



**Federal President Joachim Gauck
on the occasion of the award
of the Global Economy Prize 2012
on 17 June 2012
in Kiel**

The Kiel Week has begun. Kiel is particularly attractive right now, come rain or shine. The people of Schleswig-Holstein, at home between two seas, have created something truly special for themselves with this Kiel Week. Most people who think of Schleswig-Holstein connect the idea of living by the sea with a feeling of wide open spaces and freedom.

But for the people who live here, wide open spaces and freedom are not always something to be enjoyed. What the older people here experienced when storms threatened their livelihoods has made itself felt by all, by our contemporaries and younger compatriots, for some decades now: they have realized that there are economic storms whose effect could be far more devastating than the weather that buffets our coasts. Some of these storms, such as the dockyard crisis, the difficulties faced by the fisheries, and agricultural transformation, are well-known. These are also part of our life here – as well as the sea and the openness, freedom and adventure that it symbolizes.

And here, in the midst of this environment which is so beautiful and yet so difficult, we have the world-famous Kiel Institute for the World Economy. It is well situated here. I'm therefore delighted that we are in these wonderful surroundings today to award the Global Economy Prize to clever and pioneering individuals, individuals who have something to say to us, something to give us.

And to top it all, today is not just Sunday, it is also 17 June. This day was a public holiday in West Germany for many years as, on 17 June 1953, something special happened in East Germany. In more than 700 towns across the country oppressed people rose up in protest against the arbitrary rule of the Communist dictatorship. They rose up and demonstrated peacefully, but the uprising was brutally crushed.

Before we award today's prize, let us take a moment to recall the people who could not then be free, although their chant was "We want to be free". At the time, I followed these events on the radio with great excitement. The people who rose up were kept down, but their courage and yearning were not and will not be forgotten. Their courage and yearning for freedom returned in a later generation. At long last, there was an attempt that was successful. The walls fell and freedom spread. Many people in Germany now regard this as an inevitable development. But we should not give in to this temptation. Freedom is never inevitable. It is always something to be worked for.

Our world has indeed changed dramatically during the last twenty years! In many countries, people have gained political and economic freedom. In other countries they are still working for it. We have watched the events on the Mediterranean's shores over the last few months with great suspense and are now observing developments in Syria with concern. The people in those countries have either thrown off the shackles of the state's authoritarian control and intimidation or are still trying to do so. They've opened borders. And in eastern Europe, where the same thing happened 20 years ago, many people were able for the first time in their lives to experience a measure of prosperity and liberty, to play their role in advancing progress. Forces were set free. Hard work and good ideas bore fruit.

In many other countries, however, the people are still struggling to gain more political and economic freedom. And that also affects an economic order which we expect not to crush millions of people around the world, but to enable them to overcome poverty by their own efforts and to make them active people who have courage and walk tall.

Many people have thus achieved what they hoped for: they can think and live freely and have the financial resources to look after themselves and others. But this does not hold true for everyone. And ensuring that "everyone" can share in our prosperity was the promise held out by the social market economy which still gives us hope today. By the way, I would like to take this opportunity to say that it is simply careless to use the word "capitalism" to refer to all of the different economic models in place in Europe and around the world. But, to get back to the point, all the opportunities we have been given here in Germany, and in Scandinavia, too, now have to be pursued bearing globalization in mind.

We feel that increasing freedom and responsibility is the direction we want our world to take. However, we also know that there are clever people who say: this globalization of freedom and responsibility stands at a crossroads at present.

Some people's courage fails them, as we have seen. Economic problems often give rise to a tendency to take a step backwards – even in those countries which have only just won their freedom.

And there are always those who focus on the problems, who stop and shout "But!".

Prosperity is growing around the world – but, as we said, not for everyone. Poverty is declining but the gap between rich and poor is increasing and in some places jeopardizing social peace. Never before have we had such flourishing world trade on such a large scale. But economists have drawn attention to imbalances. Entrepreneurs seize opportunities – but not everyone has understood that lasting success isn't based on low wages and lax health and safety or environmental regulations. Workers face increased pressure to compete and work harder. But often enough, they see jobs being transferred to other countries, where health and safety or environmental standards are lower.

