

VIENNA ECONOMIC FORUM
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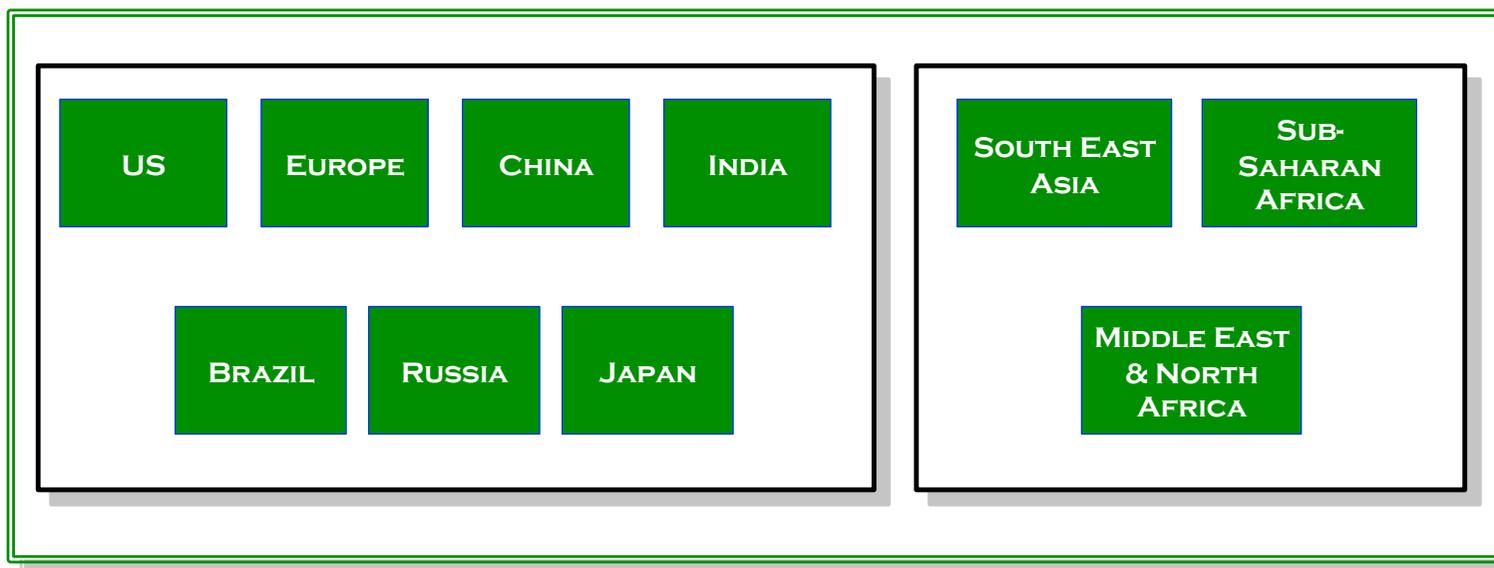
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How Does Europe Fit In?

WE SEE EUROPE AS ONE OF THE KEY MEMBERS OF THE NEW G7



EUROPE TOGETHER IS THE LARGEST ECONOMY IN THE WORLD —
APART IT IS IRRELEVANT

Europe Believes in Responsibility

- ▶ Living within your means
 - Limited government debt
 - Limited individual debt
 - Limited government Future Obligations
 - Individual responsibility

- ▶ Maintaining Competitiveness
 - Single Market for Goods and labour
 - Tax Competitiveness
 - Limited government regulation
 - Quality education

- ▶ Rule of Law

European Labour Markets unemployment rate (EUSTAT Feb 2012)

- | | Average | Youth unemployment |
|---|---------|--------------------|
| • EU-27: 10,2% (24,5 Mio people) | | 22,4% |
| • Eurozone: 10,8% (17,1 Mio Me/highest rate in past 15 years) | | 21,6% |
| • Spain: | 23,6% | 50,5% |
| • Greece: | 21,0% | 50,4% |
| • Austria: | 4,2% | 8,3% |
| • Ned: | 4,9% | 10% |
| • Ger: | 6% | 8,2% |
| • Hun: appx | 15% | 30% |



Mobility to Austrian Labour Markets from EU countries young workers from (EUSTAT Feb 2012)

	2009	2012
•		
• Spainards	1000	1600
• Portuguese	670	1060
• Greek	1100	1600
• Italians	6900	8900
• Germans	75000	88000

Salaries and competitiveness (EUSTAT 2006)

- Bulgaria has lowest hourly labour costs (€ 1,65) among all 27 EU
- Sweden is top, with a rate 20 ztimes higher (€ 32,16)
- Romania eg is € 2,68

- This drift has created a Europe of two paces.
- Economic and Currency Union created a dependency among the players in the Euro area such that a disturbance or bankruptcy of any could pose a systematic risk for the entire EU.

- The CEP-default index measures the ability of countries to repay foreign loans, and thus its credit-worthiness. The national economies are grouped into four risk categories.
- The index consists of a country's national fiscal balance, which reflects the capital import requirements of an economy, and the level of capacity-increasing investments over a period of time.

CEP-Default Index

- Exporting countries with current account surpluses of capital receive a positive GFS. Since they do not need foreign loans, they are not in danger of insolvency (risk category 1).

CEP-Default Index

Kategorie 1: Länder mit positivem CEP-Default-Index und positivem GFS

1	Estland	+12,3	+ 9,6		
2	Luxemburg	+10,7	+ 7,3		
3	Deutschland	+ 7,8	+ 5,2		
4	Niederlande	+ 7,8	+ 6,0		
5	Österreich	+ 6,9	+ 3,4		
6	Belgien	+ 4,8	+ 2,6		
7	Finnland	+ 4,4	+ 2,9		

CEP-Default Index

- A positive value of the CEP default index means that capacity-increasing investments over a year's period exceed net capital imports. In this case, you cannot generally state whether the borrowing capacity of an economy is at risk or not (risk category 2).

CEP-Default Index

Kategorie 2: Länder mit positivem CEP-Default-Index und negativem GFS

8	Slowenien	+ 3,4	- 1,1		
9	Slowakei	+ 0,7	- 0,6		
10	Irland	+ 0,5	- 0,8		

CEP-Default Index

- A negative value of the CEP default index means that the net capital import exceeds capacity-enhancing investments. The country not only consumes 100% of its domestically generated income, but a portion of its net capital imports as well. A country in this position endangers its solvency (risk category 3).

CEP-Default Index

Kategorie 3: Länder mit negativem CEP-Default-Index im vergangenen Jahr					
11	Frankreich	- 0,6	- 3,8		
12	Spanien	- 1,6	- 9,2		
13	Italien	- 2,5	- 4,3		

CEP-Default Index

- Any country that has a negative CEP default index for three or more years means that the
- Solvency threat has been realized (risk category 4).

CEP-Default Index

Kategorie 4: Länder mit negativem CEP-Default-Index in den vergangenen drei Jahren					
14	Malta	- 0,6	- 3,1		
15	Zypern	- 4,4	- 9,4		
16	Portugal	- 7,5	- 8,4		
17	Griechenland	- 11,6	- 10,1		

Solutions

- Honesty: We have lived beyond our means.
- Entrepreneurship is the pillar of society and the base of prosperity, innovation and growth.
- We need to create a Europe that acts as a bastion of Liberty by supporting freedom and diversity instead of a centralized government with few alternatives.
- We need to fully embrace free markets and let them flourish.

A Europe with Competing Regions