

## **Mr Duisenberg's speech at the 11th Frankfurt International Banking Evening**

Speech by the President of the European Central Bank, Dr W F Duisenberg at the 11th Frankfurt International Banking Evening in Frankfurt on 20 May 1999.

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It is indeed an honour for me to have been invited to say a few words here this evening at the Frankfurt International Banking Evening. At the same time, it is more than a challenge and a rather daunting task. Speaking after Hans Tietmeyer is almost like preaching after the pope. Moreover, I believe it is well known by now that the members of the Governing Council of the ECB speak with one voice. So, what does that leave me to say?

Some have taken this principle of "speaking with one voice" to mean that there would only be one spokesperson for the ECB. That is a misunderstanding. Each of the members of the Governing Council of the ECB has a voice and makes use of it. It is essential for the decisions and views of the Governing Council to be explained comprehensively throughout the euro area as well as outside it and multiple expression is one way to do it. This is particularly so in these early years following the introduction of the euro. After I had given a speech in German, Theo Waigel once observed, "The euro speaks German." He was right, of course, but the euro actually speaks the languages of all the other countries in the Eurosystem. We speak with one voice but, if need be, in eleven languages. This evening we are speaking English, although Hans quoted an advertisement in Dutch in which I appear. I shall presently also speak two sentences in German. Incidentally, Hans could also have referred to another advertisement in which a puppet - according to some people, a President of the ECB look-alike - is doing some basic arithmetic. He calculates that if 1 euro is 2 guilders and 20 cents then 2 euro are 4 guilders and 40 cents. At the ECB our sums are rather more complicated than that, but Hans rightly argued that central bankers cannot be replaced by computers. Neither should the second advertisement be taken as an argument for replacing central bankers by puppets, especially not with their strings being pulled by Ministers of Finance.

We, the members of the Governing Council of the ECB, speak with one voice, but not all voices are identical. How can they be, since they belong to different individuals? We are not in the business of producing clones. Earlier this evening we once again had the privilege of listening to a convincing and clearly audible voice. There is nothing in what was said with which I disagree, and I intend to add very little to it. In fact, on some matters I can only repeat what was said in my own words. Don't worry, I shall not do this extensively. However, repetition is the mother of all genuine knowledge. I cannot therefore resist the temptation to focus briefly on two points that Hans made. The principle of conducting monetary policy within a longer-term framework and from a longer-term perspective is the first issue that I should like to address. This principle sounds simple and its logic is indeed not complicated. It is, however, as difficult to adhere to it in practice as its logic is simple. It seems to me that it has even become more difficult to apply in recent decades as a result of the rapid development in information and communication technology. Tonight is not the occasion to elaborate on this at length, but perhaps you will allow me to share the following reflections with you.

Developments in these areas have brought great benefits and have the potential to lead to significant additional welfare gains in the years ahead, not least in Europe. At the same time they present challenges to economic policy-makers, since they have already fundamentally changed the character of society and its economies. These changes are ongoing and we are only beginning to come to terms with them. The word which characterises much of today's

lifestyle is “zapping”. The equivalent of “zapping” in monetary policy terms is adopting an activist policy, with over-eager responses to all the items of daily information in the financial markets. I sometimes have the impression that activism is experiencing a revival in some circles, although the past has demonstrated clearly how ill-advised we would be to follow such policies. Hans Tietmeyer has time and again stressed the importance of taking a longer-term view. He has also pointed out - although this is perhaps less known - that economies do not operate in isolation. Historical developments and the wider social and cultural environment should be taken into account. Short-termism is also the name of the game being played by some commentators who, barely five months after the introduction of the euro, are drawing far-reaching conclusions about the success of the euro or, more spectacular, its failure. From a longer-term perspective, one can appreciate, for example, that the current situation of price stability is a great improvement on the situation in many countries in recent decades. Making the euro a lasting success is of course an ongoing process and indeed, in line with the title of Hans’ speech, “a permanent challenge and task”. This task requires the input of many persons, firms and institutions. Of course, the Eurosystem is not the least important in this respect.