We are all responsible for protecting our environment. And, indeed, the warnings that our lifestyle is causing climate change, the clearance of vital forests and the erosion of land masses are still justified.

Young people in particular are aware of the need to strike a balance. They say, "I like globalization but other things are important to me, too!"

And if I as a layman then ask economists what they can do to help us develop an optimistic view of globalization and its opportunities, they often tell me that open markets are not the problem but, rather, their lack of regulation! The market is not bad, an unregulated market is bad.

If globalization stands at a crossroads today, then that's because we have still to secure a convincing global order of freedom and peace.

Wherever that happens – especially with your help here at the Kiel Institute, wherever you can help to counter these "buts" with arguments, to convince people, to allay their apprehensions, you as economists will help people to lose their fear of freedom and, instead, to learn to enjoy democratic participation and shaping the future.

In our day and age, economic theorists bear a special responsibility. Economic thinking has a profound influence on the world. Indeed, financial and sovereign debt crises are everywhere to be found, and that has given rise to widespread anxiety among large sections of the population.

I was therefore very interested to hear what Dennis Snower, the President of the Institute for the World Economy, has said. He pointed out that the conduct that brought banks to the brink of collapse was actually well within the rules. Maximizing short-term profit is allowed, he said, but it isn't good for a free society. He also said that we are at the dawn of a revolution in economic theory. Established economists have been building up a body of knowledge over decades whose

foundations are crumbling today. As we have just been told in the introduction, they, the economists, assumed that the individual always acts rationally, but that was obviously not the case during the crisis on the financial markets. He thus advised young people to study economics together with sociology, philosophy or psychology. That's the view of the President of this Institute.

This receptiveness to a more profound rationality, namely to a more holistic approach and more humanity in economics, has caught the attention of people far beyond the circle of professional economists. And if psychologists win economic prizes and economists occasionally win the Nobel Peace Prize, that's a very rewarding prospect for the many who are not, nor aspire to be, professional economists.

And there's another thing I'd like to say here in Kiel: I am pleased that economics as a science has opened up a bit over the past few years to engage in an exchange with other disciplines and a search for new solutions. For what we need is a new kind of thinking. Mankind is more than can be covered by just one discipline.

Economic theory too can instil courage and prevent fear-induced paralysis. Anyone who is guided by fear loses, indeed forgets, their strength. But we people need strength, in our personal sphere just as much as in the political, social, economic and technological spheres, so that we can continue to assert ourselves worldwide and at the same time give everyone here in our country the chance to participate.

Self-imposed isolation or a withdrawal into cosy nationalism is not the right way forward. Kofi Annan, the former UN Secretary-General, has rightly pointed out that "the main losers in today's very unequal world are not those who are too much exposed to globalization. They are those who have been left out."

Another phenomenon with which I am all too familiar is this: that people react to challenges by trying to escape or by simply withdrawing into their private sphere. Some then become resigned; others become radicalized; others pretend to be blind to the raging seas around them. We must resist such attempts to flee!

Egotistical protectionism, for example, is a policy born of fear; it darkens people's prospects and bars the way to progress. This applies both to people and to states, and undoubtedly to the economy as well.

Good globalization needs responsibility and courageous policymaking. Indeed, our country especially proves that openness is good. It challenges us, but it also strengthens us. We are an open country with a dense network of international links in science, technology, economics, politics and – this is particularly pleasing – between individuals, too. Young people are, for instance, travelling the world more than ever before.

We are successful in world trade and are holding our own in international competition, but at the same time we are a welfare state rooted in solidarity with a reliable, far-sighted partnership between employers and unions. Again and again studies demonstrate this link: social responsibility and economic success are not contradictory. Quite the opposite – they are in fact mutually dependent. Or, if I might put it a different way: globalization is crafted by people. It is not a doom-laden fate, but opens up opportunities.

It's true that in the past few years our attention has primarily been taken up by crises, profound and multifaceted crises which our Government is therefore taking very seriously.

