Mario Draghi is about to bring Europe’s integration project across the Rubicon.

At about 2:30 p.m. in Frankfurt, the European Central Bank president will probably commit to a quantitative-easing program that may exceed 1 trillion euros ($1.2 trillion). While the move comes much later than that of the Federal Reserve, which ended its own QE three months ago, the ECB’s arrival at this point still marks a critical juncture in the history of the currency and the European unity it embodies.

The prospect of large-scale government-bond buying to fight the threat of deflation has not only reinforced national trench lines at the heart of the single currency. A failure of the institution’s most controversial measure to date, combined with government dawdling on economic reforms, risks condemning the region to a spiral of dissatisfaction in which unemployment and economic weakness drive voters to politicians who say regional integration has gone too far.

“At stake here is the credibility and the unity of monetary policy in the euro area,” said Daniel Gros, director at the Centre for European Policy Studies in Brussels. “But it is a very divisive move, and the way it is executed might only reinforce the divisions in the region.”

Such tensions have been simmering since Europe’s debt crisis in 2009 inflicted the first cracks in the region’s unity after multiple treaties and decades of integration intended to heal the wounds of war. With the scars of conflict fading, a potential ECB pledge to buy national debt and a Greek election three days later are now inviting citizens from Athens to Berlin to ask whether the cost of togetherness is a bill worth paying.

**ECB Schism**

QE has been long in the making. The ECB took a first step in that direction in 2010 when it bought bonds of debt-strapped countries such as Greece. That was opposed by then-Bundesbank President Axel Weber within hours of its announcement, opening a rift between the ECB and the German central bank whose uncompromising stance on inflation inspired its design.

The rift became a schism. In recent weeks, Jens Weidmann, the Bundesbank’s current president, and his former deputy Sabine Lautenschlaeger, now an Executive Board member at the ECB, have been the loudest voices against more stimulus. Their argument: The slump in oil prices that’s
damping inflation will bolster the economy as previously announced measures begin to take effect.

**Wealth Redistribution**

Against that speak inflation expectations, which dipped below the ECB’s 2 percent price-stability threshold in August. Consumer prices are falling on an annual basis and may continue to decline for a substantial part of 2015, according to ECB Chief Economist Peter Praet. Compounding the problem for Draghi and the 24 other members of the Governing Council are subdued economic growth and near-record unemployment.

“I don’t doubt that the Bundesbank would have done sovereign QE if German inflation had been at zero or below,” said Guntram Wolff, director of the Bruegel research group in Brussels. “The real issue is that the ECB is going to buy government debt in a union of 19 countries with 19 different treasuries. At some point, there is the risk there will be some redistribution of wealth which is not warranted by the treaty.”

With QE possibly pushing the ECB into the sphere of fiscal policy, that creates effects that may reach further than other monetary-policy instruments.

As governments haggle over political and budgetary sovereignty, the ECB’s challenge is to make any program effective for the entire currency region while not preempting steps toward more European unity that nations aren’t yet prepared to take.

**Political Consensus**

“There is no political consensus among euro-zone member states to issue euro bonds,” said Andrew Bosomworth, Pacific Investment Management Co.’s head of portfolio management in Munich. “The ECB’s critics claim QE is tantamount to euro bonds via the back door by unelected officials — and therefore wrong.”

Yesterday, the ECB’s Executive Board proposed spending 50 billion euros a month, primarily on sovereign debt, through the end of 2016, taking the total package to about 1.1 trillion euros. Politicians including Italian Finance Minister Pier Carlo Padoan have signaled support for QE.

They’re looking to potential benefits such as a further weakening in the euro and a drop in sovereign-bond yields closer to those of Germany, the only country in addition to Luxembourg that has maintained a top credit grade at all three major rating companies throughout the crisis. That’s most likely to happen if risk is shared across all euro-area nations.

**Big Leap**

“If that’s the discussion -- that the ECB takes Europe forward and takes this big leap toward risk pooling, then we’d better not have it,” Executive Board member Benoit Coeure said in Dublin this week.
The issue of who will be liable for any risks resulting from QE in the event of a default has dominated policy makers’ debate. While member states usually share profits and losses in relation to the size of their economies, officials have suggested that under QE, national central banks will be made at least partially responsible for their own actions.

That would address legal concerns related to a prohibition of financing governments and mutualizing debt in European primary law. It would also allow any program to be bigger, while keeping up the incentive for governments to push through reforms and perhaps placating Germany’s Weidmann.

“QE is an important and symbolic step, but I don’t think it’s going to be that big a deal from the macroeconomic point of view,” said George Magnus, an independent economic adviser for UBS Group AG in London. “The time for ECB QE was a year or two ago. It won’t be a wasted effort now but the effectiveness of a probably limited form of QE isn’t enough to reverse the trend toward deflation.”

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