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heute im Bundestag [Today in the Bundestag] - 30.04.2007

Debt reduction to create scope to deal with demographic change

Finance Committee/

Berlin: (hib/VOM) The consolidation of public budgets in Europe is essential in order to meet the challenges that Europe's societies face as a result of demographic change. This was the consensus among delegates attending the Conference of the of the Finance Committee Chairpersons of the Parliaments of the Member States of the European Union, the European Parliament and the Parliaments of the Candidate States on Monday afternoon. Eduard Oswald (CDU/CSU), Chairman of the Finance Committee of the German Bundestag, welcomed delegates from 20 countries to this second Conference of Finance Committee Chairpersons. The first of these conferences took place in Vienna in spring last year. The meeting, which was held in the Paul Löbe Building, was dominated by the issue of demographic change in the EU, the related topic of the sustainability of public finances, and the stability of the financial markets. Thomas de Maizière (CDU), Head of the Federal Chancellery, spoke of an "historically unprecedented change" which, in terms of its impacts, can be compared with the Thirty Years War, for example. De Maizière said that for more than thirty years, birth rates in Europe have been so low that total population numbers are decreasing. At present, there are four people of working age for every one pensioner in Germany, but this figure is expected to fall to two – or, to be more precise, 1.5 – by 2050. The Minister rejected the word "ageing" in this context and surprised the audience by using the neologism "under-rejuvenation". Politics can only influence this trend to a limited extent, however. According to de Maizière, the consolidation of public budgets must continue. Structural reform of pension systems is essential, and the framework conditions for growth and employment must be improved. The measures adopted by Germany in this context include raising the retirement age and the introduction of additional capital-funded pensions, which 60 percent of working people have now signed up to. At the same time, the importance of stable financial markets is increasing. Here, de Maizière drew attention to the German initiative to increase hedge fund transparency; the aim is to create a voluntary code of conduct for this sector. Germany is putting this issue on the agenda for the meeting of the world's leading industrialized nations, the G8 Summit, which will take place at a Baltic Sea resort in June. Helmut Linssen, Chairman of the Finance Committee of the Bundesrat and Finance Minister of North Rhine-Westphalia, said that since 2003, it has no longer been possible to cancel out the "soaring" birth deficit through net immigration. According to Barbara Hendricks (SPD), Parliamentary State Secretary in the German Federal Ministry of Finance, while these are "pressing issues", there is no need for despondency or panic. Structures must be put in place to improve the macroeconomic efficiency of public policy action, e.g. by introducing effective rules to limit public debt or by optimizing "burden-sharing" between the public and the private sector. The dual strategy of economic policy and budgetary consolidation is credible and has increased investors' confidence in the future, said Hendricks. "Debts mean that we have already spent our future resources", underlined Günter Stummvoll, Chairman of the Finance Committee of the Austrian National Council. When overhauling the pension systems, it is essential to send out the right message to people, which is: "Politics will do all it can to enable you to work for longer". His Italian counterpart, Giorgio Benvenuto, focussed on the need to improve integration in the European financial market so that capital can circulate freely and at low cost with an "acceptable level of monitoring". What is needed is a policy which safeguards competition and consumers alike. Mário Patinha Antao from Portugal invited delegates to the next conference, the third in the series, which will take place in Lisbon on 5-6 November. Portugal is due to take over the EU Council Presidency from Germany. Referring to the "problem" mentioned by some of his colleagues, namely that numerous Northern and Central Europeans spend their retirement and their pensions in Southern

Europe but have to travel home for medical treatment if they fall ill, Patinha Antao said that healthcare services should be available for these people locally. Laurent Mosar, Chairman of the Committee on Budget and Finance of Luxembourg's Chamber of Deputies, had drawn particular attention to the fact that his country "exports" many pensions, which are then spent abroad. France "believes in the future", according to Pierre Hériaud, a Member of the National Assembly. France has a higher birth rate than other countries – and it also has the shortest working week and the lowest number of working weeks during an average working life. There could be a connection here, said de Maizière. After all, France is also the land of love, and if people spend less time at work, they have more time for other things.