Regaining Competitiveness - A Call to Action

European Forum Alpbach 2025 – Finance & Economy Track Report

1. Regaining Competitiveness – A Call for Action

2. Introduction

Europe stands at another turning point. Eighty years after the first European Forum Alpbach created a space for Europeans to reflect on peace and prosperity in the aftermath of war, the continent's founding values — democracy, human rights, the rule of law and the market economy — remain its compass. Yet today they are challenged by slower growth, rising geopolitical competition, the looming threat of war on Europe's borders, and the demands of digital and ecological transformation. As if that was not enough, demographic change — an ageing society with rising long-term care needs — poses additional pressures. **Recharge Europe**, the theme of this year's Forum, captured the challenge: to preserve Europe's identity while finding new energy to compete, position, and lead in a volatile world.

The Finance and Economy track addressed this challenge under the title "**Regaining Competitiveness – A Call for Action.**" Europe's economic model is strained by stagnating productivity, demographic pressures, security risks, and global shifts in power. Addressing these challenges requires more than defending past achievements; it means mobilising large-scale investment, deepening integration, and strengthening Europe's capacity to act. Recent contributions to the debate — such as Mario Draghi's call for a renewed competitiveness strategy and Enrico Letta's proposals for a stronger single market — underscore both the urgency and the scale of the task ahead.

This report distils six themes from the discussions at Alpbach: *financing Europe's future, safeguarding monetary stability, tackling regional inequalities, harnessing health data, addressing demographic changes, and turning the green transition into a driver of competitiveness*. Taken together, they suggest that Europe's renewal depends not only on economic indicators but on aligning investment, innovation and integration with its enduring values. In doing so, the continent can move beyond resilience towards a more confident, secure and competitive future.

3. Financing Europe's Future: Mobilising Capital for Growth

Europe's future competitiveness relies on its ability to mobilise the resources required for transformation. The scale of the challenge is immense. Mario Draghi (former President of the European Central Bank) estimated in his 2024 report to the European Council that Europe must raise an additional €800 billion each year to finance the green and digital transitions. Several speakers echoed this sense of urgency, pointing to mounting pressures on public budgets from ageing populations, rising security expenditures and the lingering costs of the pandemic and energy crises. The question is not whether Europe needs to invest more, but how to channel capital effectively and sustainably.

A recurring theme was the balance between public and private financing. Elisa Ferreira (European Commissioner for Cohesion and Reforms) underlined that fiscal space is limited, especially in highly indebted member states, making private wealth mobilisation essential. Europe is not short of capital: according to the European Commission, roughly one third of private financial assets — over €11 trillion — is sitting idle in savings accounts. Unlocking this potential through a genuine Savings and Investment Union, deeper capital market integration and innovative financial instruments would not only fund Europe's transitions but also provide citizens with more meaningful returns on their savings. The continent's financial system is dominated by traditional bank lending, which accounts for two-thirds of financing, with capital markets making up only one-third. This ratio, speakers argued, is inverted in the United States and is a primary reason for its superior ability to fund innovation and growth.

This is not merely a technical debate. Gerda Holzinger-Burgstaller (CEO, Erste Bank Oesterreich) stressed that financing choices will determine not only economic outcomes but also Europe's geopolitical position. Fragmented national schemes or excessive reliance on external capital would leave Europe dependent and slower to act. By contrast, pooling resources and creating common European instruments could help finance long-term projects — from renewable energy grids to advanced technologies — while reinforcing solidarity and trust across borders. The challenge, as several panellists concluded, is not recognising the need but delivering the institutional reforms to make it happen. Europe has the funds; what it now requires is the political will to mobilise them.

Importantly, investment conditions are shaped by culture as well as by regulation. Susann Fiedler (Professor for Business and Psychology, WU Vienna) noted that individuals are born with a certain risk structure, but risk attitudes are learned and context-dependent; high loss aversion in otherwise safe environments can suppress innovation. Mario Nava (European Commission, DG for Employment, Social Affairs and Inclusion) added that reducing the cost of failure — through education, language, or institutional structures that normalises experimentation, and effective social protection that supports re-entry — improves the risk–reward calculus for entrepreneurs. Lowering informational and reputational barriers, alongside capital market reforms, can therefore help mobilise private capital at scale and ultimately ensure that companies remain in Europe after growing and do not transition to the US.

