



*Is all about us getting involved*

## **ECB Listens:**

4<sup>th</sup> Simulation Conference of  
the European Central Bank



4th ECB Simulation Conference for university students  
supported by Bank of Greece

11/12/2020 – 14/12/2020 Athens, Greece

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## Introduction

In the fall of 2020, the European Central Bank [ECB thereafter] decided to launch an innovative program to democratize its workings and to try to improve the means of communicating its decisions and policies. The name of this program is “ECB Listens”, and its aim is simple: to gather the Euro Area citizens views, suggestions, and concerns on a variety of topics with the view to understanding better their economic perspectives. On 21st October 2020, the program was launched with an online event during which the President of the ECB Christine Lagarde and the member of the ECB's Executive Board Philip R. Lane answered in real time questions of stakeholders.

Get Involved (<https://gettinginvolved.gr/>) organizes annually the Simulation Conference of the ECB for university students since 2017. Upon the proposal of the Central Bank of Greece, which supports the conference since 2019, Get Involved volunteered to create a cumulative report based on the topics laid out by the ECB in this program. The current report consists of the views, ideas, and knowledge of the participants of the 4th Simulation Conference of the ECB held online from December 11th to December 14th, 2020. The participants were students of various academic backgrounds- economics, finance, law, and engineering- and of all levels – BSc, MSc, PhD. Their age varied between 19 and 26 and were individuals with strong academic background as they were chosen after a rigorous screening process.

The conclusions reached in this report derive from a two-step process, in which we aim not only to summarize the sample's views about the topics laid out in the “ECB Listens” program, but also to evaluate how these views changed after participating in the conference and having a better understanding of the ECB. In the first part, we asked the participants to answer in 500 words, in either Greek or English, the following 5<sup>1</sup> questions:

1. What does price stability mean for you?
2. How do changes in general price levels affect you/your organization and your members?
3. What are your economic expectations and concerns?
4. What other topics matter to you?
5. How can the ECB best communicate with you?

The first step of the process took place from 13th November to 30<sup>th</sup> November 2020 before the procedures of the Conference. The second part took place during December 1<sup>st</sup> and December 14<sup>th</sup>. The results presented in this report are

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<sup>1</sup> The first two questions are analyzed as one question, namely “What does price stability mean for you?”, in order to not have the participants mix their answers. The research wanted to focus less on technical terminology, and by separating the Price Stability with the Inflations, we conveyed this goal to the participants.

the conclusions from the last day of the Conference, 14th December, when a roundtable discussion with all participants took place on the exact same topics.

The difference between the two parts of the research was that in the first part, the majority had to submit an initial thesis based on their own research, when in the second part, the participants had the chance:

1. to participate in preparation calls with the Scientific committee of the Conference,
2. process in detail the conference Study Guides and
3. to listen 10 Keynote Speeches from professionals and academics with vast experience in the financial sector and banking and to debate for more than two days about some of the issues the ECB is facing<sup>2</sup>.

After the end of the Conference, the participants were called to answer some questions about the importance of the ECB Listens and how the workings of the Conference helped them evolve their views. The participants had to grade the level of acceptance<sup>3</sup> of the question, from 0, completely disagree, to 5, completely agree. The first question addressed the issue of whether they believed that initiatives such as the ECB Listens would contribute to the democratization of Monetary Policy decisions. 92.7% of the sample agreed at least to a certain degree that this was true: grade 3, 4 and 5 got 36.6%, 39% and 17.1%, respectively. The vast majority of the participants agreed that the ECB Listens initiative is an effective way of communication between the ECB and the European Youth, 90.2% of the answers were on the upper two scales. Then, the participants were asked if initiatives such as the 4<sup>th</sup> Simulation Conference of the ECB are a good way of getting an insight into the workings as well as the decisions of the ECB. 92.7% of the participants completely agreed that this view was true, with the remaining 7.3%, strongly agreeing. Lastly, the participants were required to answer to which extent the workings of the Conference helped improve their understanding and way of thinking regarding the questions of the ECB Listens. 58.5% of the participants completely agreed that it helped them vastly, whereas another 31.7% of the participants strongly agreed.

The ECB Listens initiative is an exceptional tool for understanding the views, expectations, and concerns of the citizens of the Euro Area, but also a means to comprehend the level of understanding of the citizens of the workings, tools, and decisions of the ECB. Our research did not focus only on the answers of the participants, but also on whether and how their understanding of the ECB affected their answers. In the next part, we summarize the cumulative results of both parts of the research.

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<sup>2</sup> To see the 4<sup>th</sup> Simulation Conference of the ECB schedule, go to the Appendix at page 14.

