10 Years of Austrian EU Membership: Elements of an Overall Economic Assessment

Peter Mooslechner

"Die Dichte der Ereignisse . . . ließ den Eindruck entstehen, dass sich das Rad der Zeit beschleunigt hat."
Liebscher (1996; p. 2)[1]

Austria has been a member of the EU for ten years now. Although accession to the EU would have been economically feasible much sooner, for political reasons, in particular, it had to wait until the end of the Soviet era. On balance, this has been quite a positive decade, though so many relevant changes took place simultaneously – worldwide liberalization trends, the opening up of Central and Eastern Europe, and the establishment of monetary union, to name a few – that it is hardly possible to identify which effects stem solely from EU accession. It is equally inadvisable to see the process of European integration, in its all-inclusiveness, purely under economic aspects. Accession to the EU has fundamentally changed the institutional landscape, which today is dominated by Europe. It has also left its imprint on financial markets and foreign trade as well as the labor market and the regulatory framework. Many of those changes would have been unavoidable even without EU accession. However, in many cases accession was the catalyst for a renewal; in its absence, many structural adjustments would have probably occurred either later or not at all.

After a long – and quite eventful[2] – "campaign," on June 12, 1994, over 66% of the turnout of eligible Austrians voted yes to Austria's accession to the EU. This was a surprisingly clear (yes) vote in favor of this fundamental step toward integration, not least when compared with the two Nordic countries that joined at the same time, Finland (57%) and Sweden (52%). On June 24, 1994, the Accession Treaties were signed at the Corfu European Council, and Austria officially joined the EU on January 1, 1995.

Starting with this majority "yes" vote by the Austrian population in the EU referendum, this ten-year period seems like a good time to take stock of the economic developments that have taken place in our country since then. According to current survey results, nearly three-quarters of Austrians are in favor of remaining in the EU.[3] The figures for those under 50 years of age are higher than the average for the entire population, peaking at 83% for those aged 25 and younger. As many as 67% of Austrians rate their country's ten years in the EU as anywhere from "very good" to "satisfactory."[4]

These positive assessments, however, must not divert our attention from some of the criticisms voiced by Austrians regarding EU membership. Only 55% of those surveyed now believe that joining the EU was the right decision, with approval ratings again higher among the younger age groups (up to 25 years of age: 71%, 26 to 35 years of age: 59%). Assessments have worsened since 1994 with regard to particularly sensitive issues

[1] *Events occurred in such rapid succession . . . that it seemed the wheel of time had begun to spin faster and faster.*

[2] *For more on the topic, see some reviews published recently in the media, such as "Aufbegehren gegen die Gurke" (Uprising Against the Cucumber) from the January 17, 2005, edition of the Kurier, or "Schokoladetafeln aus Rinderblut oder Schildläuse im Joghurt, das sind Themen, die vielen aus der Beitrittsdiskussion Anfang der Neunziger Jahre noch in Erinnerung sind" ("Chocolate Bars from Cattle Blood or Scale Insects in Yoghurt, Some of the Topics from the Debate on Accession in the Early 1990s That Are Still in Memory"), Ö1 Mittagsjournal (a radio news program), January 12, 2005.*

[3] *Österreichische Gesellschaft für Europapolitik (Austrian Society of European Politics): "Mini-Referendum" über die EU-Verfassung – EU-Mitgliedschaft und die Folgen ("Mini-Referendum on the EU Constitution – EU Membership and the Consequences"). Vienna. April 2005.*

[4] *Österreichische Gesellschaft für Europapolitik (Austrian Society of European Politics): Die Einstellung der Österreicher zu EU-Mitgliedschaft und EU-Verfassung (Austrians' Attitudes Toward EU Membership and the EU Constitution). Vienna. February 2005.*

(transit traffic, nuclear reactors, etc.). Attitudes toward the EU's future Constitutional Treaty are positive (46%), but not overwhelmingly so. Economically speaking, Austrians feel that their expectations of EU accession have only partly been met,[5] and Austria's 62% opposition to further enlargement is highest among the EU-25 (Eurobarometer, December 2004).

Against this background, the present special issue of Monetary Policy & the Economy marking the tenth anniversary of Austrian EU membership reviews the institutional, economic and policy developments that may be regarded as important by a central bank that actively participates in the European integration process. This report is not intended to present an exhaustive account, nor is it possible to reach a conclusive assessment. In particular, it is inadvisable to look at the process of European integration purely in economic terms (Liebscher, 1996, p. 3).

This introductory study attempts to group the issues covered in further detail in this issue into an overarching context and, against the background of the relevant literature, to merge the assessments deriving from these analyses.

1 Austria's Long and Unique Path to the EU

The story of Austria's first ten years in the EU would be incomplete without taking a look at the long and unique process it took to get there. Several mostly non-economic factors played a key role in this journey. The long pre-EU membership stage also "explains" the "special" economic policy and institutional avenues Austria pursued – and quite successfully – during the postwar era. In macroeconomic and economic policy terms, the move to join the EU – followed by accession to Economic and Monetary Union (EMU) – was the logical continuation of a path upon which Austria had already embarked.

