help keep the cost of living low for families. Monetary policy has played a critical role in supporting the economy through the Covid-19 pandemic and the monetary policy framework remains a central pillar of the government's macroeconomic strategy. The extraordinary policy responses from both the government and the Bank of England, have been vital in continuing to support businesses and households through this period of disruption.

I am today updating the MPC's remit to reflect the government's economic strategy for achieving strong, sustainable and balanced growth that is also environmentally sustainable and consistent with the transition to a net zero economy.

I confirm that the Asset Purchase Facility will remain in place for the financial year 2021-22.

The MPC and the Financial Policy Committee should continue to have regard to each other's actions, to ensure coordination between monetary and macroprudential policy. This coordination has enhanced the strength and resilience of the UK's macroeconomic framework.

1

I am grateful to you and all the members of the Committee for your continued good work and dedication.

A copy of the remit is attached.

RISHI SUNAK

Monetary Policy

Regulation

Supervision (Micro / Macro)

LOLR

- §10(b) (discount window)
- §13(3) (nonbank LOLR)

Asset purchases

- §14(2) (OMO, QE)

Heightened Capital requirements/risk-weights

- §165 Dodd-Frank

A blue-tinted background image showing a financial line chart with a pen resting on it. The chart has a grid and a line that fluctuates. A pen is positioned in the upper right corner, pointing towards the chart. The overall scene suggests a professional or financial context.

Loan
impairment

Significant
exposure

Capital depletion

Monetary Policy

Regulation

Supervision (Micro / Macro)

LOLR

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Asset purchases

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Heightened Capital requirements/risk-weights

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Microprudential

- Bank Holding Company Act, “safety and soundness” language

Macroprudential

- **stress testing (DFAST, CCAR)**

[F12A Financial Stability Objective

(1) An objective of the Bank shall be (the "Financial Stability Objective")

(2) In pursuing the Financial Stability Objective, the Bank shall have regard to [F4 and the Financial Conduct Authority's objectives]

[F5(3) ...]

[F19c]



BANK OF ENGLAND

Financial Policy Committee
Prudential Regulation Committee



ndom

asury

Discussion Paper

The 2021 biennial exploratory scenario on the financial risks from climate change

December 2019

rd

cluding its objectives for growth and

Financial Stability Objective relates to systemic risks with a view to protecting

as connections between financial

ns in a way that would in its opinion contribute to the growth of the UK

whole or of a significant part of that

dom or elsewhere.

duals in the United Kingdom and

m and businesses carried on in the

**what's the
goal?**



What's so bad about a **green** central bank?

1. Fed-Treasury relations (the specter of **fiscal dominance**)
2. Bloating of the financial stability **mandate**
3. Subversion of the **democratic process**, and sliding down that slippery slope
4. Bucking **legitimate** central banking action
5. The making of a central bank **Leviathan**

**The monetary-
fiscal line is
blurred**





EO 14,088 (“whole of government approach”), Jan. 27, 2021

*“Together, we **must combat the climate crisis with bold, progressive action** that combines the **full capacity of the Federal Government** with efforts from every corner of our Nation, every level of government, and **every sector of our economy**”*

EO 14,030 (instructions to FSOC), May 20, 2021

U.S. DEPARTMENT OF THE TREASURY

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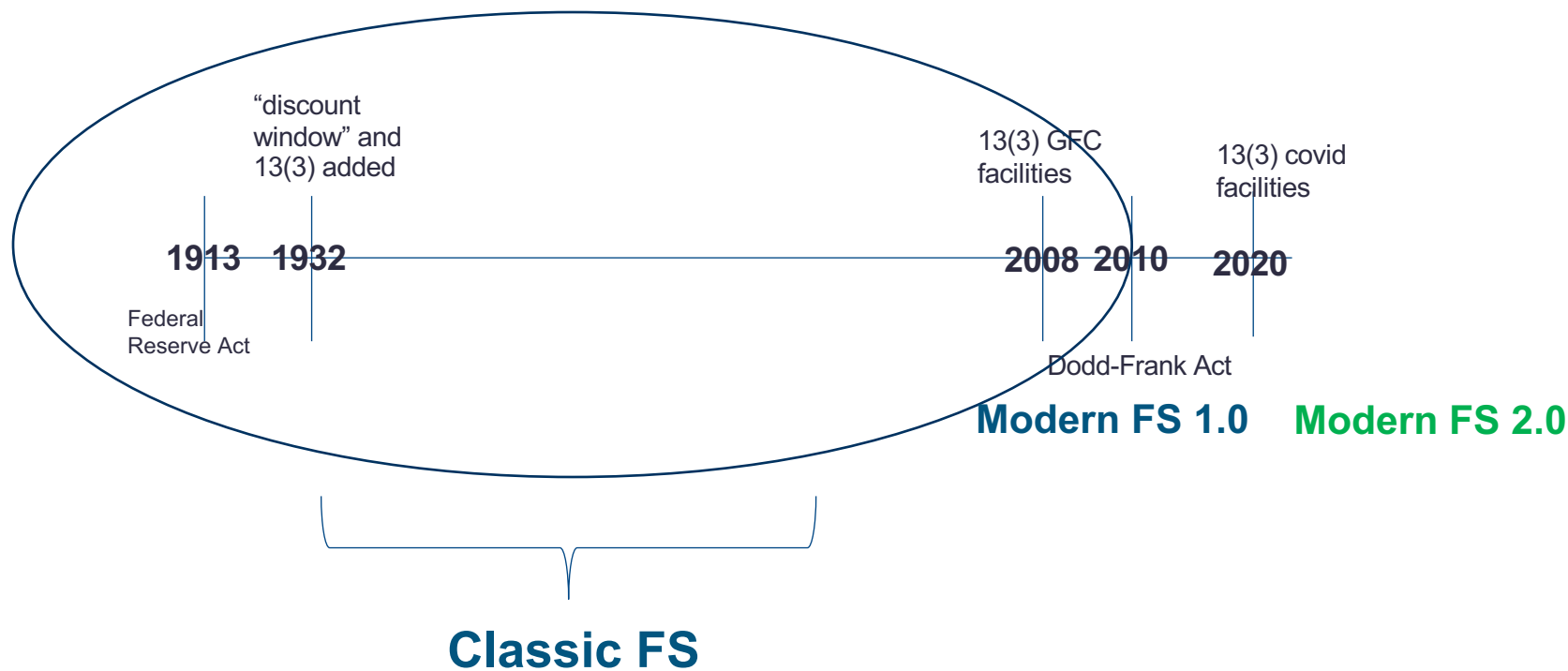
ured Stories

