

# Economy minister: no return to “old” normal



Economy minister Jeannot Krecké

Photo: Steve Eastwood

**The economy may be starting to recover, but things will not go back to the way they were, and businesses and governments must recognise this and learn lessons from the economic crisis. This was the key message from Minister of the Economy Jeannot Krecké in a recent speech at the American Embassy, where he was the featured speaker at the American Chamber of Commerce's Annual Fall Welcome Back Reception.**

Introduced by U.S. ambassador Cynthia Stroum, Minister Krecké began by observing that this year's reception was the first since 2008 "not having this strange atmosphere" in which the entire economy was suffering. Krecké pointed out that a Wall Street financier, a Chinese worker, and a German Volkswagen employee were shown by the crisis to be "linked, invisibly, but tangibly."

### No more of the old 'normal'

The crisis, Krecké explained, has ended that period in which uninterrupted growth was a background assumption. While we are seeing a return to growth, Krecké said "people think that we are back to normal. We definitely may be one day back to normal, but this normal will not be the same as we used to have."

For countries in the Eurozone, the crisis had rammed home that being

member of a single currency area, in addition to being convenient meant "there are a number of duties attached to this and you are no longer free to do whatever you want." Krecké said the recent Greek crisis could have been handled more quickly. "We have to show that we would not waver our support for countries that are in danger," he said.

### Smarter regulation

The minister next turned to the prospect of increased regulation but said it would be mistaken to believe that "only regulation will solve our problems. It's smarter regulation that will solve the problems." Krecké said over-tightening banking regulations could lead to another credit crunch.

He also reminded companies that "jurisdiction shopping" for lower tax rates isn't compatible with their parallel desire for good schools, health care



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and policy stability. “You cannot always cut taxes and ask for services that are better and better.” He called for a balancing of these interests and “room for financial manoeuvre.”

### How can the Grand Duchy respond?

He turned to discussing how Luxembourg should react. Acknowledging that Luxembourg’s public finances are “not in good health,” Krecké called for a reduction in focus on spending reductions, suggesting it would be preferable to spend better. Simple year to year budget cuts are not the issue, he said. Instead he said, spending should be evaluated on whether it is useful for the country or not and whether it fits with objectives.

On the economic diversification front, Krecké admitted that his strategy had not yet reduced dependence on the financial sector. He noted that none of

the current diversification projects: logistics, health sciences and clean tech can be compared to the success of e-commerce. “We didn’t have to invest in e-commerce, just to have a good legal basis for it.” Krecké said improving diversification efforts was largely a question of improving cooperation and cross-fertilisation, including across the government.

### Appreciation from Amcham

Amcham chairman Paul Schonenberg thanked the minister for his speech and his appreciation of the international community which he said “has been the driver behind the success and the growth of Luxembourg for many many years. Some people in Luxembourg are too proud to accept that. And I’m very deeply honoured that we have a minister who understands that.”

Text: Mike Gordon