Austria's path to the EU, which may be described as having been rather complex, was, above all, marked by two particular factors: Austria's history-laden location at the crossroads between western and eastern Europe[6] and tense relations with Italy on account of the South Tyrol issue. In a macroeconomic and economic policy sense, it would have been "logical" for Austria to accede to the EU much earlier, even if not by any means as a founding member when the Treaty of Rome was signed in March 1957. At that time, there were justifiable economic and political reasons alike for having fundamental doubts about the credentials of Austria, a small country with an economy that was not exactly firmly in the saddle, for joining the European Economic Community (EEC) (Seidel, 2005). Certainly by the late 1960s, it was definitely European political sensibilities which held Austria back from European economic integration.

Initial ideas about linking Austria to the European Coal and Steel Community (ECSC) and the EEC date back to 1956-57 (Sandgruber, 1995, p. 481). The ban on political union with Germany contained in the State Treaty and neutrality made such attempts

[5] *In extreme cases, some studies even assert that the vast majority of Austrians – 73% to 82% – associate the ten years of EU membership with a change for the worse (APA: Österreicher sehr unzufrieden mit zehn Jahren EU-Mitgliedschaft – Austrians Very Dissatisfied with Ten Years of EU Membership), Vienna, December 3, 2004).*

[6] *In this sense, the historical reference is perfectly "accurate" in its being reflected in the concurrent celebration, in 2005, of ten years of EU membership and the 50-year anniversary of the State Treaty.*

appear unrealistic; consequently, in 1960, Austria became a founding member of the European Free Trade Association (EFTA). One of the objectives of the EFTA, however, was to build a bridge to the EEC, as was expressed by the United Kingdom's application for membership in 1961 and the formal applications for association status submitted by Austria, Sweden and Switzerland. However, France's veto in January 1963 of the U.K. application to join the EU made a rapid merger of the EEC and the EFTA no longer seem like a realistic possibility. The decisive barriers to Austria's efforts were not only Soviet resistance but also the tense relations with EEC member Italy on account of South Tyrol. In the light of the problems with the South Tyrol "package of laws" adopted in 1964, from 1967 on Italy vigorously blocked any Austrian moves toward closer ties with Europe. It was ultimately not until 1992 that the implementation of the "calendar of operations" for the "South Tyrol Package" was completed and a formal agreement settling the conflict was signed. Meanwhile, starting in 1989, other events came to shape the European integration process: the opening up of the East, the end of the Soviet Union and German reunification.

A Brief History of Austria's Long Road to the EU

1952	*ECSC – Treaty of Paris of April 1951 enters into force*
1958	*EEC – Treaty of Rome of March 1957 enters into force*
1960	*EFTA is established, with Austria as a founding member*
1961	*Austria, Sweden and Switzerland apply for association status, United Kingdom applies for full membership*
1963	*Enlargement delayed by French veto of U.K. bid to join the EEC*
1967	*Merger of the ECSC, EEC and the European Atomic Energy Community (EURATOM) to form the European Community (EC)*
1968	*Customs union completed*
1973	*United Kingdom, Ireland and Denmark join the EC; free-trade agreements between EFTA countries and the EC enter into force*
1979	*European Monetary System (EMS)*
1981	*Greece joins the EC*
1986	*Portugal and Spain join the EC*
1987	*Single European Act*
1989	*Austria bids to join the EC*
1989	*Madrid European Council adopts the Delors Plan for an economic and monetary union*
1993	*Maastricht Treaty of February 1992 enters into force*
1993	*European Single Market*
1993	*Official accession negotiations with Austria, Finland, Norway, and Sweden launched*
1994	*Austria joins the EEA*
1994	*Conclusion of accession negotiations and EU referendum (June 12)*
1995	*Austria, Finland, and Sweden join the EU*
1999	*Monetary union commences with 11 countries and ERM II (only Denmark)*
1999	*Treaty of Amsterdam of October 1997 enters into force*
2001	*Greece joins the euro area*
2001	*Treaty of Nice signed*
2002	*Euro cash is issued*
2004	*EU enlarged to include eight Central and Eastern European countries, Malta and Cyprus*

From 1969, France opened its integration policy, paving the way for the United Kingdom, Ireland and Denmark to join the EC in 1973. At the same time, numerous free trade agreements were signed between the EC and the EFTA, culminating in a free trade zone by 1977 – with the exception of agriculture. Starting in 1985, the Single European Act, the Internal Market, the Delors Plan and finally the Maastricht Treaty caused the dynamics of integration to soar to new heights (Brunn, 2002). Seizing the new opportunities brought about by the dissolution of the Soviet Union, Austria applied to join the EC in 1989, followed in 1991 by Malta, Cyprus, Sweden, Finland, Norway, and Switzerland. In May 1992, the EC and the EFTA signed an agreement on the creation of the EEA, which came into force in 1994. At almost the same time, accession negotiations with Austria, Finland and Sweden were completed, resulting in the entry of these countries into the EU on January 1, 1995.[7]

