

Mario Draghi: Responsible leadership in times of crisis

Address by Mr Mario Draghi, President of the European Central Bank, on the occasion of receiving the ESMT (European School of Management and Technology) Leadership Award 2013, Berlin, 13 June 2013.

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Good afternoon.

It is a great honour to receive this award for Responsible Leadership and I would like to thank Mario Monti for his kind introductory words. I regret that I am not able to join you in person today in Berlin but am pleased I can address you via Video.

The fact we have a single currency and a European Central Bank is itself testament to the role of leadership. Many of you are too young to remember, but those of us who can recall Europe 20 years ago know how unimaginable it once was to speak about a single currency. Today, it is an integral part of our lives.

But as this award reminds us, the key aspect of leadership is responsibility. In the words of Peter Drucker, “rank does not confer privilege or give power. It imposes responsibility”.

As you know, the primary responsibility of the ECB is to maintain price stability in the euro area – to secure the value of our common currency. We take this responsibility with the utmost seriousness as it directly affects the lives of 330 million citizens of the euro area. Since the launch of the euro in 1999, we have fulfilled our mandate even through difficult times. We will continue to fulfil this task.

I am very proud to be personally contributing to the historic project that the euro represents as the most tangible sign of European integration. But this pride is accompanied by a deep feeling of responsibility.

There is no doubt that the recent period of economic and financial turbulence has tested us in new ways. We have had to take new measures to fulfil our responsibility for price stability. We had to look at all the data, assess all the evidence, and decide what measures were necessary to ensure the stability of the euro.

One such decision was to combat market fragmentation by Outright Monetary Transactions (OMT), based on a country committing itself to strict and effective conditionality under an EU/IMF economic adjustment programme.

At almost one year from its announcement, the benefits of OMT are visible to everybody:

Banks have been able to re-access the market, for both funding and for raising capital, and the strong divergence in funding costs across constituencies has receded.

Deposits have flown back: banks in stressed countries have seen the deposits by the euro area money-holding sector increasing by about 200 billion euros since August 2012.

Another sign of normalisation, and a very important one for German savers, has been the increase in German government bond yields, previously suppressed by panic-driven safe-haven flows, which have edged up by around 25 basis points.

And Target balances, which are a summary indicator of fragmentation, have declined by 285 billion euros, or 25%, since the peak last year, and now are at the same level as in late-2011. Therefore, also perceived risks for creditor countries such as Germany have greatly diminished.

The establishment of OMT has therefore been beneficial to everybody: sovereigns, corporations, banks as well as individuals, and it has benefited both periphery and core countries.

The decision on OMT was necessary. It was effective. And it was in line with our mandate.

It was *necessary* to remove severe obstacles to the appropriate transmission of monetary policy that were putting the singleness of our monetary policy at risk and which were harming the economy of the euro area very deeply.

And it is fully in line with our mandate because it is designed to preserve price stability for the euro area and uses instruments foreseen in the Statute.

In short, for the ECB responsible leadership has meant being true to our founding Treaty. Staying independent from the voices calling for us to “do more” or to “do less”; staying fully focused on our mandate to secure price stability for the citizens of the euro area.

For the euro area to now move forward and establish itself on stronger ground, we need all decision-makers to take their responsibilities. Governments to put right their public finances and address the structural challenges to growth in their economies; and the euro area as a whole to build a stronger economic and monetary union based on shared sovereignty and greater legitimacy.

There is a great deal of work ahead of us. But I am sure we will succeed.

Thank you for your attention.