

Mr. Tietmeyer's address at the International Frankfurt Banking Evening

Co-speaker's address by the President of the Deutsche Bundesbank, Prof. Hans Tietmeyer, following the lecture "Achieving a Credible Currency for Europe" held by Dr. Sirkka Hämäläinen, Governor of the Bank of Finland at the International Frankfurt Banking Evening on 5/5/98.

I

Sirkka,

First of all, thank you very much for having come and for your extremely interesting speech.

You have spoken to us this evening with dual authority:

- on the one hand, as the Governor of a highly successful national central bank and,
- on the other, as a prospective member of the ECB Executive Board.

In the face of such concentrated authority in your address, there is hardly anything pertinent that I can add.

I can only emphasise one of the core sentences of the speech you addressed to the NCB governors, and which is certainly true of the Board members as well:

"The interests of the entire euro area
must always come first."

Without any doubt, this rule is the crucial cornerstone of the ECB in achieving credibility.

The topic of our gathering this evening is "Achieving a credible currency for Europe".

Nominating Sirkka Hämäläinen to the Executive Board of the ECB is, however, without any doubt an invaluable step on the way to a credible currency for Europe.

I am sure that you, Sirkka, will be a jewel in the crown of the - hopefully - stable euro.

By the way, in Brussels a number of men were likewise earmarked for the Executive Board. But they are, of course, not so important - not, at least, this evening.

Sirkka, sincerest congratulations! We are all delighted that you are going to become a Frankfurt central banker.

I wish you, for our own sakes, every success.

- To begin with, of course, on the way to your definitive appointment.
- And particularly in your office here in Frankfurt, from the summer onwards.

II

However, not everything that happened last weekend in Brussels contributed to the necessary expectation that the euro will be a really supranational and depoliticised currency.

I would like to make three remarks on the decisions which were taken in Brussels last weekend.

1. The compromise reached in Brussels over the weekend on filling the office of President of the European Central Bank is a decision taken by the political authorities which we take note of and on which I do not want to make any further comments.

2. The suggestions made with regard to the nominations for the Executive Board of the ECB are to be viewed favourably overall. The persons involved are acknowledged experts on monetary and banking issues, and for the most part have many years of experience in the field of monetary policy. That certainly goes for Professor Dr. Otmar Issing, who is to be appointed for eight years. It is to be hoped that the appointment process will be completed very soon, and the European Central Bank thus established.

3. The European Central Bank must endeavour from the start to build up the necessary confidence in the sustained stability orientation of its policies, and must demonstrate its independence of political influences. As a member of the future ECB Governing Council, I shall strongly support any such policy.

III

Sirkka,

Frankfurt will become your new place of action.

I wish that you will feel happy here in Frankfurt. And I am sure that will be so - provided that you are able to get to know Frankfurt a bit.

For if every one of the eleven national parliaments - like parts of the French National Assembly - in future wanted to hold regular consultations with the members of the ECB Executive Board, you would not get to see very much of Frankfurt, other than the airport.

I hope that will not be the case.

I also hope that you will like Frankfurt. Of course, I don't suppose Frankfurt can compete with Helsinki in every respect. But in many ways it can.

In terms of culture, too, Frankfurt has a great deal to offer. After all, culture and banking go well together. It is no accident that the great Finnish composer Jean Sibelius once said:

“It is only among bankers that I have ever come across an appreciation of music; it is very rare among artists, who prefer to talk about money.”

IV

Another reason why you may feel at home in Frankfurt is that - in my opinion - there are a number of common features in the Finnish and German mentalities.

Both national mentalities are inclined to speak their mind clearly and frankly. It is possible that both the Finns and the Germans do not always express themselves with that elegance and fluency that so distinguishes the representatives of those civilisations which were more influenced by Rome.

But Finns and Germans alike are conspicuous for a strong sense of realism, for clear-cut, if sometimes somewhat harsh, powers of judgement, and for a healthy attachment to their native land.

Finns like a clear, straightforward approach, rather than convoluted affectedness.

That goes equally for their approach to Europe. Finnish professions of faith in Europe may not always sound so effusive and euphoric. Understandably, they also set great store by their independence.

On the other hand, the Finns stand by Europe

- not only when the sun is shining,
- and not only when they are receiving money from Brussels.

Finland is on the periphery, if at all, only in geographical terms; in political terms, it is in the heart of Europe.

V

It no doubt owed something to the sense of realism in the thinking of our two nations that a "stability culture" evolved, and was consolidated, in both our countries.

And in both countries the respective central bank plays a major role in cementing that stability culture. The high international reputation of Finnish anti-inflation policy owes a great deal to your efforts and your personality, Sirkka.

So, you will likewise appreciate the "stability culture" which Frankfurt has inherited.

You once said that it is the lot of a strictly stability-oriented central banker to remain unpopular.

I can assure you of one thing: here in Frankfurt it is possible for a central banker to be both stability-oriented *and* popular at the same time. Being a guardian of stability in Frankfurt is something special, I must say.

And I am convinced that Finns have a particular gift for that.

That is because stability orientation has something to do with long-termism, and thus with staying-power. And Finns are proverbially unbeatable in the kinds of sport that require staying-power.

And another thing: once the euro has got going, it will have to pass its “*Elch-Test*” (an expression that was last year’s “word of the year” in Germany). And we Germans are mighty relieved that somebody from Finland is helping at the steering wheel. For the Finns are *the* experts in all matters relating to Elks and how to deal with them.

VI

Incidentally, there are also some interesting similarities between our two currencies.

What strikes one first, of course, is the common name.

At the time when a proper name for the single European currency was being sought instead of the three letters E-C-U, many Germans suggested calling the single currency *Mark* after the Finnish currency. “For unfathomable reasons”, however, that suggestion failed to meet with general approval.

Another extremely interesting parallel is that both currencies are older than their respective, nowadays independent, states.

As you will no doubt know, the introduction of the D-Mark preceded the establishment of the Federal Republic of Germany, even if only by a short period.

The 50th anniversary of the introduction of the D-Mark will remind us again of that. A ceremony to mark that occasion will take place in Frankfurt’s *Paulskirche* on June 20.

But the less than one year that the D-Mark is older than the Federal Republic of Germany is nothing in comparison with the pacesetter role played by the Finnish markka. The markka was actually introduced over 50 years before independent Finland was born.

Hence we are all the happier that the Finns are prepared to let the markka be absorbed into the euro. And that change is actually meeting with more approval in Finland than in Germany.

But there has been one problem in connection with Finland’s qualification for monetary union. A few months of membership in the exchange rate mechanism of the EMS are lacking.

When we in the Bundesbank were drafting our Convergence Report, we racked our brains wondering what we could do. Strictly speaking, Finland ought to have joined the EMS in *winter* 1995-96.

But we in the Central Bank Council then recalled that, as everybody knows, the Finns are always somewhat downcast and despondent in winter. That is because of the lack of sunshine.

We thought it would be unfair to expect the Finns to take such an important decision as joining the ERM in the depths of winter.

But after a fine summer it was very much easier for the Finns to take that step.

And so we agreed in the Central Bank Council of the Bundesbank not to express any criticism of Finland in this matter.

We found that all the easier since Finland's successes in the field of stability policy have been of such a lasting nature. And that, of course, is what matters most.

In the other case in which a few months of ERM participation were lacking, by the way, things were not quite so easy.

VII

Sirkka, once again, thank you very much for your address, and the very best wishes to you in your new and important assignment.

I am sure our cooperation will be as confident as it has already been in the past few years.