2 Brief Macroeconomic Assessment

As unsatisfactory as it may sound, it is not justifiably possible to reach a clear assessment of the macroeconomic effects of accession to the EU. Three major aspects stand in the way: (1) One can always only speculate how the Austrian economy would have developed in the past ten years without EU accession. (2) Economic developments during this period were exposed to numerous shocks – ranging from exchange-rate and stock-market crises to the September 11 terrorist attacks – which had a marked impact on world economic developments. (3) Finally, there has been a confluence of several different European integration processes, which are difficult to isolate. They include worldwide liberalization processes (e.g. through the WTO), integration processes in the EU itself (e.g. the Single Market) and economic integration between the EU and other countries (e.g. the EEA), along with fundamental developments such as EU enlargement and EMU.

Therefore, particularly in the case of a small and internationally highly integrated country, it is virtually impossible to isolate the impacts of individual effects of integration with sufficient precision.

Breuss (1992; 1996; 1999) presented, for economic union and monetary union separately, the soundest model estimations for calculating the effects of accession. If his results are interpreted cautiously, as is recommended, it may be assumed that Austria's participation in European real economic integration over a ten-year period has led to a positive growth stimulus of around 0.5 percentage point per year (table 1). The narrow range of the estimates confirms the relatively high reliability of the results, whereas the effects of monetary union prove to be positive but distinctly less certain because of the large ranges.

[7] *Switzerland's bid for accession was derailed by a negative referendum vote as early as 1992; in Norway, 52% of the public rejected a fully negotiated EU accession agreement in a 1994 referendum. The applications for accession submitted by Malta and Cyprus led to these two countries being allowed to join the EU in the latest round of enlargement in 2004, which added a total of ten new members to the EU.*

Table 1

Overall Effects of EMU

cumulative GDP effects in percentage points

	EU		Austria	
	range	mean	range	mean
Economic union				
Static effects: increase in efficiency	2.5–6.5	4.5	3.5	3.5
Dynamic effects: economies of scale, stimulation of investment	0.5–9.0	4.8	1.0–4.0	2.5
Total	**3.0–15.5**	**9.3**	**4.5–7.5**	**6.0**
Monetary union				
Static effects: savings in transaction costs through elimination of currency exchange	0.3–1.0	0.50	0.5	0.5
Dynamic effects:	0.0–28.8	14.5	0.0–28.8	14.5
economies of scale	0.0–0.8	0.5	0.0–0.8	0.5
capital accumulation through elimination of risk premium	0.0–28.0	14.0	0.0–28.0	14.0
Total	**0.3–29.8**	**15.0**	**0.5–29.3**	**15.0**
EMU total	**3.3–45.3**	**24.3**	**5.0–36.8**	**21.0**

Source: Breuss (1992, p. 546).
Economic union: Single Market starting on January 1, 1993, and economic coordination.
Monetary union: Common currency and single monetary policy from 1999.
Dynamic effects: Half of which effective within ten years, half over a longer-term period (unreliable estimates).

On the whole, post-accession macroeconomic developments have been largely favorable.[8] To be sure, economic growth cannot by any means be regarded as satisfactory; however, this phenomenon is largely the result of weak economic growth of important export markets for Austria – e.g. Germany, Italy and Switzerland. Austrian inflation not only remained at its traditionally low level but, despite the favorable starting position, fell even further, in line with international developments and as a result of integration-related competitive effects.[9] The unemployment rate tended to rise slightly, but was less than half the EU-15 average for the ten-year period of Austrian EU membership. Fiscal affairs and the current account have also shown clear signs of improvement following EU accession. The overall state of the Austrian economy, which may be regarded as having been quite favorable over the past decade – apart from the basically unsatisfactory growth in Europe – is something to which the new markets in Eastern Europe have made a major contribution. At the same time, deeper westward integration is also likely to have positive effects on the Austrian economy.

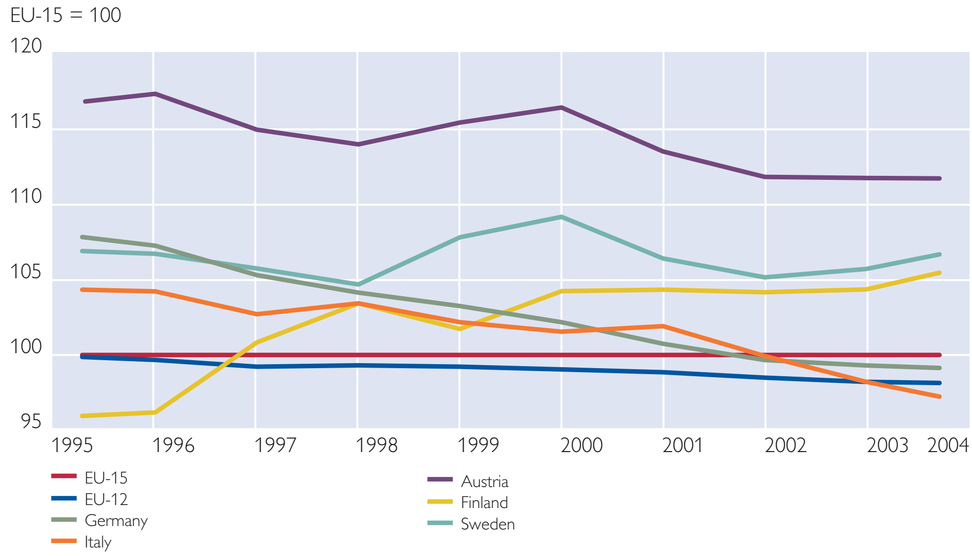
The growth of per capita GDP at purchasing power standards (PPS) can be used to comprehensively measure the state of Austria's economy. Austria

