Global Monetary Policies: Similarities & Divergences on the Way to the New Normal

- Apparently, a simple roadmap
- Actually, some complexities & puzzles

Introduction to the Panel by M-O. Strauss-Kahn *

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The views expressed here do not necessarily reflect those of the Banque de France or the Eurosystem
Apparently, a simple roadmap

1. Simple questions: what’s similar/different in content/timing for the Fed/ECB about:
   - WHERE WE ARE?
   - WHERE TO GO?
   - THE WAY FROM HERE TO THERE?

2. Simple answers:
   - The EA sovereign crisis contributed to a time lag of 2 to 3 years with the US
   - The Fed experience (errors & success) has opened the way to the ECB
   - The ECB will mainly adapt lessons given EA-specific, cyclical/structural features

=> Apparent divergences mask a great convergence & smooth a global tightening
Actually, some complexities and puzzles

3. Three complexities:

- **No agreement** on where we are: persistent lowflation, gaps, Phillips curve slope...?
- **No consensus** on the New Normal: equilibrium rate levels, rules, balance-sheet size...?
- Hard to communicate on normalization path/speed with “CB-addicted” markets

4. Some puzzles (hinted at by the title of the session):

- “**Global Monetary Policies**” due to interdependencies, even if goals are domestic
- “Divergences” rather than “differences”, given diverse starting points & targets

Last, other policies (fiscal...) and **expectations** may alter normalization strategies

=> Panel with (in turn): **Volker Wieland, Huw Pill, David Altig and Peter Praet**