

Snap | 25 September 2019

ECB: Unexpected shake-up

The German member of the ECB's Executive Board, Sabine Lautenschläger, just announced her resignation from office by the end of October



ECB headquarters, Frankfurt

This is another shake-up of the ECB. Sabine Lautenschläger has announced that she will resign from office by the end of October. Lautenschläger has been on the ECB's Executive Board since 27 January 2014, when she succeeded Jörg Asmussen, who back then left the ECB for a position in the German government. Her eight-year term would normally end in January 2022. Lautenschläger has been mainly responsible for setting up the Single Supervisory Mechanism (SSM). No reasons for her resignation were given in the press statement. So far, the motivation for her resignation is unclear. It may be due to personal reasons but perhaps also a protest against the ECB's recent decision to engage in another round of monetary easing. The latter would fit into an almost typical German tradition as previous Executive Board member Jürgen Stark and Bundesbank President Axel Weber both stepped down in protest.

Sabine Lautenschläger has been the most vocal and often the only member of the Executive Board to publicly criticise the ECB's bond purchases. Some commentators had also expected her to be in the race for chair of the SSM, which eventually went to the Italian Andrea Enria. Lautenschläger will now be the fifth Executive Board member to resign before the official term

ends.

- The first ECB President Wim Duisenberg resigned in 2003 to make way for Jean-Claude Trichet
- Lorenzo Bini Smaghi resigned in 2011, leaving only one Italian national on the Board after Mario Draghi had become president.
- Jürgen Stark also stepped down in 2011 to demonstrate his opposition against possible bond purchases
- Jörg Asmussen stepped down in 2013 to take a job in the German government.

The resignation of Lautenschläger means that there will be two new Executive Board members this autumn, as Benoit Coeuré's term will finish at the end of the year. It is almost a given that Lautenschläger will be replaced by another German. Don't count on Jens Weidmann, who would have trouble advancing German interests anyway, as the most influential portfolio economics is controlled by Philip Lane. More likely candidates are Isabel Schnabel (member of the Council of Economic Advisers) or Claudia Buch (Vice-President of the Bundesbank). When it comes to the replacement of Coeuré, Eurogroup President Mario Centeno yesterday announced that there was only one official candidate for Coeuré's succession: the Italian Fabio Panetta, Vice-President of the Italian central bank. The official deadline set by the Eurogroup to bring candidates forward ended yesterday and it will be interesting to see whether any national government will change its mind after last night.

In any case, if Lautenschläger's resignation has really been driven by her opposition to the ECB's latest decision to cut rates further and to restart quantitative easing, it would worsen the divide between hawks and doves. While to some extent dissenting views can be seen as another step toward becoming a mature central bank, the fact that opposition to the last policy decision has become very vocal, even after the decision, shows how fragile the ECB currently is. When Christine Lagarde takes over from Mario Draghi in November, she will have her work cut out to mend ties.

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