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Countercyclical European Financial Architecture Lessons from Austro-Keynesianism, Financial Crises in Iceland, CESEE and EU

The current crisis is the worst global financial and economic crisis since the Great Depression in the 1930s. The slumps we have witnessed worldwide recently equal those of the Great Depression (stock market prices, industrial production) or are even of a larger scale (world trade).

Contrary to what happened in the Great Depression, decisive economic policy action has been taken to address the current crisis. Monetary, fiscal and financial policies have played a central role in cutting the adverse feedback loops between the financial and the real sector, in particular strongly counter-cyclical monetary and fiscal policies.
In the current crisis international cooperation – in particular in the framework of the G-20, the EU and the IMF – was central to support financial systems and states financially. Especially Central, Eastern and South Eastern Europe and countries with large exposures to this region, like Austria, benefited from this concerted action (Nauschnigg, 2009). These policies have stopped the slumps, the global recession is ending and the global economy should grow again in 2010.

Bretton Woods System gives way to Neoliberal Paradigm

As a consequence of the Great Depression the Bretton Woods System was established in 1944 (Nauschnigg, Just 2005) which was strongly influenced by Keynes. Keynes had found that the Great Depression had its roots in the imperfections of the monetary-financial system. The Bretton Woods System regulated the financial system, assigned a strong role to the state, fixed exchange rates, capital controls, demand management.
It was quite successful – strong growth, low unemployment and inflation, with few financial crises occurring until its breakdown in 1971.

What followed afterwards was a world wide trend of deregulation and privatization under the neoliberal paradigm. In the 1970s and 1980s

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Keynesian policies, especially demand management gave way to monetarist and neo liberal economic policies in the western world. The Keynesian consensus was almost everywhere replaced by this new monetarist and neo liberal paradigm which stressed the failure of the state and the alleged greater efficiency of market solutions.
Market elements were incorporated even into financial regulation (Basel II) and accounting rules (mark-to-market), providing for strong pro cyclical effects.

Only in the recent crisis the state has been reassigned a more important role. Economic policy measures have helped to overcome the crisis and the IMF forecasts that the global recession is ending. After falling by 1% in 2009, the global economy should grow by 3% in 2010.

1. Lessons from Austro-Keynesianismus

A world wide trend of deregulation and privatization under the neoliberal paradigm followed, everywhere? No! A small country, Austria, remained wedded to elements of the Bretton Woods System - stronger regulation, more state influence on the economy and Keynesian demand management. A particular paradigm was developed: 'Austro-Keynesianismus' as the term was coined by Hans Seidel[2] (Seidel, 1982). Politically this approach was enabled by the hegemonic position of the social democratic party – SPÖ – which held power from 1970 to 2000.

It is important to emphasise that Austro-Keynesianism both differed substantially from traditional Keynesianism and developed significantly over time. Even so, it has always been based upon the view that, as Keynes had found and contrary to neo classical theory, the lack of effective demand in product markets is the central cause for unemployment in the labour market.

The main distinguishing features of Austro-Keynesianism can be summarised as follows:

1. Stabilisation of expectations of economic agents against both external and cyclical shocks.
2. Demand Management – through fiscal policy deficit spending and in the 1980s through export promotion by state financing of exports. This counter cyclical demand management helped to avoid the build up of high unemployment rates in recessions, which

[2] In the 1980s and 1990s I attended the EFTA Economic Committee with Hans Seidel and I appreciated his deep theoretical and practical knowledge of economic policy making.

due to the hysteresis effect (unemployed workers lose skills and motivation) are hard to reverse.

3. Orthodox hard currency policy – hard peg of the Austrian Schilling to the D-Mark. This was central in stabilising expectations and creating a stable macro environment. It also made an important contribution on the supply side, as the hard peg acted as a 'productivity whip' for the exposed sector of the economy, as inefficient firms were not bailed out by currency depreciation.
4. Supply side policies – relatively high nominal tax rates, but high tax incentives for private investment. Additional measures included welcoming foreign direct investment (FDI) by multinationals and direct subsidies for investment, mostly in the form of interest-rate subsidies.
5. Productivity-oriented wage policy by social partners. This kept inflation under control and underpinned the exchange-rate peg. Beyond this, the social partners also played a strong role in overall economic policy making (*Sozialpartnerschaft*).
6. Combined use of economic policy instruments so as to rely not on a single instrument.
7. Strong regulation and extensive state ownership which was only very slowly and gradually diminished. Austria was e.g. heavely criticised in the 1980s and early 1990s for its slow liberalisation of capital movements by the IMF, only to be praised for this after the Asian crisis.

In short, economic policy-making in the Austro-Keynesianism paradigm was done by combining supply-side and macro policies in packages, according to the needs of the actual situation[3].

