

WIFO

TEL. (+43 1) 798 26 01-0

FAX (+43 1) 798 93 86



ÖSTERREICHISCHES INSTITUT FÜR WIRTSCHAFTSFORSCHUNG
AUSTRIAN INSTITUTE OF ECONOMIC RESEARCH

1030 WIEN, ARSENAL, OBJEKT 20 • <http://www.wifo.ac.at>

A-1030 VIENNA – AUSTRIA, ARSENAL, OBJEKT 20

Challenges for Europe 2050

Discussion input to Euroframe 2015

Karl Aiginger

12TH EUROFRAME CONFERENCE ON ECONOMIC POLICY ISSUES IN THE EUROPEAN UNION
WKO – Austrian Economic Chambers, June 12th, 2015

- Business as usual is no longer possible for Europe
- Unemployment and stagnation threaten EU-project **and peace**
- Globalisation offers chances; needs complementary policy
- Radical, absolute decoupling (energy, material) urgent but a demanding task
- Distribution (opportunities, income, wealth) lies at the core of a strategy change
- Reforms need a vision, ambition, institutions, allowing for heterogeneity
- Reform resistance to be tackled by communication, democratic discourse
- EU should no longer ignore neighbours: culture, schools, ERP-initiative
- Neither US' nor China's strategy is based on "Beyond GDP goals"
- **Europe can become a role model: dynamics, inclusion, sustainability.**

-
- Problems have to be solved **jointly**
 - Not dynamics plus ecological sustainability
 - Nor social questions plus growth
 - But new dynamics (different from GDP/toward beyond & agrowth) **plus** social goals **plus** boundaries of planet
 - Reform resistance has be acknowledged, interdisciplinary
 - Ecological reforms radical and consistent with employment
 - Redistribution heavily opposed but necessary
 - Employment with symmetric flexibility, sustaining welfare
 - **Government must support goals: taxes and expenditures.**

Respecting the starting position and today's policy priorities

■ First phase

- Reducing unemployment, back to normal ("full") employment
- Reduction of disequilibria across countries/regions
- Sustainably position in debt and pension system

■ Second phase

- Reduction of employment dependence on growth
- Increase welfare content of (lower) growth rates
- Insider advantages reduced, work sharing
- Radical decoupling of material, energy from output.

- New infrastructure much less dependent on fossils
- Social innovations prepare for second stage
- Changing institutions, behaviour, awareness
- Redefine competitiveness towards Beyond GDP goals
- Reduce dominance of GDP, address goals directly
- Start **double** decoupling (emission **and** labour)
- Addressing reform resistance
- Support industry moving towards 4.0 (lower material/ energy)

⇒ Energy Roadmap 2050

⇒ Zero Net Emission Goal (OECD).

	2010	2050	2010/2050
	Share in GDP in % ¹		% p.a. ²
Euro area	17.4	9.5	1.5
EU-27 ³	23.8	13.8	1.7
<i>EU plus wider neighbours</i> ⁴	<i>30.0</i>	<i>28.0</i>	<i>2.5</i>
France	3.4	2.0	1.8
Germany	4.8	2.1	0.9
Austria	0.5	0.3	1.6
USA	23.0	15.1	2.0
China	16.1	27.9	4.5
India	6.4	18.0	5.8

¹ 2005 PPS. - ² World growth p.a. 3.1%. - ³ OECD Members; EU 27 nom. 28% (2010), 17% (2050), Source: UNCTAD, Global Europe. - ⁴ Estimated.
Source: OECD Economic Outlook No 93 - June 2013 - Long-term baseline projections.

WIFO

TEL. (+43 1) 798 26 01-0

FAX (+43 1) 798 93 86



ÖSTERREICHISCHES INSTITUT FÜR WIRTSCHAFTSFORSCHUNG
AUSTRIAN INSTITUTE OF ECONOMIC RESEARCH

1030 WIEN, ARSENAL, OBJEKT 20 • <http://www.wifo.ac.at>

A-1030 VIENNA – AUSTRIA, ARSENAL, OBJEKT 20

Challenges for Europe 2050

Discussion input

Karl Aiginger

12TH EUROFRAME CONFERENCE ON ECONOMIC POLICY ISSUES IN THE EUROPEAN UNION
WKO – Austrian Economic Chambers, June 12th, 2015