FRANKFURT—Germany's top central banker warned that Europe's debt crisis will take as much as a decade to overcome, dismissing the view expressed by some political leaders that the worst of the crisis is over.

In an interview with The Wall Street Journal, Bundesbank President Jens Weidmann signaled that the European Central Bank could reduce interest rates if incoming economic and inflation data suggest it is warranted. But he warned that such a move wouldn't turn around the euro bloc's economic fortunes, instead pinning responsibility on elected leaders to find ways to kick-start growth and channel money to small businesses.

Mr. Weidmann praised the agreement between Cyprus and its international lenders for a €10 billion ($13.18 billion) bailout that includes steep losses for large depositors of Cypriot banks. Though the deal isn't a blueprint for others, it established the principle of a "pecking order" for stakeholders of banks to bear the costs of their investment decisions, he said.

"Overcoming the crisis and the crisis effects will remain a challenge over the next decade," he said, contrasting recent comments from European Commission President José Manuel Barroso that the worst of Europe's crisis is over.

"The calm that we are currently seeing might be treacherous" if it delays reforms at the national and European level, Mr. Weidmann said. There can be no quick fixes from the ECB either, he said.

"Everyone is asking what more can the central bank do instead of asking what other policy makers can contribute," said Mr. Weidmann. On the issue of helping small businesses in southern Europe gain cheaper access to credit, which many economists see as critical to hopes for a recovery later this year, Mr. Weidmann said institutions such as the European Investment Bank have better tools to address the problem.

He endorsed the recent agreement between Cyprus and its international creditors to impose steep losses on large depositors at its biggest banks. "The Cypriot case shows that it's possible to wind down banks. This is in principle a good thing, because it means that taxpayers don't always have to step in to bail out banks," he said.

Ideally, depositors shouldn't be touched, the German banker said, but he stressed that Cypriot depositors had received "much higher" interest rates on deposits than German savers.

Mr. Weidmann spoke ahead of this weekend's meetings of the International Monetary Fund, which is attended by finance ministers and central bankers from around the world.

The German banker has for months fretted that central banks are under too much pressure from politicians to spur growth in their economies through ultralow interest rates and other stimulus, citing Japan and Hungary, a message he plans to carry to Washington.

"A point that I think is important to make—perhaps less for my central bank colleagues than for finance ministers—is that the medication monetary policy makers administer only cures the symptoms and that it comes with side-effects and risks," Mr. Weidmann said.
Monetary stimulus from Japan and other large economies has kept the euro firm despite political uncertainty in Italy and the messy handling of the Cypriot bailout last month. The euro's current level "reflects that there is confidence in the euro zone. So, I would take this as a good sign," he said. He urged policy makers around the world to respect commitments they have made to refrain from manipulating their exchange rates for economic advantage.

Many analysts expect that with inflation below the ECB’s 2% target, at 1.7%, and expected to fall further, an interest-rate cut is likely in May or June. Mr. Weidmann didn’t rule out the prospect, but cast doubt that it would do much good.

"We might adjust in response to new information," however, "I don’t think that the monetary policy stance is the key issue," he said.

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