

Necessity to reduce public debt

The article attempts to outline the development of public debt and the impact of the crisis on these debts. Do EU rules serve the purpose of reducing public debt in Europe? The increasing debt is discussed with the background of possible future zero growth and the possibility of a negative real interest rate following discussions in Germany and the US. Finally, the question will be whether the consolidation of budgets and the reduction of the debt ratio would negatively affect economic growth or perhaps positively promote it.

Entrepreneurship, Competitiveness and Economic Growth

Entrepreneurship policy is often seen as a central element to foster growth via the diversification of the product portfolio of countries. However, most considerations of entrepreneurship policy neglect the interaction between start-ups and the economic structure in which these companies are embedded. The evidence shows that product complexity and the uniqueness of products are important determinants of the international competitiveness of enterprises and that especially the competitiveness of young growing enterprises crucially depends on their access and capabilities to use specific local competencies, networks and institutions. From an economic policy perspective this highlights that industrial policy and entrepreneurship policies needs to be coherently integrated with one another.

Nascent Entrepreneurship

Which breeding grounds do we need for entrepreneurial activities?

From the background of the importance of entrepreneurial behaviour in general and the economic relevance of start-ups, this paper deals with the elements of fruitful breeding grounds for entrepreneurial behaviour. The elements presented (founding person and personality traits, resources, environmental conditions and start-up process) were derived from nascent entrepreneurship research and discussed in an aggregated form. Building from this, starting points were derived to develop measures for supporting entrepreneurial attitudes and behaviours. Due to the context dependency of start-up processes there is the particular challenge to generate person and situation-specific bundles of measures.

Competitiveness, globalization and the EU industrial policy target

This article addresses the consequences of the European Union's target of a 20% share of manufacturing in nominal GDP for industrial policy in Austria. We start from the observation, that the value added share of manufacturing is considerably lower than our daily experience from the final demand for manufactured goods would suggest. This

difference is explained by a systematic use of Input-Output tables to “peel-off” various layers of final demand and demonstrate, how these transform into the incomes earned in a sector. Second, we apply a new method of “induced value added chains” to decompose the value added share into the contributions from a country’s domestic final demand for manufacturing value added and international trade effects. The findings show that differences in comparative advantage do matter but are small relative to the decline of domestic expenditures for manufacturing value added. The latter is mainly due to the sector’s high productivity growth and hence a sign of competitive strength rather than weakness.

Herwig W. Schneider

JEL-No: L16, O14

Austria’s Industry – the Centerpiece of Economic Success

Austria is an industrial country with a long industrial tradition and a rich industrial capital. The prosperity in Austria cannot be defined without industry. More than 1.9 million jobs are servo-industrial origin. If the key sociopolitical trend themes as well as the industry’s internal structure development processes on the one hand and the given structure of Austrian industry and the situation of international location-competitiveness on the other hand are put together, a need for (new) concepts arises – such as the “Austrian Leading-Competence-Unit-Strategy” or the “Industry 4.0-Concept in an original understanding”.

Michael Böheim/Eva Pichler

JEL-No: L5, L84

Growth without Debt – Deregulation of Professional Services

Both OECD and European Commission continuously stress that no effort has been made to boost competition in professional services in Austria. Lack of deregulation implies both too high costs and profit-margins, since efficient technologies cannot be applied. This contributes to a higher degree of inflation as compared to Euroland, impeding the countries’ competitiveness and export growth. Though the sector of professional services is small, it plays a key role in braking growth. A recent study comprising 21 OECD countries shows that the degree of dependency of industry from services is *by far* the largest in Austria, even if compared to Italy. OECD argues that deregulating this sector could increase annual growth rates by ¼–½ percentages. Apart from this, the right of the Chamber of tax consultants to appraise tax legislation is a clear case of “supply induced demand” and contributes to high costs of both firms and private households from an increasingly complex tax system.

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JEL-No: L40, L41, L42, L43, L44, L50, L51, L65, L81

The self-medication market in transition From monopoly rents, vested rights and (yet) unused deregulation clearances

The Austrian market for over-the-counter (OTC) drugs is organised by way of a chain of monopolies. One of the world’s strictest regulatory regimes to ensure that medicinal

drugs are sold in pharmacies only, little in the way of competition between pharmacies, information asymmetries and full-scale regulation of prices and margins along the value chain have combined to create an inefficient market. By legalizing Austrian mail order pharmacies in June 2015, a consistent step towards further liberalization of the distribution of non-prescription medicines has been set. As long, however, adhered to the relevant pharmacies duty, this measures is unlikely to be a sustainable promotion of competition. With self-medication expected to gain ever more ground in Austria in the medium to long term, breaking up these market structures should produce high welfare gains for consumers through substantial price cuts. Negative effects of deregulation in terms of lower quality or less supply security, on the other hand, appear to be unlikely.

Simon Loretz

JEL–No: H70, R50

Federalism and tax competition in Austria

Federalism in Austria is dominated through a strong vertical fiscal imbalance, characterised through the fact that especially the states have hardly any autonomy over their income level. This discrepancy can partly be traced back to a fear of harmful tax competition, but also implies a lack of transparency and changes the incentives for local authorities. Transforming parts of the revenue sharing of personal and corporate income tax into tax autonomy of the states would contribute substantially to transparency and could provide through tax competition also strengthen the incentives for efficient provision of local public goods. The experience from other federal states also shows that tax competition is an important part of fiscal federalism. Furthermore the regulatory framework such as the clear division of task between the different levels of government and an incentive compatible revenue sharing mechanism are essential to guide local tax competition.

