GERMAN ISSUES

# ROMAN HERZOG

# LESSONS FROM THE PAST
# VISIONS FOR THE FUTURE

*with an introduction by*
*Steven Muller*

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# INTRODUCTION

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This selection of major addresses by Roman Herzog acquaints the reader with the vigorous personality and pragmatic mind set of the current President of the Federal Republic of Germany. The seventh person to hold that office since the Federal Republic came into being in 1949, Roman Herzog took office on July 11, 1994 and is now in the fourth year of his five-year term.

As Federal President, Herzog serves as head of state, but not as leader of the government. That role falls to the federal chancellor, whom the President appoints according to the majority mandate of the Federal Parliament. Thus the federal presidency is representative of the whole German people and therefore above political partisanship.*

Nevertheless, as once pointed out by Walter Scheel, the fourth Federal President, "as long as this office is not hereditary, it is a political office." And, indeed, like his predecessors, Roman Herzog came to the office after a rich career in politics and public service. The first Bavarian to serve as Federal President, Herzog was born in Landshut in 1934, studied law at the University in Munich and then became a professor of jurisprudence and the author of the leading commentary on the German constitution, the Basic Law. In 1973, however, he entered political life as a state secretary representing the state of Rhineland-Palatinate in Bonn. Five years later, he became Minister of Culture and then Minister of the Interior in the government of Baden-Württemberg and was also elected as a Christian Democratic Union (CDU) member of that state's legislature.

In 1983, Herzog was appointed Vice-President of the Federal Constitutional Court in Karlsruhe, and in 1987 was named President of the Court—a position roughly analogous to that of Chief Justice of the

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* For additional background on the federal presidency, see *German Issues* 16 "The Federal Presidency" by Franz Spath, AICGS, 1996.

United States Supreme Court. This was the position he left to become Federal President.

A primary service the federal president renders to the German people is to provide a symbol of unity, a national spokesman and—especially in difficult times—a national conscience and moral leadership. Accordingly, like his predecessors, President Herzog has addressed the major issues before Germany during his term. One can indeed follow the historical highlights of the Federal Republic in the subjects of major addresses by the successive federal presidents.

One issue, however—coming to terms with the national past—has been and remains a major item in the German national agenda ever since the end of the Second World War, and every federal president has confronted this issue while in office, including Herzog. It is worth noting that Herzog has a profound commitment to his evangelical faith and to the public work of the Evangelical Church. Until he joined the Constitutional Court, he was a member, then Vice-Chairman, and finally Chairman of the Evangelical Working Group of the CDU/CSU.

There is a pronounced moral tone in Herzog's own judgement of the German past: see, for example, this sentence: "One is responsible not only for that which one does, but for that which one allows to happen" in the speech at Bergen-Belsen in April of 1995.

The bully pulpit which the federal presidency provides is also a quite perilous perch. Simply pious platitudes are too boring to suffice. Specific criticism of public actions risks appearing as an attack on the government in office, and that is out of bounds. General criticism must not be overdone lest it make the president sound merely like a common cold. Problems can be identified, but public programs to solve them are once again the government's business and not the president's. Each of the federal presidents in turn therefore has needed to find and then employ his own pitch, and this series of speeches reveals the success of Roman Herzog in doing so.

He is, for one thing, more comfortably focused on the future than any of his predecessors. Not one of them would have been likely, for example, to speak along the lines of "Breakthrough to an Information Society." Without question, "Emergence into the 21st Century" is regarded as the most significant of President Herzog's addresses to date, and it reveals him at the top of his form. His diagnosis that Germany

suffers from loss of economic dynamism, ossification of society and an unbelievable mental depression is fully drawn. Yet, his ability to pose penetrating questions is matched by his ability to describe visions of Germany's future. His concluding appeal to Germany to give itself a "shake" and to those who may have lost faith in the system to at least have faith in themselves is both appropriate and within bounds.

Former Chancellor Helmut Schmidt recently stated that, "We were lucky with Roman Herzog," high praise from someone on the opposite side politically. Roman Herzog has clearly emerged as an affective and popular federal president with the forceful and penetrating mind and firm moral convictions displayed in these addresses.

## *Speech at Bergen-Belsen on* Yom Ha Shoah*, April 27, 1995*

I would like to begin by citing the words of Theodor Heuss, the first President of the Federal Republic of Germany, when he spoke here in November, 1952:

> "When I was asked if I would be prepared to say a few words here today . . . I did not hesitate long before saying yes. To say no or offer an excuse, I felt, would have been an act of cowardice. And we Germans, it seems to me, have an obligation and a desire to learn to courageously face up to the truth. That is especially true here, on soil soaked with and devastated by the excesses of human cowardice."

Those were the words of Theodor Heuss.

Like President Heuss, I do not find it easy to speak at this place, on this day, and especially before this gathering.

First, it is difficult to speak at this place. The name Bergen-Belsen, along with the names of many other camps, stands for the worst crimes against humanity that have ever been committed. Along with grief for the dead and compassion for the victims, I feel shame and outrage. Shame and outrage that it was Germans who committed these crimes; shame and outrage that they were committed in the land of Lessing, Kant and Goethe.

Second, it is difficult to speak on this particular day. Today is *Yom Ha Shoah*, the day on which Jews worldwide, and particularly in Israel, remember the victims of Nazi crime. When we Germans mark this day of remembrance along with the victims, we think of the words of the Old Testament, the book which belongs to Jews and Christians alike: "Our fathers sinned and are no more, and we bear the burden of their guilt." These sins weigh heavily on us Germans. None of what happened must be forgotten, none of it suppressed. We bear responsibility for ensuring that nothing of this kind ever happens again.

And third, it is difficult to address you, ladies and gentlemen, who are listening to me today. Many of you were yourselves imprisoned here, or are the children and relatives of prisoners. Liberators, too, are among us, and they have not forgotten the shocking scenes they found here. We also recall that the liberation of the camp on April 15, 1945 was not the end of the suffering. Thousands more died of hunger, disease and exhaustion in the days immediately following liberation. Many doctors and nurses who helped in those first weeks also lost their lives to epidemics.

Most of the others who survived left the camp, to be sure—but the camp never left them. Their memories have remained with them throughout their lives and give them no peace. For them, the nightmares of the past are constant companions in the present. We must not forget that either.

Among the many who suffered and died in this place was a young girl whose story is widely known. Her name virtually stands for all those who fell victim to the barbarity: Anne Frank. On April 11, 1944 she wrote in her diary: "Someday this terrible war will be over; someday surely we will be human beings again, and not just Jews." This one sentence exposes the root of the barbarity: selection. Selection was not merely a terrifying word in the camps; it was the core principle of Nazism.

Under the Nazis, people lost their status as human beings. They were classified and sorted out according to particular characteristics. Instead of "not just Jews," Anne Frank could also have written "not just Sinti and Roma, not just Russians, not just Christians, not just trade unionists, not just socialists, not just the handicapped, not just this or that minority."

It is our responsibility never again to allow such selection. Never again to allow a person's humanity to be subject to his race or origin, his beliefs or faith, the state of his health or the level of his achievement. Never again to allow a distinction to be made between a life worth living and a life not worth living. The lesson of Bergen-Belsen is this: Human dignity is inviolable.

In its technical and bureaucratic perfection, the Nazi genocide was so unique and unprecedented that one would think it could never happen again. But that would be a dangerous fallacy. It is true that history does not repeat itself. But there may be new forms of exclusion and *Gleichschaltung* (forcing into line), of selection and totalitarianism, that

we cannot foresee today. We must therefore remain vigilant. To do so we must preserve memory. Only those who remember can ward off future peril.

I am not certain that we have yet found the correct forms of remembrance. We are, after all, standing on a generational threshold of immense significance. The generation of contemporaneous eyewitnesses is reaching its end and the life of a new generation is beginning. The younger generation is at risk of viewing the events that Bergen-Belsen represents merely as history. Now everything depends on our talking about the past, presenting the past and recalling the past in ways that make our young people feel it is their own responsibility to struggle against any possible repetition of that past. This is a crucial task for our generation. It must take precedence over any other proposals and plans in this respect.

Let me say it once again: the fact that fifty years have passed since the end of the Nazi regime must not mean the end of remembering. What we need now is a form of remembrance which will work in the future.

Above all, we must find a lasting form of remembrance. That is more important than quick decisions. We should take as much time as needed, without unnecessary delays, to establish broad social consensus on this matter. We need a living form of remembrance. It must express sorrow about suffering and loss, but it must also encourage constant vigilance in the struggle against any reoccurrence, and it must avert future danger. I support all measures that indelibly imprint in the hearts of our children and our children's children their responsibility for democracy, freedom and human dignity. Anything that simply peters out under the weight of short-term excuses is a waste.

We owe this not only to the victims of Nazis and to the potential victims of future dictatorships, but in particular to our children themselves. For the history of failure did not just begin after the Nazis took power in 1933; it started long before: in nationalistic arrogance, in the timid way the Weimar democracy was both defended and mismanaged, in jokes and caricatures, in the crazy political calculus of those who thought they could use Hitler and still contain him.

Our children, too, must learn that you cannot wait to fight totalitarianism and contempt for humanity after they have already seized

power. Those evils must be fought as soon as they raise their heads for the first time, however uncertainly.

Once the Nazis had seized power there was not much individual citizens could do to resist them. At that point, failure primarily took the form of looking away. Anyone who had eyes could see. But that was dangerous, and extremely uncomfortable.

- One looked away when Jewish doctors and lawyers lost their licences; one simply found other doctors and lawyers.
- One looked away when Jewish businesses were closed down; after all, there were enough people interested in acquiring them.
- One looked away when signs were put up refusing Jews entry to restaurants and cafes, libraries and parks.
- One looked away when neighbors were taken away, and one never asked why they did not return.

This, too, is the lesson of Bergen-Belsen: you are responsible not only for what you do, but for what you let happen. Whoever allows others to be robbed of their freedom eventually loses his own freedom. Whoever allows others to be stripped of their dignity loses his own dignity.

But not everyone looked away. There was the resistance of Dietrich Bonhoeffer, of Hans and Sophie Scholl, of the July 20th conspiracy. In Bergen-Belsen Rudolf Lüstermeier and Heinrich Jaspers paid for their opposition to the Nazi dictatorship. There were also people who maintained their decency in their everyday lives. There was the scientist who did not give up his friendship with his suddenly ostracized colleague at the order of the state. There was the family who did not let itself be prevented from visiting its Jewish friends at home. There was the housewife who supplied her neighbors with food after they had been driven out of their jobs. And there were people who took in and hid Jews in spite of the great risks. They were heroes, but they were few, and they alone could no longer stave off the catastrophe.

Bergen-Belsen is not only the past. As Jorge Semprun explains: “History is fresh. Death is still present.” If we want to learn from history, we must recognize that the danger of totalitarianism is ever-present and

that it may strike us again in the future—not only in Germany, but anywhere in the world.

It is our responsibility to pass on this knowledge.

We are grateful that we have been given another opportunity to craft a common peaceful future with our European neighbors. Germany will make every effort to ensure that nationalistic narrow-mindedness, arrogance and intolerance will never again succeed anywhere in jeopardizing peace.

On April 11, 1944 Anne Frank wrote in her diary that she was already expecting that she might die. She found the courage and strength to add that her death would then, at least, have to be seen as a sacrifice for freedom, truth and justice. That is her legacy. Let us acknowledge it.

## *Speech to the* Bundestag *in Support of a Day of Commemoration for the Victims of National Socialism, January 19, 1996*

### Introductory Remarks

The Auschwitz concentration camp was liberated by Russian solders on January 27, 1945. Auschwitz symbolizes million-fold murder, particularly of Jews, but also of other ethnic and social groups. It stands for brutality and inhumanity, for persecution and suppression, for the extermination of human beings, organized with perverse perfection. The images of piledup bodies, of murdered children, women and men, and of emaciated bodies are so forceful that they remain indelibly etched in the minds not only of the survivors and the liberators, but also in the minds of those who read descriptions or view pictorial documents of them today.

Why do we look back today, after more than fifty years? Why, in particular, is our will so strong to keep remembrance alive? Would it not be an understandable wish to forget past events, let the wounds heal and allow the dead to rest in peace? Today it would be possible for the process of forgetting to set in. The witnesses of those times are dying out; fewer and fewer victims are able to tell of the horrors they suffered. History fades rapidly if it has not been part of one's own experience.

The intention is thus to have remembrance serve again and again as the basis for a living future. We do not want to preserve our horror. We want to draw conclusions which future generations, too, will have as an orientation.

This commemoration is not meant to be a confession of guilt extending into the future. Guilt is always a very individual matter, as is forgiveness. It is not something that is inherited. However, the future responsibility of Germans for seeing that something of this kind never happens again is larger, particularly since many Germans incurred guilt through their actions in the past. It is true that history does not repeat itself. However, it is just as true that history is the prerequisite for the present, and that the way we deal with history will become a foundation for the future.

As we approach the beginning of the next millennium, what was experienced by my generation—and even more so what was experienced by preceding generations—is in danger of fading into a distant retrospective, and historical facts are in danger of being reduced to dates and headings. Even the most massive barbarity will shrink to an anonymous event which is gradually doused in the soft light of sober description.

If we were to want this memory to be obliterated, we above all would be victims of self-deception. It is first and foremost in our own interest to learn from remembrance. Remembrance gives us strength, since it helps us to keep from going astray.

There have been, and there are, many totalitarian movements in the world. Intolerance, totalitarianism, torture, and murder were not specific to National Socialism. However, what was genuinely unprecedented was the insanity, coldly implemented, of designating entire ethnic groups as "subhuman," then depriving them of their rights and finally organizing their systematic physical annihilation. The Nazis had the power to determine who did or did not have the right to live, and they executed their totally irrational rules with brutal consistency. Threat or opposition to the system were not even the selective criteria; rather, those affected were defenselessly and inescapably subject to abstruse categories which they were unable to avoid even by acting very unobtrusively. Simply because they were members of an arbitrarily defined race or in some other way deviated from an arbitrarily defined image of humanity, they were referred to as "subhumans" as "parasites" or "beings unfit to live"—Jews, Gypsies, the severely handicapped, homosexuals, to name only the larger groups. Once someone had been placed in one of these categories, the ideology of the time required that this person be "destroyed," that he or she be "exterminated."

The effects of this policy were horrible, because it gradually became part of the public opinion, and was gradually injected into peoples' minds.

There was no "point of no return" at which the leap from discrimination and humiliation to extermination would have been recognizable for everyone. Adapting to these "small steps" helped in looking away, and looking away helped in not seeing or in not wanting to know what was happening. For this reason, even the clear-sighted and

the brave did not seek to constrain government terror as long as they felt that the worst could still be prevented. Even many of the later victims succumbed for a while to the temptation to view the situation as being less harmful than it really was.

The way in which the Jews and those who suffered alongside them were, step by step, humiliated, marginalized and stripped of their rights was reported on the radio and in the newspapers; it was something anyone could have known who had eyes to see with and ears to hear with. Racist terror was not restricted to the initial months when many still used the excuse that revolutions—as was said at the time—do not take place while "sitting on a sofa." It did not manifest itself just in the concentration and extermination camps; many people doubtless did not know what was happening there. However, the gradual escalation of cruelty took place publicly and was published in the law gazettes.

I refer here to the removal of Jewish officials and judges from public service, to the boycott of Jewish legal practices, medical practices and businesses. I call to mind the Nuremberg Laws which—aside from everything else—transferred ideas that had been taken from livestock breeding to human beings. I call to mind the fact that a distinction was drawn between citizens of the German state and citizens of the German *Reich*. In a seeming act of generosity, the Jews were allowed at first to keep their status as citizens of the German state, but this citizenship from then on consisted only of obligations, as rights were attached just to *Reich* citizenship, which of course was denied to Jews. I call to mind the requirement to pay a billion *Reichsmarks* imposed collectively on the Jews—on the victims!—after the *Reichskristallnacht*. And I refer last but not least to the requirement to wear the Star of David, marking the Jews as "subhumans" and exposing them in everyday life to every form of cruelty and attack by the masses.

The seemingly less grievous sanctions have not yet been mentioned in this list, the snide remarks and humiliations, the massive nature of which led to a pariah existence and which were particularly cruel because they were based on absolutely arbitrary "racial" criteria: the progressive restriction of living space and freedom of movement, the exclusion of children from schools, a ban on frequenting theaters and cinemas, a ban on using public transport and communications media, even the use of park benches, the seizure of typewriters, radios, jewelry, furs, even pets.

A member of the academic community, Viktor Klemperer, kept a diary over the entire period of the National Socialist regime and recorded all of these things precisely. I recommend reading the two volumes he wrote to anyone who not only wants to find out how totalitarianism ends, but also wants to know how it begins, and how it develops bit by bit. A book that is shorter and less difficult to read is Ingeborg Hecht's *Als unsichtbare Mauern wuchsen* (The Rise of Invisible Walls)—this, too, is a very dramatic book.

This is very important to me, since I do not believe that in confronting this part of our history, questions of guilt are still in the foreground. Many people committed acts for which they bore guilt, but the decisive task today is that of preventing this from being repeated—wherever and in whatever form. This involves two things: awareness of the consequences of racism and totalitarianism and awareness of the beginnings which can often be on a small scale or, indeed, affect banal matters.

On a larger scale this is all relatively simple. We Germans, more than others, have had to learn that the absolute inconceivable can occur, despite everything. Remembrance has also made it easier for us to draw conclusions from this and it is formulated most clearly in Article One of our Basic Law: "The dignity of man shall be inviolable." This sentence does not relativize. Under the Basic Law there are no "worthy" and "unworthy" people, no "master race" and no "subhumans," no national and class enemies, no beings "unworthy of living." Our constitution contains every possible legal safeguard against totalitarianism and racism, more than any other constitution in the world, and this is something of which we can be proud.

But it takes more than just legal norms to immunize individual human beings against these things. There is a need for additional efforts, particularly for those who did not experience this massive crime for themselves and who can no longer hear the experiences of eyewitnesses.

