## Mario Draghi: Interview with Bild Zeitung

Interview with Mr Mario Draghi, President of the European Central Bank, in *BILD Zeitung,* conducted by Messrs Kai Diekmann, Editor in Chief, Nikolaus Blome, Deputy Editor in Chief, on 19 March 2012 and published on 23 March 2012.

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**Part I**

***BILD:*** President Draghi, when it was clear that you were to become head of the European Central Bank, BILD made a photomontage of you wearing a Prussian spiked helmet and called you a "true German". What did you think of that?

***Mario Draghi:*** I really liked it. The Prussian element is a good symbol of the ECB's key task: to maintain price stability and to protect European savers.

***BILD:*** For Germans, a central bank chief must take a strict line on inflation, be politically independent and favour a strong euro. In that light, how German are you?

***Draghi:*** These are indeed German virtues. But every central banker in the euro area should have them.

***BILD:*** The French President said that Europe should learn from the German model…

***Draghi:*** …he's right. Long before him I said that Germany is a model. The old European welfare state model is in fact dead, because it had to make debts far too often. The Germans have re-invented it – with no excessive debts.

***BILD:*** Do you have a message for the people of Germany?

***Draghi:*** Keep it up!

***BILD:*** The ever-present fear of devaluation, of inflation, is typically German. Can you understand that?

***Draghi:*** In the twentieth century the people of this country suffered terribly because of inflation. It destroys wealth and makes planning impossible. What's more, it can really destroy the fabric of a society.

***BILD:*** Why then, as ECB President, are you allowing euro area inflation to currently stand at 2.7%, significantly more than the ECB's objective?

***Draghi:*** Hold on. If you exclude the price of oil and recent tax increases by many governments, the inflation rate has been stable for months at 1.5%. Should the inflation outlook get worse, we will immediately take preventive steps. And look at the facts, they speak for themselves. Since the founding of the ECB the yearly average inflation rate has been better than in any comparable period prior to the euro.

***BILD:*** In two moves, the ECB has put almost €1 trillion into circulation. That's inflationary, surely?

***Draghi:*** The banks to which the ECB has lent the money have, by and large, not fed this into the economic cycle but have used it to meet old liabilities. So the money in terms of inflation has, so to speak, been neutralised. This action is not inflationary. And we will watch very carefully if and how the money is fed into the economic cycle.

***BILD:*** But the head of Germany's Bundesbank, Jens Weidmann, has issued a sharp warning about this flood of money.

***Draghi:*** I get on very well with Jens Weidmann both professionally and personally. Our difference of opinion has been blown up.

***BILD:*** Was he exaggerating?

***Draghi:*** He is a typical central banker, like all of us. We like to worry about things that nobody else worries about. And of course there are risks and side effects if you use such a strong drug, such as the almost €1 trillion of central bank money. It was right of Jens Weidmann to point that out and I agree with him.

***BILD:*** Is there a rift between north and south in the Governing Council?

***Draghi:*** No, there is no divide between north and south. All members of the Governing Council have taken to heart Germany's stability culture. The time of conflicts is over. But let me also say that the situation in the autumn was really critical. It could have led to a dangerous credit crunch at the banks and thus to bankruptcies; companies would have suddenly been left sitting high and dry financially. We had to prevent that.

***BILD:*** And the banks are doing nicely out of it, right?

***Draghi:*** The ECB's money has got to the right places. In Germany alone, 460 banks participated in the action, many more than usual. So it wasn't just the acutely suffering banks, but also many others, many of them small. That particularly helps the small and medium-sized companies that account for 70% of all jobs in Europe.

***BILD:*** This all sounds very optimistic. Is the euro then a safe currency?

***Draghi:*** Yes, it is.

***BILD:*** Is the crisis over?

***Draghi:*** The worst is over, but there are also still risks. The situation is stabilising. The key data for the euro area, such as inflation, the balances of payments and in particular budget deficits, are better than in the United States, for example. Investors are regaining their trust and the ECB has not had to provide support by buying government bonds for several weeks now. It is now up to the governments. They must make the euro area crisis-proof in a sustainable manner

***BILD:*** If it were your birthday today, what would you want from the German government and the Chancellor?

***Draghi:*** Trust the ECB. Trust Europe.

## Part II

***BILD:*** There is no end to the crisis in Greece. Yet again, more than €100 billion of credit is to be given to them. But isn't the country a bottomless pit?

***Draghi:*** The Greeks have passed very many important reforms in parliament. If they also implement these, the country has a chance to get itself out of the current downward spiral.

***BILD:*** But the parties that reject the reforms will be the ones that win in the upcoming elections.

***Draghi:*** To overcome the crisis, Greece needs a stable political situation.

***BILD:*** Why should taxpayers in Germany and other euro area countries be liable if it goes wrong?

***Draghi:*** The fact is that European taxpayers have taken on a lot for Greece. Their money must be protected. This is also why the ECB did not take part in the debt relief – because the cost would have been borne by taxpayers.

***BILD:*** How much time does Greece have left?

***Draghi:*** Some reforms can take effect very quickly. For example, a tax reform and better tax collection would spread the tax burden more fairly. That is a strong incentive to work more – and this will get the economy quickly back on its feet.

***BILD:*** Many experts now think that the only way for Greece to become competitive again is if it leaves the euro area.

***Draghi:*** As a matter of principle, the ECB does not give any thought to a country leaving the euro area.

***BILD:*** Nevertheless…

***Draghi:*** Leaving the euro area and having the possibility to devalue their own currency would not improve anything. It would not remove the need for reform. In fact, the consequences of leaving the euro area would be high inflation and instability – and, for the foreseeable future, nobody would lend Greece the money it needed.

***BILD:*** Will the Greeks in any case have to give up their prosperity?

***Draghi:*** Yes, they are renouncing exactly that as a result of wage cuts across all sectors. But this is still easier to do inside the euro area rather than outside it.

***BILD:*** Is there a limit to the support? Or will it just continue like this?

***Draghi:*** I can't answer that. We will have to see how things develop in the country. Generally speaking, the fact remains that if we want to protect taxpayers' money, the euro area cannot be turned into a transfer union, where one or two countries provide the money, the rest spend, and the whole thing is financed by joint Eurobonds. That cannot happen.

***BILD:*** Many parties, also in Germany, are calling for that.

***Draghi:*** A community must be founded on trust – trust that shared rules will be adhered to, for example, with regard to budgetary discipline. That is why the new fiscal pact among euro area states is the right thing and why Eurobonds would be premature.

***BILD:*** Is the German Chancellor's stance winning through?

***Draghi:*** Let me put it this way: without pressure from the markets and from the Germans, much of the progress we have made in the various euro area countries would not have been possible.

***BILD:*** How often do you speak on the telephone with the Chancellor?

***Draghi:*** Not very often. The ECB is very mindful of its independence. And the Chancellor fully respects this.