<sup>3</sup> To translate the scale of grades, the 0 means that the participant completely disagrees, the 1 he/she strongly disagrees, the 2 that he/she slightly disagrees. From the upper half, the 3 means that the participant slightly agrees, the 4 that he/she strongly agrees and lastly that he/she completely agrees.

## What does price stability mean for you?

The price stability was and must remain the ECB's primary objective. A target for an inflation rate of below but close to 2% should be achieved and sustained over the medium term. Besides, this is the reason why the ECB has introduced a number of unconventional monetary policies over the last decades, such as the negative deposit facility rate the forward guidance and the asset purchase programs among others in response to the outbreak of the global financial crisis. All these measures are in the right direction, without having achieved the desired inflation rate yet. The coronavirus pandemic holds back the ECB's attempts because there is much uncertainty among European households and businesses making even more difficult the achievement of an inflation rate close but below to 2%. Households choose to save money instead of consuming, causing in this way a vicious circle regarding the economic growth and inflation.

The university students pointed out that price stability is a necessary condition for the welfare condition for EU citizens, because everyone will be able to program and balance between their needs as consumers and as savers. They also pointed out that price stability will be a challenge to maintain throughout the Euro area for the years to come due to the obvious differences of their economies.

It was common ground for most participants that both high inflation and deflation can be destructive to the European economy. The big increase in deposits observed throughout the pandemic period in most European countries may create an impression to the depositors that a high inflation may harm their savings. However, it should be clear that the major threat is a very low inflation or even worse a deflation, which may lead to a weak economic growth with low levels of investment and high unemployment rate. It must be acknowledged that the real threat is the continuous failure to achieve an inflation rate of 1.7-1.9% as a low inflation rate will result in increasing the unemployment rates and many defaults by the consumers in the long run, even if their purchase power increases in the short term.

The participants agreed that safeguarding price stability is the most important role of the ECB and added that the actions of the ECB in the Euro area make them trust their currency, namely the Euro. For an economy, keeping the fluctuation of its prices under control is the backbone of economic stability and growth. The participants believe that they are equipped to schedule investments needed in the long-term. Most of the participants shared the belief that they feel safe to deposit capital and use it after some years, mostly to pay their tuition fees for a master's degree. They can decide when to use capital according to their needs and possible opportunities that may arise, and this is the direct result of their feeling that their deposits will keep their Purchasing Power around the current levels.

While describing the impacts of price stability on the overall economy, the participants agreed that it ensures economic stability and blunts many

**potential inequalities.** Businesses and individuals can schedule their investments in the long run without worrying about fluctuations in their Purchasing Power; they can make transactions and deals with entities using different currencies and can borrow or lend capital without taking into much consideration the fluctuations of the real interest rates. Also, if in an economy there are substantial changes in the prices of an economy, individuals, and companies, with access to foreign capital they may find many investment opportunities, resulting in an unjust wealth distribution whose results will become evident in the long-term.

**There seems to be ample confidence in the ECB regarding the issue of inflation.** The participants believe that there is quite low risk of either inflation or deflation in the mid-term. As they explained, Greece, in the last decade, had a low inflation rate of only over 1% in the three years 2011, 2012 and 2017, and it had deflation from 2013 to 2016. If inflation or deflation occurs, the products more affected are those used by each and every individual or household the most, leading to inelastic demand. These are mostly consumer products, such as food and beverages, heating, or apparel. The participants feel that the policies, not only the monetary ones of the ECB constitute an efficient toolkit to battle inflation fluctuations.

To sum up, the participants feel that the discussion around price stability is extremely crucial and should not be exhausted to inflation as a number. This opinion lies mainly in the fact that price stability is more than a number expressed through inflation, as it directly affects their daily life and medium and long-term decisions, as well as the real economy of Euro Area. In their point of view, **achieving Price Stability is the foundation of achieving Economic stability and thus maintaining the Standards of Living of the citizens of the Monetary Union.**

## What are your economic expectations and concerns?

**The main concerns of the current period focus on the velocity and intensity of the European economic growth in the post pandemic period.** We should keep in mind that in Europe, especially some specific member states such as Greece, Portugal, Spain, and Italy come from a ten-year financial crisis, with recession or weak growth, high unemployment rates, high NPL rates and an indebted public sector. Those problems make the high and sustainable economic growth difficult to achieve, albeit more vital than ever.

The unconventional monetary policies adopted by the ECB should remain and be enriched by new even more effective measures in order to face fundamental weaknesses, namely the high levels of NPLs, the lack of investments etc., in a more adequate and sustainable way. Thus, banks can boost the real economy through providing credit to households and businesses, contributing to the economic recovery of Europe.