This is the reason why two weeks ago, with the support of all the parties represented in parliament, I declared January 27 the day Auschwitz was liberated, a day of commemoration for the victims of National Socialism. I know that human language does not suffice to express briefly what is meant by this day. "Victims of the Holocaust" would have been too narrow a concept, since National Socialist racial

policy affected more people than the Jews. "Victims of National Socialist racial policy," "victims of National Socialist racial insanity" or similar expressions, on the other hand, would have not have been strong enough to even come close to expressing the horrors of this part of our history. As such, I decided to remain with the expression "victims of National Socialism," which has come into usage in our language, well aware that many, in a broad interpretation of this expression, will include the victims of the National Socialist war and in the period after the war, the victims of flight, expulsion and abduction. We will not forget these victims either. However, for many years now we have commemorated them on Remembrance Day, and this should continue to be the case. I would also like to see this day of commemoration established more firmly in our minds again, and I hope all those who write and ask me to create a day of commemoration for the victims of expulsion will attend Remembrance Day observances. The 27th of January is intended as a day of commemoration for the victims of an ideology that propagated a "Nordic master race" as well as "subhumans" and the denial of their right to exist. The date selected reflects this unequivocally.

I connect with this the hope that we might join together in finding forms of remembrance which will continue to exert an influence into the future. My purpose is not just to appeal to those in positions of political responsibility. Commemorative observances alone all too easily take on the character of obligatory exercises and token observances, and this cannot be the case. The people of our country should reflect at least once a year on what happened and in particular on the conclusions which need to be drawn from this. This would be my most important wish. However, it is very important that we reach out to our young people and sharpen their vision for potential dangers ahead. I hope I will have assistance from the media, from teachers and from any other groups in society who can contribute towards this goal.

I repeat, the most important thing is to sharpen the vision of young people so they will be able to recognize racism and totalitarianism in the beginning stages. More important than anything else in the fight against these pivotal evils of the 20th century is early resistance. Our experience with the National Socialist era requires of us and all future generations that we do not wait until the rope is already around our neck before we

take action. We must not wait and see whether or not disaster will occur. Instead, we must prevent there even being a chance that it could occur.

I know that our schools have made significant achievements in this area and are continuing to do so. However, it is worthwhile to continue to reflect on this. A theoretical discussion of totalitarianism and racism is certainly not sufficient, and probably not even the statistics of horror which National Socialism left behind would suffice. Let us be honest: this is something often impossible for even an adult mind to understand, but there are other factors which young people may understand better than adults:

- The separation of children from their parents, the life of children in the camps, their constant fear—and their bravery. And then, in particular, the seemingly smaller factors;

- the loss of one's own room in the course of a progressive restriction of living space;

- the loss of schoolmates and playmates as a result of being excluded from schools and the growing tendency to be avoided by them;

- the seizure of radios, which probably meant as much to that young generation as television and walkmen do to our children today; and

- finally—something every child will understand—the seizure of pets, the little cat in Professor Klemperer's family could be a key element in helping children understand.

These are all reasons why I feel that this new day of commemoration is meant first and foremost for the institutions of our country which possess the key to education and information—the schools and the media. Not much can be done with public observances alone, no matter how thought-provoking they may be. I think it makes sense to observe the 27th of January not as a holiday, but rather as a genuine day of commemoration, a contemplative observance held in the course of a normal working day, including the working day of Parliament. As such, I am very grateful for the fact that the first such public commemorative

observance is taking place in the German *Bundestag* among the elected representatives of the German people. More important to me than the forum, however, is the commemoration itself, which should take place in a quiet manner, free of pomp and circumstance and integrated into the work day, as we might expect of our fellow citizens. . .

At the same time, it is a fortunate turn of events that a few days ago, an Israeli president spoke in this parliament for the first time ever. Our particular solidarity with the state of Israel is a legacy of the National Socialist dictatorship and the crimes it committed. What David Ben Gurion and Konrad Adenauer and many others initiated in the past has grown into a close partnership which makes us Germans happy and grateful to Israel. I do not know whether everyone in Germany noticed a few days ago that when President Ezer Weizman spoke in this house about the obligation to remember, he addressed us as "dear friends."

I would like to see the 27th of January become a day of commemoration for the German people, a genuine day of reflection and contemplation. It is only in this way that we will prevent the day from developing the effects of tokenism, something which should be the least of our intentions. As I indicated, we cannot recognize the collective guilt of the German people for the crimes of National Socialism. An admission of this kind would, at the very least, not do justice to those who risked their lives, freedom and health in the fight against National Socialism and in support of its victims and whose legacy is the system of government in which we live today.

However, there is a collective responsibility, and we have always affirmed this. It goes in two directions:

- First of all, remembrance must not cease; without remembrance, evil cannot be overcome and conclusions cannot be drawn for the future.

- On the other hand, collective responsibility aims specifically at the implementation of these conclusions, which always leads to the same thing: democracy, rule of law, human rights, and human dignity.

But this is where the problem begins: those who have known tyranny and arbitrary rule know what freedom and the rule of law mean.

However, the way our people take freedom and the rule of law for granted at times indicates an insufficient awareness of the dangers of arbitrary rule and tyranny.

This is a significant problem that every older democracy must face. However, in Germany the problem is more sensitive than it is elsewhere, since it was here and from here that the atrocities were committed which we are remembering today, and it was here that there was a generation of witnesses to those times who drew their conclusions from those experiences, a generation which is now stepping down.

Hence my admonition to remember, hence my admonition to pass on this memory. And not just on the 27th of January. Perhaps this day of commemoration, this day of contemplation will help us do this.

## "PRAGMATISM OR HUMAN RIGHTS?"

***Speech on Receiving the Joseph Prize for Human Rights of the Anti-Defamation League of B'nai B'rith, New York, May 15, 1997***

I have to admit that when I heard I was being awarded the Joseph Prize for Human Rights I was just as surprised as I was heartened. I had no idea you knew that the question of human rights is crucial to me not only as a matter of constitutional law and in my current office as Federal President, but even more as a conceptual challenge to political decision-making and everyday personal ethics.

At the same time, I must confess that I am still at the beginning of my inquiry. I hope you will therefore allow me to delve into this topic today with more questions than answers. Since many of these questions remain unanswered, I regard your Prize as encouragement to continue a long intellectual journey.

We western Europeans have enjoyed the blessings of human rights, democracy and freedom for half a century now without interruption. You Americans have enjoyed them for 200 years. In recent times, we have even witnessed a wave of democratization in other parts of the world as well. And yet our TV screens relentlessly deliver horrifying images of violence, hardship, genocide, intolerance, racism, along with what is left of old totalitarian regimes and the beginnings of new ones. Even in Europe the newly fashionable temptations of nationalism have led to concerns that the specters of the 1930s could stir once more.

My topic, "Pragmatism or Human Rights?" is, of course, a rhetorical question. The concept of pragmatism, which I have in mind, is precisely a political strategy or a practical set of ethical principles for implementing human rights. Simply holding debates, mounting public campaigns or expressing the right moral convictions, no matter how politically correct they may be, are not enough. We must therefore ask, what is to be done? We need strategies to combat existing human rights violations and others to prevent future ones. The question is how moral convictions can evolve into responsible and effective actions guided by

what is called the ethic of responsibility. I believe that both governments and individuals must ask themselves this question.

Let me start with what governments can do. How should they move towards the goal of actually improving real conditions for real people, not just in their own countries but also in others?

But even for governments, it is not enough to simply show the courage of their convictions. What matters is doing the right thing at the right time.

One strategy we may choose is to isolate those governments which violate human rights from the international community. This method should be used whenever possible to protect human rights. Naturally, this will not succeed in every situation. In South Africa sanctions proved to be effective in the long run in overcoming apartheid. On the other hand, they remained ineffective in the case of the Soviet Union. There, rapprochement within the framework of the CSCE was more successful in inducing change, and it was ultimately crowned with success. These two examples show that one must decide on a case-by-case basis which strategy is the best.

One question which we Germans have discussed in recent years is whether human rights must be safeguarded even by military force if the situation calls for it. Should German troops be deployed outside the NATO area ever again? You all know the arguments against such a deployment. But what about the other side of the coin? Do we Germans, in the shadow of our own experience with National Socialism, not have almost a moral obligation to use military force when genocide is threatened or actually happening in other parts of the world?

I remember how the Allies agonized in 1944 over the question of whether to bomb Auschwitz, since such an attack would have clearly put the lives of the prisoners at risk. Today we know that many victims would themselves have favored an air raid. This moral dilemma was left unresolved at the time, but it remains a lesson to us all.

I believe that the case of Srebrenica illustrates this. The pressure of public opinion in western and Islamic countries, surely the result of a heightened awareness of human rights, ultimately ensured an intervention after the fall of Srebrenica—and this despite numerous foreign policy and strategic disagreements. It halted the genocide and paved the way for the Dayton Agreement. The lesson is clear: if there is

no other way to safeguard human rights, then the democratic community must be able to fall back on the use of force to guarantee human rights.

It would, of course, be ideal if we already had a universal political system that enabled us to formulate common values and objectives and thus find joint solutions to global problems. Unfortunately we do not yet have such a system. However, all cultures and religions share a minimum standard of ethics. It is, quite simply, the Golden Rule: "Do unto others as you would have them do unto you." We find the Golden Rule in Confucianism, Buddhism, Hinduism, and other cultures, as well as in the three monotheistic religions.

The 1948 United Nations Declaration of Human Rights is, of course, based on this minimum standard. We saw what an impact it can have on practical politics when the Chinese Foreign Minister quoted the Confucian version of the Golden Rule at a conference held in Beijing in May, 1995. He announced that China was prepared to pursue a policy of good-neighborliness. When shaping human rights policy, the international community, and especially the community of democracies, would do well to examine more closely how this moral principle, which is an integral part of all cultures, can be implemented in practical terms.

Strictly speaking, only states can have a human rights policy. After all, human rights were formulated in 1776 and 1789 as individual liberties in relation to the state. But human dignity and individual liberties can also be violated by private individuals—such as terrorists, skinheads, the Mafia, drug cartels, death squads, and so forth. And they can also be violated when average citizens fail to act or indifferently look the other way when the dignity or rights of a fellow human being are assaulted. Beyond criminal law no action can be taken against individuals to punish them for such acts of commission or omission. Still, persons involved in violence, hate, racism, and deprivation of personal liberty must at least be made to feel the full brunt of criminal law. Restricting the rights of the state is a Western tradition. When it comes to the state as the protector of human rights, however, we should come out in favor of a "strong" state.

Although human rights as a political reality always go hand in hand with a functioning state, the concept of human rights should, over and above that, guide individual behavior. The individual's support for those without legal protection, without freedom, without a voice can certainly

be a catalyst for political action and can support and inspire it. Most important, the individual's commitment in a moment of need is often the only source of help. In such moments one is not only responsible for what one does but also for what one allows to happen.

Here, too, the history of the Nazi regime in Germany is a lesson which still holds true. Long before the extermination of Jews began, Jewish citizens were subjected to constant harassment. Far too few realized then that the petty abuse they suffered daily was the beginning of the end.

The fact that people gradually became accustomed to these seemingly small indignities helped them to look away. And looking away made it easier to avoid finding out what they did not want to know.

Yet all of this happened in the full glare of public life: the dismissal of Jewish civil servants and judges, the boycott of Jewish law firms, professional practices and businesses. Everyday discrimination against Jews escalated: the growing restrictions on their housing and freedom of movement, the exclusion of their children from schools, the ban on their going to theater and cinema, the ban on their using public transport or even park benches, the confiscation of their typewriters, radios, jewelry and even pets. The lesson is that every one of us can and must react to seemingly banal exclusions and discriminations. Most wrongs begin on a small scale where they can still be fought with public-spiritedness and the courage of one's convictions.

Unconditional commitment to tolerance and freedom, to the rights of all human beings, is motivated not least by individual acts, great and small. Again, I am thinking of the Holocaust and of the fact that some people did not conform to the perverted standards of that time. Without boasting and yet at the risk of their own lives, these people used diverse tricks and deceptions to hide and rescue their Jewish compatriots. Oskar Schindler, Raoul Wallenberg and many others who are now internationally recognized for their actions did the right thing at the right time.

These people all had their own motives for what they did. But whatever else they may have done right or wrong in their lives, in a critical moment, they proved their humanity. What we can learn from these rescue stories is obvious: only those who see other people purely as human beings and are prepared to put themselves in the other person's place will be able to do the right thing when the critical moment arrives.

That is the root of all moral conduct and the principle which must guide political action on human rights.

You see that the fundamental question I am asking concerns the relationship between the law and ethics. To what extent can we rely on national and international laws, and at what point must we take collective or individual ethical steps that go beyond the law in favor of human rights? The history of National Socialism in Germany shows that one must nip intolerance in the bud. I have said again and again that one cannot fight totalitarianism once it has seized power, for then it is usually too late for the average person to accomplish anything. Rather, one must fight totalitarianism with all one's might when it first raises its ugly head.

I believe that political education is one of the best preventive strategies. It is essential to teach young people to show tolerance, and to furnish them with meaningful examples, in order to create a climate which promotes an awareness of human rights and their implementation.

One particularly important question still unanswered is to what extent the ethical standards of different cultures can be directly compared. Can the Golden Rule really be used, as I believe it can, as a minimum standard for a universal civilization? Can it be used to counter the fashionable scenario of the "clash of civilizations?" What relevance does it have to everyday international politics, and to the lives of people from different cultures living together in one country?

You can see that you have awarded me the Joseph Prize too soon. All that is impressive is the length of my list of questions, while any answers are still rather tentative. In any case, as I said at the outset, your Prize has strengthened my resolve to continue probing these issues. For that I would like to thank you.

## "THE 'GLOBALIZATION' OF GERMAN FOREIGN POLICY IS INEVITABLE"

***Speech to the German Society for Foreign Affairs, March 13, 1995***

This month marks the fortieth anniversary of the founding of the German Society for Foreign Affairs. On this occasion, allow me to congratulate you wholeheartedly. I wish the Society great success in its increasingly important work here in Bonn and in the capital, Berlin. May the impact of your work extend throughout Germany, helping all Germans realize the importance of the question: what is foreign policy, and what is the right German foreign policy, in an era that does not yet have a name, in a Europe that is continually "enlarging" and in a world that is steadily shrinking?

I have come to you by way of a detour, as I became President of the Federal Republic first, only appearing as a speaker at the German Society for Foreign Affairs afterwards. This was a mistake, as I realized when studying your history. My predecessors, Richard von Weizsäcker and particularly Karl Carstens—the latter was even Director of your research institute—were first active in the Society for Foreign Affairs, and only later became President. If this catches on, then my successor is in our midst today, without our being able to identify him.

Drawing from the experience of the German Society for Foreign Affairs is thus in a sense part of the job description of every German president. His constitutional mandate to represent Germany internationally also includes the duty to draw the German public's attention to an important interaction between those opportunities and risks that affect our society from the outside and those emanating from our society and affecting the rest of the world.

In a world in which the borders of nation states, whether intentionally or not, are becoming increasingly permeable, the domestic impact of foreign policy is as incalculable as the impact of domestic policy abroad. I would like to try to pursue these interactions by addressing three questions:

- How has the international system changed since the radical transformation in 1989?
- What are the new demands and possibilities that this change has brought about for German foreign policy?
- Are we prepared to face the new challenges? How must we be intellectually equipped and what attitudes do we need within our own society in order to be able to live up to the need for action in foreign policy and to use all possibilities to the utmost?

Let us turn to the first question: What did this transformation bring with it? For a moment, we thought we were certain: transitions to market economy and democracy immediately and all over the world. The west had clearly won the ideological struggle. Fukuyama even talked of the end of history.

Since then, this certainty has vanished. The bipolar system no longer exists, but a new world order is not apparent either. There is fascinated talk of multipolarity, but there is also the suspicion that in a nuclear age such a system may involve greater risks than the fairly stable balance of deterrence between the two former superpowers.

The instabilities threatening us today are not only of a strategic nature. Social, ecological and cultural imbalances are emerging as additional security risks that are hardly less dangerous in the long run than military security risks. By now, the list of those risks is sufficiently well-known: population explosion, climate change, poverty-induced migration, atomic smuggling, drug trafficking, fundamentalism of all shades, genocide, the disintegration of domestic order.

Your Society's new journal has devoted an entire issue to these "new risks," against which there is no deterrence.

Fukuyama's prediction has thus proved false. We are again suddenly faced with an excess of history. This, in turn, has occasioned apocalyptic scenarios. They range from Samuel Huntington's "clash of civilizations" to Norman Stone's reversion to the Middle Ages of beggars, plagues, conflagrations, and superstition. Such scenarios are far too simplistic to be correct.

However, their danger lies in their becoming rooted in the thinking of elites and thus pose new security risks as "self-fulfilling prophecies."

To warn against this sort of facile pessimism is not to advocate sticking our heads in the sand. We would do well to regard neither the west of the North Atlantic Alliance nor the European Union nor a united Germany nor even the old Federal Republic as an island of bliss, whose comfort we can preserve as a secured possession by ardently repressing the turmoil of the outside world.

We do not yet know what shape the twenty-first century will ultimately take, and it will not depend upon us alone. But one thing is certain: in a shrinking world in which opportunities and risks are equally likely to become global, the globalization of German foreign policy will also be inevitable.

I therefore recommend that we succumb neither to gloomy realism nor to dreamy idealism, but that we turn instead with necessary pragmatism to the second question: "what needs to be done?"

We have finished being a free-rider; Germany is now a part of the concert of the great democracies, whether it wants to be or not, and if any one of these democracies stands back, it inevitably not only damages the others, but ultimately itself, as well. One should not react to perceived risks by waiting until there is proof that they will materialize, because then it is usually too late to take precautions. Precaution is better than damage limitation, here as elsewhere. We can see ever more clearly that risk-averse inaction can involve greater risks in the long run than timely action with full awareness of the risks ahead.

It is also true that if we do not deal with risks in the regions of the world where they occur, they will come to us. Only social and economic responses will help reduce the risks of the population explosion, fundamentalism, migration, drug trafficking and other consequences of poverty. "Prosperity for all," or at least a justified hope of work and an income, of economic growth on a global scale, are the preconditions for maintaining world peace.