Michael Christl/Dénes Kucsera

JEL–No: J26, H53, H55

The Impact of the Retirement Age on the Financial Stability of the Austrian Pension System

This paper analyzes the impact of various reform options with regard to the financial stability of the Austrian pension system until 2060. We distinguish between different cases of retirement behavior by simulating various increases of the effective and/or the statutory retirement age. Our results suggest that an increase in the effective retirement age by three months per year does not stabilize the Austrian pension system in the medium run. We show that at least a steady increase of the statutory retirement age by two months per year is necessary to keep the system stable in the long run (until 2060). Nevertheless, in this case the federal grant for the pension system (as a share of GDP) will have to increase by 50 percent until 2040, however, it will decrease to its current level until 2060.

The healthcare sector in the context of sovereign debt and economic growth

Several interrelations can be found between the healthcare system, sovereign debt and economic growth, some of which are not obvious at first sight, as causal relationships are complex and non-trivial. The volume and dynamics of public healthcare expenditure pose a considerable challenge for public finances. Increasing government debt since the beginning has in turn led to mostly unplanned cuts in the healthcare field with detrimental social effects in Europe, but has also stimulated necessary reform. Recent reforms in the Austrian healthcare sector explicitly aim at ensuring financial sustainability, but success is far from certain. An aspect that has only recently gained wider attention is healthcare as a field of prosperity that can foster with economic growth.

Andreas Salcher

JEL-No: I20, I21, I25

The Austrian debate on education and the education systems has been overshadowed for thirty years by a mostly ideologically charged dispute over the terms "performance" and "justice". The fact that there are school systems like in Canada, Finland or Bavaria, where performance orientation and equality of opportunities are not contradicting each other, is persistently ignored. There are truly many schools proving that both high performance and equality of education opportunities can be achieved. The following key decisions are necessary in order to implement a successful educational reform in Austria:

1. Nursery schools and elementary schools receive national priority
2. Transparent and reliable minimum standards for all schools
3. Equal promotion of social and cognitive skills
4. Schools obtain educational autonomy
5. A new job and career profile of teachers
6. A consent on real "all-day" schools

Jesús Crespo Cuaresma/Petra Sauer

JEL-No: I24, I25, O50

Trends der Bildungsverteilung in Europa

Humankapital in der Form von Bildung nimmt in der theoretischen und empirischen Literatur über die Determinanten von Wirtschaftswachstum eine zentrale Stellung ein. Die Dimension der Verteilung des Bildungsniveaus – innerhalb und zwischen den Generationen sowie zwischen den Geschlechtern – wurde in diesem Zusammenhang nur selten berücksichtigt. Die demographische Struktur von neulich verfügbaren Bildungsdaten ermöglicht uns die Berechnung von alters- und geschlechtsspezifischen Verteilungsmaßen. Diese verwenden wir, um die Entwicklung der Bildungs(un)gleichheit in Europa zu analysieren. Hervorzuheben sind Unterschiede zwischen europäischen Regionen, sowohl hinsichtlich des Niveaus und der Dynamik in den letzten Jahrzehnten, als auch hinsichtlich der damit einhergehenden Ausrichtung der Bildungsexpansion und ihren Verteilungseffekten in der Zukunft.

Using new employment forms for company growth

Economic, societal and technological developments are resulting in new employment forms in Europe. These differ from traditional models through a changed relationship between employer and employees and/or changed work organisation and processes. As so far little information is available as regards the characteristics of these new employment forms as well as their effects on working conditions and the labour market, the European Foundation for the Improvement of Living and Working Conditions (Eurofound) conducted a research study in 2013/2014, aiming at a first mapping of the new employment trends. This current article presents selected findings of the study, with focus on employment forms that could contribute to enterprise growth while at the same time ensuring good working conditions of the staff.

Reform Politics in the Swedish Welfare State Forms, Causes and Consequences of Austerity Policies

This contribution discusses reform politics and policies of the Swedish welfare state and analyses the forms, reasons and implications of austerity policies. It is asked, in which ways the implemented welfare state reforms promoted the consolidation of public budgets or in which ways they contributed to the strengthening of economic growth. Furthermore it is discussed, which political, economic and societal consequences the Swedish strategy of austerity implies. Taken together, the lessons from the Swedish case confirm the effect of the trilemma of the service economy according to Iversen and Wren.

Austrian industry facing international trade

This article pursues a qualitative approach to identify the relative importance of different factors for the export performance of medium-size companies located in high-wage countries. The data basis for this analysis comprises narrative interviews with representatives of eleven Austrian, export-oriented, medium-size companies. Almost exclusively these competitors stem from highly industrialized countries. The companies mainly operate in oligopolistic markets, the respective specialization explain about 15% of the export performance across all companies. Accounting for 12% the factor price ranks slightly below. Quality, technology and innovation together, explain 41% of export performance. Customer orientation also has substantial explanatory power: the associated factors trust, reliability and customer relations, speed & flexibility as well as service account for 31%. In sum, medium-sized industry from high-wage countries primarily relies on non-price competitiveness factors in international competition.