Austro-Keynesianism and EU membership

Austria's accession to the EU in 1995 was the biggest challenge ever faced by Austro-Keynesianism. Counter cyclical fiscal policy deficit spending before 1995 and measures to help sheltered sectors of the Austrian economy to cope with the new competitive environment in the EU (particularly expensive in the case of agriculture) had increased the budget deficit to 5,3 % of GDP in 1995.

[3] Much of the best literature on Austro-Keynesianism is in German. For further reading I recommend Austro-Keynesianismus in Theorie und Praxis (Stiftung Bruno Kreisky Archiv, 1993). See also (Cordt and Mauhard, 1988, and Lacina and Glatzel, 1984).

EU membership brought with it the biggest structural reforms the Austrian economy had ever experienced in such a short time span, as the sheltered sectors of the economy were exposed to competition in the single market. The restructuring of these sectors entailed short term adjustment costs in output and employment. Only in the longer term would the benefits outweigh these costs[4]. This is a case in point of the more general fact that the consequences of structural reforms on growth and employment tend to take the form of a J-curve. This implies that it makes sense to cushion the negative short-run effects of such reforms by pursuing expansionary macroeconomic policies (at least if an expansionary bias is not forthcoming from another source, such as exports).

However, the EU framework for fiscal policy severely curtailed the room of manoeuvre for fiscal policy as Austria had to lower the budget deficit from 5.3% of GDP in 1995 to under 3% in 1997 to fulfil the convergence criteria and to qualify for EMU.

Austria had the task of bringing the deficit down very fast by Austrian standards, a task that was complicated by the fact that the coalition partner of the ruling social-democrats, the conservative ÖVP, had a new leader, Wolfgang Schüssel who wanted to become Bundeskanzler. This led to a downfall of the coalition in 1995 and elections which the SPÖ won with the slogan – "Sparen ja – aber gerecht". Saving yes - but in a just way.

So Schüssel had to accept under Minister Klima more or less the same restrictive fiscal policy (Sparpaket) package he had severely criticised under Minister Staribacher. In fact it was a bit more restrictive as, due to the elections, the country had lost more than half a year.

In the tradition of economic policy making under Austro-Keynesianism, a restrictive fiscal policy (Sparpaket) of around 100 bn Schilling (over 3% of GDP) was implemented in 1996 and 1997, combining supply and macro policies.
Among the innovative elements the following are especially noteworthy:

1. increased tax rate on interest income from 22 % to 25 %
2. lowering subsidies for a savings system to further the construction of residential property; (*Bausparen*) and reform the system so it becomes counter cyclical by linking the subsidy to interest rates (higher subsidy when interest rates are high – lower subsidy when

[4] Our economic research Institute WIFO had made very good studies of this process (WIFO 1994, 1989).

interest rates are low – on the basis of an automatic formula adjusted each year);

3. In addition, the tax system was mobilised. The tax system allowed the accumulation of reserves for house owners with tax exemptions. So a lot of reserves were accumulated in the housing sector. This favourable tax treatment was changed and the reserves would be taxed unless they were spent within a defined period. This led to a substantial increase in spending on housing and boosted the construction sector.

These measures helped to substantially lower the savings rate. This has led some observers to talk about non-Keynesian effects of restrictive fiscal policies also in the case of Austria. I would not speak of non-Keynesian effects, as the before mentioned measures had the goal of lowering the savings rate by higher taxation and lower subsidies for savings. In any case, the measures were spectacularly successful in meeting the fiscal targets: with a deficit of under 2 % in 1997 Austria easily achieved the convergence criteria.

Innovative demand management

As Austria felt the negative effects of structural reforms and restrictive fiscal policies on growth – which decreased from 2.6% in 1994 to 1.6% in 1995 – and on the labour market – the unemployment rate increased from 3.8% in 1994, to 3.9% in 1995, and 4.4% in 1996 - the Austrian government worked on innovative expansionary demand management measures.

In spring 1996 Bundeskanzler Vranitzky announced an innovative expansionary package of 90 bn Schilling, around 3 % of GDP (Wiener Zeitung 1996) that sought to offset the negative impact of the restrictive fiscal policy (lowering of transfers, reduction in the number and pay increases of civil servants etc.) on domestic demand. Infrastructure spending (roads, railways, buildings) which had traditionally been financed out of the budget was shifted to entities belonging to the private sector. Public demand was replaced by private demand, which had the effect, of lowering the budget deficit. So Austria countered the contractionary fiscal policies by pursuing expansionary policies through entities owned by the state but according to EU statics belonging to the private sector.

It was innovative in the sense that the state did not act traditionally via the budget and the bureaucracy, but rather shifted public investment to the private sector. A particular sort of public private partnership (PPP) was created and the state did not act through public bodies but through private entities. To achieve these objectives, private entities wholly owned by the state were created.