A world summit for social development, such as the one just held in Copenhagen, is thus a world peace summit in a very realistic sense. One may be dissatisfied with its results. But François Mitterrand was right in saying that it was in itself a great step forward for social issues to have become the subject of such a summit meeting. The World Trade Organization, on which consensus could not be reached fifty years ago

but which has now been decided in Marrakech, may be an essential precondition for the world-wide enhancement of prosperity.

It is obvious that the integration of the world economy will mean greater competition and often painful adjustment for the traditional advanced industrial countries. But it would be an irony of history if governments and entrepreneurs in Europe were to forget the best lesson of their own postwar history just when the rest of the world is beginning to learn it.

Obviously, this lesson also teaches the advantages of peaceful solutions of political conflicts. Approaches to surmounting racial differences in South Africa and religious differences in the Middle East show that it is often possible to achieve more by using “soft power” than “hard power.” “Soft power” resolves problems through intelligence and reason; “hard power” thinks in terms of population figures, territories, fleets, and armies.

Of course, we cannot entirely dispense with “hard power” either. We need it to be armed against genocide, aggression and extortion. In such cases, we must also be prepared to use military power when all other means have failed. But it is equally true that military interventions are not a panacea and that they must not be foremost in our thinking. The case of Somalia has driven this home. It must not be repeated.

The peace process in the Middle East and the defeat of apartheid in South Africa, when viewed against the unspeakable conflicts in Yugoslavia, in the Caucasus, in Somalia, or in Rwanda, appear to be somewhat exceptional. Still, they will remain crucial for us as a model for action. If self-appointed warlords, ethnic purifiers or fundamentalist preachers of hate have not yet learned that they can only lose through the cycle of violence, this does not mean that the whole world need commit the same error.

If it is true that democracies never or at least rarely go to war with one another, then the worldwide promotion of democracy is a model for a preventive security policy. The globalization of democracy has not yet advanced as far as that of the market economy, and undoubtedly a prudent and pragmatic approach is called for. But nonetheless, of the 191 countries of the world, 114 are now governed more or less democratically. In other words: we have made a great deal of progress , and it is worthwhile continuing along the same path.

This should make it clear that when answering my question, "what needs to be done?" we need not look too far from home. What is good is close at hand. One of the secrets of the success of the forty-year old "Bonn Republic" in Europe, in the North Atlantic Alliance, in the Third World and finally in the East was the attractiveness of our economic system and social policies.

Professional diplomats, political foundations, business and trade associations, and cultural and scientific institutions have offered these models as a potential supply of political solutions which have always met with substantial interest. Through vocational training and grants for foreign students, we have not only provided practical help and promoted the sales of German exports. We have also gained trust and friends. That is what I mean by action with foresight, security policy through "soft power."

All of this happened, as you know, in the closest partnership with the United States and would not have been possible without Germany being firmly anchored in the West. And we must remain anchored in the West even now that the East-West conflict is over. A visible threat from some outside enemy is not needed for the western values to prove their worth. Since Aristotle, freedom and justice have been values in themselves, which is why we do not need less partnership with the U.S. but more, and not less integration in the West, but more.

Nonetheless, I should like to raise the question: do our instruments for resolving international conflicts, like the Security Council and NATO, still respond to the newest challenges? And what consequences does such new understanding of security have for German membership in the Security Council? Neither the deployment of the *Bundeswehr*, nor a seat in the Security Council, should be status issues for Germany. We must focus on the substance of the problems alone.

Germany's economic and moral influence in the multilateral alliance will always be greater than the military potential of the *Bundeswehr*. Both, however, must be used, when unavoidable in the interest of international peace. The quality of our commitment must accord with our greater weight, for otherwise we will no longer be taken seriously in the world in the long run.

This means contributing to efforts to resolve the current antagonism between globalization and fragmentation, between networks that span

the world and anarchy, and to turn the United Nations into a real political system capable of defining and implementing goals that can only be defined and implemented globally. It is not enough to point out merely what the United Nations has not succeeded in doing in recent years. The UN has done a lot, and in my opinion that is reason enough to play a serious role in its reform.

The same applies to the future role of NATO. Nostalgia is not an appropriate security policy. Wellington may still have said following his victory at Waterloo, “Hardly anything except a battle won causes as much misery as a battle lost.”

NATO cannot afford to hold this view for long after its success in the cold war. If we wish to take the opportunities this success offers, we must found the Atlantic Alliance anew, as Henry Kissinger has said. NATO also must face up to a different scenario of threats, as risks no longer lie exclusively in the military domain. It too must develop “soft power.” It should have no difficulties doing so, since it has defined itself as a community of values and as a political alliance in its very statute.

To remind us of this and to set this new course for the Alliance was Manfred Wörner’s achievement, and one that I wish to honor expressly here once again. If this work is carried through, NATO will be the only alliance in the world capable of integrated action covering the entire range from “soft power” to “hard power.”

What matters in shaping the European Union is the quality of the policy offered. Everyone knows how difficult it is for the political elites in the capitals of Europe to change their way of thinking. Everyone knows that these modes of thinking always have some influence on the collective national consciousness. And everyone knows that the competition among national capitals for influence in Brussels is sometimes a competition of national vanities.

Yet everyone must also bear in mind that the people hardly understand these games any more and therefore risk turning their backs on Brussels. Everyone must also realize that a case like Yugoslavia, to cite a particularly grave instance of foreign policy, must not be allowed to repeat itself if Europe is to remain a player in world politics. I nevertheless, or perhaps for that very reason, believe that the only path to a European future will be the continuously renewed search for objective solutions to common problems within the framework of Europe.

Germany's best policy offer for the political union of Europe is federalism and the principle of subsidiarity. Let us continue to offer it patiently until our British friends realize that federalism is the opposite of centralism and our French friends get a feel for the fact that fatherlands can converge in a federation and yet remain fatherlands.

We should show similar patience in fostering recognition that the widening and deepening of the European Union are not mutually exclusive. In the history of European unification, every enlargement of the community has always led to a deepening of the process of unification. This will remain the case in the future.

If we do not stabilize the East, the East will destabilize us. Apparently, this logic is beginning to meet with understanding among our French friends as well, since they have in the meantime had to face up to quite a similar challenge on Europe's southern flank. Europe's security is indivisible. Eastern European instability also threatens France, just as instability in the Mediterranean threatens Germany. In an era of the globalization of risks, geography is becoming less important.

European integration has always been a dynamic process. This makes it an especially effective instrument of stabilization. Even negotiations with applicant countries and their gradual preparation for future membership have an economically and politically stabilizing effect. That is one aspect which distinguishes the European Union from a military alliance.

Discussion of NATO's expansion eastward requires the greatest prudence because of Russia. All too easily it lapses into the mutual assertion of spheres of influence under the pretext of threatening new scenarios. It is therefore all the more important that eastern Europe be stabilized in advance by holding out the prospect of the European Union's eastward expansion. It seems to be in the interest of both processes of enlargement not to link them too dogmatically.

Part of the argument against expanding the European Union stems from the fear of soaring costs, and this fear is understandable. It is indeed true that it will not be possible simply to apply the European structural adjustment programs to eastern Europe along the same lines as before 1989. It would hardly be possible to provide the necessary funds. Many of the new tasks in the East will have to be fulfilled by developing new

ideas or through savings in the West. That is no different on the European than on the German level.

But let us admit: many subsidies, many expensive programs dating back to the beginning of the old European Community have long needed a fundamental revision. The eastern expansion of the European Union would not only accelerate its deepening, but also enhance the efficiency of its programs. I thus suggest that the European double strategy "widening and deepening" be transformed into a three-fold strategy of "widening, deepening and streamlining." The citizens would be grateful to Brussels. And they would also be more easily won over for a commitment to Europe.

This leads into my third question, namely the intellectual and psychological requirements for our action in the field of foreign policy.

There is currently much talk again about a struggle between two concepts of foreign policy, namely policies guided by interests and policies guided by responsibility. Realists, it is argued, think in terms of national interests, idealists in terms of responsibility. The Americans have been arguing about this for more than 200 years, since the time of Thomas Jefferson and Alexander Hamilton. But they can afford to, since they have always possessed a national virtue that we Germans still have to work at, namely pragmatism.

Yet it still holds true that immoral policies are not *Realpolitik*, but plainly bad policies. A contrast between the notion of interest and responsibility does not exist, at any rate not under the conditions of today's international system.

Economic interdependence, global environmental hazards and new transnational security threats have turned the international community into a community of interests, whether it wants to be or not. No country can pursue its own interests at the cost of others in the long run without ultimately suffering itself.

This leads to a further question: what are, strictly speaking, German interests? German interests are first of all our immediate national interests such as maintaining security and prosperity. There is no point in concealing it. Our partners would in any case lend no credence to our purporting to act merely out of altruistic motives. Honesty particularly demands our acknowledging that one of the reasons we are committed to free world trade is that it is in our own interest.

But that in itself does not suffice, given that we are not alone on this planet. It also corresponds to German interests, for instance:

- to contribute to the spread of democracy in all parts of the world;

- to cooperate in developing the United Nations into a real political system;

- to put the Atlantic Alliance on a new foundation; and

- to complete European integration.

German interests and Germany's share of responsibility for the world community thus largely coincide. And if we do not wish to be at the mercy of developments in world politics, we will have to play an active role in global domestic policy.

Recognizing these interests of course means not only honestly recognizing the consequences, such as accepting material burdens, but also the fact that the checkbook does not always suffice, and that service at the risk of one's life may one day be called for. This, however, also means that on issues of national importance, there can be no petty in-fighting among the political parties and that decisions cannot be made upon the state of the till, the barometer of political opinion, at party conferences or by the courts.

This all does not mean that the world should dance to Germany's tune. Much may change. What will not change, however, are the basic coordinates of German politics: our history and its burdens, our geographical situation and the resulting features of German foreign policy, which will remain as important in the "Berlin Republic" as they are in the "Bonn Republic": moderation in style, predictability, preparedness for dialogue, readiness for compromise.

One thing we can do without is a know-it-all attitude and moralistic badgering. We should not think ourselves more important than we are, but we should not make ourselves any less than we are either. That would also be wrong and might be misunderstood by our neighbors. We need a foreign policy that lacks snarling and bluster, but also one that is not tensely self-conscious either.

What interests the international community, NATO and our European partners is what Germany has to offer each of these communities. And we are not just talking about German money. It is also our political program, our experience and our solutions to problems. This means recognizing that

- it is sometimes more useful in foreign policy to win partners than to win arguments,
- it may be more important to respect the dignity of others than to insist upon one's own, and
- it is sometimes more effective to acknowledge that someone else is right than to be proved right oneself.

However, one thing is certain: foreign policy in a world that has become too complex to understand fully at all times requires the ability and readiness to learn. We must unceasingly deepen our knowledge. We need a great deal of analysis that we do not yet have. New opportunities and risks call for new know-how that conventional foreign policy does not in itself offer. The old answers and instruments are no longer entirely on target. We also need economic, scientific and cultural sources of know-how.

In particular, we need to set new points of emphasis in what I would call our cultural relations. Becoming bigger and stronger does not automatically mean gaining sympathy and friends in the world. Just the opposite can hold true. The greater the impact of German decisions, the more interested people are in how we behave, and the more information we must provide on ourselves and our policies all over the world.

We need to actively create goodwill for Germany abroad. This is fundamental not only for our foreign policy, but also for worldwide economic and trade relations. It is a task not only of government and cultural institutions, but also of the German business community. It, too, should face up to this global requirement.

We are at the beginning of a new phase in German foreign policy which I call its "globalization." We are still in the process of developing a foreign policy culture. At this stage, there are still far more questions than answers. By way of conclusion, I should like to list some of these

questions that need to be discussed further and warmly recommend them to the German Society for Foreign Affairs:

First: The collapse of the bipolar world means that we need more knowledge about more states. But knowledge about states cannot be enough, for transnational—not governmental—players are already about to establish global realities. The question therefore arises whether we should consider multinational companies and globally-oriented capital funds merely as a challenge for stepping up efforts to monitor them or whether we should also seek to win them over as partners in global economic development and thus the maintenance of peace.

Second: We are witnessing favorable economic developments in some regions of the world. But how can we avoid marginalizing other areas? World peace can only exist globally. For instance, I am concerned about a dangerous sense of resignation in the German public with regard to our international aid policy. Even if setbacks and frustrations undeniably exist, the Third World still exists and needs our help. Helping others to help themselves has lost none of its topicality.

Third: I see a great need for more discernment regarding cross-border cultural friction. Can we allow ourselves to think of Islam only in terms of the challenge posed by fundamentalism? What opportunities can be found in the enlightened Islam of Bosnia, Malaysia or Indonesia? Are we at all sufficiently aware that in terms of population, Indonesia is the biggest Islamic country in the world, and do we take due account of developments in the southern states of the Commonwealth of Independent States (CIS) in this respect?

Fourth: Is there not a need for greater differentiation in our human rights policy as well? Can we simply force every other state and culture to adopt our European understanding of human rights? Where precisely does the border lie between the notion of universal civilization and cultural pluralism? Where life or the prohibition of torture is at stake, it is obvious. But does this also apply, for instance,

to freedom of movement when it only leads to the development of slums? How far does that ethical core which must be common to all cultures extend, and where does the domain begin in which each culture must be allowed to set its own standards and priorities?

Fifth: How can we harness the potential of new information technologies that span the globe for cultural creativity rather than for exercising cultural hegemony?

Sixth: There are vast open questions not just on the global level, but also on the levels of NATO and the European Union. There is no doubt that the Alliance, if it develops as we hope, will be a core element of the new world order. But how should we define its relations to the United Nations? To what extent should we systematize the division of labor and coordination? On the other hand, how flexible must it remain? These questions are worth sweating over, especially since they cannot be put off. Yugoslavia has shown that with the utmost urgency.

Seventh: The same applies to following through European unification. If it is true that the goal cannot be a Europe of simple models, neither a continental centralized state nor the United States of Europe along the lines of the American example, where do we look for analogies? In my opinion, we will not get very far thinking in terms of a federal state or a confederation either. Can we then learn something from the complex, but comparatively peaceful history of the Holy Roman Empire or, more obviously to my mind, from the pragmatic experience of the British Commonwealth? Do we even need a historical model or is the existing veil of uncertainty a useful incentive for widening and deepening the Union? Where do we draw the line between the ominous speechlessness that afflicted Maastricht and the danger of beating questions of substance to death and of indulging in dogmatic over-definition, a danger that arises so quickly in Germany and might just as easily nip the work of European unification in the bud?

Eighth: How do we win over our citizens to our new foreign policy? One thing is certain: it will no longer be possible to pursue foreign policy in nineteenth-century cabinet style. It must be public and command a democratic majority. It will require political leadership, but not just in the executive branch. Foreign policy must again become the subject of parliamentary discussion. We must therefore develop a culture of democratic debate extending to the domain of foreign policy, as we knew it in the 1950s. Only then will citizens feel it to be their personal concern. Only then will citizens recognize that not just domestic policy but also foreign policy determines their fates. In Germany, voters are still won through domestic issues. Should it not, in an age of globalization, be the other way round?

I should like to conclude with a heartfelt request to the German Society for Foreign Affairs to foster this intellectual innovation in government, parliament and among the public at large. Mobilize your analytical capacity, use your institutional memory, build up confidence through your international networks, open up your forum to fair dialogue. Forty years ago, when the Society was founded, Konrad Adenauer said, “It is the task of this Society to deepen the German people’s understanding of the importance of foreign policy and of the major issues of world politics.” This mandate is as relevant today as it was then. I have nothing to add to it.

## *Speech to the European Parliament at Strasbourg, October 10, 1995*

We have a vision and it is called Europe.

Time and time again visions of the future have emerged from the experience of a common history. That is the case again today, at the end of the Cold War and on the threshold of a new century. In Maastricht we signed a treaty which advances the unification process farther than ever before. We have committed ourselves to political, economic and monetary union. The integration of western and northern Europe acts like a magnet on the eastern European and Mediterranean countries. The enlargement debate is intensifying the debate on deeper integration. That is as true today as it has always been.

Visions, however, unlike utopias, can be unsettling. No one is responsible for the emergence of a utopia, since utopias never actually arrive. But for the fulfillment of visions we are responsible ourselves.

Every vision also entails the risk of failure, so we do well to understand what is really at stake. I have come to Strasbourg to raise questions that citizens are asking in every nation on our continent. These three questions will have to be answered convincingly by the technocrats in Brussels and the political elites in our national capitals if they themselves are not to suffer political harm. The questions are:

Why Europe?
What kind of Europe?
Europe for whom?

I cannot reply on behalf of the politicians. But since I come into contact with citizens from different walks of life I can mention some of their anxieties, expectations and hopes, which suggest certain answers.

First the question “Why?” From time to time I hear the view that, with the Cold War consigned to the past, our external enemy and therefore the incentive for Europe’s internal integration have disappeared as well. This argument is not new—indeed, it is two thousand years old. After the fall of Carthage, Cato asked, “What will become of Rome without its

enemies." The question today is whether Europe, instead of redefining itself negatively as a mere reaction against external threat, can do so positively by drawing on its own inner substance. If I understand things properly, there are two answers to this question.

First, the design of Jean Monnet, Robert Schuman, Alcide de Gasperi, Paul-Henri Spaak, and Konrad Adenauer was much more than a reaction to an external threat. It was the revival of an eleven-hundred-year-old vision of European reconciliation. It had been formulated in German, French and Latin by Charlemagne's grandsons in 842 in the Oaths of Strasbourg. They were the very first written evidence of the German and French languages. What better symbolism could French and German Europeans wish for than having the origin of their languages found in an oath of reconciliation? In the thousand years that followed, as we all know, the obligations suggested by that symbolism were all too often forgotten, with self-destructive results for Europe. The moral of that experience became the driving force for Europe's peaceful postwar order. Our message of reconciliation is the best message Europe can offer the world today.

