Jens Weidmann: 2015 – an outlook for the year ahead

Welcome speech by Dr Jens Weidmann, President of the Deutsche Bundesbank, at the New Year reception, held by the Chambers of Industry and Commerce in Ulm and Bodensee-Oberschwaben, Biberach an der Riß, 15 January 2015.

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1. Opening remarks

Dr Kulitz, Mr Grieshaber, ladies and gentlemen

I am delighted to make my first public appearance of 2015 outside Frankfurt in the heart of Upper Swabia, not all that far away from my home town of Backnang, and would like to thank you very much for inviting me to your joint New Year reception.

The turn of every year brings with it a number of changes – and the transition from 2014 to 2015 is no exception here in Germany. Perhaps you have mixed feelings regarding some of these.

A general statutory minimum wage of €8.50 per hour was introduced in Germany at the start of the year. While this is unlikely to have a direct impact on the labour market thanks to buoyant economic conditions, the inherent risk in the long term – the magnitude of which will also depend on the framework set out by the Minimum Wage Commission – is that it will have a dampening effect on employment and cause structural unemployment to rise.

The cap on rents that is to be introduced in the near future aims to protect renters in "overstretched housing markets" against sharp rent increases. This regulation could likewise have undesirable adverse side effects in the long term by resulting in reducing housing construction, particularly in big cities.

What is more, Greece is once again keeping the rest of the euro area on tenterhooks. Greeks will go to the polls in ten days' time and there are fears that a new Greek government will not be able to stand by the commitments previously made by the country, leading to a resurgence in uncertainty surrounding the euro area's economic outlook – uncertainty which had been thought, by some, to be a thing of the past. This also shows that it will take time to tackle the underlying causes of the crisis.

The new year also brought with it sweeping changes in the banking sector, such as the European Bank Recovery and Resolution Directive (BRRD), which entered into force at the start of 2015. Banks will pay into the European Single Resolution Fund (SRF) from this year onwards. This fund aims to ensure, commencing in 2016, that the creditors of a struggling bank will be held liable for its losses, not the taxpayer. The use of taxpayers' money as a last resort rather than the first line of defence in future is an important step in the right direction.

The Single Supervisory Mechanism (SSM) took up its supervisory role under the aegis of the ECB several weeks before 2014 drew to a close. European banks are now supervised subject to uniform, stringent standards.

At the same time, the "lifeblood of the global economy" – as oil is sometimes known – has fallen significantly in price. You and I are benefiting directly from this as consumers because now we do not have to spend as much on fuel and heating. But enterprises are also benefiting from lower production costs, which they are likely to pass on, at least in part, to consumers and otherwise use to shore up their earnings.

All in all, the fall in oil prices is akin to a stimulus package, which is likely to give economic growth in Germany and the euro area an additional boost. Pleasant surprises in terms of growth should therefore not be ruled out.

What this means for monetary policy is currently the subject of intense debate in the ECB Governing Council – and, as you can imagine, I would be more than happy to discuss this with you today.

However, there is what is, in principle, a sensible agreement in place in the Governing Council not to speak publicly about current monetary policy in the week leading up to our monetary policy meeting. Hence, I cannot touch upon this topic in my speech today, but you may already be familiar with my stance.

Instead, I would like talk this evening about two long-term developments for which key changes of course are ultimately already set: the growth prospects of the German economy and the future of the European monetary union.

Speaking of the future, the media reported at the start of the year that the late 1980s time-travel comedy Back to the Future Part II was set in 2015 and took the opportunity to examine the extent to which Hollywood's representation of the future back then compared with present-day reality.

As expected, reality differs dramatically from what was presented on screen. Some developments, however, were predicted accurately, such as the proliferation of flat screens and video calls. But other predictions still seem visionary today: hoverboards that fly over water have not yet been invented in 2015, much less flying cars. By contrast, the world's largest sportswear manufacturer announced that it would be releasing self-tying shoes this year – an homage to the film, of course.

Reminiscing about Back to the Future highlights the fact that making predictions is never an exact science. In other words, if you would permit me to tell a corny joke: "It's hard to make predictions, especially about the future." But this must not be allowed to result in developments that are foreseeable in the long term being ignored. The aim is rather to address identifiable challenges at an early stage, not least when it comes to safeguarding Germany's enduring economic prosperity.