8 *For analyses on this topic, see, for instance, Breuss (2005), Raiffeisen Research (2004) or the focus issue of Wirtschaftspolitische Blätter No. 2 (2004).*

9 *In this issue, Fluch and Rumler take a comprehensive inventory of inflation developments and the key factors behind them.*

Chart 1

Per Capita GDP in PPS for Selected EU Member States Since 1995



Source: Eurostat.

was, in fact, able to hold its position among the EU-15 front-runners in per capita GDP at PPS since accession.[10] Although the index value relative to the EU-15 fell from 116.6 to 111.6 between 1995 and 2004, the losses sustained by Germany (107.9 to 98.7) or Italy (104.2 to 96.5), however, were much more severe. During this period, Austria was overtaken by Denmark and Ireland; Denmark only sustained a slight decline in per capita GDP, whereas Ireland saw the largest GDP growth of all EU countries. Today, Austria's per capita GDP is practically level with Denmark in third place in the EU, ahead of the large EU countries (with the lead even growing) but also ahead of Belgium and the Netherlands. Finland, despite having made significant gains in catching up since 1995, is still significantly behind Austria in this respect.

A comparison between Finland, Sweden and Austria (Pointner, in this issue), all of which joined the EU together in 1995, provides an interesting perspective. Breuss (2005, p. 8) shows that only Finland was able to substantially improve its per capita GDP in PPS since accession, from somewhat below the EU-15 average in 1995 to somewhat over the EU-15 average in 2004. Nearly all of this improvement took place from 1996 to 1998, when Finland finally managed to overcome its severe economic crisis following the collapse of the Soviet Union. Since then, Finnish per capita GDP at PPS has remained constant. For Sweden, on an average over the entire period, only slight fluctuations have been measured; Austria has seen a trend decline relative to the EU-15 average, interrupted by an upward movement from 1998 to 2000.

These differences are probably attributable less to EU accession and more to the pronounced currency and banking crises in Finland and Swe-

[10] *Data according to Eurostat press release of December 3, 2004; data for 2004 estimated according to the available forecasts or according to Eurostat press release of June 3, 2005.*

den in the early 1990s and the stronger external links those countries have with the strong-growing economic areas of the United States and the United Kingdom. By contrast, Austria was hit hard by the sub-par growth of Germany, Italy and Switzerland, its main export markets, which was only partially compensated for by the growing importance of Eastern European export markets.

3 Institutional Framework and Macro Policy Dimensions of EU Integration

One aspect that is often given short shrift compared with macroeconomic performance is the institutional dimension of EU accession (Neisser and Puntscher-Riekmann, 2002). A country's economic framework is often heavily influenced by the sweeping changes associated with integration into the EU's institutional landscape. Although there is a multiplicity of different material transitional provisions for acceeding countries, the institutional structure of the EU is ultimately binding on all Member States without restrictions.[11] By signing the Accession Treaty, new EU Member States accept the EU's institutional framework. The significance of this factor varies mainly depending on the progress a country has made in converging to the EU at the time of accession.

The adaptation of a country's institutional framework to the EU's *acquis communautaire* covers a wide range of fields, from the legal system to many institutions that are directly relevant to economic and policy issues, such as competition policy. In this respect, the Austrian case was different from most others because Austria's specific historical development prior to EU accession had already led to virtual convergence in many areas, including the institutional context. In the monetary policy arena, in particular, Austria's long tradition of a hard currency policy, and, even more, the associated need for real adjustment, had effected significant convergence, such that the transition to the EU, the EMS, the ERM, and finally, to EMU, only seemed like relatively small steps at most (Backé and Mooslechner, 2004).

Despite the high degree of historical convergence to the EU, Dvorsky and Lindner (in this issue) impressively outline the substantial change the OeNB, as an economic policy institution, has had to undergo. Naturally, the major break in monetary policy did not take place until the beginning of monetary union. The phase of EU membership, however, already called for a fundamental reorientation that was characterized by participation in EU committees and intensive preparations for monetary union. By contrast, accession to ERM, important for formal reasons, did not represent a significant change in the framework in the light of Austria's long-standing hard currency policy (Gnan et al., in this issue).

