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## **Closing key-note address**

*Check Against Delivery*  
*Seul le texte prononcé fait foi*  
*Es gilt das gesprochene Wort*

Brussels Economic Forum

**Brussels, 26 May 2010**

Ladies and Gentlemen,

We have an intensive day and a half of economic policy discussion behind us. The Brussels Economic Forum has once again shown its value as a way to bring together policy makers, senior civil servants, academics and other experts of economic policy issues.

Let me thank all the speakers and organisers for making this a very stimulating and interesting conference.

The central theme of the Forum, mapping strategies for a post-crisis world, has been approached from many angles. I won't try to summarize the great variety of viewpoints presented in the conference. Instead, let me try to translate the intellectual input of this two-day think-thank into operational policy conclusions.

The over-arching task now is to ensure that the recovery will not be derailed and that we can adequately address the longer term policy challenges, which calls for determined action on all fronts.

The policy agenda comes as no surprise to any of us having followed the discussion in this conference. We need to:

- get on with a rapid but smart process of consolidation,
- put life into our long-term structural growth agenda, Europe 2020, including the measures on green growth,
- complete the reform of financial regulation and supervision, and,
- improve economic governance on a broad basis.

1. The debt burdens that have been and are being cumulated call for a stronger approach on fiscal consolidation than pursued so far. This concerns basically all EU member states.

However, there is also a clear need for differentiation. The most indebted countries and who have turned out to be most vulnerable to market reactions need to take speediest and strongest measures. This is in fact happening. This also needs to continue.

The countries that have more fiscal room of manoeuvre, can take a more gradual approach to consolidation.

When considering consolidation measures, it is essential to keep in mind their effects on growth. Some types of expenditure are more growth friendly than others; some taxes more harmful than others. Here economic analysis provides important guidance.

Expenditure on key infrastructure, education (particularly at the early stage), and research and innovation activities support growth. Corporate income taxes and taxes on labour harm growth.

Smart consolidation therefore implies important choices. But clearly fiscal consolidation alone is not enough.

2. The second task is to lift our growth potential. Given the constraints on public spending, potential growth cannot be lifted by throwing more money at the perceived bottlenecks.

It is simply wrong to think that promoting growth equals more public spending. There are areas where growth promotion is not primarily – if at all – a matter of higher public spending.

Instead, the key task is to allocate the available resources efficiently and to make the most of the current resources for investment. We also need to improve the general framework conditions for higher productivity and employment creation.

As has been noted in this conference many times, we need structural reforms more than ever. This concerns all scenes of economic activity: the product and service markets; labour markets; financial markets; and the provision of public services, including social security.

Especially, we have to make the most of our 500 million people internal market. A balanced re-launch of the single market programme, which was so well presented today by Mario Monti, is central. The completion of the single market agenda is in my view the least costly way to boost growth in Europe.

It is also obvious that the fast-advancing digital technology still provides huge possibilities for productivity growth. In particular many public services can be much more efficiently produced by creatively applying modern digital technologies. This requires substantial adjustment in the way services are organised, which can lead to equally important savings.

Moreover, Europe has been on the forefront in developing green, resource-efficient technologies, but risks losing that lead.

While we cannot base our success in this area either on increased overall spending, we can allocate the funds for research and subsidies more effectively and efficiently. One particularly important thing is to create large enough markets for innovative European products and processes through common standards and forward-looking government procurement policy.

3. We must soon complete our ambitious agenda of reforming financial regulation and supervision. Our priority here is to have the legislation ready for the European System of Financial Supervisors (ESFS) and the European Systemic Risk Board (ESRB) to start at the beginning of 2011.

As far as financial regulation and the resolution mechanisms for banking crisis are concerned (including the participation of the financial sector in costs of resolution), we need global solutions. That is why Europe must speak with one clear voice in the international arena, particularly in G20.

4. The same goes for policy coordination in general. We need to strengthen the existing rules-based mechanisms to prevent fiscal profligacy of individual member states harming the others. We need to better tune the overall fiscal policy stance to the needs of the euro area and the Union as a whole.

The Commission's proposals are on the table, and I'm glad to see that they have received wide support, I would say such support that was hard to imagine just a few months ago.

There seems to be one silver lining in the crisis: it has made it absolutely clear to everyone that coordinated policy making is a necessary condition for economic and financial stability in the increasingly integrated European Union.

Ladies and gentlemen,

I'm equally encouraged by the discussions in this Forum. There is a wide recognition that fiscal consolidation is necessary, which must be accompanied by structural reforms to lift our potential growth.

By recognition I don't mean just an expert opinion. I think that what has been said here also reflects broader understanding among the decision makers and citizens that we have to change our ways.

We have indeed formidable challenges ahead of us. But I'm convinced that we also have the means and the will to meet them. In that joint European action will be the key factor.

Not least, since we are at a crossroads today. Either we take determined and joint action for Europe's economic and political revival – or we risk economic stagnation and political irrelevance.