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President Roman Herzog Calls for a Renewal of Confidence (April 26, 1997)

In a much commented upon speech, Federal President Roman Herzog (CDU) calls for a change in the German mentality – that is, for inner renewal. He urges Germans to set aside their fears and to face the future with greater confidence in order to meet the challenges of the twenty-first century. In doing so, he expresses support for the government's reform agenda.

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### **Berlin Speech by Federal President Roman Herzog at the Reopening of the Hotel Adlon on April 26, 1997**

*Germany's Future: Moving into the Twenty-First Century*

I am delighted to be speaking to you at the Hotel Adlon tonight. Ninety years ago, the original Adlon was christened by Kaiser Wilhelm II. I am not here to christen anything but rather to try the place out, so to speak, on behalf of the Republic. Nonetheless, I am no less happy that this celebrated hotel, with its rich history, has been rebuilt on the spot where it once stood.

In a way, the new Adlon also stands for the new Berlin. It was rebuilt on a site disfigured for decades by the gaping wounds of war. Pariser Platz, during the days of the GDR, was an eerily empty wasteland in front of the off-limits Brandenburg Gate. Today, the contours of the new German capital are emerging here in the center of Berlin, which has become Europe's biggest building site.

The future is being shaped in Berlin. Nowhere else in this country is there so much that is new. There is a feeling here that we can shape the future and create real change. We can make a fresh start, one that is needed not just for Berlin but for all of Germany. It is my hope that Berlin's experience will inspire the rest of the country as well. What cannot be achieved on the testing ground of Berlin will not be achieved in the country as a whole either.

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In Germany, anyone who shows initiative or – above all – wants to do things differently is in danger of drowning in a morass of well-intentioned regulations. The German mania for red tape becomes instantly apparent to anyone who tries to build a simple single-family home. No wonder that – despite basically comparable wage levels – it is much cheaper to build the same house in Holland.

This bureaucratic sclerosis not only affects the average person who wants to build a simple cottage. It also hinders businessmen, big and small, and in particular anyone who has the bold idea of founding a new business here. Bill Gates started out in a garage and had already built a global corporation as a young man. The bitter joke going around is that if Gates had tried that here, the factory inspectors would have closed down his garage.

The loss of economic dynamism goes hand in hand with the ossification of our society. People in Germany sense that the growth to which they have become accustomed is now a distant memory. Naturally enough, they react nervously. For the first time ever, people who have never been threatened by unemployment are fearful about the future, for themselves and their families. The American news magazine *Newsweek* has even written about the "German disease." That may be an exaggeration, but one thing is certain: our media gives the impression that pessimism is endemic in Germany.

This is terribly dangerous. Fear easily provokes the knee-jerk response that the status quo must be preserved at all costs. A society plagued by fear becomes incapable of reform, and can no longer shape its future. Fear stifles the spirit of invention, the courage to go it alone, the hope that problems can be overcome. The German word *Angst* has actually entered the vocabulary of the Americans and the French as symbolic of our mind-set. The words "courage" and "self-confidence," by contrast, seem to have gone out of fashion.

So our problem is actually one of mentality. It's not as if we don't know that the economy and society are in urgent need of reform. Nevertheless, progress is painfully slow. We lack the urge for renewal; we are not prepared to take risks, to stray from the beaten track, to dare to try something new.

In my opinion, our problem is not one of perception but of implementation. Other industrialized countries, such as Japan, have also felt the impact of technological change on their labor markets and the consequences of demographic change on their social security nets. But we cannot plead extenuating circumstances in an attempt to explain the lagging pace of modernization in Germany. It is a homemade problem, and we have nobody to blame but ourselves.

And still, some people think we can afford the luxury of acting as if we had all the time in the world for renewal. The loudest voices on the issues of taxes, pensions, health care, education, and even the Euro are those of special interest groups and skeptics. Anyone who wants to postpone or impede reform in these major areas should know that the German people as a whole will have to pay, and the price will be high. I warn anybody who might be contemplating delaying or even blocking these reforms for political reasons that it is, above all, the jobless who will pay the price.

All political parties and social groups lament with one voice the great problem of high unemployment. If they really mean what they say, I expect them to act – quickly and decisively! We must show greater resolve in addressing these issues! We simply cannot allow our political institutions to suffer self-inflicted gridlock.

Innovation begins in the mind – in our attitude toward new technologies, toward new types of work and training, quite simply in our attitude toward change. I would go so far as to say that Germany's attitude and mentality has a greater impact on its status as a center of business and industry than its ranking as a financial center or the level of its non-wage labor costs. What will decide our fate is our ability to innovate.

It took us twenty years to liberalize our tightly regulated retail shopping hours. At that rate, there is no way we will ever come to grips with the larger challenges of our age. If you need a 100-meter run-up to a two-meter jump, you may as well not bother.

All too often, the urgent need for change is simply side-stepped by appealing to the state; this has practically become the national knee-jerk response. But the higher our expectations of the government, the easier it is to be disappointed – not just because our public coffers are low. The government and its institutions are often simply not equal to the complexity of modern life, with all of its borderline and special cases – nor can they be.