This brings me to the second point made by Hans on which I should like to focus. That is that, in the end, even the most independent central bank cannot guarantee the maintenance of price stability if no real support for this objective is given by fiscal policies, politicians, social partners, good academic analysis, the financial community as present here this evening and the public at large. Although, technically speaking, an independent central bank is able to maintain price stability in the medium term, in the longer term the actual outcome would be radically different without the existence of what Hans would call an entrenched stability culture. The importance of this cannot be overstated here in Europe, where we have just introduced a new currency in eleven countries with different histories, cultures and backgrounds. Establishing and maintaining a European culture of stability is of the utmost importance. This also explains why central bankers regularly express their views on other policies, be it fiscal policies or structural reforms. I have done so in the past and shall continue to do so in the future - as always, on a constructive basis and in recognition of the fact that the central bank does not decide on these policies, but only gives its advice. The German authorities have received a great deal of advice from Hans over the past six years. Perhaps they did not always like his advice - for instance when they wanted to revalue the stock of gold - but I am sure that they were not surprised that he gave it. They would have been really surprised, however, if the President of the Deutsche Bundesbank had not expressed his views. To help to establish and maintain a culture of stability is also one of the reasons why a central bank needs to be open and communicative. We at the ECB attach great importance to this principle and are making every effort to practise it. We are prepared to learn from experience and to adjust our line of thinking wherever and whenever it proves necessary.

Only the pope is infallible - central bankers are not. Communication should not be unidirectional. We are willing to listen to others and to exchange information and views with them, while at the same time bearing in mind our own spheres of responsibility and those of others. Finally, I should like to mention the importance of a serious, well-informed and constructively critical press in this communication process. For the communication process to function well we need to provide the press with sufficient information, clearly conveying our views to its representatives. It also calls for journalists who are prepared to really digest this information, not just to “zap” through it in search of an eye-catching headline; they also need to study the sometimes technical background of central banking. A particular group of

journalists awards the prize of European central banker of the year. Perhaps it would be a good idea to award a prize to the best European financial journalist of the year. Let me make myself clear, I should not want to be involved in the organisation of such a competition, nor even to have a vote in selecting the winner. I have to admit, though, that I would be interested in the outcome.

Tonight Hans Tietmeyer has addressed the Frankfurt International Banking Evening for the last time in his capacity as President of the Deutsche Bundesbank. Hans, I know that it is not over yet. However, August is drawing closer and closer. You have now entered the phase in which you are doing things for the last time in your present capacity. Recently, you visited De Nederlandsche Bank. It was probably your last visit, but, surprisingly, it was also your first. I say surprisingly, because as President of the Deutsche Bundesbank you represented the Deutsche Mark, which, as we in the Netherlands used to say, was for fifteen years pegged so successfully to the guilder.

Tonight is not the occasion to say farewell to you. Nor am I the person to make the farewell speech that you deserve. In this group of financial experts there is no need to go over your impressive career with all its highlights; they are well known. Let me just simply mention some of the facts: almost six years as President of the Bundesbank, your unique role in the German unification process, your key role in the establishment of EMU from the very beginning (in fact, you were a member of the Werner group in the early days of planning economic and monetary union) and your role on the international scene, not least but certainly not only in the central banking community. Germany, Europe and the world know you as a determined, uncompromising and convincing teacher of the necessity and merits of stability-oriented policies. What you had and have to say was perhaps often predictable, but more often than not your saying it lent it weight and inspired confidence. Moreover, what you once aptly said is absolutely true: *“Man kann schöne Sonntagsreden halten. Die Entscheidungen fallen an Werktagen.”* You are known to be a hard worker - some would even say a workaholic - and you have tremendous *“Ausdauer”*.

You never get tired of putting your analysis and convictions across, as has again been demonstrated tonight. We owe you a great deal of gratitude. After August we central bankers will miss you as a colleague, although I believe we have internalised your basic principles. They will therefore still be around as if you are still present yourself. And should we tend to forget them, I am sure that Ernst Welteke will help me to remind other colleagues of them. Sometimes, I wish that we could do the same as they do in the world of sport in the United States. There, when an outstanding player retires, in order to honour him the number he wears on the back of his shirt is never again used by another player. Central bankers do not wear shirts with numbers on the back, but if we did, I am sure that we would withdraw your number. Retirement is the natural end of one's career, but it should not be overdramatised. People do matter - and you have certainly shown that - but institutions generally outlast them. In fact, that is what many people work for. Luckily, I am convinced that this is the case in central banking. So, the institutions that you have worked to build will go on. Meanwhile, as I look ahead to August, I know that while I will lose a colleague, I will still have the same friend. I know that is true for many of us here this evening. I should therefore like to close by simply expressing my thanks for your support over the years both as a colleague and a friend.