

The reforms that have been launched in the eurozone will result in an EU of stability and growth

by Blog Admin

Philipp Rösler, *Federal Minister of Economics and Technology and the Vice Chancellor of Germany*, makes the case for strengthening competitiveness in the eurozone in order to encourage growth. He argues that the single market is the best programme for growth in Europe and that member states must continue on the charted path of budget consolidation, structural reforms and stabilisation mechanisms.



People need scope and freedom in which to develop their creativity. Competition is the best way to ensure that this diversity can generate a positive whole. However, we have recently seen a loss of confidence in the robustness of competitive structures and in the soundness of fiscal policies. First, there is a lack of confidence in the international competitiveness of certain member states of the European Union, since necessary structural reforms have been delayed for too long in too many countries. Second, the citizens of some member states lack confidence in the European Union.

In view of this situation, it is our common goal to strengthen Europe's competitiveness and growth once again. I am convinced that the reforms which have been launched in the eurozone will result in a European union of stability and growth. This will strengthen the European Union as a whole and make it fit for the future. After all, the current recession in certain eurozone countries is not a cyclical crisis, but a structural



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one, and it can only be tackled by substantive reforms. The member states need to consolidate their budgets and strengthen their competitiveness via more open, better functioning markets. We need sustainable finances and stronger forces for growth. Sound government finances are a prerequisite for long-term confidence. And confidence is a prerequisite for growth.

We have already made some progress on this in the eurozone. Many countries are now displaying a new-found seriousness when it comes to restructuring budgets which had gone out of control. The current-account deficits in the eurozone are declining. Unit wage costs in the countries in crisis are declining. And the markets show that countries which do their "homework" regain confidence. If a country is able to convince the markets with credible reforms, its credit-worthiness improves, and thus also its interest rates and credit rating. A policy which is credibly and resolutely based on sound budgets and strong competitiveness restores confidence.

At the same time, we also find that mere statements of intent and half-hearted codes of conduct do not create credibility. Rather, the rules must be filled with life from the outset. We have taken a clearly charted path out of the crisis with the three pillars of budget consolidation, structural reforms and short-term stabilisation mechanisms via the European Financial Stability Facility and the European Stability Mechanism. We need to press ahead with the reforms that have been launched in the eurozone.

At the same time, the single European market is the best and most lasting programme of growth for Europe. The single market has generated jobs, growth and prosperity in our countries. Twenty years after the internal market was set up, it is now important to remove the remaining obstacles. This is a project for all the member states. Our strength is European diversity combined with a single market which promotes the mutual exchange of ideas. This engenders creativity, innovations, and economic efficiency. For this reason, it is right and proper to have close co-ordination of macroeconomic policy, especially between the eurozone countries. The same goes for the strengthening of competitiveness.

However, co-ordination and regulation are not an end in themselves. The key issue is that the member states should recognise and live up to their own responsibilities. We will need to retain this European strength in future. It is politically necessary so that public trust in the European Union can be restored. We can rebuild this confidence if we convince the people in Europe, and the young people especially, that Europe offers them a future. For this reason, Europe must and will reform itself.

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Note: This article gives the views of the author, and not the position of EUROPP – European Politics and Policy, nor of the London School of Economics.

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