The state today suffers from the myth that its resources are inexhaustible. In short, the citizens ask too much of the government, while, for its part, the government asks too much of its citizens. The heavier the tax burden, the more is expected of the government – which then has no choice but to borrow more or raise taxes even more. When borrowing is too high, all that is left is radical surgery to balance the budget, with painful economic consequences. It becomes a vicious circle.

This ritualistic appeal to the state goes hand in hand, as I see it, with a dangerous decline in people's commitment to the common good. When taxes are high, it is too easy to think that merely by paying them you have met your obligations to society in full. The individual urge to profit at society's expense has virtually become a national pastime. What have things come to when a person is admired if he succeeds in milking the social welfare system, knows the most ingenious ways of evading taxes, and cashes in on the widest range of subsidies? People justify this behavior by pointing the finger at others: everybody's doing it, they say, so why shouldn't I?

In light of all these problems, I wonder if we are even debating the right issues. Let's start with the basics. The world around us has become increasingly complex, so we are forced to seek different and more elaborate solutions. But the issues that are most hotly debated are precisely the ones about which our citizens are most uninformed.

Surveys show that only a minority is aware of what the major reform initiatives are all about. This confirms a failure of imagination on the part of those who should know better: the

politicians who too easily get bogged down in detail and fail to clarify the broad programmatic outlines; the media, to whom cheap headlines often matter more than straightforward information; the experts who think it beneath them to be straight and “tell it like it is.”

Instead we indulge in forecasts of doom. With almost every new discovery we ask first what risks and dangers it will bring, not what opportunities it will present. Nearly every hint of reform comes under instant suspicion as an attack on the welfare state. Be it nuclear power, genetic research or digitalization, the discussion is distorted beyond recognition: sometimes politicized, sometimes just oversimplified. Debates like this no longer lead to decisions. They turn into predictable rituals, which regularly follow the same pattern, a sort of seven-step process:

First, somebody makes a proposal that would require sacrifices from one special interest group or another.

Second, the media reports a wave of “collective indignation.”

By the third stage, if not sooner, the political parties embrace the issue, some for, some against.

The fourth phase produces a mish-mash of alternative proposals and hectic activism leading to mass demonstrations, petition drives, and overnight polls of questionable value.

The fifth stage is general confusion. People feel insecure.

By the sixth stage, appeals for calm emanate from all sides.

Seventh, and finally, discussion of the problem is usually postponed.

The status quo prevails. Everybody waits for the next issue to crop up. Such rituals might be amusing were it not for their dangerous ability to paralyze decision-making. We fight about things that don't matter, so we don't have to face the things that do. Does anyone today still talk about the row over the census, which had the whole country up in arms a few years ago?

Self-styled experts with advanced degrees are invited to speak out about anything at all, as long as they portray these things darkly and frighten as many people as possible. Mock battles are fought out in political or academic circles until the average citizen is hopelessly confused. In these debates, quality is often discarded in favor of verbal brutality, belligerent language, and intellectual fisticuffs. This is all happening at a time when people are already worried about the radical changes they are experiencing, at the very time when citizens who lack expertise on particular topics should be able to depend on outside guidance. I call for restraint: words can injure and destroy our sense of community. We cannot afford this in the long run, especially when we are more dependent than ever on a sense of community.

Are our educated elites still capable of climbing out of the trenches of dogma and making any decisions at all? Who is supposed to set society's course: those with an elected mandate to do so, or those who are most successful in stirring up public opinion? Representing special interests is, of course, a legitimate activity. But time and again, we see this or that group blocking long-overdue decisions by the uncompromising defense of its own special interests. I urge everyone to act more responsibly!

In America, special interest groups that compete mainly by mobilizing public opinion are aptly referred to as "veto groups." They insure that problems get plenty of talk but little action. Their agenda is simply to muddle through by seeking the lowest common denominator. The result is a distortion of the broader picture.

Our political, business, media, and social leaders may recognize what is right. But I do not have the sense that they are able or willing to put their insights into practice. At times, they may well find themselves forced, for a change, to go against public opinion. The situation in Germany today is such that we can no longer always afford to choose the path of least resistance.

Indeed, I believe that, when faced with fundamental challenges to our survival, the only winners will be those who are really prepared to lead, those whose honest beliefs matter more than getting or keeping political, economic, or media power. We must never underestimate the common sense or wisdom of the people. On the big issues, they will reward those who maintain a steady course. Our elites must provide leadership on vital reform issues rather than lag behind!

The elite must justify themselves through achievement and decisiveness and be role models worthy of emulation. I also expect them to speak in plain language! Leaders – no matter whom they are leading – must be candid with those who follow them, even when it is an unpleasant task. I do not criticize the 35-year-old miners who demonstrated in Bonn to save their jobs. I know how much is being asked of them at present, and I feel for them. But I do criticize those who, twenty years ago, encouraged them to go down into the pits when they were fifteen years old by telling them that coal had a bright future – even though they knew better.

The simple truth today is that none of us should assume that we will remain in the same trade or profession all our lives. We must become more flexible in our attitude. In the knowledge-based society of the twenty-first century, we must all continue to learn throughout our lives. We must acquire new skills and expertise – and we must get used to the idea that we may have to pursue two, three, or even four different trades or professions in our lifetimes.

