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Article

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CESifo Forum

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Ifo Institute – Leibniz Institute for Economic Research at the University of Munich

Suggested Citation: Schäuble, Wolfgang (2016) : A Request to Hans-Werner Sinn, Economist, Commentator and European, CESifo Forum, ISSN 2190-717X, ifo Institut - Leibniz-Institut für Wirtschaftsforschung an der Universität München, München, Vol. 17, Iss. Special Issue, pp. 5-6

This Version is available at:

<https://hdl.handle.net/10419/166675>

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A REQUEST TO HANS-WERNER SINN, ECONOMIST, COMMENTATOR AND EUROPEAN

WOLFGANG SCHÄUBLE*

Hans-Werner Sinn is an exceptional economist. He is at home in many different economic disciplines. He is a creative scholar who is not afraid to speak his mind. At the same time, he does not shy away from the hard work of empirical research. On top of all this, he has a considerable talent for communicating to a broad audience, where he never fails to spur on the debate. His work is accessible to non-specialists in a way usually only seen among academics in the United States and Britain. His acerbic comments and his mental acuity are not always comfortable for the government, but that is something we politicians have to accept.

Amid all the current discussions about Europe, urgent crises and the latest news about the economic difficulties in certain European countries, Hans-Werner Sinn never loses sight of the fundamental questions regarding the future of the European Union's institutions. He has a vision of a 'United States of Europe' and the establishment of a genuine federalised European state. I personally would prefer a systematic multi-level democracy: not an entity similar to a nation state where power exudes from the centre, but a specifically European mix of sovereignty at the national and Community levels, an inter-connected system of democracies that complement each other, with different scopes and competences – a system of double democracy, both national and European.

Irrespective of how the institutional future of Europe will look exactly, with his plea for further integration Hans-Werner Sinn is putting his finger into the Eurozone's actual wound: the current lack of a joint fiscal and economic policy, not to mention deeper po-

litical union. As we know, this is not a new problem. Right from the beginning of European unification, it was always the case that greater integration would have been preferable. But the general public in the member states were on the whole ill-disposed towards closer integration. In the 1990s, there was once again a major debate about whether we should first create a political union or a currency union. Countless books that have been written on the euro since then inform us that a currency union cannot work without a fiscal and economic union. We in the Eurozone are – by necessity – currently striving to shake up this conventional wisdom. But if we had tried to do things differently back then, in the 1990s, we still wouldn't have a common currency today. Instead, we would still be debating how a political union should look. For this reason, we took the same approach with the euro as we did when the European Defence Community collapsed in 1954 after it failed to be ratified by the French parliament: we began with what was possible and then moved forward step by step from there.

Regarding deeper European integration, which I want as much as Hans-Werner Sinn does, we should continue with the tried and tested European method of creating cores of cooperation within the European Union and letting smaller groups of member states that are particularly willing to cooperate take the lead. This was the proposal that Karl Lamers and I made in our 1994 paper on a 'core Europe'. A 'multi-speed' or 'variable geometry' Europe – always with the option of other member states joining if they wish – already exists in many policy areas: the Schengen Area and the work on the financial transaction tax are just two examples. The euro area in particular constitutes a kind of core Europe that repeatedly entices additional member states to join, as we saw most recently with the accession of Lithuania in 2015.

In contrast, the notion that we can achieve a United States of Europe through a 'quantum leap' – led by Germany, no less – seems to me to be an unrealistic, politically *naïve* idea considering the current situation, which will likely continue for the foreseeable future. It is also inconceivable when you consider the European reality that has developed over time, namely a



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European Union made up of 28 countries with equal rights. No, it is not a one-off quantum leap that will propel us into a future of deeper European integration, but the patient exploitation of the opportunities that present themselves – something that happens more quickly during times of crisis and more slowly during stable periods.

In any case, we need to know which direction we want to move in. European realism could also benefit from a *souçon* of idealistic verve: in the unbelievably dynamic and interconnected world of the 21st century, we Europeans cannot afford to indulge our tendency towards navel-gazing much longer. We need to use our collective power to help solve the pressing global regulatory questions – whether these relate to the financial markets, the economy in general, or issues of security, migration and the environment. Hans-Werner Sinn occasionally sees things differently from the German government and provides different answers, but, as a committed European, he always shares the goal of ensuring that Europe continues to stay relevant and develops into a power that can help to shape our world. To conclude: we can allow Hans-Werner Sinn to step down from his position, albeit with regret – but we cannot allow him to stop participating in the political and economic debate!