Financial Stability Oversight Council
Identifies Climate Change as an
Emerging and Increasing Threat to
Financial Stability

The Financial Stability Mandate (reveals itself to be a Trojan horse for presidential politics)

Fed given power to act as LOLR in § 10B, § 13(3) (monetary policy for economic stability goals) [1930s]

Dodd-Frank Title I creates the FSOC, establishes heightened regulatory and supervisory requirements for institutions that pose “systemic risk” [2010]

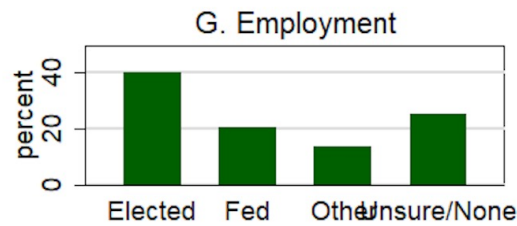
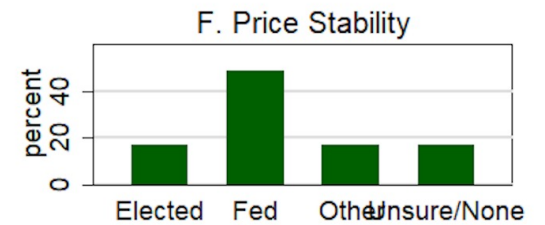
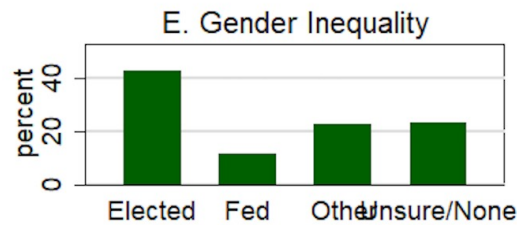
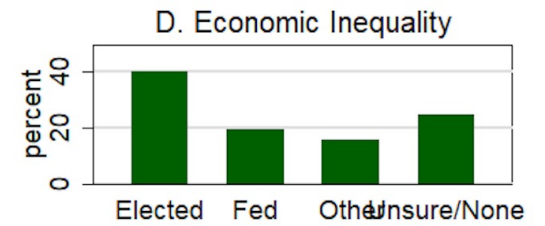
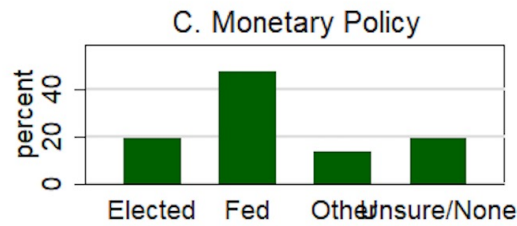
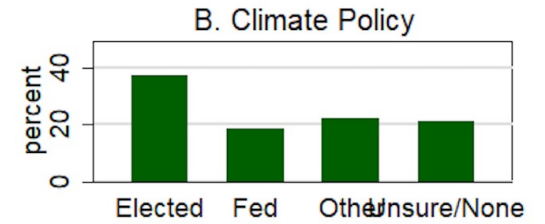
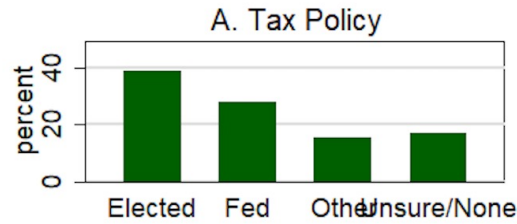


Erosion of the Rule of Law and Democratic Processes

- End-running Congress
- It's a slippery slope (. . .what next?)
- Disguising fiscal action as a financial stability one



What is legitimate?





A central bank “Leviathan”?

LEVIATHAN
Or
THE MATTER, FORME
and POWER of A COMMON
WEALTH ECCLESIASTICALL
and CIVIL.



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