

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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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**