Besides monetary policy, the EU's strongest macro influence was probably in the area of fiscal policy. Katterl and Köhler-Töglhofer (in this issue) explain how the stance of Austrian fiscal policy was subjected to several key changes prior to EU accession, from the predominance of an anticyclical stance in the 1970s to multiple consolidation phases in the 1980s and 1990s. With accession to the EU and the objective of monetary union, how-

[11] *Breuss (2002) presents an up-to-date synopsis of the key economic policy framework conditions.*

ever, EU-related objectives also came to dominate Austrian fiscal policy (Mooslechner, 2001). Since that time, the convergence criteria for participation in monetary union, and later the Stability and Growth Pact and, on the whole, the EU's economic policy coordination mechanisms, all came to define the parameters within which economic policymakers could act.[12] Today, the justification and shaping of national budget policy is mainly undertaken at the European level and according to European rules.

4 Financial Market Integration, the Labor Market and the Trend in Regulatory Structures as Examples

This special issue is primarily dedicated to analyzing some of the key macroeconomic and economic policy developments associated with Austria's EU membership. In addition, some selected structural areas of major importance are covered. From a monetary policy perspective, this includes, in particular, financial market topics that are important both for the implementation of the Single Market and for the efficiency of monetary policy in monetary union. Also in the spotlight are foreign trade, the labor market and the regulatory system, i.e. further special topics that are important elements of the framework for monetary policy.

In their studies in this issue, Fuchs and Waschiczek find out that the Austrian financial markets, by preparing for accession and upon EU accession itself, at the same time experienced a massive surge in internationalization. Partly for this reason, but partly also to strengthen its domestic position, the financial sector used the scope created by market deregulation for M&A activity, capacity reduction and market enlargement strategies. The most prominent of these strategies was the resolute move toward Eastern and Southeastern Europe, which decisively strengthened the position and the profitability of Austrian banks. In this case, too, however, EU enlargement and EU accession are so closely intertwined that it is virtually impossible to isolate their effects. At the same time, the competitiveness of the Austrian banking industry grew stronger, which meant that direct competitive pressure from the EU on the Austrian market has remained relatively slight thus far.

For the corporate sector, the internationalization process has significantly widened the scope for obtaining finance. This appears to have made it much easier for Austrian companies, coming from a tradition of having their personal "house banks," to make the switch to market-based forms of obtaining finance, which has led to a structural increase in capital market-based relative to intermediary banking services. By contrast, the (direct) effects on households' investment activity have remained relatively slight. Indirectly, the internationalization of households' portfolios and investment in stocks – for instance, through the sharp rise in the volume of mutual fund investment – has risen substantially.

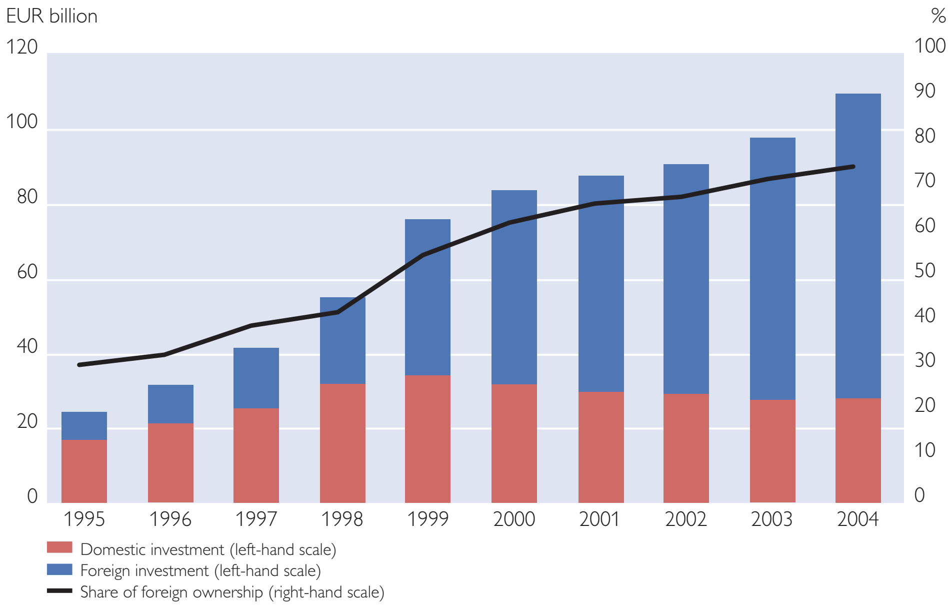
Finally, it must be emphasized that the internationalization of Austrian financial markets has mainly been about Europeanization. At the same time, external positions have been moving toward the level of comparable countries. Against that background,

[12] *For a comprehensive explanation, see Hughes-Hallett et al. (2001).*

Pauer's study in this issue concludes that, despite pronounced internationalization, financial stability tends to have been strengthened through the incorporation of Austria's financial institutions into the European regulatory and supervisory environment. Braumann (2002) points out, correctly, that the gradual process of liberalization which Austrian financial markets underwent bears important responsibility for this positive overall picture.

Chart 2

Assets under Management and Austrian Mutual Funds' Share of Foreign Ownership



Source: OeNB.