2. Growth prospects of the German economy

Ladies and gentlemen, in comparison with other euro-area countries, it sometimes appears as though the grass is greener in Germany. In point of fact, the German economy is currently in good condition: German enterprises have their costs under control, are not heavily indebted, for the most part, and sell attractive products on the global markets. They are therefore in a position to take advantage of the opportunities arising from a recovery in the euro area and in international trade.

The domestic economy is also in good shape. Unemployment is low – indeed, here in Biberach, you are close to full employment – household debt is not excessive and real wages are rising markedly. Overall, general government debt includes virtually no new borrowing.

Furthermore, as stated earlier, both the economy and consumers are benefiting from the sharp decline in oil prices, which have fallen by more than 50% in the space of six months.

If we look back a few years, we can see that, thanks to structural reforms in the labour market and the budget consolidation that was already underway, Germany was in a relatively good position when the financial and debt crisis hit. It was as a result of this, as well as the responsible actions of wage bargainers and sound corporate balance sheets, that Germany recovered comparatively quickly from the biggest economic downturn in post-war history.

As reported by the Federal Statistical Office this morning, the German economy grew by 1.5% in real terms in 2014. However, the relative strength of the German economy at present should not obscure the fact that major challenges lie ahead and that this favourable position is not assured in the long run.

In particular, unfavourable demographic trends will dampen future growth. However, energy policy shifts, the impact of the globalisation and digitisation of the economy as well as debt levels, which are persistently high even in Germany, are also weighing on the country's long-term growth prospects.

The Bundesbank estimates that potential output, which is supposed to reflect long-term growth prospects, is currently growing by around just 1% a year and will continue to do so up to the end of the decade. This is truly underwhelming. In the 1990s, potential growth was still at 1½%, and averaged 1¼% even in the 2000s.

Looking ahead to the distant future, Germany will be near the bottom of the league table for growth by international standards. Studies conducted by the OECD show that, by 2060, Germany will have grown at the slowest rate of all 42 countries surveyed, primarily as a result of the demographics-driven decline in the number of hours worked. Per capita growth looks somewhat better because of the falling population. However, here too, Germany is mired in mediocrity by European standards, according to the OECD.

With an annual trend growth rate of just over 1% by 2060, the OECD predicts that Germany will grow only half as quickly as all the OECD countries together; OECD experts expect the annual growth of the global economy (OECD plus eight large emerging market economies) to be as high as 3%.[1]

So there are no grounds for complacency. There will be a shift in global economic weights, and safeguarding sustainable growth will remain a major economic policy challenge. But what economic policy action might be taken to improve long-term growth prospects?

The reflex response that is often heard, particularly with regard to Germany, is that investment needs to be stepped up, the reasoning being that use of state-of-the-art technology usually leads to greater productivity.

But private investment has to follow an economic rationale: it cannot be prescribed by the state. The state's main role is, rather, to create a suitable environment by means of astute policymaking. Besides, a more differentiated view is called for when discussing a supposed weakness in investment in Germany.

The total real investment ratio in Germany – which is to say private and government gross capital formation to gross domestic product (GDP) – has indeed been markedly lower since the beginning of the 2000s than in the 1990s, and is lower than in the rest of the euro area.

Yet it must be taken into consideration that the weaker investment levels in the last decade were largely the result of the end of the 1990s construction boom following German reunification. If one looks at the non-construction investment ratio, there is no longer even a difference between Germany and the rest of the euro area.[2]

And if we look at private investment including construction, we find that the ratio for the euro area excluding Germany has now returned to levels close to the German ratio, the construction boom having come to an abrupt end in a number of euro-area countries. Thus, it cannot be claimed, either by historical or international standards, that the German private sector is investing too little. Besides, it is not the case that investment boosts growth prospects per se.

In fact, to say so is to put the cart before the horse. Better prospects for growth, and therefore for profit, are the best incentive to invest. As I just said, economic policymakers can best improve the investment climate by putting favourable conditions in place.

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[1] See OECD (2013), Long-term Growth Scenarios, OECD Economics Department Working Papers No 1000.

[2] Federal Ministry of Finance (2014), Investitionsschwäche in Deutschland?, in Monatsbericht März, pp 26–33 (March Monthly Report, German only).

And what's the situation as regards public investment?

In this respect, Germany lags clearly and permanently behind the rest of the euro area. Yet this does not justify the generalisation that the state needs to invest more.

