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Chancellor Angela Merkel Defends her Gradual Approach to Reforms (November 27, 2006)

A year after her election, Chancellor Angela Merkel delivered a speech at the CDU's Dresden party congress. She defended her decision to take a slow approach to the fundamental reforms she had promised during her campaign. The Grand Coalition with the SPD, she explained, left her with limited leeway, and she offered this as a justification for her gradual approach. Still, Merkel stood by her earlier reform agenda, despite its lack of popularity.

Speech by the Chair of the German CDU, Chancellor Dr. Angela Merkel, at the 20th Party Congress on November 27, 2006, in Dresden

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Today we stand by our country, our language, our culture, and our constitution as a matter of course. We are finally feeling the vitality, the inspiration of our liberal values.

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And now for an assessment of our budget policy. We are finally fulfilling our responsibility to future generations once again. The budget finally meets the stipulations of the Basic Law again. We have the lowest level of new debt since reunification. The Maastricht criteria have been met for the first time in years. And so, step by step, we are no longer consuming our capital.

Finally, an assessment of our economic, labor market, and social policies. This year unemployment fell by almost half a million people. The number of job openings is growing. Economic growth is twice as high as it was in 2005. Fewer and fewer companies are going bankrupt. Price increases are leveling out. Non-wage labor costs are sinking. These are successes that we can build upon.

Dear friends, I don't want to sugarcoat things. In 2005, we really did campaign for a different kind of coalition. But even after an exacting evaluation of our work as a whole, we are still able to say: people have been waiting years for the kind of results that we've been able to present after only one year!

They've been waiting improvement in the economy and on the labor market! And that's precisely what we've achieved!

Of course, we know that people are afraid that the positive economic and labor market trends will prove short-lived. That, once again, they will be nothing more than a flash in the pan. That's why we have to do everything in our power to ensure that things keep getting better. Reliability in politics is a prerequisite for public trust.

That's why we have to ensure that the positive effects of our policies will continue; we have to make them sustainable, irreversible.

So that people can have new hope.

And in order to do this, we have to be clear about one thing: there is no such thing as a "grand plan" that will cure Germany. Sometimes, I get the impression that some people are waiting for the big bang – after which everything will be good again. That's not happening; it's a dream, and it has nothing to do with real politics.

What we have to achieve is the right combination of numerous necessary steps. That's the success principle we have followed thus far. And that's the success principle we must use in moving forward. We are taking many small steps in the right direction.

Yes, it's true: we are governing in a coalition with the Social Democrats. That's a simple fact. But we have to keep telling ourselves: without us, there wouldn't have been all those little steps in the right direction. But with us, with the Union, Germany is moving forward!

After hosting the World Cup here in our own country, after this unique experience of community, of national cohesion, of joy and cosmopolitanism, let me use the language of soccer. One year after the Bundestag elections, we're in the 23rd minute of a soccer game. Yes, we've already scored a few great goals. Yes, we had some good shots ... but victory? We haven't won anything yet.

We have another 67 minutes of playing time. There are many more opportunities, many more chances to create and use for Germany.

We have to keep working, not only to win the first 23 minutes, but also the whole game. My task as team leader is to maximize the opportunities that we can identify and utilize for the benefit of Germany.

To do this, the Christian Democratic Union must succeed in recognizing, naming, and tackling the critical task of the twenty-first century. This one task will decide the future of our country.

In my view, this one decisive task for the future is, and remains, the renewal of the social market economy.

Let me say very frankly: I am returning to the thought that has guided me since I became party chief. I know that many of you cast skeptical glances when I started talking about a new social market economy a few years ago.

I know that I wasn't able to convince all of you the first time around. My main focus is not the *term* "new" social market economy. In twenty years, we might call it the new social market economy, the international social market economy, the global social market economy, or just the social market economy.

The important thing is that we don't fumble around when it comes to the real point.

It has been a good five years since our "New Social Market Economy Commission" got to work, and one year since I assumed responsibility for the government as chancellor; and I am more convinced than ever that the Union must succeed in modernizing the social market economy.

This is more than just rhetoric, communication tricks, or linguistic games. I believe that this stands at the heart of our political activity in our century, in the twenty-first century.

And, yes, this is about nothing more and nothing less than the values that have made our country so strong: freedom, justice, solidarity. For I want us to fill these historic values with new life in the twenty-first century, in the global age, and not just confine them to paper.

And we know that many people are worried and doubt whether it will work, whether politics has enough influence, enough creative power. Whether the social market economy can still succeed at all.

To convey the magnitude of the issue at hand, I will present one small example: there are 450 million people in Europe. In China and India alone there are a total of 2.4 billion. These two countries account for about 40 percent of the world's population. During a state visit to India, the Chinese president recently said that the world – and I quote – "will see a true Asian century" if India and China take advantage of their joint development opportunities.

This single example reveals the entire international dimension of our era. I am convinced that we must succeed in recognizing and utilizing the international dimension of the social market economy in the twenty-first century.

And I am more convinced than ever that the future belongs to those political forces in Germany that are willing and able to elevate the social market economy to a new and necessary level, and to thoroughly reform it as well.

Why?

The bottom line is that in 1998, when we were forced into the opposition but had already initiated our programmatic reforms in large part, the problems, in our view, were still largely German. To be sure, our analysis recognized that there was a lot more going on, but our solutions were still – in a word – German.