But Monnet's vision was also a creative design for Europe's future. The establishment of the first European Economic Community was immediately followed by an unprecedented golden age of growth and prosperity. Now, the debate on the implementation of the Maastricht Treaty may have pushed the Treaty of Rome into the background. But at that time it was a European revolution which had tremendous political, economic and above all cultural consequences from which we are still benefiting today. It was a pilot project for the world.

Moreover, the very assumption that the external threat went away with the Cold War is wrong. On the contrary, some people are now almost tempted to wish for a return to the stability of the bipolar system of deterrence. The new mix of security risks is unstable and possibly more dangerous. It includes the population explosion, climate changes, poverty-imposed migration, nuclear smuggling, drug trafficking, fundamentalism of every stripe, genocide, and the crumbling of state authority.

Many of those risks have a transnational impact. The inability of nation states to cope with them is becoming more apparent every day. In such an environment there is no longer any equilibrium, as the situation in Bosnia proved once again. The anachronistic relapse into a balance-of-

power mentality—even among European allies—merely prolonged and exacerbated the war. Furthermore, Europe showed itself unable to act for want of a common strategy. Only the courageous words of President Chirac towards the Serbs, NATO's unambiguous intervention and America's constructive diplomacy brought Bosnia closer to peace. This experience shows clearly why we need a Europe that can act decisively in both the political and the security spheres.

There can be but one strategy to combat spreading anarchy: As much integration as necessary and possible. No region has better opportunities for this than Europe. Let us not waste them.

We should apply the same logic in the matter of the Union's enlargement. In this connection I always recall the words of Vaclav Havel: "If we don't stabilize the East, the East will destabilize us." This logic is apparently also being recognized by the western and southern member states since the Mediterranean countries now find themselves faced with similar challenges. But Europe's security is indivisible. Instability in eastern Europe also threatens France, just as instability in the Mediterranean is a threat to Germany too. In the face of such transnational risks to security, geography and with it part of the old geopolitical thinking lose their meaning.

It is increasingly apparent that bringing stability to the Mediterranean is a European challenge that embraces foreign, domestic, cultural, and social policy. Questionable as the scenario of a "clash of civilizations" may be, Europe, in its relationship with Islam, must summon all its integrative resources. In terms of both foreign and domestic policy there can be but one strategy for peace, that of mutual understanding. The international community will judge Europe by the way it copes with this challenge. Its reputation as well as its influence on world politics and the world economy will be measured accordingly. It would be absurd if Europe were to abandon its integration strategy just as the rest of the world is beginning to copy it. Defensive Euro-centrism would be a trap of our own making.

It is often said in this context that security policy is a matter for the political classes while private citizens are interested only in money in their pockets or in secure jobs. Personally, I do not believe that economic concerns are the sole consideration. Even Charles de Gaulle said: "*L'intendance suit*." The supply train follows the Army, not the other

way around. And, after all, it is true that overemphasizing economic aspects was the very shortcoming of the old European Community which we have been trying to rectify since Maastricht. Nor are we talking here about traditional politics alone. Europe's future will depend essentially on how well its cultural, scientific and information resources can be combined.

True, Europe is the region with the greatest diversity of languages, cultures and ways of life. Yet ever since Greek and Roman times it has seen itself as a single entity beyond the mere geographical definition. Jose Ortega y Gasset expressed it more forcefully than anyone else: "If today we were to take stock of our intellectual property, we would find that most of it stems not from our respective homelands but from our common European heritage. In all of us the European's influence is far greater than that of the German, the Spaniard, the Frenchman . . . four-fifths of our inner resources are common European property."

But there can be no future without economic elements, and recent volatility in the currency markets shows once again how serious we have to be about the "supply train" for the sake of the people. As always, the economy proves more than anything else the material necessity of European integration. The days of the national economy are long gone. Germans who fear losing their strong mark in the Monetary Union have a point, but they must realize that its strength no longer resides solely in the hands of the *Bundesbank*. It also depends on the extent to which foreign markets are open to German exports, which account for thirty percent of Germany's GNP. And more than two thirds of Germany's exports go to European countries. In other words, the mark's strength has always been partly the result of Europe's economic integration.

We are already aware that it is no longer possible to reliably define national economic interests. Let me try to give the average citizen a clear picture of what the monetary experts are arguing about.

Consumers, who derive their income from fixed-interest savings, want a hard or even an overvalued currency because they can buy more with it. Producers and workers, who derive their income from business or from jobs in export industries, tend to prefer a soft or undervalued currency because they can sell their products cheaper abroad, boosting sales and safeguarding jobs. In an endless series of government meetings in recent months, we have seen how people tend to argue one way domestically and another way externally.

The problem we cannot ignore is the truth of the old adage that most people have two souls in a single body—the soul of a consumer and the soul of a producer. A second problem is that the economic and monetary policies of some countries tend to derive from the producer's soul—as we see from time to time in America and in the so-called soft currency countries—while it is the consumer's soul that tends to wins out in other countries, particularly in Germany. The only reasonable economic strategy is to strive for the unification of these two souls. After all, everybody really has only one soul.

Thus the best monetary policy is one that steers clear of both undervaluation and overvaluation so as to balance the interests of consumers and producers for the good of the economy as a whole. In the global context that goal can best be achieved through international coordination of economic policies. An even better way for Europe is through the Economic and Monetary Union.

Let me also say what I think will be in store for us if we don't follow this course together. We run the risk of competitive devaluation of currencies, trade wars, protectionism, the renationalization of economic policy, and deflation if not depression. That would be, not to put too fine a point on it, a return to the 1930s. How real that danger is if we don't watch out has been demonstrated by the trade war between the United States and Japan, the perilous deflationary trend in Japan and the resulting monetary turbulence there. We must not ignore these developments, since this kind of turbulence could threaten jobs and savings in Europe as well.

Ladies and gentlemen, please ask the people in your constituencies whether they want us to play with fire in this way. I am sure Europe's citizens have more common sense than pessimistic opinion polls suggest. In general the citizenry is more levelheaded than the experts. But it is crucial that we speak to people in clear and comprehensible language.

The same applies to each nation's way of life and culture. The French and Germans, British and Italians, Spaniards and Swedes, Danes and Greeks already subconsciously think a lot more as Europeans than some national politics would have us believe. After all, their day-to-day lives have long been marked by European influences. We see this in their travel, in the tourists who come to their countries, in the merchandise offered in shops, in their eating habits and fashions, and in art and

science. But it is reflected above all in the contacts between young people which are increasingly becoming an everyday event, usually organized by the young people themselves.

So to the question, "Why a united Europe?" we see a clear answer: because a common European culture already exists, because we in the West don't want to lose it, and because our fellow Europeans in the East can once again cultivate and shape it as they see it fit. This European culture can even be used as a kind of shortcut to the much discussed goal of German unity. Judging by my numerous conversations with them, lots of young people are already taking the shortcut.

Once we have said why we need a united Europe, the questions of "What kind?" and "For whom?" are easier to answer. I will dwell only briefly on these two points.

First, "What kind?" As a German trained in constitutional law I naturally support a political system that begins with the letter "F" but which of late has become taboo in European debate. Even there, it seems, we are confronted with political correctness.

Nonetheless, I still consider that system—the one that begins with "F"—to be the best history has ever had to offer, from the leagues of ancient Greece to the emerging peace settlement for Bosnia. Federalism—there, I have gone and said it—is, after all, the opposite of centralism. Indeed, as exemplified by Germany's postwar history, it can almost be said to be a method of decentralization. For this reason our Anglo-Saxon Europeans need not be put off. The fact that the arch-centralist Alexander Hamilton, Thomas Jefferson's rival, founded a party in 1791 that he called the "Federalist Party" can be blamed only on Hamilton, but not on federalism.

On the other hand, federal decision-making procedures ensure the rationality and effectiveness which have always been at the heart of the great French political tradition. There is nothing to stop nation-states from forming a federation and still remaining nation-states. Europe as a "motherland of motherlands" ("*patries des patries*") has always rung true in the ears of federalists, too. For it was not the advocates of German particularism who first spoke of a "United States of Europe"—a term I do not even use—but such great Frenchmen as Saint-Simon and Victor Hugo.

I say quite seriously that nothing compels the members of the European Union to opt for, say, the Swiss, the American or the German

federal system. And there is undoubtedly the reassuring alternative of coming up with a totally different model. This, I feel, is one of the great tasks of the European Parliament and a marvelous opportunity. The place to conduct the debate on Europe's future political organization is in Parliament. It is here that European sovereignty, if it already exists, should be articulated. And the more it is articulated, the more it will exist.

The lesson in humility which Bosnia has taught us Europeans should lead to three conclusions which might facilitate agreement on how to conduct common foreign and security policy:

First, unanimous decisions have a greater external effect than bare majority decisions which reflect internal disagreement.

Second, majority decisions are nonetheless better than no decisions at all since otherwise outside powers will decide matters affecting Europe's future. We can then only hope that they make the choices we would want. In the case of American decisions, that will usually be true because, in the final analysis, the United States will always be a "European power"—and we should be glad of it. Yet, we cannot always expect the Americans to pull our chestnuts out of the fire.

Third, resolute leadership and the courage to reconsider their own positions are the best way Europe's larger nations can ensure they will not be on the minority side in the European opinion-forming process.

Another lesson comes from the current monetary turbulence. Its message is twofold. First, monetary union is inconceivable in the long run without political union. To that extent I can only agree with the President of the *Bundesbank*, Hans Tietmeyer. Second, public quarrelling over whether the Monetary Union can be established on schedule or whether certain countries are ready for membership jeopardizes not only the Monetary Union but the political union as well. I therefore also agree wholeheartedly with French Prime Minister Alain Juppé.

The fact that I fully concur with both of them does not mean that I tend towards the dialectical approach. I am merely trying to broaden the field of vision, which is urgently needed. Too much rigid sectoral thinking entails too many risks for the European Union.

This brings me to the question, "for whom do we want to unite Europe?" Nowhere can this question be answered more clearly than in the European Parliament. We must not create a Europe of Brussels

technocrats or of the political classes in our capitals. Their traditional rivalry brings with it the danger of bloated vanities with all the bloated costs they produce. We will create a lasting, democratic Europe only if it sees itself as a Europe of all people, and really becomes that, rather than just talking about it.

The European Union can only be developed further if it is accepted by its citizens and it can only be given substance if it is firmly rooted in their hearts. Our actions must therefore be closer to the people, they must be more transparent and have more democratic legitimacy. Let me emphasize the complaints we hear time and again from the people (complaints which I share): European law is too diffuse, it is too complex, technocratic and perfectionist. I know, of course, where that comes from, and who is to blame. But placing blame cannot excuse it. In short, the whole business is too remote from the people. The Union Treaty and the Community's secondary laws urgently need to be consolidated and pruned, but without more of the dogmatic debates of which we Europeans are so fond.

I can understand the lukewarm popular support for European integration. This is a crisis of public confidence which is directed not only at the European Union but toward all big organizations, including national organizations. We need movement but we must not demand too much of our citizens. We must allow Europe to grow prudently so that confidence can grow with it.

But above all we need a sense of direction, which means we have to decide what we want. That is why Europe cannot afford to get bogged down in technocracy. We need the momentum of the political debate. Only by openly debating the problems which affect people's future can we again make the European Union acceptable to the people. For no matter how we look at them and no matter how different our institutional frameworks and judicial systems, most of the problems are common to us all.

Allow me to briefly pose six questions to illustrate my point:

First, how are we coping with the changes to the work environment resulting from the globalization of markets, the introduction of new technologies and the advent of the information society? Do we truly understand that mass unemployment, in spite of these developments, is not an inescapable fate? Do we see the opportunities afforded by a

dynamic economy in which the income from new technology becomes a source of new jobs?

Second, are we aware of our responsibility for those who cannot keep up with the pace of innovation? Have we studied all reasonable proposals, even unconventional ones, for reintegrating the long-term unemployed into the workforce?

Third, how can we secure the social safety net in the long term? Have we recognized that we are undermining its protective function if we allow costs to get completely out of control? In this area, are we prepared for a Europe-wide competition to find the best solutions?

Fourth, have we done everything we can to give our young people, our most precious asset for the future, the educational and training opportunities they need? Have we invested enough in science and research, the main sources of technological and social innovation?

Fifth, is it not time both the business community and the environmentalists realized that environmental protection does not have to be bought at the expense of technological progress and economic growth? Do we appreciate that although natural resources are finite human knowledge is not, and that economic growth based on new knowledge can at the same time help us solve both our ecological and our social problems?

Sixth, do we have the courage to defend European Community's secret of success over the past forty years—its free and open societies—against all future encroachments as well? Is it clear enough to us that the wellsprings of creativity needed to solve our problems begin to flow only in open and free socities?

Let me conclude with an East European comment and a British quote which complement one another beautifully. The East European one reads: "Europe is uncertain of itself. That's what it needs. Too much self-confidence makes one dull." The British quote reads: "Europe in doubt? When in doubt, go for Europe!" That ought to encourage us.

## "THE NEW EUROPE"

***Speech at the 1996 International Bertelsmann Forum, January 19, 1996***

Several months ago I presented to the European Parliament a few rather old-fashioned arguments to enlist support for the European vision. The strategy of federalism which I spoke about at the time has, after all, a long history. The same is true of the idea that a common stable currency serves the interests of consumers and producers alike. Nevertheless, my remarks appeared to take the audience by surprise. This made me ponder. In our visionless time even old-fashioned notions evidently seem avant-garde. At the same time, I found this somewhat comforting. At any rate, it makes the work of a president of the Federal Republic of Germany easier.

This evening I would therefore like to use once again arguments of the "old-fashioned avant-garde" in order to describe the opportunities and risks of European unification. Let me start right away with the first argument:

> "If Europe were once united in the sharing of its common inheritance, there would be no limit to the happiness, to the prosperity and glory which its three or four hundred million people would enjoy. Yet it is from Europe that have sprung that series of frightful nationalistic quarrels . . . which we have seen even in this twentieth century . . . wreck the peace and mar the prospects of all mankind."

You will have noticed that these are not my own words. They date from a time when the great European tragedies of this century were still fresh in people's minds, and a united Europe seemed a distant dream. But the man who uttered these words had a vision of Europe that sounded anything but dreamy. Its conceptual clarity and single-mindedness of purpose can only shame us Europeans today. Let me continue to quote:

> "Yet all the while there is a remedy which, if it were generally and spontaneously adopted, would as if by a miracle transform

> the whole scene, and would . . . make all Europe, or the greater part of it, as free and as happy as Switzerland is today. What is this sovereign remedy? . . . We must build a kind of United States of Europe."

Many of you will have suddenly remembered your history lessons and realized by now who spoke these words in Zurich in 1946. Had they not come from Winston Churchill, I would not have quoted them in these highly sensitive months before the 1996 Intergovernmental Conference.

As president of a federation called the "Federal Republic of Germany" I would, of course, never dare suggest to the participants of the forthcoming Intergovernmental Conference that a United States of Europe be constituted immediately. But I ask you, ladies and gentlemen: Can European integration as an antidote to nationalistic aberrations be so utterly unsuitable for the epoch lying ahead if Winston Churchill prescribed it for us half a century ago? Churchill, incidentally, was by no means the first or the last to know what was at stake. Erasmus of Rotterdam, Henri Saint-Simon, Victor Hugo, Aristide Briand, and the Paneuropean Union knew it before him, and Jean Monnet, Robert Schuman, Alcide de Gasperi, Paul-Henri Spaak, and Konrad Adenauer knew it after him.

For a number of reasons I would nevertheless like to cite Churchill as a star witness for the European vision. One reason is that Churchill was a sober realist as well as a European visionary. He spoke from the unique experience of a statesman who bore responsibility not only for a great nation but also for a community of nations, the British Empire. One cannot help wondering how he would have reacted to the discrepancy between Europe's vigorous trench warfare over banana imports, on the one hand, and the Europeans only recently ended years of appeasement policy toward Bosnia, on the other.

Half a century after Churchill's speech in Zurich we, too, are witnessing the turn of an era with similarly far-reaching implications. Unlike then, however, we have just experienced half a century of peace, not half a century of war. Yet the very nationalism which at that time had just been defeated at terrible cost now threatens to reawaken in Europe after a long hibernation.

Then, as today, European unification was not to be understood as an isolated movement but rather as part of a global process. Then, as today, a global conflict had been brought to an end. Then, as today, the creation of a new world order was on the agenda. The United Nations, which we are now striving to reform, had just been founded. But today, after a brief period of worldwide hope for peace, we are worried about new security risks ranging from the proliferation of weapons of mass destruction and poverty-induced migration to new currents of fundamentalism and the formation of new blocs. Churchill had similar worries in 1946. "The Dark Ages," he warned, "may still return." The question is whether today's Europe will take the precautions advocated by Churchill, whether it will see the need to speak with one voice in international affairs, whether it will overcome its Eurocentrism, which non-Europeans increasingly regard as a kind of childish autism. It is also the question of whether Europe is capable of committing itself to a strategy for the future that goes beyond Maastricht. Upon closer examination such a strategy does not appear nearly as daring as it might at first glance. For the conceptual and practical recipes for this strategy for the future can be found in the common historical inheritance Churchill exhorted Europe to preserve. Lest the international cartel of Euro-skeptics accuse me of jesting, I would like to try to answer two questions today:

- First, what does the common European heritage offer us today?

- Second, how can we picture "a kind of United States of Europe" as envisioned in Churchill's speech?

To Churchill, the answer to the first question was obvious. For him the European patrimony consisted of the Christian faith and Christian ethics, and of culture, the arts, philosophy and science dating from antiquity to modern times. All this is true. But why then the strife in European history, it will be asked? Why the tendency of nationalism to raise its ugly head time and again? The answer is evidently to be found in the very abundance and diversity of our heritage, and the fact that its joint heirs have not yet fully grasped the tremendous potential of jointly exploiting this diversity. Just consider for a moment the foreign policy implications of the historical ties of Spain and Portugal to Latin America,

or those of France and England to Africa and Asia. The colonial era lies far enough behind us that we can now infuse these ties with new meaning.

But in a deeper sense as well our common heritage can be exploited as a source of energy and inspiration for solving the common problems of the future. I can illustrate this with just three elements of this inheritance.