But since public net investment has been negative for some time now, and depreciation is higher than gross capital formation, there would indeed seem to be room for improvement in this area.

Infrastructure weaknesses can inhibit growth considerably. I do not subscribe to the view that Germany's infrastructure is decrepit, however. It would be more appropriate to speak of regional shortcomings or bottlenecks.

Nonetheless, public funds should only be invested specifically in areas in which they will pay off. This principle, which is a matter of course for private investment, ought to apply to public investment, too.

In the long term, sensible public investment improves economic supply conditions, while in the short term it stimulates demand. However, it does not make for a European stimulus package, as some have called for. This is because Germany is not expected to generate significant spillover effects on the rest of the euro area by increasing investment. This notion is to be rejected, moreover, on the grounds that it does not comply with the principle of individual fiscal responsibility that underpins the Maastricht Treaty.

The main reason for Germany's sluggish potential growth is its declining workforce.

If we could travel by time machine to the year 2060, we would arrive in a country in which considerably fewer people live and the share of old people is significantly higher. According to the Federal Statistical Office's coordinated population projection, one-third of Germany's population will be over 65 in 2060.

The implications for economic output are clear. The working-age population will shrink and the total number of hours that can be worked will decrease. This will dampen aggregate output.

And in the longer term, demographic change could also have an adverse impact on overall productivity, for example as a result of the rising fiscal costs of the ageing population and a potential drop in innovation. This will also depress per capita income.

The three main factors through which these dampening macroeconomic effects might be countered are

1. the number of women in work,
2. the length of the working life and
3. the immigration of skilled workers from abroad.

Although female labour market participation in Germany is well above the OECD average, the share of women in full-time employment is clearly below the average for industrial countries.

To raise the number of women in work, Germany needs to further reconcile work and family life. Key improvements have been made over the last few years, notably by providing more extensive day care for small children and offering more all-day school facilities. Not only the state but many enterprises, too, have come to realise that young, well-qualified women return to work more quickly after the birth of a child if they find good day care services for their children. These enterprises have invested in in-house day care centres for this very reason.

However, some aspects of Germany's tax, social security and transfer system create less of an incentive to seek gainful employment. Non-contributory inclusion in the statutory health insurance scheme and the childcare supplement are two such examples. The political

objectives behind these instruments need to be weighed against the effects they have on employment.

Moreover, as life expectancy increases, so the statutory retirement age needs to be raised to curb the effects on the pension level as well as non-wage labour costs. This question has been addressed with the progressive increase of the standard retirement age to 67. What we need is a longer working life, but not only to ensure we can afford to pay pensions. Enterprises here in the south-west of Germany know what a shortage of skilled labour means.

Under these circumstances, allowing long-term contributors to the statutory pension insurance scheme to draw a full pension at 63 is a step in the wrong direction, since it means that skilled workers, in particular, who are in very short supply, no longer participate in the labour force.

Instead of setting incentives for employees to take early retirement, they should be encouraged to work longer. That is why the initiative launched by Mr Weise, the head of the Federal Employment Agency, is to be welcomed.

Yet integrating more women into working life and holding on to more older employees will not be nearly enough to compensate for the decline in the potential labour force due to demographic ageing. This makes the immigration of skilled workers from abroad both desirable and necessary from an economic policy perspective. It should be noted in this context that immigration on a realistic scale can only mitigate the effects of the demographic change Germany is experiencing, but it cannot halt – far less reverse – the trend

Thus, it is all the more important for Germany to present itself as a cosmopolitan country that welcomes new citizens and offers them equal opportunity. The chambers of industry and commerce are playing an important part in improving the integration of skilled workers from abroad. However, the culture of welcoming workers from abroad and of integration is also a matter for society at large. Immigrants need to be more than just integrated into the workplace – they need to become part of our society.

If fewer and fewer people are going to be in work in Germany in future, it has to be ensured that those who do work are more productive. That, too, will help to boost potential growth. This makes it especially important that the work force has received the best possible education and training. Studies show that investment in education for very young and pre-school children in particular pays off in the long run.

Besides a high level of education and training, the growth potential of an economy hinges crucially on enterprises' capacity to innovate. Especially in a competitive environment, the onus is on enterprises to step up their innovativeness and their ongoing quest to achieve better and better production processes.

In a nutshell, more competition creates growth. But in a region that boasts so many leaders in the world markets, this is anything but news to you.

