

Finally, the high direct and indirect costs of the EU-accession have considerably increased the pressure on budgetary consolidation. But the contributions should be regarded as an investment guaranteeing the Austrian economy a more favourable development on a long-term basis.

1.9. European Economic and Monetary Union

Austria attaches high priority to the creation of the European Economic and Monetary Union (EMU) as planned. Then investors would no longer be disconcerted by exchange rate fluctuations in Europe and Austria would be protected against further devaluations of important European trading partners, as they have a negative effect on the employment situation in Austria. Yet, employment effects and social compatibility must also be taken into account, when introducing budget consolidation measures, necessary on a Europe-wide basis not least in connection with the implementation of the EMU. In line with overall economic considerations and social cohesion it must therefore be found a balanced proportion between monetary and real objectives (growth, employment) when realizing the EMU.

For Austria it is particularly important that Italy, but also Sweden and Finland, join the EMU as soon as possible to spare Austria's industry and tourism further devaluation. The potential for political interpretation of the fiscal convergence criteria of public debt and budget deficit should be utilized without however questioning the convergence criteria as such. To prevent an economic, social and political alienation between participants and nonparticipants in the EMU, measures are to be taken supporting those not participating in the EMU in their stabilization process and offering them the prospects of an entry as soon as possible.

The Advisory Council furthermore stresses the importance of fully exhausting the room of action given for employment policy within the EMU. Today the European economy also suffers from a lack of coordination of economic and tax policy. The individual countries try to improve their competitiveness through devaluations („beggar-my-neighbour“ - policy), wage and social welfare decreases or tax reductions. Efforts for a greater tax harmonization will be required within the EU to stop the tax competition. The EMU offers the chance of winning back on a European level the room of action for economic policy that has been lost on a national level.

1.10. Monetary Policy

Europe is facing an increasing differential between real interest rates and economic growth. To facilitate investment activity and budget consolidation, interest rates in Europe should be kept as low as possible in the long run. In the nineties the U.S. Federal Reserve System succeeded in accelerating the economic dynamism through a pragmatic monetary policy without causing inflationary tensions. In Europe monetary policy followed a restrictive course for years, as can be seen from the inverse yield curve till 1994. On an interna-