- For roads and motorways the Autobahnen und Schnellstrassen Finanzierungs AG (ASFINAG)
- For railways the Schienen Infrastruktur Gesellschaft (SCHIG)
- For buildings the Bundes Immobilien Gesellschaft (BIG)

This system of using PPPs to finance investment without placing an additional burden of government deficits had a number of important advantages, of which the most important were:

- Better treatment of investment – in the public sector infrastructure investment is considered in its entirety as a cost in the year of the investment, and increases the deficit accordingly, whereas in the private sector the cost of investment is spread over the lifetime of the investment through depreciation. Thus this investment does not increase the budget deficit.
- Private entities usually act more efficiently and flexibly than the state bureaucracy (for instance, unlike in Germany Austria had no problems introducing levies on Lorries on time).
- The strength of the private (greater efficiency and flexibility) is combined with the strength of the public sector (lower financing cost).

These measures worked quite well – growth increased and unemployment came down substantially. As a result Austria was able to combine fiscal consolidation and growth, with the latter, in turn, underpinning the consolidation.
When joining the EU, which posed a significant challenge to the paradigm, innovative elements included counter cyclical use of the tax system and savings subsidies, and investment in infrastructure via private entities, not through the traditional channels. All these measures supported counter-cyclical demand management.
As a result Austria experienced a J curve, as concerns the consequences of structural reforms on growth and employment: short-run negative effects were swiftly more than offset by positive economic and employment dynamics.

From Austro-Keynesianism to the neo liberal paradigm

In 2000 the Social democrats lost power, as the conservatives under Wolfgang Schüssel forged a coalition with the so-called Freedom Party (FPÖ) of Jörg Haider. Austro-Keynesianism was abandoned and replaced by the neo liberal paradigm. This was welcomed by those in favour of this paradigm. The International Monetary Fund (IMF 2004) described it as follows:
'Since the turn of the decade, a strategic policy shift has made Austria a showcase of reforms and placed it at the forefront of the European

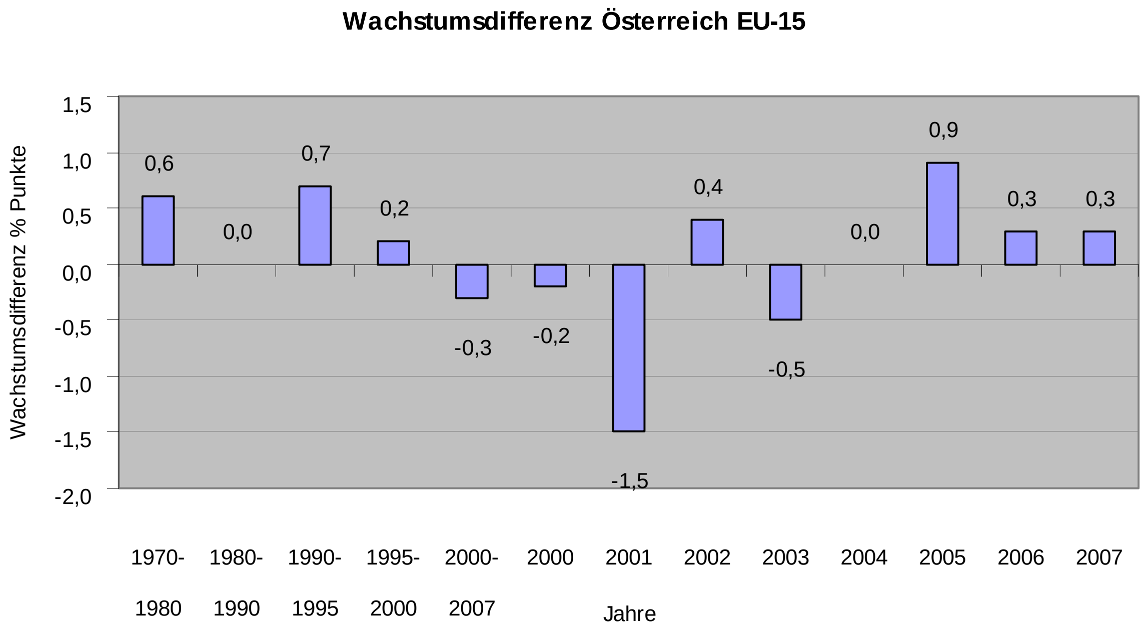
Union. .... These achievements have placed Austria among the top three EU countries in terms of implementing the Lisbon Agenda.
This policy shift was necessary to address long-standing imbalances and future challenges and will improve the long-term growth potential of the economy. Increasing product and labour market flexibility, encouraging innovation, and maintaining macroeconomic stability, while lowering the tax burden will boost competitiveness and economic efficiency.'