By the same token, positive growth stimuli would also be unleashed if market entry barriers were lowered – for instance, by liberalising and deregulating the self-employed professions or reducing the bureaucracy involved in business start-ups.

In the World Bank's Doing Business table, Germany takes 114th place in the "ease of starting a business" category; in the Global Competitiveness Index of the World Economic Forum, Germany ranks 106th out of 144 countries, alongside the likes of Ethiopia, Zimbabwe, Mozambique and Chad, in the category on "the number of procedures required to start a business".

Clearly, there is room for improvement there.

However, it's not just at the national level but also at the European level that more can be done to increase growth: achieving a single European market for services in the EU could

produce similar welfare effects to those experienced when the single market for goods was created two decades ago.

The creation of a digital single market, in particular, promises great benefit, as Europe continues to be strongly divided along national borders in this field. At the same time, digitalisation does not only concern the services sector but also the industrial sector – just think of the keyword “Internet of Things”.

Incidentally, the makers of Back to the Future were only able to partially foresee the revolutionary changes in information and communication technology. They assumed that fax machines, walkie-talkies and pay phones would still play a major role in 2015.

Important stimuli can also be provided at the transatlantic level; for example, through the TTIP free trade agreement with the United States.

The favourable position of the German economy today is no grounds for complacency. Policymakers, the economy and society must make considerable efforts to assure continued prosperity in the future.

And in the interests of future generations, the foundations must be laid today for prosperity in the future.

At times, it almost seems as if economic policymakers agree with the words of Groucho Marx: “Why should I care about posterity? What’s posterity ever done for me?”.

3. Future of the European monetary union

The medium-term growth prospects of the German economy also depend, of course, on an improved economic outlook in the other euro-area countries. This brings me to the second part of my presentation: the future of the monetary union.

3.1 Correcting national misalignments

The euro-area crisis began approximately five years ago. Although many people refer to it as the “euro crisis” for short, it is not actually a currency crisis but elements of a debt crisis, banking crisis and balance of payments crisis coming together.

The crisis started in Greece and then spread to other euro-area countries. The causes and problems are slightly different in each crisis country; however, in all cases, the key to overcoming the crisis lies, above all, with the affected countries themselves.

Following the launch of the single European currency, some of the member states’ fiscal and economic policies failed to meet the requirements of a monetary union.

These countries, which had significantly higher interest rates before the euro, observed strong capital inflows following the introduction of the euro. Unfortunately, these funds flowed to a considerable extent into private or public consumption or into an oversized housing sector.

In connection with heavily over-estimated growth expectations, a decrease in competitiveness caused by high wage settlements, and insufficient financial regulation, considerable imbalances built up, which then contributed to the financial, economic, and later, sovereign debt crises.

These structural problems cannot be resolved by printing money. The Eurosystem’s central banks have played a significant role in preventing an escalation of the crisis. However, the central banks cannot take the place of the necessary adjustment processes.

It has been clear from the start that these adjustment measures require patience. After all, the massive imbalances have built up over an extended period of time.

Therefore, it's more of a marathon than a sprint when it comes to the adjustment measures. Tenacity and perseverance are called for, particularly in the second half of the course. And just as marathon runners race at different speeds, the crisis countries are currently at different stages in their marathon course.

Without a doubt, substantial progress in adjustment efforts has been achieved and reform steps initiated. As such, most of the crisis countries have managed to lower their structural budget deficits considerably. In addition, the current account deficits have largely been reduced and some countries are now running a surplus.

Price competitiveness in the crisis countries has also improved significantly. Measured in terms of the deflators of total sales, the competitiveness of the economy has improved by 6% in Portugal, 9% in Spain and 14% in Greece.

None of the countries has crossed the finishing line yet but it is becoming increasingly clear that the efforts are bearing fruit: unemployment seems to have passed its peak and the economy is growing again.

It would therefore be all the more concerning if we were to jeopardise everything that has been achieved so far and go backwards in terms of the progress made towards reform. I am thinking of Greece in particular here. Since the motif chosen by the Greeks for their €1 coin is the animal of wisdom, the owl, I hope it carries with it the insight that the country can only be helped in the long term by a consistent process of reform and consolidation.

However, in order to overcome the euro-area crisis permanently, it is not enough to correct misalignments in economic and fiscal policies at the national level.

3.2 Overcoming weaknesses in the framework of the euro area

The crisis has also revealed weaknesses in the institutional framework of the euro area.

This framework can be primarily traced back to the decisions of Maastricht. The objective of the Maastricht Treaty was to ensure the single monetary policy could fulfil its mandate, without hindrance, of ensuring price stability in the euro area. The Eurosystem was given far-reaching independence to safeguard monetary policy against political influence.

Independence is a monetary policy privilege and in a democratic constitution, it needs to be counterbalanced by a central bank mandate with clear constraints. To assure this independence, the central banks were therefore prohibited from lending to governments or purchasing sovereign bonds directly.

And the Advocate-General at the European Court of Justice also made it clear yesterday that the practice of subjecting the ECB to legal constraints is beyond dispute. In addition to the ban on monetary financing of the public sector, this means the central bank is prohibited from engaging in economic policymaking, even if the line drawn between monetary and economic policy can sometimes vary in width.

Furthermore, the national government authorities are obliged to ensure sound budgetary policy, as excessive borrowing may jeopardise the stability of the single currency. Finally, it was also determined that no country shall be liable for the debt of the Community or for that of another member state. This was supposed to emphasise the importance of national individual responsibility for fiscal policy.

While a single monetary and foreign exchange policy was created, fiscal policy remained in the hands of the 19 individual member states.

In his book Making the European Monetary Union the economic historian Harold James made use of an engineering analogy. He said, "The monetary union without a well-established base in fiscal regime and without a stable financial system had a very high centre of gravity that made for vulnerability and instability".

Supposing the founding fathers could use a time machine to travel back in time to the Maastricht Treaty negotiations, would they do anything differently with the knowledge they have today? I think so.

For instance, the original framework placed too much emphasis on public finances. Other possible macroeconomic misalignments, on the other hand, were hardly considered in the design of the regulatory framework. These include the permanent loss of competitiveness in today's problem countries as a result of their excessively large current account deficits, or the real estate market exaggerations that contributed to a private debt and banking crisis.

To be fair though, I must point out that some criticism had already been voiced prior to monetary union, which focused on the deficits in the institutional framework but which was not incorporated by policymakers.

In addition, the founding fathers would probably take into account that a mutual exemption from liability can only be plausible if regulations for dealing with imminent insolvency and for preventing spillover effects to other countries are in place.

More attention would probably also have been paid to those such as Willem Duisenberg, who later became President of the ECB, who pointed out at the time that monetary union exposes a vulnerable gap: the absence of a single European supervisory mechanism for banks.

Increased interdependence within a monetary union can create a precarious banking situation by creating spillover effects to other countries, which cannot be adequately combatted by supervisory structures at the national level.

Ladies and gentlemen, the makers of the Maastricht Treaty of course had as little ability to see into the future as the makers of Back to the Future. So it's all well and good giving advice on how things should have been done, with the benefit of hindsight.

However, lessons were also learnt while we tackled and analysed the crisis and extensive institutional reforms have already been adopted.

First, the fiscal rules of the Stability and Growth Pact were tightened and a fiscal compact was agreed upon. The aim is for the fiscal rules to become more stringent and binding again in order to build confidence.

Second, a procedure for identifying macroeconomic imbalances at an early stage was established, in which the European Commission regularly examines whether, for example, destabilising effects are emanating from private sector debt or from the member states' current account balances.

Third, a crisis mechanism was set up – temporary at first, then permanent – which is designed to serve as a "firewall", safeguarding the stability of the financial system in the euro area. Five euro-area member states were able to count on help from the other member states, provided in the spirit of solidarity, and take out assistance loans in order to gain the time needed to get to the root of their problems.

And fourth, as already mentioned, a banking union was resolved, establishing a Single Supervisory Mechanism under the aegis of the ECB and a Single Resolution Mechanism for ailing banks.

The measures I have just mentioned have made the monetary union more stable in the long term and, in some cases, have also played a part in preventing the crisis from escalating.

However, this very bailout policy pursued by the member states and the Eurosystem has brought about a precarious situation: elements of mutual liability were essentially introduced for the crisis-hit countries' debt, while fiscal policy remains a matter for national policymakers. That doesn't augur well for the future.

Liability is a core element of our economic system. That's something every entrepreneur knows – after all, doing business means picking up the tab if things go wrong.

There are essentially two ways of putting control and liability back on a more even keel. Either the monetary union is developed into a fiscal union with centralised rights to intervene in fiscal policy at the European level. This would also enable greater mutual liability. Or we turn back to the original framework as specified in the Maastricht Treaty and reinforce the principle of individual national responsibility.

Which path is the right one to take is a matter for policymakers to decide.

I believe that governments and the public at large are currently less than willing to take the step towards a bona fide fiscal union, seeing as this would mean ceding a great deal of national sovereign rights in fiscal policy matters.

Ladies and gentlemen, it was a long-held belief, above all in Germany, that in the long run monetary union would, out of necessity as it were, culminate in political union. Addressing the Bundestag in November 1991, Helmut Kohl remarked that "the idea of sustaining economic and monetary union over time without political union is a fallacy".

I believe, however, that monetary union can also function without political union. The Maastricht framework, which was adjusted in the light of the crisis, offers a sensible foundation for this in principle. The precondition, however, is that the agreed rules are also complied with. I view the most recent developments with concern here.

Calls for compliance with agreed fiscal policy rules are often rejected as meddling in national matters by those who, on other occasions, demand greater mutual liability. In this context, sound budgets are a key prerequisite for the stability of the single currency, for which every member state is responsible.

The tougher fiscal rules are heading in the right direction, but they must now be implemented as well. Unfortunately, the rules have become significantly more complex in recent times. A great deal of scope for interpretation and discretion has now been opened up.

Perhaps some of you still remember the statement that the imposition of sanctions under the Excessive Deficit Procedure would be "semi-automatic" in future. Recently, however, greater emphasis has been placed on the use of "flexibility". And the European Commission's comments this week unfortunately indicate that these tendencies are likely to become even stronger.

For example, in future the Commission even plans to broaden its acceptance of investment and structural reforms as an excuse for weaker consolidation efforts. But sound public finances are by no means at odds with good infrastructure, structural reforms or solid conditions for growth. Quite the opposite.

The binding effect of the rules is likely to be further weakened, meanwhile, and sound fiscal policy to take an ever clearer back seat to flexibility. I fear that there is a growing sense of "if you don't want to, you don't have to".

Alongside the already resolved measures to toughen the regulatory framework and above all its systematic implementation, additional steps are needed to further reinforce the principle of individual national responsibility – and hence to permanently overcome European monetary union's vulnerability to crises. The principle of individual national responsibility ultimately means that governments, too, must be allowed to fail financially.

Until now, this was not possible out of concern for financial stability, because a sovereign's insolvency would also have led to the collapse of significant banks in the euro area. Conversely, governments had to rescue banks during the crisis in order to avert risks to financial stability.

One of the key lessons of the euro crisis is therefore to place euro-area banks on a more robust financial footing in order to sever the close links between banks and governments.

An important step towards this goal is the gradual introduction of stricter capital and liquidity requirements. In future, banks will have to hold more and higher-quality capital in reserve. This will make banks more resilient.

During the crisis, however, banks also bought government bonds on a large scale, particularly those issued by their own countries, instead of granting loans to households and enterprises.

To a certain extent, therefore, banks tie their own fate to that of their country. This is not least because sovereigns, as debtors, are afforded preferential treatment in financial market regulation.

Banks do not have to back sovereign bonds with capital, as is required for any other loan. And since capital is tight, this privileged treatment creates an incentive for banks to purchase excessive amounts of sovereign bonds. This is especially the case since the large exposure limit, according to which loans to an individual borrower may not exceed 25% of liable capital, does not apply in the case of loans to the government.

In order to cut the toxic links between banks and sovereigns, I have for some time been calling for an end to the preferential regulatory treatment of sovereign debtors, although it is clear that this will not happen overnight. The year 2015 must be used to make progress in this area. That is why I very much welcome the fact that the Basel Committee on Banking Supervision, working under the auspices of the Bank for International Settlements – also known as the bank for central banks – has now included this topic in its working programme.

4. Conclusion

With that, I now come to the end of my speech, which certainly did not exhaust the topic, but may have exhausted you, my listeners.

Contrary to the title of my speech today, I have looked far beyond the new year in some cases.

It should now be clear, though, that a key part of the agenda is setting the course for the German economy's growth prospects and the future of European monetary union.

I firmly believe, however, that we will only strengthen acceptance of our single currency on a permanent basis if we secure our monetary union as a union for stability and re-enforce the liability principle.

Thank you for listening and I wish you a happy new year.