Today, in 2006, we are truly global – in both our analysis and our solutions.

This has consequences.

Whether we are in a position to use the numerous necessary individual measures, from combined wages to workplace alliances for jobs, the merging of unemployment and welfare benefits, a simplified tax law, health- and long-term care insurance reform, stage two of the federalism reform and many more; whether we are also in a position to use all of these necessary, often fiercely contested, individual measures to build a comprehensive strategy for our country, one that is also geared toward a global regulatory framework – all of this will determine the future of our country.

And by the way, this will also have a decisive effect on the ability of the two mainstream parties to win a majority. And it will determine who obtains 40 plus X percent in the future.

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But once the economy is globalized, it moves further and further beyond the regulatory bounds of the nation-state. This has dramatic political consequences. Commercial enterprises plan globally, but governments have to keep an eye on the national interests of their respective populations. Capital starts wandering and is no longer tied to its usual national valuations. Suddenly things that used to be subject to other ethical valuations are being fixed in absolute terms, for example, year-end dividends, stock prices, and the market value.

Of course, I know that companies need to make profits. But what's the main concern?

For us Christian Democrats, people are the main concern. That's how it always was, and that's how it has to stay!

That's the mission of the Christian view of man. The main concern is the dignity of each individual!

We cannot repeat this often enough, for the drama of today's economic challenges can be compared with the upheavals that shook society to its very foundations two hundred years ago. That was when the feudal agrarian economy gave way to modern industrial society.

That was when we saw the emergence of the first social questions concerning the exploitation of workers, child labor, night-work for women, and widespread poverty. After many misguided approaches and many disastrous mistakes, the social market economy offered a valid and effective answer to these social questions. The change from an agrarian to an industrial society was not the problem per se, but it took a long time for the human regulatory framework to be developed: the social market economy.

Today, the development of the so-called knowledge society is the litmus test for claims to political effectiveness and validity in the twenty-first century. Globally accessible knowledge is growing at an explosive rate. At the same time, new knowledge is becoming obsolete faster and faster. Modern data networks are enabling the rapid global transfer of information and allowing new instruments of international capital markets to emerge.

The new social question of our time thus deals with people's access to and participation in these developments. And so we come to the central political challenge of our time: what regulatory framework is necessary in our changing world in order to allow every individual to have access to the resources, fruits, and progress of our society?

I fear that if this question cannot be answered effectively, then, in view of the breathless pace of changing developments, all political action will constantly be playing catch-up. And fear will be the prevailing feeling. As a result, we will be faced with new social upheaval and people will cease to believe in the strength of politics.

Dear friends, I am convinced that we must prevent this! This is truly not an abstract theory; it touches our everyday lives!

An appropriate answer here in Germany is: in global times, especially, we have to find new ways to ensure more equitable participation!

That's why one topic of discussion at this party congress is the concept of invested pay, that is, employee participation in a company's capital appreciation. After thirty years of discussion, it's high time for action.

Everyone is needed, no one should be excluded. Jobs for all must stand at the heart of social justice.

But the proper response is not for politics and the government to take responsibility for everything. The proper response to the challenge of our time is a dual political strategy. Politics needs to intervene at the right time and place, and to let go at the right time and place. And it needs to create the conditions to do that.

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Dear friends, the will to set a political course always meets with resistance, sometimes of a harsh nature; at the very least, it is always meets with skepticism and questions. Do the principles of the social market economy lose their validity when we talk about a new social market economy? What will be “new” about the new social market economy?

Once again, my concern is not the term itself, but whether we recognize the essence of our challenge, and whether we tackle the most important issues.

I advocate doing what is possible, but even that requires a vision.

That’s why I’ll keep emphasizing the following: Ludwig Erhard’s social market economy is not being willfully abandoned. The principles of freedom, justice, and solidarity are not losing their validity. Instead, recognizing what is new about the social market economy in the twenty-first century is the prerequisite for ensuring that its very principles to continue to have meaning in our lives in the future.

The international dimension of our lives is changing everything, and we can only shape it if we recognize it. Globalization is not a natural disaster. It can be shaped. And that’s the only way for people to gain access to participation in the twenty-first century – participation in education, work, and capital; participation in public security.

We supported Ludwig Erhard’s social market economy – which is the talk of everyone today – back when many people still opposed it, back when the stenographic records of the Bundestag reported that it provoked “laughter from the left.”

We will also have to fight, once more, for our new political strategy. I want us to be the ones who allay people’s fears with a comprehensive strategy. So that fear campaigns à la Schröder won’t have another chance.

The CDU has always had the strength to implement difficult decisions, even in the face of great resistance. And, in the end, it has also profited from this as a party.

It was the Union that set the decisive milestones in the history of our country.

We realize that, yes, we started reforming too late and too hesitantly in the 1990s, but the SPD hadn’t even seen the sign of the times at that point. The SPD has always liked to see itself as society’s avant-garde. But, in reality, it has all too often been the rearguard!

And, dear friends, I don’t mind if it stays that way!

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Source: Angela Merkel, "Rede der Vorsitzenden der CDU Deutschlands auf dem 20. Parteitag am 27. November 2006 in Dresden" ["Speech by the Chair of the German CDU, Chancellor Dr. Angela Merkel, at the 20th Party Congress on November 27, 2006, in Dresden"]. www.politikerscreen.de/index.php/Common/Document/field/document/id/50757 (retrieved February 25, 2008).

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