

Central Bank Efforts May 'End in Tears': Pimco CEO El-Erian

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Global central banks are accelerating mostly ineffective policies because they feel they have no choice but to keep trying, Pimco's Mohamed El-Erian told CNBC.

Monetary policy took market focus Thursday after the Bank of Japan said it would amp up its bond-buying program in an effort to stimulate growth that has not come despite two decades of similar effort.

But El-Erian, co-CEO of the firm that runs the world's biggest bond fund, said markets may have a hard time handling such aggressive measures.

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"This is the most experimental we've ever seen central banking," he said during an interview on the "Squawk on the Street" program. "They are venturing deeper and deeper, using imperfect tools, and they're not getting the response they expect."

The BoJ measures resemble a similar program by the U.S. [Federal Reserve](#), which has taken its balance sheet past \$3 trillion as it has bought government debt in an effort to flood liquidity into the markets and reduce unemployment while stoking inflation.

Both central banks have met uneven success with their efforts. In the U.S., the [stock market](#) has zoomed higher, but the economy remains mired to weak growth.

"Rather than step back and ask why (the measures have not succeeded), they just go deeper and deeper," El-Erian said. "The question is, will they finally succeed in transitioning from assisted growth to real growth, or will it end in tears? I think that's a major uncertainty and the market doesn't quite understand just how binary this outcome is."

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In the Fed's case, it has set a 6.5 percent unemployment target and 2.5 percent inflation rate before it will consider normalizing interest rates.

Yet the jobless rate remains elevated at 7.7 percent and inflation is below 2 percent, despite a tripling of the [Fed balance sheet](#). El-Erian attributed the jobless issue in particular to structural problems that cannot be solved merely by injecting money into the economy.

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Asked why Fed Chairman Ben Bernanke continues to push the idea that the asset program is working, El-Erian said, "He feels he has no choice."

"He feels he has to buy time for other agencies to address the structural issues," he added. "The question is, how much time is he going to buy, and how much collateral damage is he going to create in the process?"

—By CNBC's Jeff Cox. Follow him on Twitter [@JeffCoxCNBCcom](#).

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