4. Monetary Policy, Stability and Digital Finance Sovereignty

Monetary stability is one of Europe's most valuable assets — and one that cannot be taken for granted. Central bank independence, long a cornerstone of credibility, is being challenged elsewhere by populist politics and fiscal pressures. Klaas Knot (former President of De Nederlandsche Bank) stressed why Europe must safeguard this principle. He contrasted the oil crisis of the 1970s, when political interference left inflation expectations unanchored, with the recent energy price surge. In the 2020s, euro area inflation briefly climbed above 10%, yet expectations never rose beyond 2.6% — a testament to the credibility that independence has created.

The risks of losing that credibility are not theoretical. Irena Radović (Governor, Central Bank of Montenegro) recalled her own experience how political capture of monetary policy during the Yugoslav wars in the Balkans during the 1990s produced hyperinflation, instability and a collapse of trust. Her conclusion was clear: once credibility is lost, it is both costly and slow to rebuild.

Stability, however, is no longer only about institutions. New technologies are reshaping the financial landscape, raising questions of sovereignty and regulation. Knot warned that so-called stablecoins — digital tokens pegged to currencies such as the dollar — may appear safe but can pose hidden risks to liquidity and financial stability. Robert Holzmann (former Governor, Austrian National Bank) highlighted that dollar-based tokens already outnumber euro-denominated ones by a factor of 100, a trend that could entrench Europe's dependence on external infrastructure.

For Europe, the implication is clear. Monetary policy must remain shielded from political interference — a core value — but central banks also need to adapt to a changing financial environment. Developing a credible digital euro and creating consistent rules for new payment technologies are not optional luxuries but strategic requirements. Axel van Trotsenburg (Senior Managing Director, World Bank) likewise emphasised that credibility remains fragile — and that Europe's ability to combine independence with innovation will be decisive in maintaining stability and safeguarding financial sovereignty in a contested global economy.

5. Regional Inequality and Europe's Cohesion

Competitiveness in Europe is not only shaped by global rivalry but also by disparities within the continent itself. Ian Goldin (Professor of Globalisation and Development, Oxford University) argued that to understand political discontent, one must start with place. In the new knowledge economy, prosperity concentrates in urban hubs of culture and innovation, while rural or deindustrialised regions face decline. This *geography of discontent* helps explain rising populism, as people left behind perceive relative stagnation even if absolute living standards improve.

Hanna Sakhno (Senior Economist, SEO Amsterdam Economics) pointed to a paradox: between 2006 and 2019, inequality between EU member states declined, largely due to convergence in Central and Eastern Europe. At the same time, inequality within countries widened, particularly between thriving metropolitan centres and peripheral regions. Research by Robert Gold and Jakob Lehr from the Kiel Institute for the World Economy shows that EU funds can mitigate these trends — regions receiving more transfers tended to display lower populist vote shares — but money alone is insufficient.

Mario Nava (European Commission, DG for Employment, Social Affairs and Inclusion) emphasised that cohesion is a treaty obligation, not just a policy choice. He highlighted success stories such as Poland, which rose from 5% to 90% of the EU average GDP per capita within a generation, demonstrating what integration and mobility can achieve. Yet he also cautioned that unchecked outmigration can hollow out communities, as seen in parts of Southern and Eastern Europe. Mobility boosts opportunity where people arrive, but undermines resilience where they depart. Building a culture that tolerates experimentation and supports lifelong learning — for example through wider access to Erasmus-style exchanges and adaptive vocational training — can help lagging regions attract investment and retain talent.

The implication is clear: Europe's competitiveness depends on cohesion. Persistent divides between regions not only weaken growth potential but also corrode trust in European institutions.

Addressing inequality requires more granular data, better-targeted investment, and policies that balance mobility with the right to remain. A truly competitive Europe must be one where prosperity is broadly shared — not concentrated in a few islands of success.

6. Harnessing Health Data for Innovation and Trust

Health data is emerging as one of Europe's most valuable resources, both for improving treatment and for driving research and innovation. Ensuring a healthy population is a cornerstone of productivity, innovation and global competitiveness. The European Health Data Space (EHDS) represents a paradigm shift: enabling the cross-border use of primary health data and, crucially, its secondary use for research and innovation. This is particularly significant for Austria, where health data availability is comparatively scarce. Secondary use is scheduled to begin in 2029, with more detailed access from 2031, under the supervision of new Health Data Access Bodies and specified regulatory frameworks (Michael Fürmann, Head of Unit for eHealth, EU and International Legal Affairs, Austrian Federal Ministry of Labour, Social Affairs, Health, Care and Consumer Protection). As of now, the Austrian Micro Data Center at Statistics Austria will ensure access, building on recently acquired expertise in providing administrative data (Regina Fuchs, Director of Social Statistics, Statistics Austria).