For the real economic side of the internationalization associated with EU accession, Fidrmuc shows in this issue that, despite all the moves toward liberalization and integration, at best, Austrian foreign trade with the EU was stagnant prior to 1995. Entry into the EU provided a positive stimulus that is likely to have been amplified by EMU membership. Both in foreign trade and, more strongly, in direct investment, the effects vis-à-vis Eastern Europe were initially surely the dominant factor.

Finally, the two studies by Stiglbauer and Janger in this issue address two specific aspects that are of essential importance to a small open economy in European integration and for economic policy making in monetary union: the labor market and the change in the competitive situation, with sectoral regulations as a case in point.

Contrary to the conventional wisdom which is spread by the media and pervades the general public, high flexibility and mobility have traditionally been characteristics of the Austrian labor market. For that reason, among others, it is not easy to answer the question of how accession to the EU and EMU has impacted on the Austrian labor market. Although the key problems were already sufficiently known prior to EU accession, deregulation was continued more or less independently of that. It appears that the question of the extent to which the (slight) differences with regard to employment and unemployment in the decade before and after EU accession can be associated with the EU will ultimately have to remain unresolved given the existence of numerous other factors. In any case, what the data do confirm is that the international competitiveness of the Austrian economy, including that within the EU, has been substantially amplified thanks to the tradition of wage moderation. At the same time, what also emerges is that, in many cases, demands voiced long before EU accession – such as for an increase in employment – remain highly relevant even after ten years of EU membership.

With the exception of the labor market, prior to EU accession it was probably correct to state that some parts of the Austrian economy were particularly highly regulated, and that, in the light of the original intent of the regulations, they were justified only part of the time. In addition, an explicit competitive policy meeting international standards was virtually nonexistent. Using the regulatory situation of network industries as a case in point, Janger argues that international commitments would have caused an opening of the markets sooner or later even absent accession to the EU. Because of its export orientation, the manufacturing industry was already pretty much wide open to international competition long before EU accession. In this environment, EU accession, however, has clearly acted as a catalyst for reforms in the regulatory structure, especially by making the EU competitive framework an explicit guidepost for a renewal of the Austrian regulatory system.

5 The Challenge of European Economic Policy

It is precisely because the ten years following Austria's accession to the EU may appear to be a long time that, in view of the vast number of important influences that have affected the Austrian economy over that period, it may seem difficult to come to a definite conclusion. The effects of the opening-up of Central and Eastern European markets or of the launch of monetary union were too great to be precisely isolated from the impact of EU accession. At the same time, the Austrian economy, long before EU membership, was already so closely intertwined with the EU countries' markets that the formal move to join the EU in 1995 was merely the completion of a development that had already occurred on the markets.

If the areas examined in this special issue that are of particular relevance to a central bank – without any claim to completeness being made – are used as a guideline, the bottom line is that ten years of Austrian EU membership have been positive. Apart from less-than-satisfactory growth, which, however, is an overarching European problem, Austria's overall economic development in the EU, depending on how the indicators are weighted, has been anywhere between largely unchanged and even slightly improved. In particular, Austria, despite the challenges posed by integration, has managed to stay near the top of the EU in terms of per capita GDP at PPS. Austria still ranks ahead of precisely the major EU Member States but also ahead of the success story of Finland.

It is undoubtedly true that EU accession has caused a change in the institutional framework of the Austrian economy that, in some cases, has been fundamental. European institutions are playing a dominant role in macro policy, from the changed role of the OeNB to EMU. In a parallel development, the institutional framework for financial markets or for the regulatory system/competitive policy has also changed profoundly, even if only partly as a direct result of EU integration. In some areas, such as the labor market, one could even conclude that the problems of today are largely identical to those prior to EU accession.

It is for sure that Austria's integration into the EU represents an important turning point politically and economically, one that major swaths of the general public have certainly been justified in perceiving, and will continue to perceive, as a sharp increase in the pace of change. Since then, large areas of economic policy have begun to be defined by European regulations, reducing the scope for independent national policymaking. Conversely, a small, open economy, in a world of liberalized international markets, benefits from the fact that, nowadays, in many cases, European or global solutions seem to be the right choice for economic policy issues, rather than purely national solutions.

Along these lines, a small country's active involvement in European integration represents a double challenge: given the dimensions of many economic policy requirements, such involvement is nearly unavoidable, yet it also requires adaptation of national circumstances in an environment that is dominated by competition. The key to success is the ability to solve problems at the European level, with the political involvement of all Member States.[13] At the core, it is about a single European policy that can sustainably and successfully shape the European model in a manner consistent with its underlying goals of growth and stability (Blanchard, 2004; Rifkin, 2004).

[13] *The rejection of the EU Constitutional Treaty by referendum in France on May 29 and in the Netherlands on June 1 represents, in this context, a challenge whose implications cannot at present be precisely gauged.*

References

Alesina, A. and R. Perotti. 2004. The European Union: A Politically Incorrect View. In: Journal of Economic Perspectives. Fall.

