Panel 3
Keynote Address by

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You invited me as Minister of Economics and Technology, but today I am here as Chairman of the second largest government group in the Parliament, which means I will be able to speak more freely.

I will start with the currency issues. The euro member states are currently struggling to find a good solution for some of its ‘problem children' in the South and on the island. We are talking about soft refinancing, extending the duration of loans and adapting the loan conditions. Everybody agrees that it should be soft. This reminds me of the ‘gentle birth' services of a midwife. In 99 percent of the cases it works fine, but most parents prefer a hospital with a paediatric intensive care ward. Professor Sinn expects a significant haircut. Mr. Peet's Economist has already outlined a refinancing scenario, with realistic numbers. The German federal government is working hard to avoid a miscarriage, as Professor Sinn and Mr. Peet fear.

Now to the panel topic of subsidiarity versus centralism. The euro countries have established a fund called ESM – the European Stability Mechanism. This is a centralistic instrument and I was in favour of it from the start. Europe should be in a position if necessary to help itself. I am convinced that we need an ESM but it also needs to have teeth. And here we come to the various levels of subsidiarity.

Subsidiarity requirement number one: the problem countries should only get money if they increase their competitiveness and they need to do their homework: privatisation, social reforms, liberalisation. Otherwise the ESM will not give anything.

In Germany we secure this with the second subsidiarity requirement: the right of parliament to decide. In Germany, emergency aid should only be granted if parliament agrees. The power over the purse is an elemental right of parliament which we will exercise responsibly.

This brings me to the third subsidiarity requirement: we need an insolvency regulation for countries. The private creditors must be involved sufficiently and the liability principle must be guaranteed. We cannot only pick out the positive things. A market economy carries with it chances but also risks, and with risks you must also be prepared to take the consequences. To put it bluntly, pocketing the profits and passing on the losses to the general public, the taxpayer – this can and should not be the rule. It can also not be the aim to balance out all inequalities in the market economy. This would eliminate the innovative force of markets and competition. It would punish performance and expropriate the successful.

This takes us to subsidiarity requirement number four: the treaty for more competitiveness, the Euro Plus Pact, should not be the nucleus for an economic government according to French example. We do not need a political counterweight to the European Central Bank; we will not move Europe forward with a pan-European corporatism. We must see to it that the ECB shifts from the crisis mode back to normal operations. The ECB must not continue to purchase government bonds. On the contrary, the ECB must again put its house in order. I am optimistic that the candidate Mario Draghi appreciates the independence of the ECB. To me he is the most ‘Prussian' Italian I have ever met.

As Professor Sinn mentioned, I do not agree with politically determined export quotas. In a market economy you cannot correct international flows of goods politically. Demand and supply determine the direction and the speed. German cars, chemicals and machines are bestsellers in India, China and other parts of the world. Our export strength also benefits our trade partners, our European neighbours. Before we export, we import considerable supplies to start with: 100 euros in exports already contains 40 euros of imports. So we also pull our European neighbours up with us. The German export strength is the engine of European development. With the calls for increases in domestic demand in Germany, we must not forget this. We do not need a fixed target for our current account. Our companies are competitive on their own. The innovation and performance range of the companies determines their success on the world markets. The companies know what they are doing, they have good ideas and they are far-sighted. Europe would not be helped if Germany became less competitive; Europe would be helped if others became more competitive. The Euro Plus Pact only makes sense if it is understood as a benchmark. The weaker will learn from the strongest so that we all will become stronger and more successful. That is the point. The member states make a commitment to make reforms themselves. This means responsibility and subsidiarity are taken seriously. The participating states take efforts to improve competitiveness, employment and to strengthen the sustainability of public finances and to bolster financial stability. This should ensure that a sovereign debt crisis will not even emerge in the future.

China, India and Brazil are not waiting for Europe. If we want to continue to be an international player, we must position ourselves competitively and in Europe this is only possible if we rely on a market economy. A market economy depends on decentralised decisions, market prices and competition must determine what happens. As in football, you need a middle field, but if everyone wants to play there and everything is decided there, the team is easily paralysed. Dynamic teams do not function exclusively on a centralistic basis. A team must be good in the forward and defending positions as well. This is should also be the case in Europe.