The participants' expectations were overshadowed by their concerns, and mainly by the concern that even with their studies and accumulated skillset they will face difficulties in the job market and will not be able to earn competitive salaries. Greece in the past decade faced significantly high unemployment in the age group from 18 to 29, with a Youth Unemployment Rate of over 60% in 2013. In August 2020, this rate was 39.3% which raises many concerns due to the fact that historically during the summer period, youth unemployment rates tend to decrease. Also, there are concerns regarding the economic recovery of the Greek as well as the European economy after the pandemic of Covid-19. The economic fundamentals of most country members of the Monetary Union have worsened and the participants believe that the fiscal as well as the monetary policies taken will have a lasting impact. The GDP in the Euro Area as well as the Greek GDP are expected to reach their 2019 levels between 2022 and 2023. The effects of the high Central Government Debt Rate accumulated in the last year will continue to be apparent for the next 5 years or so according to the International Monetary Fund projections. In view of the above, the participants felt unsure about the economic environment in which they will begin their careers. *Many participants expressed their wish for the ECB to phrase the importance of the monetary policy transmission mechanism, so EU citizens can understand the importance of an effective monetary policy.*

Despite their expressed insecurities, the participants felt that a great many new opportunities were offered to them in the past year and this trend is expected to continue, especially due to the digitalization of the economy. The general lock-down and social distancing policies have become the new norm during 2020, and the vaccines found are not expected to alter these policies in the short-term. Many of the participants believe that a lot of work opportunities are becoming borderless, as due to the rise in the remote working environment, it becomes less important if the employer and the employee are in the same city or even in the same country. This reality broadens the job market, thus creating more opportunities to the workforce. Especially for Greece, where the Brain Drain effects resulted in more than half million of individuals, mostly young professionals, immigrating to different countries to find better work, these opportunities are bound to open new horizons. Finally, they believe that many different business models, such as online meetings and virtual education, which emerged during the pandemic will continue to be used.

In conclusion, the participants fear the job market conditions and opportunities locally but retain some cautious optimism on opportunities that derive from the expansion of remote working.

Although, the participants believe that it may face difficulties on entering the job market, at a position of their liking and a competitive salary, will have more opportunities available since working is becoming borderless.



## What other topics matter to you?

The major priority for the ECB must remain the price stability as it has implications beyond the economic ones. However, this does not mean that the ECB should not focus on other fields of the European economy and society, since its monetary policies can lead, at the same time, to a strong and sustainable economic growth in the long term and the environment protection. [Participants pointed out that ECB should take a proactive role in sustainability issues and urge banks to disclose more information regarding their practices and milestones for the next years.](#)

The ECB's expansionary monetary policy, namely the negative deposit facility rate, the zero-interest rate on the main refinancing operations (MRO), and the extremely low rate on the marginal ending facility can motivate banks to direct funds to the real economy, achieving strong economic growth, reducing the unemployment rates, especially of youth, and promoting the social cohesion in a very turbulent period due to the pandemic and the last financial crisis. Also, the ECB should use its asset purchase programs, mainly the corporate sector purchase program (CSPP) and the public sector purchase program (PSPP) and secondarily the third covered bond purchase program (CBPP3) and the asset-backed securities purchase program (ABSPP) to focus on green bonds and environment-friendly investments so as to help countries face the threat of climate change and its catastrophic consequences.

[Despite the realization of the importance of tackling Climate Change, ECB should first focus on other social and economic issues, if it decides to shift focus to other goals rather just its statutory objectives.](#) The participants, although in the beginning agreed that the Climate Change is a really serious issue, with many implications in the economy as well, decided that the ECB should not alter how it operates to tackle this issue. The ECB should not alter their criteria on when to accept an asset as collateral or to acquire one via the APP or PEPP program, but it could prioritize the acceptance of green bonds or similar assets. According to the participants, there are many other issues that the ECB is better equipped to tackle than problems that is out of its scope.

[The ECB should shift focus on preparing for the swift changes occurring in the traditional banking and getting ready for a role in monitoring fintech banks.](#) After attending various Keynote Speeches on issues of the Financial System, the participants felt that there are major disruptions under way in the way financial companies operate, mostly banks, and believe that the ECB should focus on preparing its toolkits to face these challenges. Many participants felt that the ECB and the National Central Banks should actually set up a Supervisory Technology (SupTech) Organization to closely monitor the day-to-day functions and transactions of fintech banks as well as drawing up protocols of conduct that banks that want to digitalize some of their functions should follow.

The ECB should always stay alert on issues that are important in the Euro Area without diverging from its objectives. As it was noted, to be able to discuss how to protect the environment, how to tackle climate change or how to reduce inequalities is a duty of each European citizen; it should be noted that it is also a privilege that derives from our high standards of living. The ECB plays a significant role in ensuring the prosperity of the Euro Area and to lose focus would create more immediate disruptions.