First, everyone talks, in jest or in earnest, about the diverse national or ethnic mentalities in Europe. We speak of French élan and Anglo-Saxon pragmatism, of German thoroughness and Italian humanity, of Iberian courage and Scandinavian social solidarity, of the Dutch entrepreneurial spirit and profound Slavic Romanticism. But has the forty-year history of European unification not long since shown us how interchangeable all these clichés really are? Do not we see it every day in our parliamentary debates, in media images, and in our business decisions? There are, after all, pragmatic Frenchmen and enthusiastic Anglo-Saxons, thorough Italians and humane Germans, Iberians with a sense of social solidarity and courageous Scandinavians, enterprising Slavs and romantic Dutchmen. Europeans do not need to be all alike to embrace our diverse virtues while searching for solutions to the problems of our time.

Second, does our philosophical heritage alone not impose this obligation on us? Immanuel Kant was an idealist like Erasmus and John Locke, Thomas Hobbes a realist like Nicolo Machiavelli. Montesquieu conceived the doctrine of the separation of powers, which the Anglo-Saxons then developed to perfection. All of them together helped to lay the foundations of the European Enlightenment, to which the whole of Europe diligently professes its commitment. Let us not be convinced that one or the other nation has a monopoly on one or the other school of political philosophy.

Such a step would in any case be irreconcilable with the current state of knowledge theory, which we owe to a Vienna-born British philosopher. Ever since Karl Popper's book, *The Logic of Scientific Discovery*, appeared in 1935 in German, we know that even scientific knowledge is fallible. But what about the rigid schools of political and economic thought, especially those to which one or the other nation has laid special claim? Can the old saying that one can learn from one's mistakes fail to hold true here? Popper provided the answer in 1945 in another book, *The Open Society and Its Enemies*. You are all familiar

with it. The open society is an unending process of discovery which operates just as strongly at the individual and transnational levels as on the national level.

Third, there is, however, one crucial institutional prerequisite for an open society. And that is democracy. Who would deny that democracy forms an integral part of the common European patrimony? Our democratic tradition dates back to the city-states of ancient Greece. England contributed the "mother of parliaments." The French Revolution defined the basic values of modern democracy. What Samuel Huntington called the "third wave of democratization" began in Portugal in 1974, then spread to Greece, Spain and Latin America. It reached a new peak in Eastern Europe between 1988 and 1990. Germany, which survived two dictatorships in sixty years, considers itself fortunate to have been able to lend a helping hand here and there during this "third wave" of democratization. Ultimately, through our own peaceful revolution in 1989, we experienced the final act of the clash of two different systems in our own country.

However checkered the history of democracy in Europe has been, and however widely democracy has spread across the globe, we Europeans must remember that the concept of democracy is inseparably linked with the name of Europe. Does this not impose a special obligation on us? If we attribute our success in overcoming European division in 1989 to the irresistible appeal of democracy, must we not therefore strive for greater democracy in completing the process of European unification?

The demise of collectivism was not caused by the military or economic superiority of the West but rather by lack of freedom. Our future motto must remain: Freedom is our most precious asset. This principle must take precedence over national collectives.

With the subject of democracy I have already come to the heart of the second question: How can we today envision Churchill's "United States of Europe," or, to put it differently, the degree of integration toward which we are heading?

I suggest that we first compile a negative list, that is, a list of what we do not aspire to. This will make it easier to define positively what we want. Two items for the negative list immediately occur to me: the bureaucratic superstate on the one hand, and the expanded free-trade zone on the other. Our citizens obviously do not want the bureaucratic

superstate. It would be an undemocratic solution. And after all that I have just said about the European heritage, an undemocratic solution would also be an “un-European” solution.

It is also obvious that resorting to a free trade zone would not make up for Brussels’ lack of democracy. Free trade is a necessary condition, but not a sufficient one, for the preservation of the European legacy. Free trade existed prior to World War I. Through the fixed exchange rates imposed by the gold standard, it was even more soundly backed by monetary policy than the European common market is today.

Incidentally, I believe that the example of that flourishing era in European history should dispel our fears about the monetary union. At no other time in European history were currencies more stable than then, at no other time was the European economy more dynamic. Fixed exchange rates made trade and investment predictable for business and industry. The interests of producers and consumers were not, as is today far too often the case, played off against each other through overvaluation or undervaluation of their currencies.

Nonetheless, even free trade and the gold standard could not prevent world war and nationalism. Indeed, the opposite occurred. Escalating competition between nationalistic ideologies ultimately torpedoed free trade and fixed exchange rates. Protectionism, competitive devaluations, over-indebtedness, inflation, deflation and depression marked the following decades. Today’s schools of economic thought are divided as to what lessons are to be drawn from this. I have one piece of advice for those who believe it inconceivable that we risk a relapse into the patterns of the 1930s: Read the book on monetary nationalism by Friedrich von Hayek, one of the greatest liberal economists of our century. Hayek impressively illustrates how national economies which seek to go it alone in monetary matters end up suffering the most.

The lesson I draw from this may sound old-fashioned, but it seems more timely to me every day: The greater the economic integration, the more is at stake in case of relapses into nationalism. This is true even for purely economic or monetary nationalism. Thus the greater need for safeguarding economic integration through political integration.

Does anyone seriously question the fact that budgetary policy, to take one example, is made by parliaments and thus by politicians, and that it in turn influences economic development? Not even the monetary policy

of independent central banks is formulated in a political vacuum. It is entangled not only in differences over economic doctrine, which in turn influence market fluctuations, but also in political debate—as we have seen all too clearly of late.

Admittedly, political union would not put an end to differences of economic and political opinion. It would, however, reduce the number of entrenched frontlines and thus the turbulence of the markets. This is precisely one of the most important competitive advantages the United States of America has over our not quite so united states of Europe.

Joseph Rovan recently reminded us that Baron Louis, the finance minister under Louis XVIII, once remarked: "Give me sound policy and I will give you sound finances." What that means in Europe's present situation should be clear: "Give me sound European policies and the united European finance ministers will give you sound finances."

There is a third contribution to the discussion of the expansion and deepening of the Union, and careful consideration of its pros and cons is called for. I am referring to the proposal for the creation of a "core Europe." As a final goal, I would place it on the negative list as well. It would jeopardize the common European inheritance. A vision of contentious heirs ruinously dividing their common inheritance quickly comes to mind.

Things look somewhat different, however, if we view the proposal as an affirmation of a model which has so far shown its value in the process of European unification. Thus far, any discussion about an expansion of the Union has prompted a discussion about deepening it. And if I understand it right, the proposal to initially correct the lack of democratic legitimacy with a small core group of states was nothing but an attempt to give the unification process a new interim goal—just as in Rome in 1956. That, too, was part of Churchill's vision. Let us listen to his words:

> "If at first," he conceded, "all the States of Europe are not willing or able to join the Union, we must nevertheless proceed to assemble and combine those who will and those who can."

The wisdom of this idea simply cannot be denied.

The fact that the "federal finality" was not expressly incorporated into the Maastricht Treaty may disappoint longtime federalists—

including me, incidentally. It does not, however, prevent us from continuing to think about such a finality as a route to Europe's democratic legitimation. Some members of this Forum evidently share this view. The document prepared by the organizers includes, among many other proposals which I find very attractive, the suggestion that the present joint decision-making process of the Council of Ministers and the European Parliament be developed into a truly bicameral system.

At the beginning of a year which will be crucial for Europe's future, I can thus only once again call for renewed commitment. If we want to be able to face future generations, we cannot allow the process of European unification to founder on the shoals of self-interested, shortsighted arguments. On Bosnia, we have seen that there is already something like a public opinion at the European level. Our citizens and the media were ahead of the politicians on this. Much remains to be done, however. Particularly in the economic field too many citizens still find the concept of Europe ungraspable. It is not good if a job in Rostock appears to be threatened because the EU limits imports of bananas from Central America. It is not good if a connection is drawn between strikes in France and the monetary policy of the *Deutsche Bundesbank*. We need to launch a major information offensive in this area.

Democratic legitimation also means ensuring that the citizens of all member states understand the process of European unification and can mentally keep pace with it. An information campaign is called for, especially in the schools. Indeed, schools must see European unification as an educational task. We must think about how to prevent teachers, who themselves fear a loss of national privileges, from sowing mistrust of Europe in the hearts of children.

It also appears essential to me that progress on the road to political union be tied to the tradition of human rights in Europe and the existing institutions for their protection. Democracy begins with human rights. Human rights are the foundation of what we call the European community of values. This community of values links us with the United States of America. It is also the wellspring of the resolve which finally began to emerge, though belatedly, on the issue of Bosnia.

That leads me to quote Churchill one last time:

> "I am now going to say something that will astonish you," he warned. "The first step in the recreation of the European family must be a partnership between France and Germany. In this way only can France recover the moral leadership of Europe. There can be no revival of Europe without a spiritually great France and a spiritually great Germany."

"How true!" one would like to call out to him today. But I also take the liberty of adding a thought which, for understandable reasons, was far from his mind at the time: a spiritually great United Kingdom is essential as well.

This does not mean that the geographically smaller states are not also crucial. Precisely in the mobilization of their potential lies the critical advantage of federalism in the competition among the various forms of political organization.

Churchill knew this too, and he said it:

> "The structure of the United States of Europe, if well and truly built, will be such as to make the material strength of a single state less important. Small nations will count as much as large ones and gain their honor by their contribution to the common cause."

Thus we do not stand here without some sense of where we're going. The "old-fashioned avant-garde" supplies us with powerful arguments. And the forty-year history of the European unification shows us how one integration model can build on another. The European Union of the Maastricht Treaty is the politically enhanced form of the European Community of the Treaties of Rome. From now on we are traveling the road to the democratically enhanced form of the European Union—however it may ultimately look, and whatever it may ultimately be called.

## "OPPORTUNITIES AND PERSPECTIVES OF EUROPEAN INTEGRATION 50 YEARS AFTER THE MARSHALL PLAN"

***Speech at the International Economic Conference on the Occasion of the 50th Anniversary of the Marshall Plan, June 27, 1997***

I am happy to take this opportunity to promote the ideas of George Marshall as a model for managing the challenges of the future. Marshall was at once a political visionary and a pragmatist who tackled the uncertainties of his time with unprecedented political courage. In so doing, he enticed us stubborn Europeans into new partnerships after a self-destructive war.

Then, our main task was to make a new start after the Second World War; now it is to emerge from the Cold War. Then, the western European nations overcame centuries of bitter enmity to form a new network of international organizations. They were able to create not only economic prosperity, but also political freedom, democracy and peace. Now eastern Europeans are wrestling with the same tasks.

The secret of the Marshall Plan's success was two-fold:

First, it did not exclude anyone, and second, it directly mobilized the constructive energies of the Plan's beneficiaries.

Let me talk first about not excluding anyone. This is a matter of great importance today for all the countries of Eastern Europe which would like to join NATO and the European Union. I know better than to get bogged down in the experts' debate over "starting lines," "group scenarios" or "process solutions." But I do want to encourage you not to forget one thing in the hubbub of the discussion: from their inception, both the European Community and NATO have been committed to George Marshall's strategy of not excluding anyone. Dean Acheson defined NATO as an "open covenant openly arrived at." Even the Treaties of Rome envisioned European Communities extending to the whole of Europe.

We western Europeans have been fortunate enough to enjoy the blessings of freedom, democracy and prosperity for the past fifty years.

How can we now deny eastern Europeans, who have been waiting fifty years for the same blessings, participation in George Marshall's strategy for success? A sense of historic justice, if nothing else, should prevent us from getting tangled up in a dogmatic discussion about the different Euro-Atlantic structures and competing enlargement processes. Let us not lose sight of our goal, but approach it with the requisite pragmatism. (This approach must incidentally also apply to the Baltic States and south-eastern European states.)

Naturally, membership in NATO or the EU depends on the willingness of the membership aspirants to fulfill the conditions for participation. The key words here are democracy, human rights, protection of minorities, and open markets. There is certainly no lack of evidence that the would-be members have this willingness. Look at Hungary's exemplary treatment of its minorities, at Slovenia's willingness to prepare for joining the EU by amending its constitution, and at the particularly courageous efforts of the new governments in Bulgaria and Romania to bring about reforms. Pioneering progress towards cooperation between Russia and Euro-Atlantic structures was all but unthinkable as recently as the beginning of this year. But that new cooperation now makes it possible to speak much more realistically of NATO enlargement than we could just a short time ago. The better this cooperation works, the more confidence it builds, and the easier it will be for other enlargement rounds to follow the first.

George Marshall's second secret of success—mobilizing the constructive energies of the Plan's beneficiaries—is also of great relevance for Europe in the 21st century. This applies not only to the transformation process in eastern Europe, but also to long-needed reforms in western Europe. Ultimately, it is also a key to East-West cross-fertilization in the realms of politics, economics, law, and culture. This places equal demands on western, central and eastern European countries alike. Opportunities and risks are two sides of the same coin. Long-term gains must be evident so that short-term costs are acceptable.

This process starts with economic integration. On June 5th, a group of Harvard economists engaged in a heated debate over whether the Marshall Plan's success was a result of the amounts of money spent or of the intellectual concept of the reconstruction program. The answer lay somewhere in between—Harvard economists are still pragmatists, thank

God. The fundamental concept created the critical framework, but the money got the ball rolling.

What is required for today's central and eastern European nations is certainly not a new version of the Marshall Plan of fifty years ago. Still, there is a whole set of tools available to support the rebuilding processes. Think of the emergency programs based on voluntary donations that provided short-term aid to fight famine and energy crises. Think of the PHARE Aid package which has been a useful consulting tool. Think of the financial aid from the IMF and the World Bank, two institutions also founded in Marshall's time, which offered other support mechanisms. There is also the EBRD founded especially for Eastern Europe, which has pledged support for a host of projects in the region. It is now up to the countries concerned to use these tools, just as fifty years ago the Western European countries had to develop programs to use Marshall Plan resources most effectively.

One thing is important: we cannot afford to have a permanent border through Europe dividing rich and poor, because poverty in our neighboring countries would immediately lead to migration flows. We must instead solve the economic problems within each country. To western Europeans I can only say that if we do not help to solve the problems of eastern Europe in eastern Europe, then they will come to us. But there is already some good news. Several countries of eastern Europe are achieving the highest growth rates in Europe, an average of four percent in 1996. There is good reason to hope that this impressive growth will soon benefit those who still see themselves as losers under the new reforms. I am therefore confident that the reform consensus will endure everywhere.

One important part of the structural program is the reform of the legal systems. No less a thinker than Karl Popper recommended that open societies should deter capricious government action and the misuse of freedom for private gain through a reliable legal framework. For most of the reforming nations of eastern Europe, overhauling their legal systems is an essential precondition for the successful transformation to a market economy. Think of civil law, commercial law, and even foreclosure and bankruptcy law—all necessary to promote good financial practices. Even economists have come to admit to their lawyer colleagues that such a legal framework is key to economic development. The American

economist Douglass North was awarded the Nobel Prize in 1993 for this insight into institutional economics. As a lawyer, I was particularly pleased to see such laudable progress among the economists.

What contribution can the EU countries make towards East-West integration? The most important is to open up markets in the West. This is exactly what we mean when we speak of a common market. Competition and the liberalization of foreign trade bring more growth and prosperity than isolation and protectionism. They ultimately lead to a new division of labor between East and West, from which consumers will profit most through better and cheaper goods.

With the high level of unemployment in western Europe, opening up markets is a heavy burden. We must therefore make sure that we are determined, energetic and forward-looking in creating better framework conditions: more flexibility in labor law, lowering non-wage labor costs and the social restructuring that goes with it, and the introduction of differentiated wage structures. We unceasingly call on our eastern neighbors for reform, and offer them our tireless support and advocacy in this effort. But our best support lies in making our own reforms at home. Transformation there also requires reforms here. This is an aspect of the much talked about deepening of the EU that is often not seen clearly enough.

But the reforms should go further than this. We must be able to give a practical answer to the question, “Who pays?” We must come up with some new ideas on agricultural policy, structural policy, subsidiarity, and, not least, on decision-making processes. I have said elsewhere that the double strategy of enlargement and deepening must become a triple strategy of enlargement, deepening and lean management. The EU has too much bureaucracy and too many bureaucratic regulations; it must become leaner. I don’t hesitate to make this point here again today.

But, as I said before, the growing together of Europe and of the Atlantic community is not just about money, it is also about the mind. The cultural enrichment that western Europe and North America have experienced through the opening up of eastern Europe is immeasurable. Need I remind you that communitarianism, which today permeates social and political debate in America, received its strongest momentum from Solidarnocz and the other eastern European civil rights movements of the 1980s? Did not Vaclav Havel and Gyöyrgi Konrad receive the Peace

Award of the German Book Traders Association? Do we not find in eastern Europe exciting new impulses which have somehow been lost in the West under our flood of affluence?

What I never tire of saying about united Germany, I will also say about an enlarged Europe and Atlantic community. That is that our political culture now rests on two pillars: the long-established constitutional experience of the Western democracies, and the fresh revolutionary experience of eastern Europe's civil rights movements.

Politically, economically, institutionally, and culturally strengthened in this way, Europe can begin to tackle the tasks of the 21st century. This also makes this partnership more interesting for the U.S. With its economic successes and scientific breakthroughs, America seems at the moment to have developed a lonely dynamism, so to speak. But if we successfully grow into a new partnership with the USA, a strengthened Europe will make a significant contribution to our common transatlantic potential. This would be a way of giving back to the USA after the end of the Cold War some of what we received after the Second World War. It is also in America's interest to have a strong and peaceful Europe that is capable of decisive action.

I am happy that President Clinton has been saying the same thing recently. "United we stand" is an appropriate motto, not only for Europe, but for the entire transatlantic community in the 21st century.

## "FOUR KINDS OF INNOVATION"

***Speech at the 1994 Congress of the Association of German Chambers of Industry and Commerce (DIHT), October 18, 1994***

I am frequently quoted as saying I am "my own enterprise," and of course I stand by that. But that in itself is probably not enough to qualify me for membership in the Association of German Chambers of Industry and Commerce.

