

Mario Draghi: Interview with *ARD Tagesthemen*

Interview with Mr Mario Draghi, President of the European Central Bank, and *ARD Tagesthemen*, conducted by Mr Thomas Roth and broadcast on 28 September 2016.

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Mr Draghi, today when you talked to the members of the German parliament did you feel like a defendant at court?

Draghi: No not really, not at all. First of all I was thankful for this opportunity to exchange views with people who actually are in contact with the rest of the people and also I really enjoy the exchange.

Now do you have the feeling that the members of parliament also were accepting your course and thinking that's the right one?

Draghi: Now, of course, it's not up to me to say that I convinced them but my perception was that most of the questions were generally trying to understand how our work and our policies work, whether they are effective, what consequence they have and the real criticisms were very, very few. It was a quite widespread support, rather, for the policies we undertake.

Mr Draghi, what do you tell the normal savers who practically do not get any interest any more on their savings account and feel almost expropriated? What do you tell them?

Draghi: Well let me first say that both my colleagues in the Governing Council and myself take these concerns very seriously. There is only one honest answer to give with several sort of nuances around it but the honest answer is that we need to return to strong growth. We need to have more growth. With more growth, we'll have lower unemployment all over the euro zone. Of course, now I am speaking for the whole of the euro zone, not only for Germany where conditions are definitely better than in the rest of the euro zone. And when this will happen we will have also higher nominal wages and ultimately a return of inflation towards our objective of being close to but below 2%. And at that point in time interest rates will rise again and the return on savings will also go up. Now, of course, one can also say that if we look at the households in their aggregate, we see that the savings they had from less payments, in other words those households that have a mortgage, would pay less. These savings from lower payments are bigger than the loss of interest on their savings accounts. But we are talking about the aggregate and within this figure, we have savers that have nothing but a deposit account, or a checking account or a savings account, and in that case of course the lower rates mean lower income.

Mr Draghi, the banks have to pay negative interest if they deposit their money with you, with the ECB – and this, although many banks are already suffering anyway – and Deutsche Bank accuses you of even worsening the problems in Europe. So are we heading for a new banking crisis?

Draghi: Let me say that I won't comment on individual institutions and also let me say that bank business models should be able to withstand periods of low interest rates. Within the banks category we have banks that are weaker and we have banks that are actually doing quite well. The Sparkassen, the cooperative banks, have rates of return that are well above the average both in Germany and the euro zone. And let's never forget that the measures we have taken, of lower interest rates, are always measures that will produce and are producing the objective that we are pursuing, namely higher growth and higher inflation. So ultimately this will prove beneficial to the banks themselves. Furthermore, when we look at the banks all over the euro zone, we see that their profits last year actually went up and this is the first year when interest rates have been negative; and even the return they had from the net

interest income also increased. Which says basically that the category overall did well and within the category of course we have weak banks and strong banks. But having said that, I think the negative interest rate is not something that can go on forever. So I never said about interest rates, and about negative interest rates, that it's a yes or no question. But the answer is the extent and for how long.

Mr Draghi, the Federal Minister of Finance Mr Schäuble has called the low interest rate policy one of the reasons for the growing popularity of right wing populists in Europe. Now, if that is true, isn't that a very high price to be paid?

Draghi: Well, I wouldn't want to judge political statements. There are similar statements being made in the south of Europe where they say that austerity is actually the reason for the increase in the popularity of populist movements in Spain, in Italy and elsewhere. One cannot really judge. The point is that we have different jobs. The policy, the job of central banks is to do the right things to reach the objective. The policy of politicians is rather to deal with perceptions and explain the actions of central banks.