## How can we best communicate with you?

The majority of participants believe that the ECB has many efficient tools of communicating its decisions and policies, but most individuals as well as professionals are unaware of them. The website of ECB and its social media have a lot of content that help comprehend its decisions as well as why they were taken. More precisely, the Explainer section helps understand the terminology used in many press releases, interviews or at the Governing Council decisions. The Data Warehouse, the Reports and the Statistics sections can help university students and professionals on their research. Nevertheless, these functions remain unknown even to the individual studying economics and/or finance. The ECB should focus on how to make its existing means of communication more known at least in the community of students of economics.

That is why, the European Central Banking should create programs focused on the tertiary education to motivate students and professionals to learn about its policies. This could be accomplished by establishing e-learning programs such as the ones organized by the International Monetary Fund and the World Bank to provide accessible education on the functions of the ECB. Many participants argued that some seminars or conferences could be organized so as to inform about what the ECB does, why and what are its available tools. Many participants pointed out that before the conference they had trouble distinguishing between Fiscal and Monetary policies, and this is an issue which schools and universities fail to tackle.

## Conclusion

In conclusion, the participants are aware of the importance of the price stability in Europe, tailoring its concept to their own needs, concerns, expectations, and objectives. The most important part of the report is the fact that most of the participants recognize the huge efforts of the ECB to maintain the price stability, even in such turbulent periods as those of the last decade, amid economic, debt, and health crises. Furthermore, although the participants agree with the price stability being the principal objective of the ECB, they also expect a lot from the ECB in a wide spectrum of topics, spanning fintech banks supervision in the new era of digitalization, climate change, and social cohesion, among others.

The young age of the participants has led them to concern mainly for their future employability and salaries, since most South European people, notably

Greeks, have suffered from deep recession and/or weak growth rates and high unemployment rates, especially among youth. However, despite the fact that their concerns are more than reasonable, they can see the light at the end of the tunnel. They recognize many opportunities to be generated by the SARS-CoV-2 pandemic such as the remote working, since such practices are here to stay even after the pandemic, giving the opportunity to people to find their dream job without having to move to another country or continent. As for the best communication and interaction between the ECB and the participants, person and predominantly student-oriented programs are found to be the most suitable and effective way. Students may have knowledge of economics, banking, and finance, but it is essential for them to have a more direct, up to date, and inclusive source of information such as e-learning programs, which can be easily available to every corner of Europe.

However, what should be pointed out is the need for conferences such as the ECB Simulation Conference organized by Get Involved. Such initiatives are more than necessary in order to make students and young people in general, regardless of academic background, be involved and exposed to important issues that really matter nowadays. Besides, this is something that we can conclude from the answers given by the participants after the end of the conference. The keynote speeches and the three-day conference meetings managed to enrich participants' awareness of economics fundamentals, as well as to improve their understanding of more sophisticated topics. Thus, their post-conference answers regarding the ECB Listens questions were more detailed, clearly defined, and better documented compared to their answers prior to the conference, meaning that such initiatives must be promoted and embraced by national and European authorities.

## Annex

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4<sup>th</sup> ECB Simulation for University Students, Athens 11/12/2020 – 14/12/2020

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4<sup>th</sup> Simulation Conference of the  
European Central Bank  
December 11, 2020  
Event's Duration: 11:00 – 13:00

Welcome Speeches 10:00 – 11:00

**Stournaras Yannis** – Governor of Bank of Greece [10:00 - 10:15]

**Zavvos Giorgos** - Deputy Minister of Finance in charge of the Financial System [10:15 – 10:30]

**Martin Czurda** – CEO of Hellenic Stability Fund [10:30 – 11:00]

Keynote Speeches 11:10 – 13:10

**Hardouvelis Gikas** – Professor, Banking and Finance Management, Senior Independent Director, National Bank of Greece [11:10 – 11:50]

**Gortsos Christos** – Law Professor NKUA, Research Partner of Financial Market Regulation at University of Zürich, President of European Banking Institute [12:00 – 12:30]

**Kazazoglou - Skouras Dimitrios** – Country Lead at Single Resolution Board (SRB) [12:40 – 13:10]

Keynote Speeches 14:00 – 15:20

**Syrmakezis Sotiris** – External Advisor at Interbanking Systems S.A [14:00 – 14:30]

**Aivazis Iordanis** – Chair of the Special Liquidations Committee, Bank of Greece [14:40 – 15:10]

Closing 15:20 – 15:40

**Angelopoulos Vasilis** – Managing Partner at Get Involved [15:20 – 15:40]