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If we consider changes in the general level of prices over the past 50 years, it has to be acknowledged that this short chapter in the monetary history of industrialised countries has been marked by the fight against inflation. In 1944, the Bretton Woods Conference had nonetheless attempted to establish common monetary rules to ensure collective stability. In reality, the aim was, above all, to try and make sure that the monetary constraint did not prevent a recovery in growth and encourage protectionism. We now know that the Bretton Woods mechanisms did not have a disciplinary effect; the post-war period was characterised by balance of payments imbalances, numerous devaluations and rising inflation rates.

As of the mid-1970s, there was a growing awareness that inflation did not bring the desired benefits in terms of employment and that it even constituted a hindrance to growth. Consequently, the fight against inflation became a priority. Some countries allowed their currencies to float and adopted quantitative liquidity control strategies. Others pursued regional monetary cooperation with a view to creating areas of stability.

Over the years, monetarism disappeared and made way for more sophisticated monetary strategies but the price stability objective was not abandoned. In fact, new governance standards were adopted with a view to better defending price stability. For instance, in the 1990s, monetary authorities increasingly gained independence from political authorities and most central banks received the explicit mandate of maintaining price stability. The chapter opened by Bretton Woods is drawing to a close: the ideal of multilateralism is giving way to the tough reality of the national or regional fight for monetary stability.

And, as if by magic, the inflation problem is vanishing! Since 1993, average price inflation of OECD countries stood at 3.5%, compared with 8.6% in the 15 preceding years. In Switzerland, the annual inflation rate fell below the 2%-mark in 1993, and has remained beneath this level since then. Progress in France has been just as remarkable: its average annual inflation rate has been 1.6% since 1993, whereas it was 6.8% for the 15 preceding years.

Has monetary wisdom prevailed at long last? Are economists enjoying their hour of glory? The time correlation between the new monetary order based on inflation targeting and price stability is nonetheless striking. But can we speak of causality? Has the price stability seen in recent times been the result of 15 years of appropriate monetary policy action by central banks or rather of favourable exogenous factors, temporary in nature, related to the increased globalisation of the world economy?

In view of this success in maintaining price stability, it may be tempting to conclude that policies must have been wise. But the rapid development of monetary aggregates and other liquidity indicators paints a more nuanced picture. Since the creation of the euro in 1999, the broad monetary aggregate M3 has grown at an annual average rate of 7.6% in the euro area. Over almost the same period, in the United States and the United Kingdom, the increase in these aggregates has been of the same order of magnitude, *i.e.* around 8-9% according to the definition used. If inflation is always a monetary phenomenon, are these developments compatible with price stability? And if the answer is no, why hasn't the inflationary impact of this rapid growth in liquidity been seen yet? Does the old thinking no longer apply? Or, put more scientifically, has globalisation changed the way that our economies function, introducing unprecedented flexibility and adjustment capacity in labour and product markets?

In order to answer our questions, we have the honour of benefiting from the experience of Bill White, Economic Adviser and Head of the Monetary and Economic Department of the BIS. Bill has been closely monitoring, from this privileged observatory, the implementation of monetary policy for over 10 years now. We are grateful to him for agreeing to make the main speech. We will then hear the reactions of the representatives of three countries where the problem of inflation is perceived in very different ways: first, Martin Redrado, Governor of the Central Bank of Argentina; then Janet Yellen, President of the Federal Reserve Bank of San Francisco and lastly Yi Gang, Deputy Governor of The People's Bank of China.