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SAFE Finance Blog

From the Financial Industry into Politics? Of Course!

11/27/2018

Jan Krahen: One reason for criticizing Friedrich Merz is his work in the financial industry. This is unfair because more exchange between business and politics is needed



Friedrich Merz wants to become chairman of the Christian Democratic Party (CDU). Almost ten years after his withdrawal from the Bundestag, he will be going for election at CDU's conference in early December - undoubtedly already a spectacular comeback on the political stage! It is difficult to say,

however, how good are his chances to prevail against his competitors Annegret Kramp-Karrenbauer and Jens Spahn.

Striking though is the criticism that Merz has needed to face since he declared his candidacy in the end of

Coming through is the criticism that Merz has needed to face since he declared his candidacy in the end of October. It stems partly due to the nature of his work in recent years as a corporate lawyer with various supervisory and administrative mandates. Particularly in the crossfire are his engagements for the German subsidiary of the asset management corporation Blackrock (as chairman of the supervisory board) and for the commercial bank HSBC Trinkhaus (as a member of the supervisory board). Should someone who has worked in the financial industry become a politician again, a leader of a catch-all party? Maybe even chancellor, who steers the fortune of the country?

As an anecdote, this discussion reveals the image problem of the financial sector. The criticism can be roughly split into two parts. On the one hand, critics question the extent to which Merz was aware of or actively involved in questionable practices. "Friedrich Merz will have to explain to the members of the CDU how he has worked in his various functions in the financial industry for socially responsible actions of his clients - such as the supervisory board of the private bank HSBC Germany, which was involved in cum-ex-business", said Edda Müller, chairman of the anti-corruption organization Transparency Germany to the German Press Agency (Deutsche Presse-Agentur). In this context, it is important to state that Merz worked for Blackrock and HSBC as a member of the supervisory board. However, its task is not the operative business, but the control of the Management Board, good organization of processes and the observation of compliance rules. So far, there is no sign or evidence of Merz's involvement or complicity in dubious transactions.

Secondly, Merz is generally criticized for wanting to get back from the financial industry to politics. As a former "chief lobbyist" for Blackrock (as he was labelled in "Zeit Online"), the largest asset manager in the world, questions would appear in terms of conflicts of interest for a possible CDU leader Merz, noted the non-governmental organization Lobby Control.

An effective tool against the feeling of political numbness

One thing is clear: Of course Blackrock has an interest as a company, for example a stronger privatization of pension provision. To articulate this interest is legitimate. Merz announced giving up all mandates in the case of his election. Back on the political stage, he would be closely watched by the media and the public: That he would act one-sided for the interests of his former mandate in this role, seems then rather unlikely.

It is reasonable to assume that Merz would bring with him clear ideas, such as an intensification of the European banking and capital markets. These ideas are based on the experiences he has made on his life's journey. People are not white sheets of paper that get political without a background. However, it is just as legitimate for someone with financial industry experience to go into politics as someone whose roots are in the labor union, for example. Both should not only be possible, but even wanted in a democratic society.

In fact, we would need more and not less transitions between the financial sector and politics. Of course, this also applies to other areas of life, such as industry, the social sphere or research and teaching. Preventing such changes for fear of possible conflicts of interest or inhibiting them through long waiting periods promotes caste thinking - and suggests that, for example, teachers, lawyers or doctors do not have their own experiences and therefore no professional or sectoral "interests". The consequences are politicians who know only politics - perhaps this is also a cause for the rising distance from the citizens. We should motivate citizens from all areas of life to go into politics and allow these transitions. That would be an effective tool against the feeling of political numbness that is often lamented.

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