Badinger, H. 2003. Wachstumseffekte der Europäischen Integration. Springer-Verlag. Vienna and New York.

Badinger, H and F. Breuss. 2004. Has Austria's Accession to the EU Triggered an Increase in Competition? A Sectoral Mark-up Study. WIFO Working Paper 220.

Backé, P. and P. Mooslechner. 2004. From Transition to Monetary Integration: Central and Eastern Europe on its Way to the Euro. Comparative Economic Studies. March. 177–190.

Baumgartner, J., F. Breuss, H. Kramer and E. Walterskirchen. 1997. Auswirkungen der Wirtschafts- und Währungsunion. WIFO Working Paper.

Beyrer, M., Ch. Schneider and S. Taglieber. 2004. Österreich – 10 Jahre EU-Mitgliedschaft – Ein Themenaufriss. In: Wirtschaftspolitische Blätter 2.

Blanchard, O. 2004. The Economic Future of Europe. In: Journal of Economic Perspectives. Fall.

Braumann, B. 2002. Financial Liberalization in Austria: Why so Smooth? In: Financial Stability Report 4. OeNB.

Breuss, F., H. Handler and J. Stankovsky. 1988. Österreichische Optionen einer EG-Annäherung und ihre Folgen. Report of the Austrian Institute of Economic Research (WIFO). Vienna.

Breuss, F. 1989. Abschätzung möglicher Wohlfahrtseffekte eines österreichischen EG-Beitritts. In: Glatz, H. and H. Moser (eds.): Herausforderung Binnenmarkt. Vienna.

Breuss, F. and F. Schebeck. 1989. Die Vollendung des EG-Binnenmarktes. Gesamtwirtschaftliche Auswirkungen. Makroökonomische Modellsimulationen. Study commissioned by the Austrian Federal Ministry of Finance.

Breuss, F., H. Handler and J. Stankovsky. 1989. Österreichs Wirtschaft und die EG. In: WIFO-Monatsberichte 4.

Breuss, F. 1990. Integration in Europa und gesamtwirtschaftliche Entwicklung. EG und EFTA Staaten im Vergleich. WIFO. Vienna.

Breuss, F. and F. Schebeck. 1991. Der EG-Binnenmarkt und Österreich. Sensitivitätsanalysen mit dem WIFO-Makromodell. Schriftenreihe der Bundeswirtschaftskammer. (72).

Breuss, F. and F. Schebeck. 1991. Österreich im EWR. In: WIFO-Monatsberichte 5.

Breuss, F. 1992. Statische und dynamische Effekte der bisherigen Europa-Integration Österreichs. WIFO Working Paper 50.

Breuss, F. 1994. Die Auswirkungen des Binnenmarktes auf den Dienstleistungssektor in Österreich. Study commissioned by the Austrian Federal Ministry of Finance.

Breuss, F., K. Kratena and F. Schebeck. 1994. Effekte eines EU-Beitritts für die Gesamtwirtschaft und für die einzelnen Sektoren. In: WIFO-Monatsberichte. Special edition. May.

Breuss, F. 1995. Die vierte EU-Erweiterung – um Österreich, Finnland und Schweden. In: WIFO-Monatsberichte 2.

Breuss, F. 1996. Austria's Approach Towards the European Union. Vienna University of Economics and Business Administration, Research Institute for European Affairs, IEF Working Paper. (18).

Breuss, F. 1999. Gesamtwirtschaftliche Evaluierung der EU-Mitgliedschaft Österreichs. In: WIFO-Monatsberichte 8.

Breuss, F. 2000. An Evaluation of the Economic Effects of Austria's EU Membership. In: Austrian Economic Quarterly 4.

Breuss, F. 2002. Die wirtschaftspolitische Architektur in der WWU. In: WIFO-Monatsberichte 9.

Breuss, F. 2003. Austria, Finland and Sweden in the EU. Economic Effects. In: Austrian Economic Quarterly 4.

Breuss, F. 2003. Reale Außenwirtschaft und Europäische Integration. Peter Lang Verlag. Frankfurt.

Breuss, F. 2004. Wie erfolgreich war die EU-Erweiterung um Österreich, Finnland und Schweden? In: Wirtschaftspolitische Blätter 2.

Breuss, F. 2004. EU-Erweiterung: Wirtschaftliche Auswirkungen. In: Wirtschaftspolitische Blätter 1.

Breuss, F. 2005. Austria, Finland and Sweden after 10 Years in the EU: Expected and Achieved Integration Effects. EI Working Paper 65, March.

Brunn, G. 2002. Die Europäische Einigung. Stuttgart.

European Commission. 2002. The Internal Market – 10 Years Without Frontiers. Special Edition. 2002.

Felderer, B., R. Koman, K. Pichelmann and A. Wörgötter. 1994. Wirtschaftliche Folgen der Ausgrenzung Österreichs von der Europäischen Union. Vienna.

Flam, H. 1995. From EEA to EU: Economic Consequences for the EFTA Countries. In: European Economic Review 39. 3–4.

