

## **February 2026 - Growing by Saving and Investing –Invest Europe**

In January 2026 the European Commission, led by Ursula von der Leyen, launched a few very important initiatives. These include building the Savings and Investment Union, plans to scale-up European ventures and the introduction of the '28th Regime'. At AusEcoLec we constructively support the Invest Europe theme. For the best implementation and results we advise the EC to 1. Promoting saving & investing rather than stimulating consumption 2. To reduce rules and regulations and preferable reducing investment tax and 3. by keeping the money supply and government debt increases in check. A stronger Europe will then result in a stronger Euro.

### **1. The theory of growing an economy**

The theory of the dynamic production structure is an important contribution of the Austrian School. Menger, Mises and Hayek explained about the various phases in the production process and in our supply chains. Additional investments make it possible to deepen this production structure. The stronger a production structure, the more wealthy a society is, because it is the production structure that enables people to consume on an ongoing basis.

By investing in and expanding our production structure, we are able to consume more later. Or, this allows us to produce in a more efficient or cleaner way, which gives us more free time or more clean air later on. By investing well in our agriculture, technologies, infrastructure and in small and large companies, we can accomplish the future desired way of life. Without investments, the production structure will deteriorate. After all, without maintenance wear and tear will take place and things will break down.

Economists often speak of 'economic growth' when the Gross National Product (GNP) is increasing. In their definition GNP consists of 1. Consumption 2. Government expenditure 3. Investments and 4. Export minus Imports. Statistics Bureaus only include the added value in the production chain in the GNP statistics.

As a result of this definition, Consumption makes up the biggest part of almost all national GNP statistics worldwide. However, the impact of investing in the production structure is highly underestimated. Each investment in our economy and in our society generates a return, each investment generates employment and each investment further strengthens the production structure.

If an economy is not 'growing enough', politicians tend to respond by stimulating consumption, because this has the biggest impact on increasing the GNP number and, it is assumed, on 'improving the economy'. The opposite is true however. If more is consumed and less is invested than it is necessary to maintain the production structure, the economy will shrink.

A society cannot consume and invest more at the same time. If less is consumed now, more can be saved and more can be invested. The more our cash savings are put to work into financing companies, new technologies and in strengthening our supply chain, the better off we will be over time. The engine of 'the economy' is not consumption, but the savings with which to invest.

## 2. Best market practice of growing economies

The EC is right to improve the European Savings and Investments Union and to support the development of a large-scale, deep and liquid capital market. The European capital markets are too fragmented. In the U.S.A. companies have one large consumer market to address, allowing them to realise the required economies of scale. Investors have access to a wide range of investment vehicles, both listed and un-listed, all largely under one regulatory umbrella and legal framework. Investors, both professional and individually, are used to investing in higher risk companies and structures.

In Europe, there are EU wide rules and regulations, various national legislations and post-Brexit a different regime in the U.K.. A European Savings and Investment Union should aim to reduce rules and regulation in general, to harmonise local rules and to implement transparent and consistent taxing of investments. Investors in Europe do not have the culture to invest in more risky companies and ventures.

As there is a need to stimulate a European investment culture, it does not make sense to tax away (too much of) any potential returns. From a free markets point of view it is best to keep taxes to a minimum. If governments wish and decide on tax rules, these should be consistent throughout Europe, be simple and easy to understand and not have any side effects.

Taxing the investment value would be a better alternative compared to taxing investment returns. People should allocate their savings to those assets that are most in line with their investment preferences and that generate the best returns, rather than optimising after taxing returns. If returns are positive with a higher nominal value of investments, taxes will go up nominally as well.

The 28<sup>th</sup> regime has the potential for companies to help them to better reach the addressable European consumer market of 450 million people. Still, as this 28<sup>th</sup> regime is new, it will take time before companies and investors can make the best use of it. The EC will need take into account feedback from companies, entrepreneurs and investors on the 28<sup>th</sup> Regime, to make further improvements to the 28<sup>th</sup> and rules and regulations in general.

The only way to strengthen the European economies is by properly investing more of our money and capital in European assets. The stronger a production structure, the more wealthy a society is.

## 3. Best monetary circumstances for economic growth

With a strengthening of our economies, over time there will be less need for European capital to finding its way to the U.S. capital markets. As a result of economic strength and a higher demand for money, this will strengthen the Euro. The EC should embrace a stronger Euro as a sign of increasing purchasing power and wealth.

There will be less or no need to stimulate the economy by increasing the money supply and by rising debt levels. Such stimulus measures only work for the short term and are counterproductive on the long term. It is the proper investing of all of our European savings money that will drive long term and stable economic well-being.

Prices and interest rates will need to be determined in the marketplace, reflecting the preferences of society. The stronger the price- and interest signals are, the better companies and investors can take well-informed decisions and optimally allocate our scarce labour- and capital factors. For society it would be better if central banks and governments keep their interventions to a minimum, even if consumer prices are starting to decline.

By increasing the range of products and services in an economy without money growth, prices will tend to fall over time. A general fall in prices, realized through efficient cooperation and by best applying innovations and technological progress, can be seen as a benefit to society. By properly investing, labour productivity goes up and with a higher value add there is an upward pressure on real salaries. If prices fall, people can buy more even with the same salary and savings at hand.

In the last decades, governments and central banks were continuously aiming to 'stimulate the economy', by reducing interest rates and by increasing the money supply. This resulted in increased debt to levels which are unsustainable anno 2026. It will become more and more a challenge for governments to repay back these debts. These increased debt levels are often used as argument to further stimulate the economy and to create inflation as this may make it easier for governments to repay their debts over time

Maintaining this vicious circle may be seen as good for debtors such as governments. However, for ordinary people it is not. Price inflation as a result of monetary policies erodes the purchasing power. Declining prices are not a self-fulfilling prophecy resulting in declining economic growth. There is no proper theory supporting such developments, whereas there is the well-established Austrian School explaining exactly the opposite.

What matters is to improve the situation of the people living and working together in Europe. In case Europe is able to regain a dominant economic position, economist and central banks should embrace a strong Euro and not to un-do more stable and competitive prices.