

## Mario Draghi: Interview in Bild

Interview with Mr Mario Draghi, President of the European Central Bank, in *Bild*, conducted by Mr Kai Diekmann, Mr Nikolaus Blome and Mr Daniel Biskup on 25 April 2016 and published on 28 April 2016.

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***BILD: Mr Draghi, when you became President of the European Central Bank (ECB) just over four years ago, the Germans were scared that, as an Italian, you would create too much inflation. Now, even an Italian is unable to generate sufficient inflation. What is going wrong?***

Mario Draghi (laughs): Nothing. People in Germany can rest assured that their ECB President is doing everything to restore inflation to the right level. Our mandate is price stability, which means inflation of just below 2%.

***BILD: In order to achieve that, you have cut interest rates to zero. German savings are melting away like butter in the sun. Don't you care about that?***

Draghi: We are well aware of the situation for savers. And it's not only in Germany that people have to face low interest rates. But interest rates are low because growth is low and inflation is too low. Think about the alternative: if we raised rates now, it would be bad for the economy and it would unleash deflation, unemployment and recession. The interest on savings comes from growth, so it is in the interests of savers that inflation stabilises and growth becomes more robust. Besides, many people benefit from low interest rates as they are also homebuyers, taxpayers, entrepreneurs and workers whose companies are benefiting.

***BILD: In Germany the adverse effects are predominant. Making provision for retirement is becoming increasingly difficult...***

Draghi: Remember, what counts is what you earn on savings in real terms, i.e. interest minus inflation. This is higher today than it was on average in the 1990s. At that time you might have had a higher interest rate on your *Sparbuch* (savings account), but we often had an inflation rate that was higher still. So the interest looked good at first, but the real return was in fact much lower. Moreover, people can influence how much they get on their savings even in times of low interest rates. They don't just have to keep the money in savings accounts but can invest in other ways. The Bundesbank has recently shown that the average return on all German household assets is close to 2%.

***BILD: So, are the German savers themselves to blame?***

Draghi: No. But there are alternatives when investing savings. In the United States savers had to face seven years of zero interest rates. The financial system – banks and insurers – nevertheless still worked. Money was invested in a variety of ways which in the end enabled a decent return.

***BILD: Of all people, German Finance Minister Wolfgang Schäuble, who has supported you for years, is now among your strongest critics, saying your policies are damaging savers and thereby strengthening populist parties. Does that get to you?***

Draghi: I don't take anything personally in my job. A polite and constructive debate is actually welcome and helps us to explain our policies.

***BILD: Really?***

Draghi: Yes. But one thing is clear: the ECB obeys the law, not the politicians. Or, as one of my predecessors put it, it is normal for politicians to comment on our actions. But it would be abnormal if we listened to them.

**BILD: Does such criticism from the Finance Minister or from the German Vice Chancellor threaten the independence of the ECB?**

Draghi: No. But any perception that the ECB's independence is under attack can unsettle businesses and consumers. They might then postpone investment and spending decisions that would be good for jobs and growth. That might force the central bank to do more to achieve price stability.

**BILD: Has the strength of the criticism from Germany also got something to do with the fact that you are an Italian, and what do you think of demands that the next President of the ECB must be a German?**

Draghi: There is really nobody in the world who is interested in the fact that I am an Italian apart from the German media. And what difference would it make if a non-Italian were now in office? None at all. He or she would pursue the same course as we do now. All other large central banks in the world are pursuing similar policies.

**BILD: But it is precisely this policy of cheap money that is not working...**

Draghi: Wrong – our policy is working, but we must be patient; investor confidence has not yet been fully restored. For two years, the economy in the euro area has been growing month by month, banks are lending and unemployment is steadily falling. Meanwhile, euro area countries are now able to buy more German exports again, which, for German companies, is partly making up for the decline in trade with China. But it is a slow process because the crisis was more severe than anything we'd had since the Second World War.

**BILD: And when will interest rates rise again?**

Draghi: It's quite simple: when the economy is growing more strongly again and inflation rises closer to our objective. Low interest rates today will lead to higher rates tomorrow.

**BILD: Does the ECB's policy of cheap money not make it far too easy for euro area countries like Italy and France, for example, to shirk necessary but unpopular reforms?**

Draghi: No. The majority of governments are acting, albeit too slowly for my personal taste. All of them would be well advised to do more. But that is not primarily dependent on the ECB and its policies. Most countries started to implement reforms when the level of interest rates was already very low. Furthermore, reforms of judicial systems, electoral laws or labour laws, for example, don't have much to do with interest rates. So I don't find the argument convincing that we have to keep up the pressure. It is also not our task. It would not be democratic for a central bank to dictate to elected governments what they have to do.

**BILD: Mr Draghi, in your first interview with BILD four years ago, we spoke a lot about Greece. The country has still not got back on its feet, even though it has received hundreds of billions in emergency loans. When will the madness end?**

Draghi: Clearly, last year was an economic setback for Greece. Now everyone is aware that there can be no growth without reforms. And what the country and its people need above all is growth. Greece has implemented many reforms in the past few months and is committed to the path of reform.

**BILD: Is the euro a part of the solution for Greece, or a part of the problem?**

Draghi: Greece's challenges have little to do with the euro. It would have to implement reforms in any case. In the euro area, Greece can do that with the support of its partners. But one thing must be clear: who belongs in the euro area and who does not is not for the ECB to decide. That is a matter for the Member States.

**BILD: They are now more fractious than ever. Is that the biggest danger for Europe?**

Draghi: We are experiencing several crises which are all interconnected and reinforce each other. That makes it all the more important to resist every kind of nationalism or isolationism. Both are however on the rise. That worries me a lot.

***BILD: In the United Kingdom there will even soon be a vote on a complete withdrawal from the EU...***

Draghi: I cannot and do not wish to believe that the British would vote to leave, because we are stronger together. But if they do, it should be clear to them that they would lose all the benefits of the Single Market.

***BILD: If you had a spare wish for Chancellor Merkel, what would that be?***

Draghi: That she continues to fight for Europe.

***BILD: And one last question. The Bundestag has invited you again: will you go?***

Draghi: Of course. It will be my pleasure.