

Mario Monti

Danksagung für die Verleihung des Internationalen Preises

Preisverleihung der Friedrich-August-von-Hayek-Stiftung

6. November 2005

Mr. Federal President, Lord Mayor, Members of the Kuratorium of the Friedrich-August-von-Hayek-Stiftung, Members of the Vorstand of the Stiftung, Dr. Gerken and Dr. Haller, my dear colleague Karen Horn, Ladies and Gentlemen.

I am deeply honoured to have been awarded this prize and to be here in Freiburg for this very special occasion. I am very grateful indeed to the foundation, to the members of the jury and in particular to Otmar Issing for his generous – I must say embarrassingly generous – words.

I have to apologize that I am unable to address you in German. My knowledge of your language is really limited to a very few essential words, basically two of them: *soziale Marktwirtschaft*.

This prize has a special meaning for me and evokes special emotions for a number of reasons. First of all, a personal reason: Already in the eighties in Italy I was referred to as »the most German among Italian economists«. I am not sure, if that was meant to be a compliment. At that time in the context of economic policies »to be German« meant to be rigorous, highly disciplined and tough to an extent hardly known to us soft Mediterraneans. But I did take it as a compliment.

In fact, in my work as an academic economist and in policy debates, I have always found deep inspiration in the principles of the *soziale Marktwirtschaft*. Open markets, competition, budgetary discipline, an independent central bank with the specific mission of achieving price stability.

Of these elements, as Otmar Issing very kindly mentioned, I was mostly involved in monetary policy particularly advocating the need for independent central banks, which I, of course, tried to apply mainly to Italy. However, I also remember with pleasure sitting on a committee which for the first time recommended to the British government to grant independence to the Bank of England.

The inspiration for that phase of my professional life clearly came from one German institution, the *Bundesbank*, personified by Hans Tietmeyer and by Otmar Issing. Issing has been the historically very, very important chain of transmission of the intellectual, cultural and operational tradition of the *Bundesbank* into the newly founded European Central Bank. And I believe Europe owes him special recognition for having achieved this transposition in a smooth, hardly noticeable, difficult, but highly successful way.

In the later stage of my life, as a member of the European commission, I faced very challenging examples of liberal European commissioners to try and follow – most eminently Lord Dahrendorf. First in charge of the internal market and later of competition policies, I endeavoured to follow the principles of the social market economy, particularly as regards the market and competition.

Frequently, I faced strong opposition from the business sector as well as from governments. As a matter of fact, this opposition often came from the German government on the federal

as well as the *Länder* level. In Brussels, I discovered immediately how numerous the German *Länder* are. Sometimes, the opposition from Germany or elsewhere was pretty strong indeed.

I believe I was able to withstand those oppositions for two reasons: a personal and an intellectual one. The personal reason is that I always had the encouragement and support of my wife Elsa, herself in part a German product, having had a Prussian grandmother. And the intellectual reason is that I simply tried to follow the inspiration of the social market economy and the German culture of *Wettbewerb*.

Although the German chancellor was sometimes – after very nice and intensive exchanges – not happy at all about our actions, I was nevertheless convinced that when it came to the abolition of the guarantees on the public banks, or to bringing more competition into the system of distributing cars, we were acting in the interest of the German economy and of German consumers. The work on competition, inspired by the German tradition, was – I am glad to say – very much strengthened by the deep cooperation with the other pillar of Germany's economic miracle, besides the already mentioned *Bundesbank: The Bundeskartellamt*.

And the work with the President of the *Bundeskartellamt*, Ulf Böge – whom I am delighted to see here today – has been a constant source of stimulus and inspiration for us in Brussels. Most of you also know that the German culture of competition is now leading a worldwide exercise with Dr. Böge being the president of the International Competition Network.

All these principles are, of course, based upon the thought of Friedrich August von Hayek and the Freiburg school. This has already been mentioned today, in particular by you, Mr. Federal President. I was very much impressed by your thorough and far reaching remarks on the potential that the principles of the social market economy still carry today.

