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Providing Solidarity, Maintaining Discipline: Economic Policy Challenges in a Monetary Union

Gouvernor, presidents,
directors, members of parliament,
distinguished guests,
ladies and gentlemen!

"The future interests me far more than the past, as I intend living in it," Albert Einstein once said.

Of course, Einstein did not say that he was not interested in the past, but only that his focus is more on shaping what is going to happen than on what has already happened. But, nevertheless: We all need to analyse where we come from in order to know the direction we want to take.

So what did happen? In 2008 and 2009, we were hit by the most profound financial crisis since the Great Depression in the 1930s. This financial crisis developed into an economic crisis which turned into a sovereign debt crisis. Five years ago, the accumulated debt of all euro area Member States was less than EUR 6,000 billion. This year it will reach EUR 8,500 billion – this is an increase of EUR 2,500 billion.

As regards the future, my main concern is that we have not learned enough lessons from the past. My task is to convince people that all bank packages, all economic stimulus packages, financial market stabilisation measures, fiscal packages, stability mechanisms and debt brakes were implemented above all to safeguard the future of Europe and of European citizens. And we want to ensure that this is a Europe that remains worth living in. Our focus is on ensuring social balance and fairness – two key elements we are particularly proud of here in Austria.

And obviously these measures have started to take effect. We hear good news saying that we have already overcome the peak of this crisis. The forecasts speak of a medium-term recovery. Optimism is fine. But optimism should not make us inactive.

With its consolidation activities, Europe has indeed demonstrated that it can join forces and take determined action. For instance by adopting the fiscal package under which 25 EU Member States commit themselves to implement debt brakes at national level. We have also made our protecting walls both higher and stronger. This is all very important and absolutely necessary, however only the first pillar that will enable us to successfully manage the crisis.

The second and equally important pillar is measures that promote employment, growth and competitiveness. We have to undertake every effort to put the brake on rising unemployment rates and decreasing incomes. We need to promote education and training, research and development, innovation and green technologies, to improve infrastructure networks, and invest into healthcare, social well-being and social peace.

In this context, stability and consolidation play a crucial role. Considering that the euro area Member States spend close to EUR 300 billion every year just on paying interest rates on government debt, it is obvious that investment in all these areas is only possible if fiscal discipline is observed and interest rates on government debt are kept from skyrocketing. This holds true for both Austria and Europe.

Some very concrete – and I believe – good proposals aimed at stimulating employment and growth have already been presented at European level.

For instance the so called project bonds. By providing public guarantees they are to improve the conditions for private investments into infrastructure. Europe requires investments in energy networks, in telecommunication connections and in transport networks that promote development and the creation of new jobs. This is a positive initiative which has to be supported.

In my view a strengthening of the European Investment Bank's (EIB) capital base would also have a very positive impact. If all Member States jointly increased the EIB's capital base by EUR 10 billion, the bank would be able to make available additional loans of EUR 60 billion for projects in the whole of Europe. According to calculations by the EU Commission this would trigger investments of EUR 180 billion – and this is precisely a stimulus Europe needs.

I could add a number of further examples, but all concepts have one thing in common – they are based on two pillars: on the one hand we need to observe fiscal discipline and develop new sources of income, like the financial transactions tax, that will enable us – on the other hand – to invest into the future of our continent, in a targeted and sensible manner and with a focus on full employment.

Financial markets should also share in covering the costs resulting from the crisis. That is a matter of fairness and a question of economic reason. The financial transactions tax represents a contribution to both. Many of you are certainly aware of the studies that show what a positive impact such a financial transactions tax may have on the entire economic development by transferring funds from the financial markets to the real economy, to real companies, real products and real consumers.

One of the most challenging national economic problems is youth unemployment. In the euro area the youth unemployment rate currently stands at 22% . In 8 out of 17 euro area countries it is over 25% – with peaks of 50%. Only five years ago, not a single euro area Member State was faced with such rates. The risk of "a lost generation" is imminent in Europe. This is unacceptable.

Citizens in Austria and in Europe at large thus expect answers. When addressing these issues, your tasks as economists, ladies and gentlemen, will certainly differ from the tasks facing us as politicians. But our common goal is to strengthen democracy by taking the correct economic steps, learning the right lessons from the past and shaping the future together.

In this spirit, I wish you interesting discussions and a pleasant stay here in Vienna.