

JEAN-CLAUDE TRICHET

Former President, ECB

Arthur RUTISHAUSER, Editor-in-Chief, *SonntagsZeitung*

Therefore, it is about raising interest rates where it does not matter for you but not raising them at home. Is this also your position, Mr Trichet?

Jean-Claude TRICHET, former President, ECB

Can I reciprocate and ask whether you would call for an increase of rates in Switzerland, where the rates are at minus 0.75%? It is absolutely normal that the central banks are concentrating on their own problems. The issues and challenges in the US are very different, obviously, at the present moment from the issues that we have. We are very united on the medium and long-term goals, and by the way, we have the same definition of price stability on both sides of the Atlantic now. However, of course the cycle is not the same, the level of pressure on inflation is not the same, and it is absolutely clear that it is normal to have divergences in the day-to-day decisions that are taken on both sides of the Atlantic.

I certainly do not agree that it is a drama that we will have divergences between the monetary policies of the major central banks. It is normal to have divergences in the day-to-day decisions, or even in the cycle, provided you have a great deal of unity on the medium- and long-term goals, which is the case, obviously.

Arthur RUTISHAUSER, Editor-in-Chief, *SonntagsZeitung*

However, we have a rather strange phenomenon. One of the fundamental parts of capitalism is actually interest, and we have no interest anymore. Does this even matter anymore?

Jean-Claude TRICHET, former President, ECB

It does matter a lot and this situation is the reflection of the abnormal functioning of our economies. We have a high degree of abnormal functioning, particularly in the advanced economies, and that is why we central bankers are calling on the other partners to do their job. It is very abnormal for central banks to be responsible for maintaining zero rates over a very long period of time, and it is the case in all advanced economies, not surprisingly, perhaps, since we had the worst crisis in the advanced economies since World War Two, and perhaps World War One, so we are still in the shadow of very abnormal functioning in terms of our economies.

Therefore, it is highly abnormal, and there are a lot of unintended consequences, both in terms of the zero rates and the unconventional measures, which by the way are QE, the quantitative unconventional measures, on the one hand, and also the off-balance sheet commitments, on the other hand. You could say, looking at it from a very long distance, that the ECB is not doing as much as the Fed, because you were looking at the size of the balance sheet. However, since the very beginning of the crisis, the ECB always had off-balance sheet commitments, a full allotment of all liquidity asked by the commercial banks at fixed rates, and the OMT, an off-balance sheet commitment to purchase treasuries if need be and with the appropriate conditionality. It is not on the balance sheet but it is a very powerful commitment. I mention that in passing because it is very often forgotten by external observers.