I could go on indefinitely about the problems we face, but, as I said before, what we need now is action, not analysis. Let me now turn to the question of what must be done. I believe we need a new social contract for the future. All the social entitlements that have accumulated over the years – and I do mean all of them – must be up for discussion. Everybody must contribute to this discussion. Merely making demands contributes nothing. It does not matter if those are

demands of the employers, the trade unions, the state, the political parties, the government, or the political opposition, depending on where you are coming from.

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But we need not only the courage to have visions of this sort; we also need the strength and the will to turn them into reality. We need nothing less than domestic renewal! The long road of reform lies before us. Today, we must take the first step down that road.

As a beginning, we must tackle the reforms that we have been talking about for far too long.

These include non-wage labor costs. By now, absolutely everybody agrees that our non-wage benefits are too high. When will labor costs be freed from financing non-insurance benefits?

The labor market must also be reformed. When will management and labor unions find the courage to sign contracts that permit the recruitment of new workers?

We must also reform our system of government subsidies. Instead of courageously reducing subsidies we keep thinking up new ones. Indeed, many incentive programs have long since ceased to serve their original purpose.

Reform is also needed in public administration. Our public works projects sometimes make me wonder if there is a race between builders and demolishers. Taken together, the many small cases of public profligacy invariably add up to billions. How about a new budgetary law that rewards savings and punishes waste?

We urgently need deregulation. Is it really a law of nature in Germany that you have to apply to as many as nineteen separate authorities if you want to start a manufacturing business, even though it will create jobs?

We must do something about unemployment among low-wage earners. Everybody knows that the gap between wages and unemployment benefits must be large enough to encourage people to choose work over welfare. I am not referring to the much-talked-about mother of four or five children. But why is it so difficult to enforce the principle of a wage/benefit differential for those who really can work? This principle is worth upholding even if we have to pay wage supplements from the public purse, because this would still be cheaper than paying full unemployment benefits.

Another area in need of reform is our system of health insurance. Why are health insurance programs still financing spa visits when they are running out of money for life-saving operations? Ever higher employer premiums are no solution; they just threaten jobs.

And finally, we need tax reform. In light of the events of the last few days, I really can't think of anything more to say on this matter.

The first step along the path towards the sort of society I have outlined is to implement all the reform initiatives that have done nothing but gather dust so far. We have talked about them long enough: now it is time to act.

But at the same time we must start looking beyond them. We need more than the reforms mentioned thus far to reclaim the future.

I would like to go into this topic in greater detail. Today there is a noticeable trend for people to regard the increase in security gained through state welfare provisions as more important than the loss of freedom that accompanies it. We demand freedom. But what if the citizenry finds freedom too cold and prefers instead the comfort of state welfare benefits and provisions?

[ . . . ]

We, too, must embrace future technologies, biotechnology, information technology. A great, global race has begun. World markets are being divided anew, and so are the prospects for prosperity in the twenty-first century. We must start catching up now; we can simply no longer afford a hostile attitude toward technology and high achievement.

The tasks that face us are daunting. People feel overwhelmed by the flood of change, all of it coming at once. That is understandable, for we have built up an enormous backlog of neglected reforms. It will take strength and effort to drive renewal forward, and too much time has already been lost. But nobody should forget that in technologically sophisticated societies, permanent innovation is a never-ending task. The world is on the move; it will not wait for Germany.

But it is not yet too late. Germany needs a jolt. We must give up cherished entitlements. Everyone is involved, everyone must make sacrifices, everyone has a role to play. This includes:

- management, which must cut costs not only by laying off workers;
- workers, who must bring working hours and wages in line with what their companies can afford;
- unions, which must endorse local contracts and more flexible working relationships;
- the Parliament, both the *Bundestag* and *Bundesrat*, which must make rapid progress on major reforms; and
- special interest groups, which must not work against the common good.

People expect action now. If everybody sees the tasks before us as a great common challenge, we shall succeed. In the end, we shall all benefit.

There is no question that we have difficult years ahead. But we also have enormous opportunities. We have one of the best infrastructures in the world and a well-educated population. We have know-how, we have capital, we have a huge market. By international standards, we still have an almost unparalleled degree of social security, freedom, and justice. Other countries have taken our legal system and our social market economy as an example, the “German model.” And above all, everywhere in the world – everywhere, that is, except here – people are convinced that the Germans will make it.

[ . . . ]

I am convinced that we can recapture a leading position in science and technology, and in opening up new markets. We can trigger new growth, which will create new jobs.

The result will be a society that is making a comeback, one full of confidence and *joie de vivre*, a society of tolerance and personal commitment. If we cast off our shackles, if we realize our full potential, then we shall not merely reduce unemployment by half, we can even restore full employment. In America, and elsewhere, it happened long ago – so why shouldn’t it happen here?

Now we must get to work. I call upon all our citizens to assume greater personal responsibility. I am counting on a renewal of spirit. And I trust in our creative power. Let us believe in ourselves again. Our best years are yet to come.

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