The promise is considerable. Large-scale datasets could accelerate biomedical and economic research and improve preventive care. Facing the demographic challenges of an ageing population, insights from novel health data sources can substantially improve the quality of primary care, as noted by Peter Klimek (Associate Professor, Complexity Science Hub). Harnessed responsibly, such tools could transform health systems and strengthen Europe's position in medical innovation — boosting productivity and helping to sustain living standards despite a shrinking labour supply.

Yet innovation must be balanced with public trust. Valentina Strammiello (Interim Executive Director, European Patients' Forum) underlined that the EHDS will only succeed if citizens are confident that their rights are safeguarded. It is also important to distinguish clearly between data protection and data security. By defining and communicating concrete use cases, many concerns about data protection can be addressed. Moreover, according to Ulrike Königsberger-Ludwig (State Secretary for Labour, Social Affairs, Health, Care and Consumer Protection), the opt-out system in Austria's electronic health record (ELGA) — where around 3% of the population decline to share data — illustrates both the need for choice to build trust and the low risk of introducing bias into datasets. Technology already enables secure sharing and granular access control; what remains is political clarity and robust legal frameworks.

For Europe, the challenge is therefore twofold: to build the infrastructure that makes health data a driver of competitiveness, and to design governance systems that preserve individual agency and trust. If managed well, the EHDS could give Europe a unique advantage in digital health, coupling cutting-edge research with strong ethical standards.

7. Demography and the Future of Care: Turning a Challenge into Opportunity

Ageing societies mean not only more people requiring long-term care but also fewer working-age citizens to provide it — and a health and nursing workforce that is itself ageing, often characterised as *triple ageing*: rising demand, shrinking labour supply and an ageing pool of professionals. Without reform, these trends will place substantial strain on health and social security systems.

The discussion revealed both structural and practical obstacles. Roland Wallner (Deputy Managing Director, Hilfswerk) highlighted a mismatch between costs and outcomes: long-term institutional care can cost up to €40,000 per person per year, while home-based care services cost a fraction of that yet remain underfunded. It shall be noted, however, institutional and home-based care usually serve different long-term care needs. Professional caregivers are further burdened by bureaucracy, with studies showing they spend 15–20% of their time on paperwork rather than patient care.

Ulrike Königsberger-Ludwig questioned whether Austria's financing systems still offer sufficient room for manoeuvre, given rising demands and budgetary pressures. One potential efficiency gain discussed was integrating long-term care data into ELGA. Although challenging due to regulatory hurdles and estimated funding needs of about €50 million, Wallner stressed that closing information gaps would significantly improve care coordination. According to Thomas Czypionka (Head of Health Economics and Health Policy, Institute for Advanced Studies), integrating long-term care data into ELGA could also enable rigorous research on what types of care are effective for different patient groups, and help uncover interdependencies between long-term and acute care.

The debate also highlighted potential opportunities. Rather than individualizing care, infrastructure, care support frameworks, and thus the supply of care need to be continuously adapted to patients' preferences, such as the mix of mobile and home-based care. Importantly, relatives who provide care seek targeted support. However, the mix of care and care support policies have remained largely unchanged since the 1990s. Above all, participants agreed that sustaining Europe's competitiveness requires treating care as an investment in social infrastructure. This means building sustainable structures and incentives that encourage staff retention; removing inequities, for example between wages in public and private care organisations or between hospital and long-term care; and professional pathways that make care work an attractive, long-term career.

Beyond care systems, labour supply will be decisive for the upcoming demographic challenges. Petra Draxl (Board Member, Public Employment Service Austria) argued that tapping three underused groups — women, migrants and older workers — is essential. Priorities include expanding quality childcare, speeding up recognition of foreign qualifications, reducing early retirement, and scaling part-time pension models to retain older workers. She noted that age stigma can set in as early as 45; targeted programmes for 50+ and 55+ jobseekers combining upskilling with concrete employment opportunities can deliver success rates of 70–80%.