Franzese, R., P. Mooslechner and M. Schürz (eds.). 2004. Institutional Conflicts and Complementarities. Monetary Policy and Wage Bargaining Institutions in EMU. Boston and Dordrecht.

Hahn, F. R. and P. Mooslechner. 1999. Zur Fundierung des Designs des Europäischen Zentralbanksystems. Monatsberichte des Oesterreichischen Instituts für Wirtschaftsforschung 1. 49–60.

Handler, H. 1996. Der Einfluss der EU-Mitgliedschaft auf die nationale Wirtschaftspolitik. In: Wirtschaftspolitische Blätter 3–4.

Handler, H. and E. Hochreiter. 1996. The Austrian Economy in the European Union. A First Assessment. WIFO Working Paper 88.

Herz, D. 2002. Die Europäische Union. Munich.

Hughes-Hallett, A., P. Mooslechner and M. Schürz (eds.). 2001. Challenges for Economic Policy Coordination within Monetary Union. Dordrecht.

Keuschnigg, C. and W. Kohler. 1996. Austria in the European Union: Dynamic Gains from Integration and Distributional Implications. In: Economic Policy 22.

Kramer, H. 1995. Editorial: Österreichische Wirtschaftspolitik in einer neuen Umgebung. In: WIFO-Monatsberichte 1.

Kramer, H. 1998. Die Auswirkungen der Mitgliedschaft Österreichs in der EU – eine Zwischenbilanz. In: Khol, A., G. Ofner and A. Stirnemann (eds.): Österreichisches Jahrbuch für Politik.

Liebscher, K. 1996. Speech by the President at the General Meeting of the Oesterreichische Nationalbank on April, 18.

Marterbauer, M. 1995. Makroökonomische Rahmenbedingungen der Budgetkonsolidierung in der EU. In: WIFO-Monatsberichte 8.

Marterbauer, M. and H. Walterskirchen. 1999. Gesamtwirtschaftliche Auswirkungen der Budgetkonsolidierungspolitik in der EU. In: WIFO-Monatsberichte 4.

Mooslechner, P. 2000. Monetary Policy and Monetary Policy Strategy in EMU: New Framework – New Challenges. In: Focus on Austria 2. OeNB. 54–65.

Mooslechner, P. 2001. Fiscal Policy Design in the EU. In: Focus on Austria 2. OeNB. 64–78.

Mooslechner, P. 2004. The Transformation of the European Financial System – A Brief Introduction to Issues and Literature. In: Workshop Series 1. OeNB. 7–22.

Mooslechner, P. 2004. EU Enlargement and Monetary Integration – the Next Steps: ERM II and Beyond. In: Liebscher, K., J. Christl, P. Mooslechner and D. Ritzberger-Grünwald. The Economic Potential of a Larger Europe. 161–175.

Mooslechner, P. 2004. The Challenge of Economic Growth – What Are the Issues? In: Workshop Series 2, OeNB. 8–16.

Neisser, H. and S. Puntscher-Riekmann. (eds.) 2002. Europäisierung der österreichischen Politik. Konsequenzen der EU-Mitgliedschaft. Vienna.

Pollan, W. 1996. Der Verlauf der Verbraucherpreise nach dem EU Beitritt. In: WIFO-Monatsberichte 69(9).

Pollan, W. 1998. Preiseffekte von Integration und Währungsunion. WIFO-Monographie 3.

Pollan, W. 1999. Estimating the Economic Effects of Immigration in a Not Strictly Segmented Labor Market. The Case of Germany and Austria. WIFO Working Paper 119.

Prescott, E. 2003. Why Do Americans Work So Much More Than Europeans? Federal Reserve Bank of Minneapolis Research Department Staff Report 321. November.

Raiffeisen Research. 2004. Österreich 10 Jahre in der EU. Vienna. December.

Rifkin, J. 2004. The European Dream. Frankfurt and New York.

Samuelson, P. 2004. Where Ricardo and Mill Rebut and Confirm Arguments of Mainstream Economists Supporting Globalization. In: Journal of Economic Perspectives. Summer.

Sandgruber, R. 1995. Ökonomie und Politik – Österreichische Wirtschaftsgeschichte vom Mittelalter bis zur Gegenwart. Vienna.

Sapir, A., P. Aghion, G. Bertolla, M. Hellwig, J. P. Ferry, D. K. Rosati, J. Vanals, H. Wallace, M. Buti and M. Nava. 2004. An Agenda for a Growing Europe: The Sapir Report. Oxford.

Schneider, M. 1994. Chancen und Risiken der Landwirtschaft im EU-Binnenmarkt. In: WIFO-Monatsberichte. Special edition. May.

Seidel, H. 2005. Österreichs Wirtschaft und Wirtschaftspolitik nach dem Zweiten Weltkrieg. Vienna.

Sinabell, F. and E. Schmid 2003. Die Reform der Gemeinsamen Agrarpolitik der EU. Wichtige Konsequenzen für Österreichs Landwirtschaft. In: WIFO-Monatsberichte 76(6).

Vocelka, K. 2002. Geschichte Österreichs. Munich.