

Mario Draghi: Laudatio for Theo Waigel

Speech by Mr Mario Draghi, President of the European Central Bank, in honour of Dr Theodor Waigel, at SignsAwards, Munich, 17 June 2016.

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James Freeman Clarke, a 19th century theologian, once observed that “a politician is a man who thinks of the next *election*, while a statesman thinks of the next *generation*”. This captures well why we are here to honour Theo Waigel today.

Theo Waigel’s political career cannot just be defined by the elections he won, however many there were during his 30 years in the Bundestag. Nor can it be defined by his time as head of the CSU and as finance minister of Germany.

It is defined by his legacy: a legacy that is still shaping Europe today.

He became finance minister in 1989 at a turning-point in post-war European history – when the Iron Curtain that divided Europe was being lifted; when the walls and barbed wire that divided Germany were being removed.

It was a time of great hopes and expectations. But it was also a time of some anxiety. It was clear that the successful reunification of Germany would be a tremendous undertaking. And many wondered what those changes would mean for the European Community – whether it would upset the balance of power that had prevailed between nations since the war.

In that uncertain setting, Theo Waigel’s leadership was pivotal – both as a German and as a European.

He was one of the strongest advocates of German reunification, and was instrumental in getting Germany’s federal and state governments to finance the reconstruction and modernisation of East Germany.

And under his influence, the German government took a fundamental decision for Europe: that the reunification which made Germany stronger should not make Europe weaker. Free of the threat of the Soviet Union, Germany chose not to go down a path of its own making.

Instead, it renewed its commitment to Europe. And it demonstrated the strength of that commitment by sharing its currency with its neighbours. As Theo Waigel said, Germany brought the Deutsche Mark to Europe, and in doing so brought the euro into being.

This historic sequence of events spoke to three character traits which define Theo Waigel: his *vision*, his *resolve* and his *statesmanship*.

He was a person who took the long view and followed his convictions rather than the zeitgeist. He was not discouraged by the obstacles that stood in his way, however high they were. And he had that crucial quality of all great statesmen – the ability to take others with him.

He brought these same three qualities to bear in the design of Economic and Monetary Union some years later. His voice carried particular weight in the decision to add the Stability and Growth Pact to the architecture of monetary union. Against considerable resistance in some corners, his advocacy ensured the euro was born within a framework for fiscal discipline.

This was visionary, because the Pact was more than just a set of rules. What Theo Waigel understood is that a union of separate nations, with different histories, traditions and cultures, but bound together by common interests and common needs, could only be built on mutual trust.

Trust was the key ingredient for countries take further steps towards integration without fear of moral hazard. But trust had to be earned.

First, by countries showing that they accepted the shared responsibilities that monetary union creates. And second, by converging towards similar levels of income, which would assuage fears of a future “transfer union”.

Theo Waigel’s insight was to see that the Stability Pact could achieve both. Responsibility would be demonstrated by compliance with the rules that had been agreed by all. And compliance would lead to greater stability, higher growth and ultimately faster convergence.

When the Pact was agreed in the late 1990s, it was in a climate of optimism and prudence where this expectation seemed feasible. Fiscal discipline had spread through the euro area as countries prepared for membership. And the addition of the single currency to the single market was expected to lead to a rapid narrowing of differences between richer and poorer members.

But the reality was of course different, and convergence was slower than we thought – at least sustainable convergence that did not unwind with the bust.

This was in part due to a lack of conviction among euro area countries that compliance with the rules would generate jobs and growth. It was in part due to a lack of determination in applying those rules. And it was in part due to external factors, namely the global financial crisis.

Fundamentally, the culture that should have underpinned trust – of responsibility leading to solidarity – needed to be stronger. And without that, as Theo Waigel foresaw, our monetary union was more fragile than it should have been.

So today we face a choice – between leaving things as they are and moving forward. And this is not a choice without costs.

We have seen that the price of inaction is high. We have seen how it leaves the economy vulnerable to instability. We have seen how the perceived impotence of public authorities in meeting the needs of their people feeds into frustration and rejection. And we have seen how that risks undermining trust in and support for our institutions – and even the European Union itself.

So to my mind there is only one way ahead, and that is to complete the vision that Theo Waigel left us. But progress today must be different from the past. We have to find a new way to build trust among the Member States and the peoples of Europe – a way that builds on existing institutions to better ensure that the common needs of the people are met.

The needs that we share in common, and that can be more safely delivered in common, must be identified and explained more clearly.

They include economic interests, such as the benefits provided by a large and fully integrated financial area. They include defence, and more generally security against internal and external threats, the capacity to address global migration challenges and the protection of intellectual property – all of which the European Union helps deliver, in ways that individual governments may not necessarily be able to do. And they include environmental protection and the fight against climate change.

It is the demonstration of why, and how, those interests can be better protected in common that will gradually complement compliance and convergence as the basis for trust and the cement of the Union.

And I think that in many cases the evidence is already there for all to see. But to move forward, and I believe it is in our interests to do so, will require us to draw on the qualities that made Theo Waigel a leader.

His focus on the long horizon rather than the demands of the day.

His courage in his convictions and his resilience in seeing them through.

And above all his mastery at convincing and building consensus.

That would be the best way to honour Theo Waigel's legacy, and to deliver the stability and prosperity that our Union was built for.