Migration can complement, but not replace, domestic activation; fast-track pathways tied to permanent residence and an EU-wide talent pool can help as well.

Turning to another pressing demographic challenge, Holger Bonin (Director, Institute for Advanced Studies) recalled that pensions are insurance mechanisms that pool risks across generations and regions; the core question is how to distribute adjustment burdens fairly between young and old. As longevity rises, some advocate more redistributive elements — for example where higher earners benefit disproportionately from longer life expectancy. Barbara Schuster (Senior Economist, Momentum Institut) stressed that old-age poverty, particularly among women, and persistent gender pension gaps require that childcare and long-term care breaks be integral to pension reform. She also argued for a comprehensive redesign of pension parameters that reflects changing careers and lifespans. Tackling employer-side age bias — for example through bonus–malus incentives — would further expand effective labour supply. A society that manages ageing successfully will not only preserve its social model but also free resources for innovation and growth.

8. Green Transition as Driver of Competitiveness

Climate policy is often framed as a cost to be borne for future generations. At Alpbach, the emphasis was different: the green transition can and must be a driver of competitiveness today. Sigrid Stagl (Professor of Ecological Economics, WU Vienna) argued that economic models must integrate biophysical limits rather than treat them as externalities. Markets are social institutions that work only when rules evolve with new challenges — and current rules too often remain geared toward the problems of the past.

Anna Stürgkh (Member of the European Parliament, NEOS/Renew Europe) cautioned that Europe currently lacks a clear ecological vision comparable to the Green Deal of the last legislative period. Political forces are divided between those seeking to roll back existing climate laws and those pushing for deeper ambition. Without a shared vision, she argued, Europe risks falling behind competitors such as China, which has already established global leadership in electric vehicles and renewable technologies.

From a business perspective, Michael Strugl (CEO, Verbund AG) stressed that Europe cannot afford to see climate and competitiveness as opposing goals. The energy crisis triggered by Russia’s war in Ukraine underscored the strategic need to reduce fossil fuel dependency. Investing in renewables is not just about decarbonisation but also about shielding Europe from external shocks and volatile prices. Strugl noted that Verbund alone plans to invest €6 billion in the coming years, while the sector as a whole foresees investments of €100 billion by 2040. The barrier is not ambition but the financial and regulatory conditions that determine investment capacity.

Frank Schuster (European Investment Bank, Austria Office) underlined the financing dimension. Public money will never be sufficient: Europe already invests around €700 billion per year in the green transition, but the European Commission estimates that an additional €500–800 billion is needed annually. Mobilising private capital requires regulatory simplification, functioning capital markets, and clear long-term signals. Tamara Srzentic (former Digital Minister of Montenegro) added that public sectors must also change how they buy and build: modern procurement, product management capacity inside government, and "invest in teams, not just projects" can accelerate adoption, reduce delivery risk and create markets for clean innovation. A "fail fast, learn faster" approach — with transparent post-mortems when things go wrong — can shorten cycles from pilot to scale.

The message was consistent: Europe cannot afford to treat the green transition as a burden. Cutting harmful subsidies, simplifying approvals, building a genuine energy union, and investing in skills are not only climate measures but also competitiveness strategies. If Europe manages to pair ecological transformation with economic opportunity, it will not only meet its climate targets but also secure a leading position in the global economy.

9. Conclusion

The debates at Alpbach made clear that Europe's competitiveness challenge is multidimensional. It is about mobilising investment at scale, preserving monetary stability, reducing regional divides, unlocking the potential of health data, preparing for demographic change, and ensuring that the green transition becomes a source of strength rather than a drag. Each theme reflects a different facet of the same question: how Europe can remain globally competitive while devout to its values.

What emerges is a call for coherence. Financial markets, care systems, data governance and climate policy cannot be reformed in isolation. They are interdependent, and success in one area reinforces progress in others. The task is not to replicate the models of the United States or China but to shape a European path that aligns competitiveness with fairness, sustainability, democratic legitimacy and a healthy risk culture which can amplify investment, innovation and inclusion across all these domains.

Eighty years after the first Forum, the mission of Alpbach remains as urgent as ever: to think beyond immediate crises and imagine the Europe we want to build. If Europe can align its resources and values with a common purpose, it will not merely endure global turbulence but help set the course for a more resilient and confident future. In this sense, recharging Europe is less about returning to past strength than about generating new momentum — rooted in trust, solidarity and innovation.