By talking today about the German business community and its relationship with government and society, I run the risk of moving into an area for which I am not academically trained. However, I trust that you will not hold that against me. After all, risk-taking is something people in trade and industry do on a daily basis all over the world.

I deal on an almost everyday basis with developments in government and society that are changing our lives and our production methods so much that hardly anything seems to be the way it used to be. These are the kinds of developments that economists, who think in terms of equilibrium, refer to as "external shocks."

The first shock I would like to mention is the revolution of 1989. Despite all its risks, that shock was and continues to be a positive one. It was liberating for the East, and healthy for the West. It was not simply an eastward expansion of western standards and conditions. On the contrary, the sharply-defined fronts of the old bipolar system have been replaced by new uncertainties, in both the West and the East.

These uncertainties involve both opportunities and risks. The risks are for the most part non-military and cannot be averted with traditional foreign policy instruments. Early in this century someone said that foreign policy was our destiny. This is at least as true today as it was then. But the objectives and instruments of foreign policy have changed fundamentally.

A few weeks ago I received a visit from Israel's foreign minister, Shimon Peres. He vividly described how the water shortage in his region would ultimately leave the parties to the Middle East conflict no choice but to come together in a peaceful regional system of water management.

"Soft power," that is, the power of arguments, the power of resolving economic and social problems, is coming into direct competition with "hard power," power in the classical sense, which is expressed in terms of territories, population figures, armies, and fleets. It ought to be obvious that this constitutes an opportunity for Germany. For forty years the Bonn Republic did not place its ambitions in regaining the status of a major military power, but rather in building a productive and stable economy and society. This decision now works in our favor.

The soft power of the business community is of particular importance for the reforms underway in eastern Europe and in Russia. If we do not stabilize the East, the East will destabilize us. Vaclav Havel stated it very aptly: The destiny of the West will be decided in the East. As you are aware, the hopes of the East are strongly focused on the German economy and on the German business community.

What I would like to emphasize again today is that risk-averse inertia—either in business or in government—can lead to higher long-term risks than would a willingness to take short-term risks today. We should also be reminded that eastern Europe and Russia contain extraordinary wealth, not just in natural resources, but especially in human capital. They are merely waiting for us to work with them, to invest in their countries, to make use of their knowledge. They also want us to furnish know-how that serves both the pioneering entrepreneur and global security as well. This identity of individual and global interests has rarely been so clear as it is now, in the post-Cold War era.

The second external shock that forces us to make adjustments is related to the first. It could be described as the "unification shock" for the global economy. It is nothing less than the integration of more than two billion people in the former eastern Bloc countries and the countries of the Southern Hemisphere into the free-market world economy. Dynamic growth economies containing a majority of the world's population—over a billion in China and eight hundred million in India—automatically increase global competition in products, labor costs and ability to attract investments.

Third, there is the technology shock. Its effects were felt long before the revolution in the East. The triumph of Japanese-style lean production and the enormous progress in microelectronics have created increased and more cost-effective production for ourselves and our competitors,

while at the same time reducing labor requirements. This is a trend that no single country and no branch of industry can resist over the long term.

Fourth and last, sooner or later we will all have to adjust to the shock of a new industrial revolution. Just as traditional industry replaced agriculture as the most important sector of the economy 100 years ago, today it is the information industry, environmental protection and the service sector which are generating larger percentages of GDP than traditional industry. The fact that this process started earlier in America and Japan than in Europe was particularly difficult for us Germans to accept, since we had gotten used to the vaunted superiority of industrial products "made in Germany."

The good news is that we have at least begun to recognize the problem. German companies have confronted their cost and structural problems with remarkable discipline. They have created leaner structures and some have diversified into new areas. In the labor unions, too, there has been a considerable change of attitude. This gives us courage to think about the future. The only question is whether it is a good idea always to wait until there is a crisis before looking for new avenues. The history of business—as well as of life itself—teaches us that forward-looking decisions lead to greater success, greater profits and greater security than purely reactive decisions. This lesson applies to labor as well as management.

The greatest adjustments have been made where the shock hit hardest—in eastern Germany. The new eastern states made a virtue of necessity when their planned economy collapsed by becoming the innovation laboratory of the nation. In this regard they are more advanced than the West, which has a long way to go in shaking off its old, comfortable habits.

We are, willy-nilly, reminded of the state of the West German economy after World War II. At that time the West Germans had an opportunity to make a virtue out of the necessity of starting from scratch by bringing unprecedented energy to the task. Entirely new industries had to be built from the ruins and their products sold on a free world market for the first time in many years. This created extraordinary competitive advantages for Germany over its established competitors in western Europe. That was the secret of the German economic miracle.

In the foreseeable future eastern Germany will be more modern, newer, and more competitive in many areas than western Germany and the rest of Europe. It will not happen as quickly as we all thought it would four years ago, but it will happen, as long as we all want it to, and because we want it to.

Based on what they say, at least, our political parties want this as well. I note that they all talk about innovation in Germany. Where they disagree is on the goals of innovation and the means to achieve them. Thus we are often treated to a familiar drama: New proposals have hardly landed on the legislative table before the preservers of the status quo, the pessimists and the dogmatists start organizing against them. I sometimes think that in the heat of debate our politicians often forget that the future will not wait until we are all in agreement. This applies, by the way, not just to the political parties—it also applies to you in this auditorium.

The dispute is particularly noticeable among those who should actually be pioneers and promoters or implementers of innovation. I am thinking of the scientists and business managers, the labor leaders and politicians. When one of these groups talks about innovation, all too often they simply mean innovation by the other guy: labor expects management to innovate—and vice-versa—management expects the government to innovate—and vice-versa—the government expects the scientific community to innovate—and vice versa.

What I would like to try to do today is to reconcile these mutually contentious sectors, at least in theory. I suggest that we distinguish four areas of innovation that are repeatedly confused with one another in public debate. These are technical innovation, societal innovation, institutional innovation, and mental innovation in the sense of a change of spirit and of attitude. If we confuse these areas of innovation with one another, we run the risk of undermining them while we are still conceptualizing them, long before we reach the point of trying to implement them politically.

First, technical innovation. Its most important source is scientific research. The argument over whether basic research is more important than applied research, or whether academic research is more important than non-university research, is a petty dispute that should end as soon as possible.

The creation of today's information society was made possible only by the breakthrough in basic research known as the quantum theory. But just as important was the transformation of this new knowledge into transistor technology, computer technology, semiconductor technology, and laser technology through applied research. What we need is an effective, efficient and ethical flow of scientific knowledge into industry. Entrepreneurial vigor should then turn this knowledge into new products.

The flow of basic research into industry is obviously broader and more rapid today in the United States and Japan than in Germany. This is not a result of any God-given uniqueness of American or Japanese culture and society. The principle of supply creating its own demand through new products, and not just through advertising, was formulated by Joseph Schumpeter. Schumpeter, as you know, taught at the University of Bonn sixty years ago, before being offered a teaching position in the United States.

In Germany we have hardly moved beyond an irreconcilably divided debate on an issue that might be paraphrased as the dogmatic "sins" of government policy on technology. Numerous strategy groups, technology councils and public forums have been proposed, discussed, rejected, or, in some cases, given institutional life. So far, however, a genuinely fruitful and broadly based flow of communication has failed to develop between the scientific and business communities.

In 1988 the OECD recommended forming horizontal networks involving science, business, government, and society at large—not in an authoritarian hierarchy, but all on the same level. Networks of this kind are quite different from Olympian councils of omniscient "gurus," which I do not support. Technology networks have proven successful in the United States and Japan without distorting their democratic and free-market system into something like "soviet republics." They are nothing more than intellectual marketplaces where young researchers, particularly those who are having trouble moving up through their own academic or corporate hierarchies, are given an opportunity to submit their ideas to objective review on the basis of practical utility.

But let us remember one thing: simply lowering costs and innovating the production of long-established products does not solve the problems we are talking about. Profitability gained by downsizing workforces can rapidly be lost. It would be absolutely wrong to continue doing things the

old way just because the economy is now beginning to make a comeback. The major cycles of technological innovation are longer than the short-term, three-year demand cycles that macroeconomists focus on. This is easily seen in the developmental histories of electrical engineering, the chemicals industry, cars, airplanes, and especially the computer industry. That suggests that we already should be be thinking about what kinds of technologies we want in the coming decades to ensure our prosperity, our social welfare standards and our environment.

For now, and probably for another generation, we are better off buying technology in the fields already dominated by the Americans and Japanese, such as microelectronics and biotechnology, than in trying to reinvent the wheel. But German researchers and companies can be involved in the developments of the generation after next if they go to work right away. Of course, we have to be prepared to make mistakes. No one can know today which technologies will win out tomorrow as the "key technologies" of the future. But we must start now if we want to someday earn the kinds of margins that Schumpeter described—the kind that are, in fact, already being made by such American companies as Intel, Motorola, Microsoft, IBM, Apple, and others.

One thing we certainly cannot afford is a technology-hostile society. If our society were hostile to technology—which I rather doubt—then we would have no choice but to change the society. Recognizing the limits of growth in the 1970s had a not so surprising effect of paralyzing our entire society. Among some of our elites the pendulum swung from naive belief in technical progress to the equally naive and romantic disavowal of technology. Now it is time for the pendulum to swing the other way and, if possible, to stop in the middle. A helpful development in this adjustment is the recognition of how important technology is for environmental protection. Two hundred years of ecological regress—and that is simply the historical truth—can only be reversed and redressed by disproportionately accelerating technological progress.

This means that investing in knowledge and information is the most attractive option in Germany, though there are others. Traditional industrial goods can very often be produced more cost-effectively in the reforming countries of eastern Europe and in the developing countries of the South. By contrast, the growth that results from intellectual and

educational investments is unlimited. The law of diminishing returns does not apply to human knowledge.

Joseph Schumpeter said that "innovation comes primarily from the young." I sometimes wonder if the dispiritedness and immobility we sometimes see in our society is not in fact a direct outgrowth of our totally cockeyed age structure. If that is the case, we should pay close attention to social policy toward families. A society that is more accommodating and friendly to children, in which there is a connection between family and occupation, between activity in the home and activity in the workplace, between the world of work and the world of children, would be a social innovation that seeks to get at the root of our problems. I would like to appeal to labor and management—and not just to government lawmakers—to include this factor in their negotiations.

However, government has responsibility for education as a source of societal innovation. Germany's scientific and economic prosperity in the second half of the nineteenth century, and the current dynamism in Japan and the United States, prove that education is the real secret behind economic development and competitiveness. Japan's strength lies in primary education and in secondary mathematics education. America's elite universities are its source of excellence. Germany is in danger of falling behind in all three areas.

Occasionally one hears that German universities can be reformed only through outside pressure. I am not necessarily convinced of this, but perhaps they really do need competition from American-style private universities. If competition is beneficial in business, then why not in higher education? Even in our admirably egalitarian society, there is no reason to resent the existence of elites so long as they are open to everyone, and based on a striving for knowledge, achievement and creativity. Access to such groups is not the problem in our country. There is probably no other country with more open access to education than Germany. The problem lies in maintaining the quality of education while keeping the door of access open as wide as possible.

If creativity is to be a genuine factor in determining our country's investment appeal, then we must cultivate it early on; early on means in grade school. According to OECD statistics, the United States spends more than 5 percent and Japan 4.5 percent of GDP on education. Germany, on the other hand, spends only 3.8 percent. In primary

education, we rank last on the OECD list. These statistics are at the very least correct in their indication of trends.

We still have advantages in vocational education. Let us not water them down! If we want to give all young people the same chance of finding a job in the service-oriented and information-based society of the future, then we will have to work hard at it, in a non-ideological way. Every student must be promoted in accordance with his or her abilities.

Societal innovation cannot be ordered. But it can be supported through policies that shape the right social framework, and through institutional innovations.

A leaner public sector gives running room to a more dynamic business sector. But this does not mean that government must run from its responsibilities. A leaner government can also be a more activist and stronger government. A broad consensus—an intellectual grand coalition—already seems to exist on the questions of deregulation and debureaucratization. What is needed now, however, is for words to be translated into deeds; this means overcoming the resistance of the lobbyists and dogmatists. Two-thirds of the vested interests they defend are in fact intellectual in nature.

A similar non-partisan consensus exists on unemployment. We all understand that we must not allow ourselves to be seduced by the latest favorable economic trends into forgetting our biggest economic and social problem, the high rate of joblessness. We cannot simply dismiss persistant structural unemployment as a law of nature, even though according to the OECD it is typical of nearly all western economies. People without jobs who fail to find work over the long term gradually lose hope. Unless we find a solution, we will all have to pay the economic and moral price.

Work is more than just a way of making a living. It is a source of self-esteem, inner peace and social recognition. That is why, in the midst of our affluent society, we cannot resign ourselves to a high level of unemployment, and to the rising poverty and homelessness that come with it. The predictable split of society into “haves,” whose financial status is good and improving, and “have nots,” who feel left out, is a significant danger to the social market economy. Government, business and society as a whole must deal with this troubling trend.

This means there is an urgent need for institutional innovation to help the long-term unemployed. We need new thinking to overcome stereotyped ideas and taboos. A debate has finally been initiated on linking welfare benefits and job income. The idea of wage subsidies in the form of a negative tax should not be rejected out of hand. Here, too, I see the beginnings of a non-partisan consensus, but to achieve it we will need the help of labor and management. All these solutions would cost our economy less than paying unemployment benefits. The objective is to create jobs, not to finance unemployment.

Tax incentives for new technology investments and for venture capital are part of institutional innovation. Germany, however, is notable among leading industrial nations for lagging on this front; that should give us pause to stop and think.

We are all agreed that the social security system can best be saved through renovation. This could include, for instance, giving those who are financially able more latitude to provide for their future financial security. It is simply not right for today's generation to shirk its collective responsibility and pass on the job of financing its social security—like an unwanted mortgage—to its children and grandchildren.

But good programs of institutional innovation alone are clearly not enough to rejuvenate society. Each of us must recognize that in times of rapid change we cannot afford a rigid society; each of us must help make it more flexible. The most important innovation is a mental one, a change of attitude. That is the precondition for the success of the three other types of innovation I have mentioned.

At the same time, we definitely have assets which can be put to good use. People want reform. We have the intellectual capital. We have a tradition of inventive tinkering and scientific curiosity. We still have the old virtues of punctuality, reliability and pride of workmanship. We also have a legal structure that has withstood institutional competition, whether in trade law, in cartel law or in the legally mandated independence of the *Bundesbank*.

The elements of mental innovation—intellectual, spiritual and attitudinal—can be counted on the fingers of one hand, and no one should say they do not know what I am talking about:

- First, we must give up our mindless defense of vested interests;

- second, we must overcome our dogmatic obsessions and sacrifice our intellectual sacred cows;
- third, we must have the courage to pursue strategic visions rather than utopian dreams;
- fourth, we must revive our willingness to work hard and to take risks; and
- fifth, in a term that sums it all up, we need a renewed entrepreneurial spirit. I am not just talking about the business community. The entire nation needs to get the entrepreneurial spirit again.

This brings me, at the end of my remarks, back to where I started, to the entrepreneurs, the business people. Theirs is a part of society where intellectual efforts count most. That is why they are held to especially high expectations.

Of course, business people are only human beings. Lately we have heard numerous complaints about managerial blunders in Germany. One hears of young scientists and engineers who cannot get their managements interested in new products. Too many German exporters and investors are content with the familiar but slow-growth European market, instead of moving into the fast-growing Asian and American markets. I even hear there are inactive boards which are doing nothing. Such boards can contribute nothing toward taking advantage of business opportunities or toward the avoidance of entrepreneurial risks. Even a layman can see that.

As far as entrepreneurial success is concerned, it is obvious that we are dealing at root with a mental rather than an institutional problem. Responding with strictly institutional reforms would probably not get to the heart of the problem.

The classical entrepreneur's distinquishing characteristic, his pioneering spirit, is needed not just in business. It is needed in the arts, in science, in government, virtually everywhere in society. These things cannot be separated from one another. "Nothing ventured, nothing gained," goes the old German saying, and it applies to areas outside business, as well. Today I ask you to take this saying to heart and to set an example for all of our society.

## "BREAKTHROUGH TO AN INFORMATION SOCIETY"

***Speech at the Annual Meeting of the Federation of German Industries (BDI), June 18, 1996***

You have focused all day today on the information society and have heard numerous competent experts on this subject. This evening there is hardly anything I could add to what has already been said, and it would be presumptuous to want to compete with the experts. Given that I happily agreed to speak here this evening, you actually have a right to hear something different, something entertaining, something edifying, or since we are in Germany, after all, something fundamental.

But the office of the German president, I am told, was not created for the purpose of entertaining or edifying government, business and society. Thus it will have to be something fundamental. And it just happens to be the case that the question that has occupied my mind most in recent days is a very fundamental one. It is the question as to whether or not we are going to be sufficiently well prepared for the 21st century. This question presents itself at three levels, as I see it: the German level, the European level and the global level. We are living at a turning point in time, although it is only the future generations who will be able to judge this precisely. An incredible dynamic has gripped the world. We cannot afford to fall into the paralysis of futile and ritualized debates. We must not fall behind; we need to move forward now.

At the German level, we need to confront the question concerning the future of living together in an open society and in a dynamic economy. At the European level, it is the question concerning the next major step after Maastricht to be taken towards of political union.

At the global level, the question of German and European responsibility for building a peaceful world order is paramount. The inherent complexity of the issue or, if you will, the "art of reason," means that these questions about the future are connected on all three levels with the subject of an information society. As such, there is a connection to the

theme of your annual meeting, and I hope that with this in mind, you will indulge my excursions into all three areas.

At the national level, I am strongly motivated to pose the question about the future of life in our society. The connection with the subject of the information society begins here. There are those who speak of horror scenarios involving people who are isolated, hypnotized by their computer screen, and incapable of human communication. Others see just the opposite, emphasizing the connectivity provided by the internet, which easily overcomes not just geographical, but also human and social barriers, bringing people together who did not know each other before and who probably would otherwise never have gotten to know each other, adding new meaning to their lives and opening up previously undreamed-of opportunities.