The countercyclical fiscal policy was abandoned and the goal of a zero budget deficit regardless of the cycle was implemented. Subsidies for investment and tax rates for companies were cut substantially. The role of the social partners was diminished. Public pensions were cut and subsidies for the accumulation of private pensions were introduced.

Economic results - Austro-Keynesianism and Neoliberal Paradigm
It is striking that Austria achieved higher growth and lower unemployment than Germany, or the EU average under Austro-Keynesianism, an economic policy that combined macro and micro elements in packages to avoid sustained increases in unemployment and to sustain positive expectations and thus an appropriate rate of investment. Figure 1 shows that Austria was growing substantially faster than the EU 15 up to 2000.

However, Austria fell back, when Austro-Keynesianism was abandoned in 2000. The pro-cyclical fiscal policy in 2001 led to a severe deterioration of growth and unemployment and Austria performed badly compared to the EU 15 average. Austria should have performed better as it had no stock market bubble, as had other countries, but it developed one under the Neoliberal Paradigm. Austria also developed imbalances - high FX loans, high foreign exposure of Austrian banks and the state owned companies were privatised cheaply, which allowed the new owners to profit enormously. The reserves of the central bank were used for budget cosmetics, as because of slow growth the budget performance was not better than under Austro-Keynesianism.
Austrian growth was slower and unemployment increased faster than the EU-15 average under the Neoliberal regime from 2000 - 2007.
In conclusion Austria suffered an increase in unemployment substantially worse than the EU average, a particularly weak growth performance, while the budget deficit was more or less the same.
In terms of growth and unemployment Austria performed better under Austro-Keynesianism from 1970 to 1999 than under the Neoliberal regime from 2000 -2007.

Figure 1 Growth Differentials Austria – EU 15



Quelle: Aiginger, WIFO/Monatsbericht 6/2005 bis zum Jahr 1999, ab 2000 Eurostat

While it is clearly impossible simply to transpose the experience of a single small economy like Austria to the European level, such experiences should give policy-makers pause for thought regarding the orientation of economic policy. There is a need in Europe to re-think the relationship between microeconomic and macroeconomic reforms. Greater attention should be given to the needs of effectively managing demand to ensure that short-run cyclical spikes in unemployment do not become transformed into entrenched structural unemployment.
Austria also succeeded from 1995 - 1999 to combine growth (yearly 1,6 %, 2 %, 1,6 %, 3,9 %, 2,7 % of GDP) with budget consolidation (deficit yearly 5,3 %, 4 %, 2 %, 2,4 %, 2,3 % des BIP), a feature which we will need in the next few years.

2. Lessons from the Financial Crises in Iceland, CESEE, EU

After the Icelandic Financial Crisis, which was one of the severest ever in an industrial country, it is important to learn from this experience so as to avoid it in future.
I still remember when I participated in the EFTA Economic Committee in the late 80ies up to 1995 the discussions on Iceland were always a bit boring. Iceland was a highly regulated economy with extensive state regulation and ownership, also of banks. If there was volatility, it came mainly from the fisheries sector.

The other Nordic EFTA members Finland, Norway and Sweden on the contrary experienced severe systemic banking crises in the early 90ies. In these countries rapid financial deregulation and liberalization triggered lending booms and speculative bubbles developed in the freshly and in a hurry deregulated financial markets. The countries got boom/bust cycles with severe financial crisis.
The EFTA member Austria however liberalised and deregulated very gradually in the1980s and 1990s and had no problems. Austria remained up to 2000 wedded to Keynesian demand management and developed a particular paradigm “Austro-Keynesianism”. After criticising the slow pace of the Austrian liberalisation process at the end of the 1980s the IMF asked us after the Asian crisis how we had done the Austrian liberalisation process and praised especially the Austrian capital movement’s liberalisation.

Iceland did not experience a systemic banking crisis in the early 1990s. But it got a long term prime minister (David Oddson from 1991 – 2004) who embarked on an extensive liberalization, financial deregulation and privatization (also of the banks) process. He relied too much on the motto – more market, less state. Iceland was following a market fundamentalist fashion which originated in the Anglo Saxon countries. After his term as prime minister he became central bank governor and had to handle the financial crisis, a task in which he was not very successful. The new Icelandic government which came into power in February 2009 made him resign and changed the central bank law.

So Iceland experienced, after an extensive liberalization, financial deregulation and privatization process, a boom/bust cycle along the lines the Nordic countries Finland, Norway and Sweden had already experienced in the early 1990s (Nauschnigg, 2009).

