
DRAGHI FACES OFF AGAINST GERMAN CRITICS

29.09.2016

28.09.2016

EuroNews

Grilled by German lawmakers, European Central Bank President Mario Draghi has been defending its ultra low interest rates and other stimulus measures, which he said were a necessity.

Answering questions from the Bundestags European Affairs committee on Wednesday, he rejected claims that the ECBs monetary policy was undermining eurozone growth, German bank profits and even fuelling the rise of right-wing populists.

After the closed-door session in Berlin he told reporters: The ECB is sensitive to this risk and to the peoples concerns over the low interest rates.

Draghi denied that ECB policy is to blame for Deutsche Banks problems but declined to comment on whether the state should step in to help it.

He said: Many banks, or some banks, have problems that dont have to do primarily with a low level of interest rates, but possibly with other reasons, either business model or risk management.

Earlier Draghi told the committee: On balance, savers, employees, entrepreneurs, pensioners and taxpayers across the euro area, including in Germany, are better off because of our actions □ today and tomorrow.

What we need now is to allow our measures to develop their full impact, he added.

Drahgi pointed out that the German government alone had saved 28 billion euros last year through lower than expected interest payments.

In fact, evidence shows that between 2008 and 2015 interest payments by households in Germany, as a percentage of gross disposable income, fell more sharply than interest earnings, Draghi said.

Of course, low interest rates for a long period might carry the risk of overvaluation in asset markets as a result of the search for yield. But at the moment we are not seeing any overheating in the euro area or the German economy as a whole.

He also again called for more government spending in Germany, which annoys the Berlin government, because balancing the budget is a national obsession.

German Finance Minister Wolfgang Schaeuble □ who has has long been critical of theECBs low

interest rate policy □ said that he agreed with Draghi that more economic momentum, investment and structural reforms were needed in Europe.

Kaynak/Source: