

Prof. Tietmeyer expresses his praise for Dr. Duisenberg as the committed champion of stability Text of the laudatory address by the President of the Deutsche Bundesbank, Prof. Hans Tietmeyer, in honour of Dr. W.F. Duisenberg, President of the Netherlands Bank and of the Bank for International Settlements, on the occasion of the award of the prize for the "European Banker of the Year 1996" by the Group of 20+1 in Frankfurt on 3/3/97.

I

Being elected in Frankfurt is something rather special. I am not thinking so much of yesterday's local elections. After all, for centuries Frankfurt was the venue of the election of the German King, and later on of the Holy Roman Emperor. Today, however, we are concerned not with the Emperor, but with the European Banker of the Year. And the votes were cast not by the seven princely Electors, but by the 21 margraves of the international economic press.

By electing Wim Duisenberg as European Banker of the Year, the Group of 20+1 landed a triple coup.

- They honoured the individual: Duisenberg, the committed champion of stability.
- They honoured the institution: The Netherlands Bank, that stronghold of stability.
- And they honoured the nation. The Netherlands is today, in a sense, the model country - the shining example on the continent.

II

While others were still moaning about the flood of economic challenges, the Dutch were already starting to come to terms with them. They weeded out their social system. They increased the flexibility of their labour market; they encouraged part-time working, widened wage differentials, seized the opportunities presented by the services sector.

To be sure, even the Netherlands still has some problems to contend with. But the adjustments are already paying off. Unemployment is falling. Employment is rising. And despite the difficult environment (and, by the way, also despite almost identical exchange rate movements to ours), economic growth has turned out to be exceptionally resilient.

The long-standing traditions of the Dutch are obviously still intact. After all, as seafarers and merchants, they have been obliged for centuries to satisfy the requirements of foreign markets. That is why today they are a good distance ahead of other countries in the adjustment process.

I know, of course, that many of the Dutch are not very fond of eulogies of their success. Too much praise from outside might impede the domestic reform process. And we know very well that even long-standing "model pupils" have to take care to see that their marks remain good. But I believe the Dutch are sufficiently self-assured to be able to cope with praise, too.

It is the ability to adjust flexibly that determines "the ascent and decline of nations", and thus their currencies as well. The example of the Netherlands, in particular, shows

that an internally and externally hard currency helps to create jobs. Admittedly, the political will to effect domestic adjustments, and the social consensus that they should be carried out, are also essential.

The erstwhile pegging of the guilder to the D-Mark has long since given way to coexistence on equal terms. Nowadays it is not unfair to ask whether the guilder has not meanwhile itself become the new anchor currency in Europe. In a sense it has, at any rate jointly with the D-Mark.

There are two reasons why the Netherlands has been able to assume this role of the guilder as the “co-anchor” in the ERM:

- First of all, an economic reason: the markets see that the Dutch are not dependent on importing their stability through the exchange rate link. Their “stability culture” stands firmly on its own feet.
- And secondly, a political reason: the Netherlands has played a crucial part in ensuring that the ERM exists at all in its present shape.

This is because a critical situation arose in the summer of 1993, under the impact of upheavals in the ERM. In the monetary “summer gales” of those days, it was suggested at times that Germany should be relegated to the status of a spectator. But the Dutch refused to unpeg the guilder from the D-Mark. And the other member states then felt that the ERM was of no particular interest without those two.

The unambiguous stance of Dutch economic and monetary policy is paying dividends. Today Dutch interest rates are below German rates, at both the short and the long end of the market, despite the slight increase in the last few days. Whether De Nederlandsche Bank is already the actual “interest-rate leader” in Europe is a question I would rather leave open. True, we at the Bundesbank know that we cannot, and do not wish to, permit ourselves any signs of laxity. But for the time being we do not think that the turning point for an upward interest rate adjustment lies with us. The Dutch success up to now has not been achieved overnight. It is the upshot of a long and consistent road which Wim Duisenberg has done a great deal to shape.

III

Wim Duisenberg comes from Friesland. What is puzzling is how he comes by the name of Duisen-berg. As you know, Friesland is so flat that you only need to stand on a newspaper to be able to overlook the entire countryside.

Frisians are supposed to be very attached to their native locality, which is by no means the same thing as being “provincial”. And they are said to be, above all, indomitable, which the uninitiated sometimes interpret as “self-willed”. But that doesn’t matter. As you will know, such a characterisation is not entirely unknown for a Westphalian, either. That is hardly surprising. After all, our birth-places are only 120 kilometres apart.

There were signs of Wim Duisenberg’s international vocation at an early age. As a student he was particularly interested in international economic relations. He wrote his doctoral dissertation on the topic: “The economic consequences of disarmament”. And he worked for the International Monetary Fund for five years.

But then he responded to the call of his homeland. There was nowhere he was not needed. Economic research needed him. He became a professor of macroeconomics in Amsterdam. The government needed him. He became the Minister of Finance at an early age. Actually, that's a contradiction in terms. Youth, after all, tends to be idealistic and impetuous, whereas age tends rather to be distrustful and wary. And a finance minister needs to be highly distrustful and wary. The banking industry needed him. He joined a commercial bank. And finally the central bank needed him. He became its Governor, which elicited from him the following comment: "It's the best job ... The pity is that there's only one such job per country."

Well, being Central Bank Governor in the Netherlands is a longer-term occupation. Anyway, I don't know any other country that has had only three Governors in the past fifty years. His spell as Governor did not begin very auspiciously. Against his advice, the guilder was devalued against the D-Mark as part of the major realignment within the ERM in 1983. That was due less to economic calculation than to a political oversight. And at that time the youthful Governor was unable to get his way in all respects vis-à-vis the politicians. But the markets were resentful for a long while afterwards. In the course of the 1980s, however, the markets' confidence was regained. And Wim Duisenberg played a major role in that, too.

Wim Duisenberg's professional life has meanwhile come full circle. The Dutchman who was always interested in the world at large has held a number of important international offices. For instance, he is now, for the second time, Chairman of the Board of the BIS in Basle. He is also the incoming EMI President; specifically, in Frankfurt. (I know he would have been only too glad to be EMI President in Amsterdam. But there his chances would certainly have been lower.) The newspaper *Börsenzeitung* wrote: "The new lion-tamer for the EMI". And that would seem to make him the obvious candidate for the office of the future President of the European Central Bank.

IV

The boat of European monetary policy needs a shrewd and experienced captain. But, Wim, beware of the song of the sirens. In Europe, as you know, there is an island. There, some observers are loudly singing the praises of a specific financial culture which is claimed to be the only culture for the future. But that culture differs in some respects from continental financial culture. All I can say on that score is: Wim, stay on the continent!

Continental (or should I say: German) financial culture is not as out-dated as some people make out. Long-termism is not to be equated with immobility or lack of flexibility. To be sure, the continent needs more flexibility - in the area of social security and on the labour market alike. But our financial sector is already flexible. After all, we do not want to mix up flexibility with volatility. It may well be the case that short-termism sometimes makes asset prices "more flexible".

But what matters is the financial sector's capacity to come to terms with changed requirements in the economy. Long-termism is certainly no obstacle to that. Long-termism makes the seas less rough. That helps the central bank to stay on course and set the sails properly. And one day the European Central Bank will have to do just that. The expectations pinned on the courage and navigational skill of the future ECB Governing Council are high.

But I am quite sure that, with you as Captain, the ECB crew will manage to manoeuvre the euro to an anchorage in the safe haven of monetary stability. In Germany the politicians are vowing that the euro will be as stable as the D-Mark has been. Actually, the

guilder ought to be the reference point. For I can tell you: the German people will accept the euro only if it is every bit as stable as the guilder. The fact that there has long been a virtual monetary union between our two countries owes much to you. What we envisage is just such a stable monetary union on a larger scale.

I am sure that that is your objective, too. We Governors of the other central banks will give you every assistance when you assume the presidency of the EMI in a few months' time. I am convinced that you will prove a worthy successor to Alexandre Lamfalussy. And he, after all, has set a high standard.

Wim, my good friend, I should like to congratulate you sincerely and cordially on having been elected European Banker of the Year 1996. Seen from the Frankfurt perspective, all I can add is: Frankfurt is such an interesting and attractive city that I would wish that you may remain here for longer than some 18 months, not only as European Banker of the Year 1996, but as central banker of Europe.