I, for my part, make no secret of the fact that I lean more strongly towards cultural optimism than towards cultural pessimism. As evidence of this, I would like to announce here that my office went on-line a few days ago and that anyone who wants to can now correspond with me via the Internet, or as they say, with the people in my office. Anyone can read my speeches or leave suggestions in my mailbox. The response from Internet surfers has been enormous. The on-line service is reporting system overloads. But this demand will probably level off again.

If we accept Immanuel Kant's concept of humanity, that is, the concept of human responsibility, then we need not be driven by the fear that the Internet or multimedia will turn people into will-less objects. Fortunately, the Internet is so decentralized that its abuse evokes opposition directly from the ranks of net users with amazing rapidity. I have elicited considerable interest in the media with questions concerning appropriate forms of media ethics. In any event a society that purports to be free must not respond in knee-jerk fashion to slight irritations of its peace of mind by imposing fetters on itself.

Incidentally, there is no need for a direct circuit to be established between the computer screen and the visceral region of the human body, circumventing cerebral processing procedures. The best remedy for avoiding this is education, and I will be making recurrent references to the importance of educational policy in equipping ourselves for the 21st century. The problem lies in the relationship that exists between

education and educational policy. I have my doubts as to whether the latter always contributes towards education.

At this point I would like to pose the following question: Is it not the responsibility of educational policy to see to it that the society of the future is not limited to the current mechanical and as yet unmeaningful conception of the information society? Mere acceleration, concentration and frequency of information transmission says nothing about the content and use of this information. Do we not have an interest in becoming an information society that is interested in learning and capable of solving problems?

The mention of problem solving brings me to a much more serious and very concrete question concerning life in our society and, although not exclusively, it too has to do with the information society. It is the question concerning generations living together, or more precisely the responsibility of generations towards one another. You can probably sense where I am going with this. What is involved is the future of the welfare state in the next century.

I want to be careful here to avoid intuitively announcing solutions to this problem. But there are questions I would like to ask. As you know, the German President does not have much in the way of decision-making authority. The only way to get his finger in the pie is to say: “Well at least I can ask, can I not?” It makes no sense for us to close our eyes to the fact that not just the demographic trends, but also the technologies in the information society are calling traditional welfare state structures into question in breathtaking fashion.

Electronic data processing, the increased rapidity of information transfer, the use of computers in the workplace, the use of laptops on planes and trains, and more and more often the Internet are leading to the elimination of many traditional jobs, as well as to the disappearance of entire structures and decision-making levels in the workplace. I do not think I need to explain the term “corporate re-engineering” to you. This process may very well overshadow all other causes of corporate downsizing. More and more long-term employment contracts, or non-independent work, are being converted to short-term job contracts, or independent work, due to the attractive incentives provided by information technology.

The contribution base of our social security system would appear to be exposed to threats on two fronts: on the one hand by an inverted age pyramid, and on the other by a new industrial revolution. Two very difficult questions need to be asked in this context. The first is: Do we want to continue to preserve a pension system established on a pay-as-you-go basis in which a declining number of non-independently employed persons will be supporting a growing mass of pensioners from the non-independent jobs of the past decades? I am not saying that salvaging the pay-as-you-go system would be inconceivable. But if we want this, we need to ask ourselves whether we want to create the conditions that would be necessary to do it, such as:

- extend the length of working life;

- increase the number of women in the active workforce;

- pursue an active immigration policy; and

- activate the economy with a view to being able to accommodate the additional supply of persons seeking employment.

Those who reject any of these conditions for whatever reason will have to consider the option of replacing the pay-as-you-go system with a fully funded system of the kind used in the English-speaking countries. There, working persons save for their own pensions on the basis of the contributions they pay in. One finds different conceivable options here: a government pension system, private statutory pension insurance systems or private voluntary pension insurance systems.

Thus far no one has provided a satisfactory answer to the second difficult question, or how a transition can be made from the pay-as-you-go system to the fully funded system. Do we want to demand of the younger generation now entering adult life that it pay for the pensions of the older generation on a pay-as-you-go basis as well as for their own fully funded pensions? Or do we want to take this burden off the younger generation more or less by depriving the older generation of their hard-earned pensions? This is, after all, the generation to which Germany

owes its postwar reconstruction and to which young people owe their employment opportunities.

What is involved here is not abstract theory, but rather a social problem with major explosive potential. Top-level priority needs to be given to solving this problem, and I say this very openly this evening, since I feel that we can no longer afford to close our eyes to it. The solution will be painful, and it will be painful not just for members of the workforce.

In any event, we will not be able to solve the problem by attempting to close the gateway to Germany for the information society that has developed in the rest of the world. In advance of possible labor-management disputes, I appeal to the parties concerned to be aware of the fact that we would all lose out if we were to act as if we could afford continued wage disputes in the context of a stagnant national economy.

I make no secret of the fact that for these reasons I would have been in favor of a labor-management-government alliance for employment. As things stand, there are only two things I can do at the present time: first of all, to remind everyone concerned to resist stirring up inappropriate emotions, and this applies not just to the labor unions; and second, to make them aware of what is happening in the global economy, whether we like it or not.

Signs that a change is taking place in the world economy have been visible since the mid-1970s. The most certain indication was that upward swings in the business cycle were no longer able to lower the basic level of unemployment. Short-term business cycles were overlaid by something quite different, something that had last been seen half a century ago, that is, the end of a long-wave cycle and the beginning of a new one.

The first of these cycles began in the 18th century with the invention of the steam engine; the second in the 19th century with the introduction of railways; the third at the beginning of this century with the spread of the telegraph, the telephone and the first generation of cars; the fourth after the Great Depression and the Second World War with the emergence of key industries such as oil, aircraft, pharmaceuticals, and television.

Nikolai Kondratieff, who in 1926 was the first to describe these cycles triggered by technological innovations, gave them their name. The oil crisis in the 1970s initiated the end of the fourth Kondratieff cycle, while the microelectronics revolution and the spread of information technology sparked the beginning of the fifth such cycle.

The end of a long-wave business cycle is typically associated with institutional sclerosis, while the beginning of a new cycle is associated with technologically motivated price declines and unemployment. The good thing about the Kondratieff cycles, though, is the long boom phase after they arrive. But here I would note that we will not be able to draw reliable conclusions about a fifth cycle from only four previous cycles.

What is currently being observed in the United States would seem to indicate the beginning of the boom phase for information technology. The question I would like to ask today is what share Germany will have in this boom. From the second to the fourth Kondratieff cycles, Germany was among the technological pioneers, with all the prosperity gains associated with this. The question is whether or not we will again be among the winners in the fifth cycle.

In asking which virtues kept Germany successfully involved in the past three long-wave cycles (we were not involved in the cycle caused by the steam engine), we should keep a historical fact in mind. From the mid-19th century to the mid-20th century, the German scientific community was the world leader, and the German business community knew how to make use of the results of this research. I ask you, what is keeping us from renewing this mutual mobilization of the scientific and business communities? Is it the institutional sclerosis typical of the downswing phases? Are we seeing this at German universities and research establishments? Are we seeing this in the German corporate landscape as well? First and foremost, however, what can we do to remedy the situation?

I have often said, and I will say it again here, that institutional innovation presupposes intellectual innovation. This must begin with the younger generation, in our schools and universities. I call to mind once again the central importance of educational policy and the kind of personal development that makes young people able to cope. I can perhaps illustrate this with a historical reference. The first Kondratieff cycle emanated from England in the late 18th century and for the most part by-passed Germany. In 1810, the Humboldt reforms were introduced. They marked the beginning of an unprecedented period of success for German science and technology which was to continue for a century and secured our prosperity over three major global economic cycles. It would seem to me that we need a new Humboldt or, more

appropriate to the decentralized nature of the information age, several new Humboldts.

All the questions I have raised with regard to Germany's future are questions that are also being asked at the European level. If we want to confront the problems of global change effectively, we will need a European vision. If the Germans were to withdraw into their "fairy-tale land," the French into their "hexagon" and the British into their "splendid isolation" then we would all very regrettably miss the unique opportunities being held out to us as we stand on the threshold of the 21st century. Not just the size of the European market, but also Europe's cultural unity and simultaneous diversity are extraordinary strengths for the information age that lies ahead of us. All Europeans have an interest in putting these assets to work for us. I merely wonder why we are constantly undermining the opportunities available to us with sustained public controversies. Let us take advantage of them instead!

I would like to express a concern specifically to you as representatives of German industry. Public debate on Europe in our country has taken on a dangerous, I might even say, a populist tendency. Those who want monetary union, since they have recognized the benefits to be gained from this, all too often maintain a presumably dignified silence on this issue. They allow others to take the initiative who, for a wide variety of reasons, are interested in stirring up fears of Europe in the minds of the public. To this I say: Go public! Expose the phony arguments! Explain to doubters the vital German interest in the political and economic union of Europe. There is not much to be had from expressing doubt just to be able to say, if things do not work out, that you knew it all along.

And there is something else I would like to say: Europe is more than just a monetary union. The challenge facing Europe for the 21st century is that of achieving genuine political union. Maastricht is only one milestone along this road. The model of peace through integration developed in western Europe over the past forty years must now demonstrate its value in eastern Europe. We have no choice. What Vaclav Havel said applies: If the West does not stabilize the East, the East will destabilize the West. This compulsion also has its good sides in that thus far every debate on enlargement has acted as a driving force to deepen the process of unification. The Berlin agreement on a European

defense identity in the NATO framework is an encouraging sign for the dynamics of this process.

This brings me to the third level, the global level. What is involved here is German and European involvement in a peaceful world order of an entirely new kind. Here again the information society plays a role. The long boom phases of the world economy in the past were also phases that involved the globalization of markets, the shortening of distances, the expansion of intellectual horizons, the impetus generated by the combination of unity and diversity. This is the way it is at the beginning of the information age. We are experiencing it daily.

Opportunities and risks in government, business and culture are having growing transnational effects. Traditional patterns of national government, be this in the foreign, economic or cultural policy areas, are having steadily decreasing effects. To an ever greater extent transnational developments are influencing national, regional and local decisions.

A German company that invests in the American state of Mississippi becomes part of a local community there. It influences local decisions and is itself influenced by local decisions. A similar situation occurs when the same company sets up production or distribution sites in Mexico or Japan. Akio Morita, the founder of Sony, summed it up with the seemingly paradoxical and yet very apt expression: “global localization.” The same kind of thing happens with organizations such as churches, political foundations, scientific networks, and, thanks to the Internet, in worldwide contacts between individuals.

The question as to how well Germany and Europe are prepared at the global level for the 21st century can no longer be answered in the categories of national diplomacy or strategy. What is important is the quality of the thousands of messages that are sent out from Germany and elsewhere in Europe and are received around the world in the process of “global localization.” What is involved here is dissemination of culture in the broadest sense of the term, with culture being defined in this context as the traditionally separate areas of government, business and society at large. Think of the German language, think of the social market economy system, think of the German legal system. It was after all no less a man than Karl Popper who recommended this to the reform countries of eastern Europe in the foreword to the last edition of his book *The Open Society*.

As you know, I travel a lot in my capacity as president. I just returned from a trip to Georgia, and I recently attended a meeting of the Central European heads of state in Poland. I have observed time and again that the expectations being placed on us Germans are enormous. What is involved here is not a transfer of the German system to the rest of the world. People simply want to learn from our experience, despite that fact that we are under adjustment pressures ourselves these days. Our success story over the past forty years is an extremely interesting test case for others, whether we want to believe this or not. We need to share the results of this experiment.

In this sense the German and other European companies who are active in the global market bear a special responsibility. With their investments and other involvements in local communities, they are engaging in foreign cultural policy in the sense just described. The costs associated with this will bring advantage to these companies over the long-term. The fact that the goodwill created in this way always extends beyond the individual company to the benefit of our country and our continent constitutes a gain that is also of political value. I myself am thinking about ways in which this kind of partnership between the public and private sectors can be strengthened in the area of cultural foreign policy and to the extent possible I will make use of the means available to me to help strengthen such partnerships.

I would like to return for a third time to the subject of educational policy. The strongest cultural influence that a country exerts comes from the quality of its educational institutions. The elite universities in the United States are doubtless one of the most important sources of “soft power,” that is, the power of intelligence.

Germany certainly has no reason to be ashamed of its schools and universities, but the brilliance that emanated from them at the beginning of this century evokes a certain nostalgia in retrospect. But do we need to leave it at nostalgia? Are above-average efforts in the interest of education not the most profitable investment in the future? Does the key to equipping ourselves for the 21st century not lie in educational policy in the final analysis? And by this I certainly do not mean spelling reforms or similar types of nonsense that may be considered necessary, or rhetoric, or other things along those lines.

In concluding, I would like to express a heartfelt request to the representatives of German industry: Think long-term. Invest also in hearts and minds. Think of the young people of our country. This is where the breakthrough will begin. And we need this breakthrough.

## "GERMANY'S FUTURE: MOVING INTO THE 21st CENTURY"

***Speech at the Opening of the Hotel Adlon on April 26, 1997***

I am delighted to be speaking to you in the Hotel Adlon tonight. Ninety years ago the original Adlon was opened by Kaiser Wilhelm II. For my part, I am not here to open anything tonight, but rather as a kind of preview guest to check the place out on behalf of the Republic. But that makes me no less happy that this celebrated hotel, with its rich history, has reappeared on the spot where it once stood.

In a way the new Adlon also stands for the new Berlin. It has been rebuilt at a location disfigured for decades by the gaping wounds of war. Pariser Platz, during the days of the GDR, was an eerily empty wasteland in front of the off-limits Brandenburg Gate. Today the contours of the new German capital are emerging here in the center of Berlin, which has become Europe's biggest building site.

The future is being shaped in Berlin. Nowhere else in this country is there so much that is new. There is a feeling here that we can shape the future and generate real change. We can make a fresh start, one that is needed not just for Berlin but for all of Germany. It is my hope that Berlin's experience will provide inspiration for the rest of the country as well. What cannot be achieved on the testing ground of Berlin will not be achieved in the country as a whole either.

I have just returned from Asia, where many countries are in the throes of an incredible dynamism. In the space of a single generation, nations that were only recently classed as developing countries will propel themselves into the ranks of the leading industrialized countries of the 21st century. Bold visions of the future are being offered and translated into action there, and they inspire people to ever greater achievements.

But what do I see here in Germany? An overriding sense of despondency. A preoccupation with crisis scenarios. A mood of paralysis hanging over our society.

In Germany, we are facing the greatest challenges of the last fifty years—both economic and social: 4.3 million unemployed, the erosion of the social welfare system by an age structure turned upside down, the economic, technological and political challenges of globalization. Let us not deceive ourselves: those who think this is none of their concern, because they are still doing relatively well, are burying their heads in the sand.

Tonight I shall not mince my words. It is time to be candid about our problems.

What is wrong with Germany? To put it bluntly, we have lost our economic dynamism, society has ossified and we are suffering from an unbelievable mental depression. These are the key elements of the crisis. They strike a ubiquitous three-note chord in a plaintive minor key.

It is a fact that, compared with Asian countries or even the USA, German industry in recent years has shown sluggish growth. What is more, in America and Asia product cycles are getting shorter and shorter as the pace of change constantly accelerates. This is not just a matter of technical innovation and of turning research into new products faster. We are witnessing nothing less than a new industrial revolution, the development of a new, global society in the information age. A comparison of Germany to America with its low unemployment rate shows that we are truly in danger of falling behind.

In Germany, anyone who shows initiative or—above all—wants to do things differently is in danger of drowning in a morass of well-intentioned regulations. The German mania for red tape becomes instantly apparent to anybody who tries something as simple as building a family home. No wonder that in spite of broadly similar wage levels it is far cheaper to build the same house in Holland.

This bureaucratic sclerosis affects not only the average person who wants to build a simple cottage. It also hinders businessmen, big and small, and in particular anyone who has the startling notion of founding a new enterprise here. Bill Gates started in a garage and had already built a world-wide company while still a young man. The bitter joke going around is that if Gates had tried that in Germany, the factory inspectors would have closed his garage down.

The loss of economic dynamism goes hand in hand with the ossification of society.

People in Germany sense that the growth to which they have become accustomed is now a distant memory. Naturally enough they react nervously. For the first time ever, people who have never been threatened by unemployment are fearful about the future, for themselves and their families. The American news magazine *Newsweek* has even written of the "German disease." That may be an exaggeration, but one thing is certain: our media give the impression that pessimism is endemic in Germany.

This is terribly dangerous. Fear easily provokes the knee-jerk response that the status quo must be preserved at all costs. A society plagued by fear becomes incapable of reform, and can no longer shape its future. Fear stifles the spirit of invention, the courage to go it alone, the hope that problems can be mastered. The German word *Angst* has actually entered the vocabulary of the Americans and the French as symbolic of our mind set. The words "courage" and "self-confidence," by contrast, seem to have gone out of fashion.

So our problem is actually an intellectual one. It is not as if we do not know that the economy and society are in urgent need of reform. Still, progress is painfully slow. We lack the urge for renewal, we are not prepared to take risks, to venture off the beaten track, to dare to try something new. In my opinion our problem is not one of perception, but of implementation. Other industrialized countries, such as Japan, have also felt the impact of technological change on their labor markets and of demographic shifts on the social security net. But we cannot plead extenuating circumstances to explain the lagging pace of modernization in Germany. It is a home-made problem, and we have nobody to blame but ourselves.

And still, some people think we can afford the luxury of acting as if we had all the time in the world for renewal. The loudest voices heard on the issues of taxes, pensions, health care, education, and even the euro are those of the special interest groups and the skeptics. Anyone who wants to postpone or impede reform in these major areas should know that the German people as a whole will have to pay, and the price will be high. I warn anybody who might be contemplating delaying or even blocking these reforms for political reasons that it is, above all, the jobless who will pay the price.

All political parties and social groups lament with one voice the great problem of high unemployment. If they really mean what they say, I expect them to act, quickly and decisively! We must show greater resolve

in addressing these issues! We simply cannot allow our political institutions to suffer a self-inflicted gridlock.