A similar boom cycle developed also in the Central Eastern and South Eastern European (CESEE) region after an extensive liberalization, financial deregulation and privatization process. Warnings were not taken seriously (Nauschnigg F. 2005).
In both cases there was a massive overshooting of capital flows. First flooding of the countries with capital which made the boom excessive, later reversal, the crisis was triggered in Iceland and in the CESEE region through a reversal of capital flows. In the boom restrictive monetary policy was undermined by carry trades and foreign currency loans which increased the vulnerability of the countries (Nauschnigg, 2008). Countries outside the Euro area are also vulnerable to currency

crisis, whereas the euro acts as a protective shield for euro area countries (Nauschnigg, 2009).

Contagion is a major problem. The bust in Iceland led to contagion on Hungary which had a crisis in autumn 2008. In early 2009 contagion affected also CESEE countries with strong fundamentals, whose currencies came under pressure, but also Euro area banks and countries with a large exposure to the CESEE region.

There is also market failure in the EU and the Euro area, first under pricing and later overpricing of sovereign bond spreads of Euro area countries.
The financial sector has a strong pro cyclical tendency which leads to overshooting and creates boom/bust cycles.
The cases of Iceland, the CESEE region and Euro area countries show that there is market failure which must be urgently compensated by policy action.
The crises in Iceland, the CESEE region and the problems of EU and Euro area countries show that there is market failure, especially massive overshooting of capital flows, which must be urgently compensated by policy action. The financial sector has a strong pro cyclical tendency which leads to overshooting and creates boom/bust cycles.

3. Policy lessons for European Financial Architecture

In the boom restrictive fiscal policy should be used, as restrictive monetary policy, given fully liberalized and integrated financial markets is undermined by capital inflows and could lead to increased vulnerability (strong growth of FX loans).
Instead of the current piecemeal approach of assisting countries in difficulties a strategic approach is needed by the EU/Euro area. We need the next step in European Integration or risk disintegration.

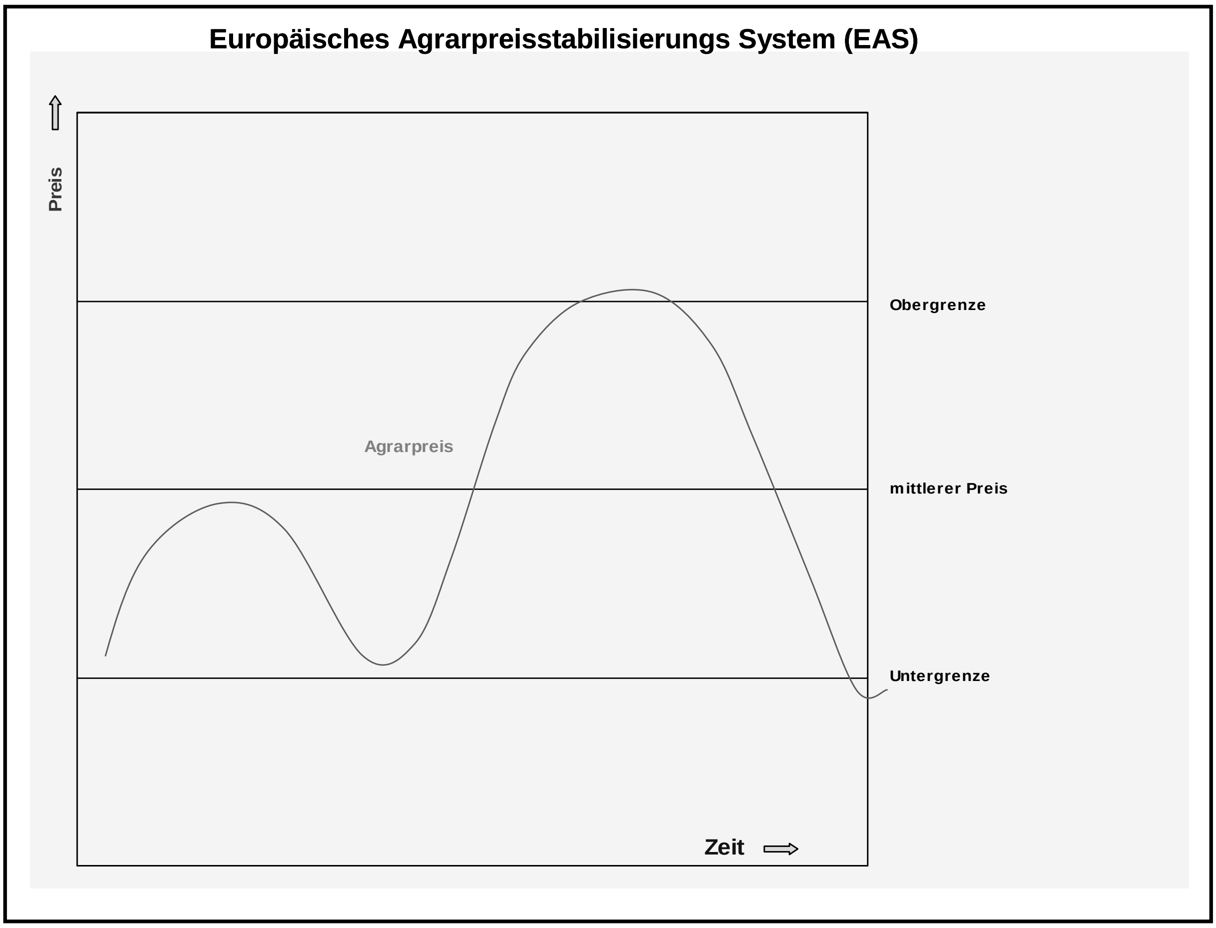
As an **exit strategy from the current crisis** and in a **boom** the introduction of a credit growth stabilisation tax (CGST) on all new private sector credit, to limit credit growth is proposed. The receipts are used to cover the costs of the crisis, or flow into a cyclical stabilisation fund (CSF) to be used in down turns. This construction would not be traditional Keynesian demand management with deficit spending but act as a sort of automatic stabilizer to counter the pro cyclical tendencies of the financial sector.
A **credit growth stabilisation tax (CGST)** would be introduced if credit growth is deemed excessive e.g. compared to nominal GDP growth. The