At such times it is particularly important to realize that we can do something; we can look after ourselves and others; we can change our thinking and our behaviour and improve the rules and institutions we have inherited. We have the potential, we have tried it out, and we have to keep on using it. Not infrequently, the future is simply what people have courageously made of crises. "We are the people!" – as the people in East Germany cried when they responded to their crisis, which changed them forever and led them to take responsibility and decisions of their own.

Therefore, I do not believe the question now in this economic context is "more or less market". The market is simply a manifestation of human interaction; it is never an end in itself. There is no freedom without responsibility – that also applies to business. And where it does arise, it only does harm. Anyone claiming an entitlement to economic freedom also has an obligation to act responsibly. So companies and banks must of their own accord take account of the impact their actions will have on society. Individual responsibility is not something people can get around by invoking rules, or the lack thereof. At the same time, however, society retains its responsibility. It must create rules which prevent economic freedom having a destructive effect.

It still seems to many people that the political responsibility for binding global rules which are in fact enforced – for business, for the financial markets and for environmental and climate protection – is only tentatively assumed. In particular, the efforts towards reform for a smoothly functioning global financial sector are often very hard for non-experts – in other words almost everyone who lives here – to understand. But these efforts are of fundamental importance so that struggling banks can't drag whole states down with them.

The global challenges of our time therefore require global answers. So far, politics is lagging behind events on the global market. If there are insufficient global rules for freedom, as we clearly saw during the major financial crisis, it is not just that primeval forces are set loose. Rather, not only the world economy but also the acceptance of democracy are endangered. It's true that the heads of state and

government meet at international summits – and that is important – but, despite this, the reform of the international regulatory systems, organizations and bodies is proceeding only slowly.

Let me repeat, freedom needs a body of rules which is respected, an order to which we and everyone else conform in our mutual interest: that's what I'm thinking of when I encourage and urge us all to "dare more Europe", especially in these oh-so-crucial weeks for Europe. Europe needs our hearts, it needs our minds and it also needs a viable order for the future.

This means that the agreements we Europeans have together reached also need to be adhered to. If we can rely on this framework we Germans can continue to act with solidarity. Germany has repeatedly proven its solidarity, its commitment to Europe. But beyond all the rescue operations, we will only be a truly successful community when the principle of individual responsibility has become universally recognized in Europe. We have achieved a great deal in our country, as we have in Europe. We must preserve that which we have together created in Europe, our common European order.

And it is still true to say that a better world is possible. As incomplete as the global markets are, as sketchy as what we might dub the beginnings of an emerging global order, every individual voice which promotes freedom and responsibility around the world with courage and good ideas is vitally important.

This is true for scientists and practitioners, for politicians and for every single one of us. And our award winners here in Kiel today remind us that even in the face of such huge global problems there is no need for individuals to be discouraged. That is perhaps the nicest and most special thing about today: we are honouring people who, each in their own way, have stood at the edge of the roaring sea, watched the towering waves, sensed their elemental strength and have nevertheless thought "we can make something of this".

Professor Nathan Eagle, your ideas are crucial in enabling people to be linked via modern telecommunication technologies. You empower people to overcome borders and participate globally in a rewarding exchange of ideas and commitment.

Professor Daniel Kahnemann, your academic contributions are illuminating: not only do national and cultural borders need to be overcome in our world, but people also have to be mindful of the boundaries of their rational action. You take a questioning, yet productive and future-oriented look at fundamental assumptions regarding human rationality and teach us to live responsibly with our imperfections.

And finally, President Martii Ahtisaari, your commitment gives us very special encouragement. You have been untiring in your

endeavours to resolve conflicts on three continents: in south-west Africa, in Kosovo and in the Indonesian province of Aceh. You have helped to defuse tensions and to establish a normality which has made it at all possible for people to develop freely.

I thank all the prize winners most sincerely for their work. And now, like all of you, I'm sure, I am looking forward to the laudatory speeches, to hearing more about the successes and achievements of the people we are honouring today, and also to hearing what pearls of wisdom you, our distinguished award winners, have for us today.