

# The resignation of German Federal Bank President Axel Weber

Peter Schwarz  
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Following the resignation last year of federal President Horst Köhler and a number of conservative state prime ministers, another key political figure has now turned his back on German Chancellor Angela Merkel. Federal Bank (Bundesbank) President Axel Weber has announced his resignation effective April 30, one year before the expiry of his regular term of office.

Weber was Merkel's candidate to succeed the president of the European Central Bank (ECB), Jean-Claude Trichet, whose term expires in October. Now, Weber is no longer available, and no replacement candidate is in sight. The presidency of the ECB, which is of strategic economic importance for Germany, is therefore expected to go to the candidate of another country. The most likely candidate is the head of the Bank of Italy, Mario Draghi.

In an interview with *Der Spiegel*, Weber declared that the reason for his resignation was his increasing isolation within the European Union and the ECB regarding fiscal policy. His "clear position" on major decisions had "not always been beneficial for my acceptance by some governments," he said. Therefore, his decision not to run for the presidency of the ECB had "matured" since January. If the ECB president "represents a minority opinion on important issues, then the credibility of that office suffers", Weber said.

According to the *Welt am Sonntag*, Weber had not been able to find a general consensus on the 21-member governing council of the ECB since May 2010. At that time, Weber, who was himself a member of the council, had publicly opposed the decision by Trichet and the council's majority to purchase government bonds from financially ailing countries in order to defuse the euro crisis. Since then, according to a report by the French newspaper *La Tribune*, Weber was not only opposed by the governments of the countries concerned, but by French President Nicolas Sarkozy as well, who was working against him behind the scenes.

Weber is an advocate of a tough monetary policy stance in the tradition of the Bundesbank prior to the introduction of the euro as a common currency. The Bundesbank saw its central task to be the defence of the stability of the deutschmark against inflation. The bank's much-vaunted "political independence" meant that it was strictly opposed to subordinating monetary policy to social needs and measures aimed at ameliorating social tensions.

Weber is a confidant of the banks, and there are persistent rumours that he will succeed Josef Ackermann as head of Deutsche Bank after a gap period of six months or a year. As the head of Germany's largest private bank, Weber would command an annual salary of over €10 million. Weber's tough stance on monetary issues has won the respect of Ackermann, whose own contract expires in May 2013. The *Süddeutsche Zeitung* writes, "Above all the fact that Weber consistently maintained a policy based on stability in the euro crisis is highly rated by Ackermann".

A change by Weber to Deutsche Bank is regarded as inappropriate even by financial circles because he possesses extensive insider information over competing banks in his function as Bundesbank president. Nevertheless, in his *Spiegel* interview, Weber did not rule out switching to a private financial institution.

In his role as Federal Bank president, Weber was closely involved in the drawing up of the banking rescue package, which made hundreds of billions of euros of taxpayers' money available to the banks in order to cover for their speculative losses.

At the height of the crisis in Greece in May 2010, Weber proposed that the ECB Governing Council make more money available to the banks to protect them against the effects of the crisis. When the ECB took a different course and bought up government bonds, thereby lessening somewhat the pressure on ailing states to

sharply cut their spending, Weber came into conflict with the ECB majority.

The economics professor, who is not a member of a political party, was put in charge of the Federal Bank in 2004 by Hans Eichel, the Social Democratic finance minister. Following the election of a conservative-led government, Weber worked closely with Chancellor Merkel and advised her during the 2008-2009 financial crisis and the euro crisis.

Merkel defended Weber's tough stance in monetary policy in Europe. For a long time, she resisted a fund to prop up Greece and other debt-stricken states, thereby earning the enmity of not only the majority of EU states but also representatives of business and politics in Germany, who accused her of lightmindedly jeopardising the euro and the European Union. Merkel finally gave in and agreed to a European rescue fund and the type of centralised European economic governance demanded by France. Weber, however, had always rejected such economic governance.

Weber's resignation, which came as a surprise to Merkel and was leaked in the press before the chancellor's office was informed, is also an indirect criticism of the chancellor in that she failed to give sufficient backing to monetary policy hardliners.

The *Frankfurter Allgemeine Zeitung (FAZ)*, the leading organ of the banks concentrated in Frankfurt, reacted angrily to Weber's sudden resignation. Under the heading "Flight from Responsibility," the paper accused him of refusing to stand up to his responsibilities.

The Frenchman Trichet had "regrettably put the ECB at the disposal of rescuing the euro", *FAZ* complained. "Funding for states through the balance sheets of the central bank amounts to printing money and leads, as monetary history shows, to inflation." Weber was the only member of the council of the ECB to have quite correctly criticised the purchase of bonds of highly indebted eurozone countries.

"It would have been a tribute to Weber as president of the ECB if he had reestablished in the ECB the tradition of stability of the Bundesbank for which he undoubtedly stands," *FAZ* concluded. "The political opposition he would have confronted would not have damaged the office, but rather strengthened it." Instead, "with his resignation he has harmed the post of Federal Bank president and embarrassed Chancellor Angela Merkel in Europe."

Weber's resignation is symptomatic of the political tensions within the German and European ruling class that

have developed in the wake of the international financial and economic crisis. He is among a growing number of German politicians and business representatives who regard the drastic austerity measures of the present government as inadequate and advocate a more aggressive domestic and foreign policy.

This position was most clearly expressed by the former chairman of the German Business Federation, Hans-Olaf Henkel. In his book *Save our Money*, he argues for a German foreign policy that aims to dominate rather than harmonise Europe. Henkel supports the racist demagoguery of former federal bank member Thilo Sarrazin and combines vicious attacks on working people with demands for sharper cuts in social services and the call for Germany to use its economic strength to bring other countries to heel.

So far, the advocates of such policies have expressed their opposition by resigning their posts and in most cases finding new lucrative jobs in business and finance. The former CDU parliamentary leader, Friedrich Merz, falls into this category, as well as the former prime minister of Hesse, Roland Koch (CDU), and Bundesbank President Axel Weber. Currently, they see no way of obtaining a majority consensus for their positions in the established parties or in elections, but this could change quickly when the crisis intensifies. This is what they are waiting for.

In particular, a future government constellation of the SPD, the Greens and possibly the Left Party would demoralise sections of the population with its right-wing policies and provide the right wing time to reorganise. This danger can be averted only if the working class breaks from the paralysing influence of the SPD, the Left Party and the trade unions in an offensive and independent struggle for its own class interests.



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