CGST would be a tax on all new private sector credit. It would start with a tax rate of 1 %point for all new credits allocated. If this is not sufficient to curb the excessive credit growth the tax rate could be increased to 2, 3, 4, 5 or more %points if necessary. If deemed necessary one could also start with a higher tax rate. To especially discourage foreign currency loans the tax rate should be substantially higher e.g. by 1 - 4 %points, for such credits compared to the tax rate for credits in local currency. Also lower tax rates for credits for economically beneficial and necessary investments (green growth) could be considered.
To avoid circumvention through other instruments e.g. leasing these instruments could also be taxed. The tax should be collected by the banks but ultimately owed by the debtor. It should also apply to credits taken in foreign countries, with reporting requirements and payment by the debtor, to avoid that residents just take a credit in another country, to circumvent the tax. If circumvention of the tax is found, creditor and debtor should each pay twice the avoided tax amount, so the fine is 4 times the tax amount avoided. It could be considered to award those who report tax avoidance of others the tax amounts avoided.
The receipts from this tax should into a **cyclical stabilisation fund (CSF)**. This would allow countries to create reserves in the boom phase and help to avoid overheating. The reserves in the CSF could be used in the downswing or bust phase. These counter cyclical policies would act as a countervailing force to pro cyclical forces in the financial system like mark-to-market accounting and value-at-risk models.
Such a system consisting of a **CGST** and a **CSF** would be especially useful for countries with pegs or hard pegs as in this case the use of the interest rate instrument is very limited. It could also be used for countries in the Euro area. For example Austria has such a credit tax – *Kreditvertragsgebühr* – which is however not used for countercyclical purposes, but could be adapted to function counter cyclically.
When I was economic adviser to Austrian Finance Ministers in the 1990s we made a savings subsidy (Bausparprämie) automatically counter cyclical by linking it to the interest rate – high interest rate, higher subsidy – low interest rate, lower subsidy. It works quite well and helped together with other measures to lower the savings rate when we had low growth.

In the EU we have the problem that agricultural prices have become very volatile after they have been brought in line with world market prices. This is a great problem for pourer consumers as they spend a higher proportion of their income on food. The volatility of prices which are strongly influenced by speculation is also a problem for producers. Also in this sector we have the overshooting of prices on the way up but alos on the way down.

For the stabilisation of expectations of economic agents against both external and cyclical shocks a **European Agricultural Price Stabilisation System (EAPSS)** should be introduced. As I have shown elsewhere (Nauschnigg, 2009, Bekämpfung der Inflationsursachen, insbesondere der Nahrungsmittelpreisinflation) has the use of biofuels a strong influence on agricultural prices (corn, wheat, oilseeds). By increasing or lowering the percentage (between 1 -10) of biofuels in the fuels, we could lower or increase the price of the raw materials (corn, wheat, oilseeds). When the agricultural prices are lower than the central price the use of biofuels is increased up to 10 % of the fuel content. When the agricultural prices are higher the use of biofuels is decreased down to 1 % of the fuel content.

Figure 2 **European Agricultural Price Stabilisation System (EAPSS)**



Quelle: Eigene Berechnungen

Similar to the Exchange Rate Mechanism which attempts to create a zone of monetary stability the **EAPSS** would attempt to create a zone of agricultural price stability, thereby shielding consumers and producers from excessive price volatility.

