

Musical chairs at the ECB

German media reports on the government's interest to push for Weidmann as the next ECB president are as premature as entertaining.



Source: iStock

Germany pushes for Weidmann as next ECB President

According to an article from German magazine “Der Spiegel”, German Chancellor Merkel and Finance Minister Schäuble plan to push for a nomination of Bundesbank President Jens Weidmann as next ECB president. Without citing further sources, “Der Spiegel” reported that Merkel and Schäuble would argue that it was finally Germany's turn after the Netherlands, France and now Italy have had “their” ECB presidents.

There are still over two years to go

Mario Draghi's term as president will only end at the end of October 2019. So, any speculation about his succession seems a bit premature. Still, it would not come as a surprise if the German government would try to push for a German as next ECB president. Let's not forget that in the behind-the-scenes discussions and negotiations in 2012, leading to Mario Draghi's nomination, the German government had been pushing for then-Bundesbank president Axel Weber as possible ECB president.

Judging from previous experiences, nominations of members of the ECB's Executive Board, in particular for the president, are always subject to intense political bargaining and also national interests. Even though officially and, according to the European Treaties, ECB Executive Board members do not represent their countries but only the interests of the Eurozone.

Any speculation about Draghi's succession seems a bit premature

The ECB president, as well as the other five members of the Executive Board, is nominated by European leaders with a so-called qualified majority. The eight-year terms cannot be renewed or extended; not even in a different function. Currently, the Board consists of Italian, Portuguese, German, French, Belgian and Luxemburgish nationals. Vice President Constancio will be the first to leave the Board in May 2018, Peter Praet in May 2019 and Mario Draghi's term expires in October 2019. Currently, the Spanish government has publicly shown its interest in a high-level post in the Eurozone's financial world, be it the Eurogroup or the ECB.

Too premature to discuss Draghi succession

In our view, it is far too premature to start the discussion on the Draghi succession. The official nomination will only be due in Spring 2019. Obviously, Weidmann would be a highly qualified candidate but the big question is whether the rest of the Eurozone is really ready for a German ECB president. Maybe it is if by then (in 2019) the ECB has actually moved towards a gentle normalisation of its monetary policies. However, there are at least two unwritten laws when it comes to high-level political nominations in Europe: one, individual nominations are always part of a bigger musical chair and bargaining process. In this regards, one should also keep in mind that 2019 will be the year of the next European elections with a new European Commission (and therefore many European high-level posts to fill). And, two, being mentioned first in the race for top jobs is often not a good thing, as it gives opponents plenty of time to undermine a candidate.

Nevertheless, as premature as Friday's report of "Der Spiegel" might be, it is a good reminder of a discussion that will definitely come. Maybe it is a good sign, showing that the Eurozone economy is finally doing well enough that the focus can shift away from crisis management and the economy to the always entertaining musical chair game.

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