

JEAN-CLAUDE TRICHET

Former President, ECB

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I heard Mr Monti say in the previous discussion that we lack leaders here and in the US, so the central banks have a much more prominent role than they actually should have. Do you share this point of view, Mr Trichet?

Jean-Claude TRICHET, former President, ECB

I do not entirely share the view that leadership is particularly poor at the present moment, and I share the reaction to present events which were mentioned a moment ago. We will see; what we have to see is the resolve of the authorities and of the people, and I expect that this resolve will be absolutely obvious. However, to respond to your question, central bankers had to cope, as I said, with probably the worst crisis since World War One, and had we not seen a swift and extremely bold reaction, first at the level of central banks and then at the level of governments, in my understanding we would have had a great depression that could have been much worse than the great recession that we had unfortunately to cope with. I am speaking particularly, of course, of the advanced economies.

Therefore, in those circumstances it is not surprising that those who were on the front line were the central bankers, who had to cope with absolutely exceptional circumstances, and very fortunately they were up to their responsibilities and took those bold decisions as early as August 2007, for instance, when we decided to supply liquidity on an unlimited basis to all commercial banks. We were asked for EUR 95 billion, and we gave EUR 95 billion; these decisions were taken in two and a half hours by the executive board of the ECB, because we were in the presence of something totally unexpected.

The central bank of the US took extraordinarily bold decisions, so bold that there was a lot of criticism against them, but I believe that they were absolutely right to take these bold decisions. When you have to react to such dramatic circumstances, you are very visible and it creates the sentiment that you are the only game in town, as Jacob said, but of course it is not true at all. We were reacting very boldly on the liquidity front, and all of us asked the governments to be able to reassure the market participants, the investors and savers in the advanced economies and the entire world, that they were also behind them. Finally, all the heads of state and government said in various guises that there would not be a new Lehman Brothers in their country, and it was said in the US, in Europe and in the Euro area. What gave the sense that we – Central Banks – were prominent at the start was that we were the first on the front line, and we had to react extremely rapidly.

Following Lehman Brothers, when some executive branches were still saying that it is normal to have bankruptcies in market economies and were trying to play down the importance of the Lehman Brothers bankruptcy, all central banks concerned were in close contact to work out the global response and were able in two days to have all our decision making processes ready to agree on the same text, the same communique and the same response at a global level, with publication on the Thursday morning following the Monday of the drama. But we are not the only game in town. Jacob, who is not only the Chair of the Trustees in the G30 but also the leader of the work that has been done on the fundamentals of central banking, said that one of the main messages was that the other partners, namely governments, executive branches, parliaments and also the private sector, have to be there, have to mobilise themselves, because the central banks cannot be responsible for stability, growth, job creation and the rest. We have to get all the other partners on board for good policies, structural reform and everything that is needed to elevate the growth potential of our economies.