Today is not only the moment for a historical review of the contribution made by the Freiburg school and by Friedrich August von Hayek. These principles are under attack. Freiburg, I believe, has to take over the leadership once again. I am focussing on Germany in my concluding remarks, although other core countries in Europe share many of the same problems, like France and my own country, Italy. Germany and France have long been the driving forces of economic integration, but have – with respect to the full development of the market economy in Europe – taken up a rather recalcitrant attitude in recent years.

Unfortunately, Germany has this time acted as a brake, not an engine regarding the implementation of the single market in Europe. Just a few examples of what Germany and France have negatively accomplished in recent years to slow down the progress of the European construction: They have slowed down the pace of energy liberalization; they have put their joint effort into the dilution of the effectiveness of the takeover directive as well as into opposing the services directive. Furthermore, they have tried to resist – the accent is on: tried – against the full enforcement of competition rules, and indulged in various forms of resurgent economic nationalism.

Even though Germany has introduced some significant initial measures of economic reform in the last few years, an emerging cultural obstacle seems to prevent Germany from embracing a bolder reform process at home and a more supportive approach to further economic integration in Europe.

This cultural obstacle is a growing uneasiness with the market economy. In Germany, as well as in France, this mindset appears in statements and attitudes of political leaders of various orientations, but also in the broader public opinion. Recently, for example, the president of the French Republic claimed that »liberalism was as dangerous as communism and – like communism – had to be defeated«.

I believe that this discomfort with the market economy is best revealed by adjectives – that are not intended to be appreciative – used more and more often in Germany and France when referring to the market economy: ultra-liberal and Anglo-Saxon. This conceptual association is misleading.

Is the market economy in contemporary Europe inherently connected to Anglo-Saxons? If Germans and French believe so, they subvert history and give proof of excessive modesty, a rare case at least for one of the two countries. It was in fact Germany with the cooperation of France that imprinted a solid market orientation on the nascent European construction. In the fifties, Ludwig Erhard was the first to apply the principles developed by the Freiburg school in earlier decades and to put in place the *soziale Marktwirtschaft* model in Germany.

With the key help of France and Italy this conception permeated the treaty of Rome of 1957. Anglo-Saxon, we read in the Oxford dictionary, means »English Saxon«, which means »distinct from the old Saxons of the continent«.

Well, there are not really many Anglo-Saxon chromosomes in Europe's market economy. When the Rome treaty launched the market economy on the continent, the British economy was not exactly ultra-liberal. That was 22 years before the advent of Margaret Thatcher, another recipient of the Hayek prize. It may have been paleo-socialist. Infact, those advocating the accession of the UK to the common market in the early seventies argued strongly that only a firm anchorage of Britain to the principles of the market economy – inspired by Germany and then embodied in the European Economic Community – would bring some order and efficiency to the British economy.

Due to participating in European integration, and of course due to the formidable determination of Margaret Thatcher to bring *Markt* to the UK and of Tony Blair who further strengthened the *Markt*-basis of the economy while making it more sozial, the British economy is indeed remarkably successful.

But as Germany, like France and Italy, is confronted with difficult decisions in order to make its own economy more efficient, it is crucial that its leaders take up a more confident approach to economic reform.

In my view, Germany simply has to rediscover itself. Germany has reason to be proud of its key contribution not only to the political but specifically to the economic success of post-war Europe. Not only because the sustained growth of the European economy was largely due to the growth of the German economy, but also because Germany showed other countries a model for economic success.

It now needs to quickly reform and modernize its model, but not repudiate it. The good use that others have made of the principles drawn from its model should give Germany pride and courage to embrace change. I am really confident that in the current delicate and difficult political situation, Germany will rediscover the inspiration of Friedrich August von Hayek and of Freiburg. And I believe that this will be of immense help not only to Germany but to giving a new dynamism to the European construction. With these reflections in my mind and with this strong hope in my heart, I express once again my deep gratitude for the prize and for this impressive ceremony.

Thank you very much.