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SAFE Finance Blog

Mario Draghi rightly received Germany's highest honor

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Jan Krahen: Loud is the criticism awarding the Order of Merit of the Federal Republic of Germany to Mario Draghi, who is said to have harmed the German saver. The opposite is true



At the end of last week, Mario Draghi, the former President of the European Central Bank (ECB), received Germany's Order of Merit – the highest recognition (<http://www.bundespraesident.de/EN/Role-and-Functions/HonoursAndDecorations/TheOrderOfMerit/theorderofmerit-node.html>) awarded by the Federal Republic for services to the common good.

At the award ceremony in the Bellevue Palace, Federal President Frank-Walter Steinmeier emphasized Draghi's merits. He had served the united Europe with "heart and hand" (<http://www.bundespraesident.de/SharedDocs/Reden/DE/Frank-Walter->

Steinmeier/Reden/2020/01/200131-Verdienstorden-Draghi.html)", had kept the euro and the European Union together in difficult times and had thus done Germany a great service, Steinmeier said.

Less friendly in comparison were many comments from politics and the media on the award of the Federal Order of Merit to Mario Draghi. "It is incomprehensible for what merits Mario Draghi is receiving the Order of Merit", said Florian Toncar, (https://twitter.com/florian_toncar/status/1221819990158008321) the financial policy spokesman of the liberal party's (FDP) parliamentary group in the Bundestag. He stated that the ECB's policy affected the pension system negatively, and the risks to the stability of the banking sector had been increased. There was also criticism from the conservatives in the CDU/CSU: CSU Secretary General Markus Blume (https://www.focus.de/finanzen/banken/bundespraesident-csu-kritik-verleihung-des-bundesverdienstkreuzes-an-draghi_id_11593469.html) stated that with Draghi, off all people, the man was awarded whose interest rate policy for years had represented a kind of slow expropriation for people who forward-looking had saved and invested money for old age. Draghi had "robbed diligent savers in Germany of many billions (<https://www.bild.de/geld/wirtschaft/wirtschaft/sparer-verloren-durch-ihn-milliarden-graf-draghila-bekommt-bundesverdienstkreuz-68510712.bild.html>)", and in 2020 alone, the damage would amount to more than 24.5 billion euros, the German daily newspaper Bild reported.

What shall one think of this criticism? Mario Draghi is undoubtedly a leader with strong academic expertise. In the euro crisis, which posed a major threat to German savers, he has shown attitude and found the right words to maintain confidence in the euro. He leaves behind an ECB that is capable of action, financially and intellectually, and which now has to switch from crisis mode to a new normal operation.

But is Draghi responsible for the low interest rates? The accusations that the ECB with its policies of recent years is responsible for this are misleading. For savers, it is important what they can buy with their money in the future. This is what the savings interest rate minus inflation tells us: these are the real interest rates. According to the predominant opinion of the academic community, the ECB, though, has little lasting influence on the level of real interest rates. The low interest rates that we are experiencing today, therefore, have many causes – such as the increasing aging of the population or technological change. My colleague Alexander Ludwig has described these factors in detail in the SAFE Policy Blog (<https://safe-frankfurt.de/policy-blog/details/is-the-ecbs-expansive-monetary-policy-still-reasonable.html>).

Therefore, the following applies overall: by strengthening confidence in the euro, Draghi has done a valuable service especially to German savers – and that is worthy of the Order of Merit of Germany.


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