

# Blaming Draghi Finally Unites Merkel's Fractious Coalition

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- ▶ ECB independent but not 'untouchable,' CDU official says
- ▶ German fears over retirement, savings moves to forefront

German Chancellor Angela Merkel's fractious coalition partners can at last agree on one thing: it's all Mario Draghi's fault.

After months of bickering over refugees, the three coalition parties are taking advantage of a lull in the crisis to address widening alarm over dwindling pensions and savings. That's translated

QUICKTAKE  
Angela Merkel

into a slew of criticism of the record-low interest rates set by the European Central Bank under Draghi.

The opening volley was delivered by Finance Minister Wolfgang Schaeuble, who last week laid part of the blame for the rise of the populist Alternative for Germany party at the ECB president's feet. While his ministry issued a statement respecting the bank's independence, it defended Schaeuble's comments as part of a political debate over monetary stimulus. A spokesman said the ECB had no comment on the criticisms.

"Schaeuble is completely right to put our efforts on private pensions up for debate," Thomas Schaefer, CDU finance minister for the state of Hesse, home region of the ECB's Frankfurt headquarters, said by phone. "Of course this leads to nervousness in the public if you can't rely on private plans anymore. It's the right debate to have to say that we need another interest-rate policy in the middle to long term. The ECB is in a position of independence, but that doesn't mean it's untouchable."

## Raising Concerns

Merkel joined the fray on Tuesday, addressing the effects of low interest rates in a closed door meeting with lawmakers from her Christian Democratic Union in Berlin, according to a party official who was present. While she didn't explicitly mention the ECB or Draghi, the critique taps into German public disgruntlement over the central bank's perceived whittling away of retirement savings.

Merkel avoiding criticizing Draghi at a press conference on Wednesday, saying that euro-area governments need to do their part to get the ECB to lay off stimulus measures.

Economic growth “creates the best conditions in terms of the resources that we have in politics so that the ECB’s monetary policy can be shaped in another way,” Merkel told reporters in the eastern German town of Stolpe an der Peene.

## Discussing Concerns

The Chancellor is due to discuss concerns over pensions with the leaders of the Christian Social Union and Social Democrats -- her two coalition partners -- later Wednesday.

The specter of old-age poverty looms in Germany as almost half of workers who retire in 2030 will receive pensions below the minimum social welfare level, according to public broadcaster WDR, which cited its own projections based on available data. Declining entitlements combined with fewer safe investment opportunities provided by the ECB has emerged as political fodder, particularly for the upstart AfD.

SPD lawmaker Manfred Zoellmer said the ECB debate a “distraction” shielding attempts to counter the rise of the AfD,

“The AfD gained strength with the refugee crisis, but you can expect that they’ll make the expropriation of the people through Europe the next big issue,” Zoellmer said in an interview.

## Diminishing Pensions

Still, SPD Chairman Sigmar Gabriel weighed in on [diminishing pensions](#) this week, vowing that his party will ensure that the decline in average pensions as a percentage of working wages comes to a halt - - effectively an opening gambit for the 2017 campaign.

Political leaders are tapping into a growing sense of unease in Germany that the post-war order is being turned on its head -- with savings being eroded by a monetary policy out of domestic control being compounded by concerns over the impact of the influx of 1 million asylum seekers last year. Voters are contacting the coalition parties to express their concern at the direction the country is taking, with a bundle of worries that include ECB proposals to eliminate the 500-euro note, according to leading CDU lawmakers.

## Euro-Skeptics

“Draghi’s monetary policy is providing a tailwind to euro-skeptics at the moment,” Alexander Radwan, a CSU lawmaker who sits on the Bundestag’s finance committee, said in an interview. “Stable monetary

policy requires stable political conditions -- and Draghi is responsible for that.”

After the AfD capitalized on refugee fears in three state elections last month, sapping the CDU’s standing among its base, Merkel’s rank-and-file are looking for ways to win back voters. That drive is already gaining added urgency as lawmakers start to gear up for federal elections for the lower house of parliament next year. The CDU and its Bavarian CSU sister party are now vying with the Social Democrats to appeal to voters over the erosion of savings through ECB policy.

“I’m very alarmed at this whole ECB-bashing that’s now emerging,” Carsten Brzeski, chief economist at ING Diba AG in Frankfurt, said by phone. “I find it questionable to present the ECB as a scapegoat without taking a good look at oneself, in particular as it concerns a government that likes to refer to rules and European treaties.”

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