Five concrete measures to strengthen the European Financial Architecture and deepen European Integration to better cope with **recessions/busts**:

1. For Euro Area member states creation a € 200 billion counter cyclical financing facility, based on article 100 of the treaty. The funds of the facility would be raised through EU bonds and passed on to Euro area member states which apply for them, with a mark up of 50 Basis points (Bp) or alternatively a flexible mark up (20 Bp plus 10 Bp for each 1 %point the deficit exceeds 3 % and additionally each 10 %points the debt exceeds 60 %). The income from the mark ups should feed a reserve fund. The Commission would be empowered on behalf of the EU to raise the funds as it does for the EU balance of payments assistance. The Funds would be passed on to Euro area member states which apply for them, up to a maximum of 10 % of GDP. The Euro Group would decide on the distribution of the funds and should also be empowered to increase the 200 billion and the 10 % threshold if necessary. This should help Euro Area member states, as markets that were undershooting with sovereign spreads in the past, are now in the process of overshooting.
2. For non euro EU member states creation of a 50 billion Euro counter cyclical financing facility, in addition to the EU facility for balance of payments assistance of 50 billion Euros. Also here similar mark ups as in the Euro area facility should apply. It would help EU countries in difficulties; send a strong signal to markets, ease deficit financing and avoid pro cyclical fiscal policies.

3. For European Economic Area, EU candidate, EFTA and EU neighbouring countries creation of an EU facility for balance of payments and macro financial assistance of 50 billion Euros. This facility would also operate, like the EU balance of payments facility, in close cooperation with the IMF to ease the financing pressure on IMF resources. Both facilities could be seen an EU contribution to IMF financing.

4. These bonds emitted and backed by the EU would together create an EU bond market. The risks for the EU would be very low as the funds would flow to EU countries or countries with close relations to the EU, which should be in a position to later pay back the funds. Contrary to the heated speculation no EU member state has gone bankrupt, even before we had a common fiscal discipline (Stability and Growth Pact). The income from the mark ups could be used to create reserves. The benefits would be high as it would give

investors EU bonds which are currently lacking and allow the EU to better compete for international investors.

5. Bilateral swaps or Repo facilities should be established between the Euro System and EU as well as other European central banks. The Federal Reserve has Swap agreements world wide and is acting on its geo political responsibility. In Asia under the Chiang Mai Initiative swap agreements were transformed into a single fund to support the currencies of the participating countries. The fund was just increased to 120 billion US Dollar.

These measures would help Euro Area, EU and CESEE countries to finance counter cyclical policies which would help stabilize EU growth. Countries in the CESEE region would be able to finance counter cyclical fiscal and monetary policies and establish and finance their own economic recovery and financial stability plans, which would in turn support EU exports to and FDI in the CESEE region. The correction of imbalances would happen over the medium and long term under IMF programs.

Monetary and financial stability would be supported in and around the Euro Area and the EU. This would benefit regional economic, especially trade and financial links. The euro capital markets would benefit from deeper markets in EU bonds thereby diminishing the disadvantage against the US.

It would help stabilize financial markets, stimulate our economies, correct market failure and deepen European Integration with no cost for the EU taxpayer. Substantial welfare gains for the euro area, the EU and other countries in the extended European zone could be achieved.

The measures would also help to achieve the needed strengthening of the automatic fiscal stabilisers in Europe, which have been weakened together with the welfare state. The stabilisation of expectations of economic agents against both external and cyclical shocks would be supported.

