

“We See First of All Many Different Countries”

(U.S. and EU and Austria. Budget disaster, Euro crisis, Barack Obama, Gemütlichkeit, the good life. Interview Ambassador William C. Eacho with Kärntner Tageszeitung on October 16, 2011)

by Claudia Grabner

KTZ: Mr. Ambassador, which situation worries you more at the moment – the budget catastrophe in the U.S. or the Euro crisis in Europe?

William Eacho: The European crisis to some extent affects the entire world. However, it appears now Europe is prepared to take the right measures – and this has to continue. The consolidation of the weaker Euro zone countries is certainly a tightrope walk – after all, the economy, the market must not be ruined. In the U.S., the crisis is more a political than a financial problem. The economic growth will be good, according to long-term prognoses. Above all, the financial markets’ trust in the U.S. is intact – which is not the case in Europe. That makes things easier.

KTZ: Europe currently does not like to listen to advice from the U.S. – and vice-versa. However, one could learn from each other...

Eacho: Of course, both sides could and should learn from one another. When the U.S. looks towards Europe, we see above all many different countries – Europe is not (yet) perceived as a union. At any rate, we see individual countries we think we could learn from. When the U.S. looks towards Austria, for instance, we could learn something about how to keep unemployment at a low level. There are great technical schools here that have a very hands-on approach in preparing young people for their future jobs. At my last visit in the White House, when I met the head economic adviser of President Barack Obama, his first question was: “Tell me, how does Austria do it? – they have an unemployment rate of just 4.3 percent. How does this work?” It is quite clear: The U.S. could learn a lot from Austria in this respect. However, Austria and the EU can also learn from the U.S. – especially regarding the economic sector. We have a very dynamic economy. We are capable of reacting to changes. The Americans are very flexible, they change their jobs and relocate – they don’t have a problem with that. This has a very positive effect on the economy.

KTZ: The fact is, though: Cuts have to be made here and in the U.S. How can one economize - without overdoing it as is currently the danger with Greece?

Eacho: This is a challenge for the governments: They have to be prepared to accept changes and renounce things they can no longer afford. The belief that everything should be maintained because things have always been that way is no longer right. There is enough cost-cutting potential – cost-cutting that would not directly affect the people - for politicians, provided they are willing. There are possibilities! However, the governing parties must not block each other in such efforts. A few years ago, the Governor of Virginia, who is friend of mine, struggled with an enormous budget deficit. What did he do? He did two things: All parties had to write their ideas – how one could save money – onto a board in his office. And they all made sense. Therefore all ideas were implemented. And second, the 17 government agencies were merged into a single one.

KTZ: These days, President Barack Obama is under massive pressure – because of his austerity plans. How do you rate his re-election chances?

Eacho: I think his chances are good – even if it is still too early to tell. After all, we do not know at this point whom the Republicans will nominate for the presidential race. It is in this direct confrontation that we will see who the people think is better for the U.S. If the Republicans nominate somebody radical and right-wing, Obama has very good chances. If they nominate somebody more moderate, Obama has not such a great, but still a chance to get re-elected. Obama continues to be very popular – and the more people understand this opportunity, the more they like it and thus also Obama.

KTZ: You wrote your thesis at Duke University on “bank regulation”: In your opinion, which lessons should banks draw from the crisis nowadays?

Eacho: My analysis was that it is not just the federal tax and monetary policy that influences the economy, but bank regulations also influence the economic development. Therefore, one has to be very careful with these regulations – any over-regulation damages the system, just as much as under-regulation. There needs to be a balance. I think this is the lesson we have to take to heart these days. In the U.S., the financial crisis happened because there was too little state regulation of the bank sector. The banks were able to invest in dubious financial products that nobody understood how they worked. In the U.S., it was important that politics intervened, that one now implements measures, rules and an intelligent risk management. At the same time, however, it has to be guaranteed that banks can continue to do what they have to do – what their primary function is: to give loans so that the economy can grow. One must not castigate banks to the point where they can no longer do their job properly...

KTZ: Will it be necessary to introduce regulations in the speculation business – on a global level?

Eacho: Globally? No, I don't think so. Every country or community of states can introduce such regulations as they see fit – and then one can learn from each other. I think, however, that the U.S. as well as the EU are making good progress in the direction of sensible bank regulation.

KTZ: Let me switch to personal issues: What surprised you most in Austria?

Eacho: I have to confess: Before I came to Austria, I did not know that Austria produced such great wines. Also, I enjoy the “personal note” Austrians have and that I would describe as “Gemütlichkeit” – as well as this joy of life, this enjoyment of the good life!

KTZ: What is in your opinion the most striking difference between life in the U.S. and life in Austria?

Eacho: I do not know whether the Austrians are aware of this: The fact that they have such a high quality of life has to do with the good public transport system. In Austria's cities, there is

hardly a need to use a private car, while in the United States you can hardly get by without a private car. That makes for an enormous difference in the quality of life...