Innovation begins in the mind: in our attitude toward new technology, toward new forms of work and training, quite simply in our attitude toward change. I would go so far as to say that the attitudinal and intellectual condition of Germany is now more important to its status as a business and industrial center than is its ranking as a financial center, or the level of its non-wage labor costs. What will decide our fate is our ability to innovate. It took us twenty years to liberalize our tightly-regulated retail shopping hours. At that rate, there is no way we will ever come to grips with the larger challenges of our age. If you need a 100-meter run-up to take a two-meter jump, you may as well not bother.

All too often the urgent need for change is simply side-stepped by appealing to the state; this has practically become the national knee-jerk response. But the higher our expectations of government, the easier it is for them to be disappointed—not just because the public coffers are low. The government and its institutions are often simply not equal to the complexity of modern life, with all its borderline and special cases—nor can they be.

The state today suffers from the myth that its resources are inexhaustible. In short, the citizens ask too much of the government, while for its part the government asks too much of its citizens. The heavier the tax burden, the more is expected of the government—which then has no choice but to borrow more or raise taxes even higher. When borrowing is too high, all that is left is radical surgery to balance the budget, with painful economic consequences. It becomes a vicious circle.

This ritualistic appeal to the state goes hand in hand, as I see it, with a dangerous decline in people's commitment to the common good. When taxes are high it is too easy to think that merely by paying them you have discharged your obligations to society in full. The individual urge to profit at the expense of society has virtually become a national pastime. What have things come to when a person is admired if he succeeds in milking the social welfare system, knows the most ingenious ways of evading taxes, and cashes in on the widest range of subsidies? People justify this behavior by pointing the finger at others: everybody's doing it, they say, so why shouldn't I?

In light of all these problems, I wonder if we are even debating the right issues. Let us start with the basics. The world around us has become

increasingly complex, so we are forced to seek different and more elaborate solutions. But the issues that are most hotly debated are precisely the ones about which our citizens are most uninformed. Surveys show that only a minority is aware of what the major reform initiatives are all about. This confirms a failure of imagination on the part of those who should know better: the politicians who too easily get bogged down in detail and fail to clarify the broad programmatic outlines; the media, to whom cheap headlines often matter more than straightforward information; the experts who think it beneath them to come straight out and "tell it like it is."

Instead we indulge in forecasts of doom. With almost every new discovery we ask first what risks and dangers it will bring, not what opportunities it will offer. Nearly every hint of reform comes under instant suspicion as an attack on the welfare state. Be it nuclear power, genetic research or digitalization, the discussion is distorted beyond recognition: sometimes politicized, sometimes just oversimplified. Debates like this no longer lead to decisions. They turn into predictable rituals, which regularly follow the same pattern, a sort of seven-step process:

First, somebody makes a proposal that would require sacrifices from one special interest group or another.

Second, the media report a wave of "collective indignation."

By the third stage, if not sooner, the political parties embrace the issue, some for, some against.

The fourth phase produces a mish-mash of alternative proposals and hectic activism leading to mass demonstrations, petition drives and overnight polls of questionable value.

The fifth stage is general confusion. People feel insecure.

By the sixth step, appeals for calm are heard from all sides.

Seventh and finally, discussion of the problem is usually postponed. The status quo prevails. Everybody waits for the next issue to arise.

Such rituals might be amusing but for their dangerous capacity to paralyze decision-making. We fight about things that do not matter, so we do not have to face unflinchingly things that do. Does anyone today still talk about the row over the census, which a few years ago had the whole country up in arms? Self-styled experts with advanced degrees are invited to speak out about anything at all, as long as they portray them darkly and frighten as many people as possible. Mock battles are fought

out in political or academic circles until the average citizen is hopelessly confused. Quality of debate is often discarded in favor of verbal brutality, belligerent language and intellectual fisticuffs. This is all happening at a time when people are already worried by the radical changes they are experiencing, at the very time when citizens who lack expertise on particular topics should be able to depend on outside guidance. I call for restraint: words can injure, and destroy our sense of community. We cannot afford this over the long run, especially when we are more dependent than ever on a sense of community.

Are our educated elites still capable of climbing out of the trenches of dogma and reaching any decisions at all? Who is supposed to set society's course: those with an elected mandate to do so, or those who are most successful in stirring up public opinion? Representing special interests is, of course, a legitimate activity. But time and time again we see this or that group blocking long-overdue decisions by the uncompromising defense of its own special interests. I urge everyone to act more responsibly!

In America, special interest groups that compete mainly by mobilizing public opinion are aptly referred to as "veto groups." They insure that problems get plenty of talk, but little action. Their watchword is simply to muddle through by seeking the lowest common denominator. The result is a distortion of the broader picture.

Our political, business, media, and social leaders may recognize what is right. But I do not have the sense that they are able or willing to put to put their insights into practice. At times, they may well find themselves forced, for a change, to go against public opinion. The situation in Germany today is such that we can no longer afford always to choose the path of least resistance.

Indeed, I believe that, when faced with fundamental challenges to our survival, the only winners will be those who are really prepared to lead, those whose honest beliefs matter more than getting or keeping political, economic or media power. We must never underestimate the common sense or wisdom of the people. On the big issues, they will reward those who maintain a steady course. Our elites must provide leadership on vital reform issues rather than straggling behind!

The elite must justify themselves through achievement and decisiveness and be role models worthy of emulation. I also expect them

to speak in plain language! Leaders—no matter whom they are leading—must be candid with those who follow them, even when it is an unpleasant task. I do not criticize the 35-year-old miners who demonstrated in Bonn to save their jobs. I know how much is being asked of them at present, and I feel for them. But I do criticize those who, twenty years ago, encouraged them to go down the into pits when they were fifteen years old by telling them that coal had a bright future—even though they knew better.

The simple truth today is that none of us should assume that we will remain in the same trade or profession all our lives. We must become more flexible in our attitudes. In the knowledge-based society of the twenty-first century we must all continue to learn throughout our lives. We must acquire new skills and expertise—and we must get used to the idea that we may have to pursue two, three or even four different trades or professions in our lifetimes.

I could go on indefinitely about the problems we face. But as I said before, what we need now is action, not analysis. Let me now turn to the question of what must be done.

I believe we need a new social contract for the future. All the social entitlements which have been accumulated over the years—and I do mean all of them—must be up for discussion. Everybody must contribute to this discussion. Merely making demands contributes nothing. It does not matter if those are demands of the employers, the trade unions, the state, the political parties, the government, or the political opposition, depending on where you are coming from.

First, we must be clear about the sort of society in which we want to live in the twenty-first century. We need a new vision. Visions are nothing but strategies for action. That is what distinguishes them from utopias.

Visions can mobilize undreamed-of forces. Just think of the vitality of the "American dream," of the vision of Perestroika, of the power behind the concept of freedom in Germany in the autumn of 1989.

The West Germans, too, once had a vision—a vision which helped them rise from the ruins of World War Two. It was the vision of the socially-responsible market economy, which promised prosperity for all, and which kept that promise. It was the vision of reintegrating a defeated and morally discredited Germany into the community of democratic

states and into Europe. And finally, it was the vision of reuniting divided Germany.

Nobody need expect panaceas from me. But when I try to imagine Germany in the year 2020, the country I picture is vastly different from that of today.

First, should we not aim for a society in which the individual bears more responsibility for himself and others, and in which he sees responsibility not as a burden but as an opportunity? A society in which not everything is pre-determined, which gives people room to run, and in which those who make mistakes are given a second chance? A society in which freedom is the central value—but not merely the freedom to accumulate ever greater personal wealth.

Second, should we not aim for a society no longer rigidly divided, as ours is today, into those with jobs and those without? In the future, work will be different from today: new, knowledge-based professions will displace unskilled jobs, and there will be more work in the service sector than in industry. Instead of lifetime employment there will be more mobility and flexibility, including the chance to better balance work and family. Work is not just a means of earning a living. Work can and should foster happiness and self-respect. Nobody who commits himself fully to work should be talked into having a guilty conscience.

Third, should we not aim for a society of social solidarity? Not in the sense of maximizing redistribution of wealth, but rather in trusting in every individual to act responsibly in his own interest and in the interest of society as a whole. Social solidarity means helping those who lack the strength to stand up for themselves. It also means showing concern for coming generations.

Fourth, I foresee a knowledge-based society that offers everyone the opportunity to participate in the information revolution of our age. That means being prepared for life-long learning and willing to play in the international big leagues of competition for knowledge. This also requires an open attitude toward technological innovation.

Fifth, I want a society that regards European unification not just as a technique for living together, but that sees Europe as a part of its political and cultural identity—a society that is ready to preserve and assert that identity in an increasingly multiethnic world.

Sixth, I want a society that accepts Germany's international responsibilities, a society that commits itself to a world order in which cultural variety does not create new lines of conflict and struggle. Inside Germany, too, society must become more open. We need a society marked by tolerance which enables people of different cultures to live together.

But we do not only need the courage to see visions like these; we also need the strength and the will to turn them into reality. We need nothing less than domestic renewal! The long road of reform lies before us. Today we must take the first step down that road.

As a beginning, we must tackle the reforms which we have been talking about for far too long.

These include non-wage labor costs. By now absolutely everybody agrees that our non-wage benefits are too high. When will labor costs be freed from financing non-insurance benefits?

The labor market must also be reformed. When will management and labor unions find the courage to sign contracts that permit the recruitment of new workers?

We must also reform our system of government subsidies. Instead of courageously reducing subsidies we keep thinking up new ones. Indeed, many incentive programs have long since ceased to serve their original purpose.

Reform is also needed in public administration. Our public works projects sometimes make me wonder if a race is going on between the builders and the demolishers. Taken together, the many small cases of public profligacy invariably add up to billions. How about a new budgetary law that rewards savings and punishes waste?

We urgently need deregulation. Is it really a law of nature in Germany that you have to apply to as many as nineteen separate authorities if you want to start a manufacturing business, even though it will create jobs?

We must do something about unemployment among low-wage earners. Everybody knows that the gap between wages and unemployment benefits must be large enough to encourage people to choose work over welfare. I am not referring to the much-talked-about mother of four or five children. But why is it so difficult to enforce the principle of a wage/benefit differential for those who really can work? This principle is worth upholding even if we have to pay wage supplements

from the public purse, because they would still be cheaper than paying unemployment benefits.

Another area in need of reform is our system of health insurance. Why are the health insurance societies still financing spa visits when they are running out of money for life-saving operations? Constantly rising employer contributions are no solution; they just threaten jobs.

And finally, we need tax reform. In light of the events of the last few days, I really cannot think of anything to add on this topic.

The first step along the path towards the sort of society I have outlined is to implement all the reform initiatives which have so far done nothing but gather dust. We have talked about them long enough: now it is time to act.

But at the same time we must start looking beyond them. The reforms mentioned thus far will not be sufficient by themselves for us to reclaim the future.

I would like to go into this topic in more detail. Today there is a noticeable trend for people to regard the increase in security gained through state welfare provisions as more important than the loss of freedom which goes with it. We demand freedom. But what if the citizenry finds freedom too cold, and prefers instead the comfort of state welfare benefits and provisions?

This question cannot be answered with the simple wording of a law. We must begin at a deeper level—with our young people, and what we convey to them through their upbringing and education. We must prepare young people for freedom, and equip them to handle it. I believe we must encourage a sense of responsibility for oneself, so that the young see freedom as a prize rather than a burden. Freedom is the flywheel that drives dynamism and change. If we succeed in getting that across, we will hold the key to the future in our hands. I am convinced that the idea of freedom is the source of the strength we are seeking, which will help us to break through the modernization bottleneck and revitalize our economy and our society.

This is why I accord such high priority to education reform. Education must become “topic A” in our society. We need to embark on a new direction if we are to survive in the coming knowledge-based world.

This is not primarily a question of money. First, we need to be less self-satisfied. How do the world’s highest-performing nations manage to

get their children out of school at age seventeen and out of university at age twenty-four? It is interesting to note that these are the very same nations which have the most to offer on the international education market. Why should it not be possible in Germany to complete the university entrance examination, the *Abitur*, in twelve years? As I see it, the years which our young people are losing have been stolen from them.

We must also re-examine what education means. In future it will be even less about the imparting of knowledge than it is now. Even today, it is impossible for anyone to keep up with the pace of the information explosion. Therefore, we must teach people how to handle new knowledge. Knowledge is multiplying ever faster, and at the same time it is becoming obsolete at an unprecedented rate. There is no avoiding life-time learning. It cannot be the objective of a university education to produce a thirty-year-old with a doctorate but no prospects of a job. Our universities need more self-government. I urge greater competition and more world-class performance. I know proposals like these have been around for years. Here, too, the problem is the pace of implementation. We cannot behave as if we could leave school and university reform to the experts. This is a crucially important task that affects the future of our whole society.

As I have already said, when speaking of the future of our society, I must necessarily talk about our young people. They are our greatest capital asset. All we have to do is offer them a realistic chance for the future. And that means, among other things, not piling up budget deficits which they will have to pay off and which will severely limit their options in life.

Another question: why are there so few opportunities for young people to do volunteer work? There are many young people who are once again willing to become socially involved. In personal encounters, confirmed by polling data, I have noticed that the trend in this country changed some time ago. A sense of duty is once more gaining ground at the expense of what sociologists so daintily refer to as “the values of self-realization.” I suppose you could simply say that egoism alone is no longer “in.” Our young people are once more prepared to do their bit for society. But then we must let them do their own thing, give them the freedom to gain experience beyond pursuing material values.

We must encourage our young people to be more independent, more entrepreneurial, more ready to commit themselves to causes and to take

responsibility. We should tell them: you must achieve something, otherwise you will fall behind. But we should add: you **can** achieve something. There are plenty of things that need doing in our society and that would offer young people the chance to prove they can take responsibility for themselves and for society as a whole.

But we of the older generations must ask ourselves these questions: what example are we setting the young? What models worthy of emulation are we offering them? It must not be the model of the permanently complaining, always despairing citizen who expects to be looked after! The young watch us old folk very closely. We maintain our credibility with them only if we demonstrate our own sense of responsibility by the way we lead our lives.

And, finally, we must abandon the illusion that solutions to German problems can only be found in Germany. Contemplating our navels is not particularly productive. Everyone knows that we must be a society that is constantly reeducating itself. We must therefore join the world community that is in a constant state of reeducation as it seeks the best ideas and the best solutions wherever they can be found on the planet.

Globalization has not only created a worldwide market for goods and capital; it has also created a global market for ideas, and this market is open to us as much as to anyone else.

Most traditional industrialized states have faced or are facing these same problems. And many of them have shown that they can be solved.

- In New Zealand a modern system of local government has replaced old and inefficient structures.
- In Sweden the runaway welfare state has been successfully modernized.
- In Holland labor relations have been made more flexible by consensus between management and unions. Unemployment in Holland has fallen drastically as a result.
- In the USA a conscious growth strategy has created millions of new jobs. I know it will immediately be said that not everything that happens in America can be adopted here, and that in any case we simply do not want the American way of life here.

That is certainly true, but it should not prevent us from taking a second look. I challenge our citizens not to copy others, but to learn from them! Most of these new American jobs have been created in sunrise industries and services such as telecommunications, computers, software, financial services. They are not low-wage jobs. The Americans have not tried to slow down change; they have placed themselves in its vanguard. They have done this by promoting research and technology, by deregulation, by building an infrastructure for the information age. The Americans have exploited the potential for breakthroughs in microelectronics and biotechnology to create new products, from which whole new industries have sprung up. New, knowledge-based growth has become the source of millions of new jobs.

We, too, must embrace future technologies, biotechnology, information technology. A great, global race has begun. World markets are being divided anew, and so are the prospects for prosperity in the twenty-first century. We must start catching up now; we can simply no longer afford a hostile attitude toward technology and high achievement.

The tasks which face us are daunting. People feel overwhelmed by the flood of change, all of it coming at once. That is understandable, for we have built up an enormous backlog of neglected reforms. It will take strength and effort to drive renewal forward, and too much time has already been lost. But nobody should forget that in technologically sophisticated societies, permanent innovation is a never-ending task. The world is on the move; it will not wait for Germany.

But it is not yet too late. Germany must give itself a shake. We must give up cherished entitlements. Everyone is involved, everyone must make sacrifices, everyone has a role to play. This includes:

- management, by not just laying workers off to cut costs;
- workers, by bring working hours and wages in line with what their companies can afford;
- the unions, by endorsing local contracts and more flexible working relationships;
- the Parliament, both *Bundestag* and *Bundesrat*, by making rapid progress on the major reforms; and
- the special interest groups, by not acting to the detriment of the common good.

People expect action now. If everybody sees the tasks before us as a great common challenge, we shall succeed. In the end we shall all benefit.

There is no question that we have difficult years ahead. But we also have enormous opportunities. We have one of the best infrastructures in the world and well-educated people. We have know-how, we have capital, we have a huge market. By international standards we still have an almost unparalleled degree of social security, freedom and justice. Other countries have modeled themselves on our legal system and our social market economy. And above all, everywhere in the world—everywhere, that is, except here—people are convinced that the Germans will make it.

John F. Kennedy once said that our problems are made by people, so they can also be solved by people. This is true of us Germans as well. And I believe that we Germans will be able to solve our problems. I believe in our energy, our community spirit, our ability to turn visions into reality. We have seen it again and again throughout our history: Germans have the strength and the will to pull themselves out of a crisis by their own bootstraps, if only they believe in themselves.

And again, I believe in our young people. Of course I have seen the polls telling us that some of them are beginning to doubt the ability of our system to survive and reform. But I say to them: if you no longer have faith in the system, at least have faith in yourselves!

I am convinced that we can resume a leading position in science and technology, and in opening up new markets. We can trigger new growth which will create new jobs.

The result will be a society which is making a comeback, full of confidence and the joy of living, a society of tolerance and personal commitment. If we cast off our shackles, if we realize our full potential, then we shall not merely reduce unemployment by half, we can even restore full employment. In America, and elsewhere, it happened long ago—so why should it not happen here?

Now we must get down to work. I call upon all our citizens to assume greater personal responsibility. I place my faith in a renewed spirit. And I trust in our creative power. Let us once more believe in ourselves. Our best years lie ahead.