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Figure

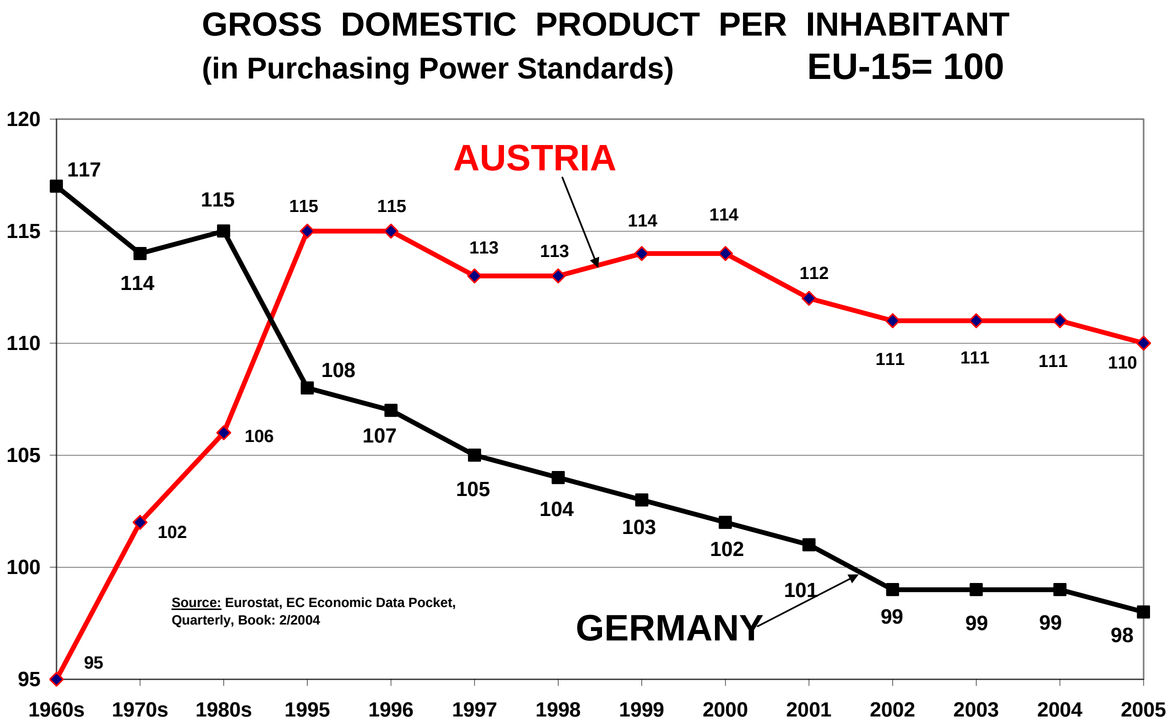
GROSS DOMESTIC PRODUCT PER INHABITANT
(in Purchasing Power Standards)
EU-15= 100
AUSTRIA
GERMANY
Source: Eurostat, EC Economic Data Pocket, Quarterly, Book: 2/2004
1960s
1970s
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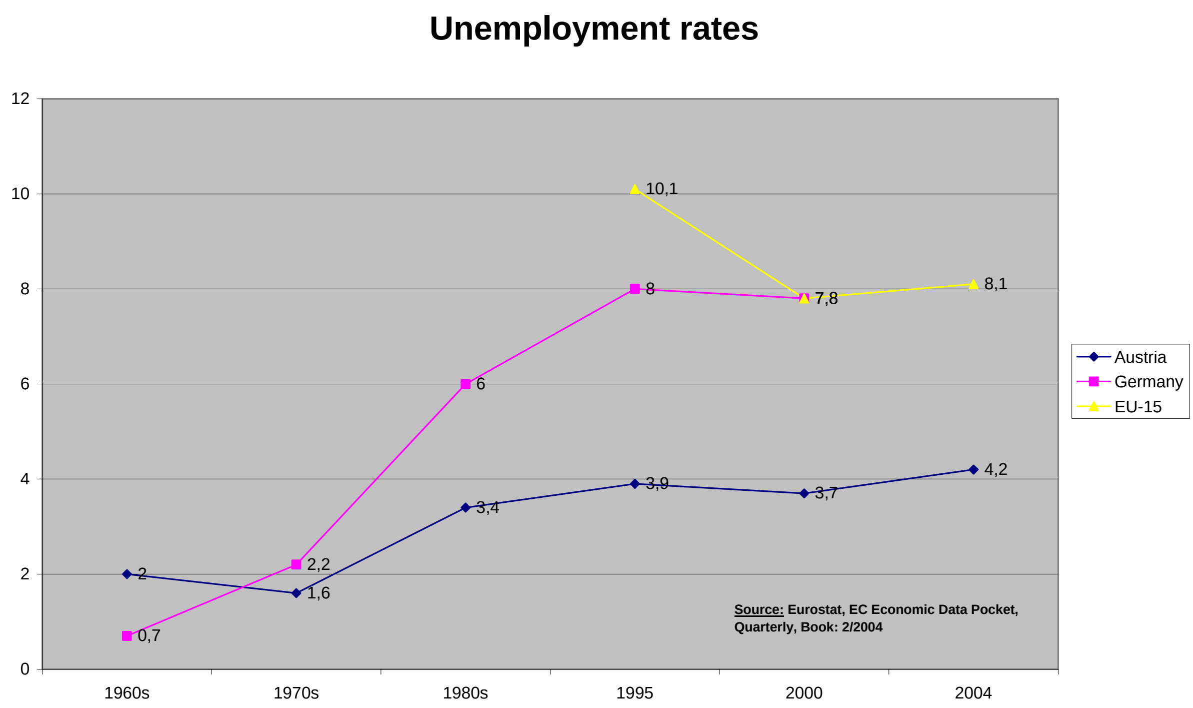
Figure


Unemployment rates
Austria
Germany
EU-15
Source: Eurostat, EC Economic Data Pocket, Quarterly, Book: 2/2004
1960s
1970s
1980s
1995
2000
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