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Learning From Europe

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As health care reform nears the finish line, there is much wailing and rending of garments among conservatives. And I'm not just talking about the tea partiers. Even calmer conservatives have been issuing dire warnings that Obamacare will turn America into a European-style social democracy. And everyone knows that Europe has lost all its economic dynamism.

Strange to say, however, what everyone knows isn't true. Europe has its economic troubles; who doesn't? But the story you hear all the time — of a stagnant economy in which high taxes and generous social benefits have undermined incentives, stalling growth and innovation — bears little resemblance to the surprisingly positive facts. The real lesson from Europe is actually the opposite of what conservatives claim: Europe is an economic success, and that success shows that social democracy works.

Actually, Europe's economic success should be obvious even without statistics. For those Americans who have visited Paris: did it look poor and backward? What about Frankfurt or London? You should always bear in mind that when the question is which to believe — official economic statistics or your own lying eyes — the eyes have it.

In any case, the statistics confirm what the eyes see.

It's true that the U.S. economy has grown faster than that of Europe for the past generation. Since 1980 — when our politics took a sharp turn to the right, while Europe's didn't — America's real G.D.P. has grown, on average, 3 percent per year. Meanwhile, the E.U. 15 — the bloc of 15 countries that were members of the European Union before it was enlarged to include a number of former Communist nations — has grown only 2.2 percent a year. America rules!

Or maybe not. All this really says is that we've had faster population growth. Since 1980, per capita real G.D.P. — which is what matters for living standards — has risen at about the same rate in America and in the E.U. 15: 1.95 percent a year here; 1.83 percent there.

What about technology? In the late 1990s you could argue that the revolution in information technology was passing Europe by. But Europe has since caught up in many ways. Broadband, in particular, is just about as widespread in Europe as it is in the United States, and it's much faster and cheaper.

And what about jobs? Here America arguably does better: European unemployment rates are usually substantially higher than the rate here, and the employed fraction of the population lower. But if your vision is of millions of prime-working-age adults sitting idle, living on the dole, think again. In 2008, 80 percent of

adults aged 25 to 54 in the E.U. 15 were employed (and 83 percent in France). That's about the same as in the United States. Europeans are less likely than we are to work when young or old, but is that entirely a bad thing?

And Europeans are quite productive, too: they work fewer hours, but output per hour in France and Germany is close to U.S. levels.

The point isn't that Europe is utopia. Like the United States, it's having trouble grappling with the current financial crisis. Like the United States, Europe's big nations face serious long-run fiscal issues — and like some individual U.S. states, some European countries are teetering on the edge of fiscal crisis. (Sacramento is now the Athens of America — in a bad way.) But taking the longer view, the European economy works; it grows; it's as dynamic, all in all, as our own.

So why do we get such a different picture from many pundits? Because according to the prevailing economic dogma in this country — and I'm talking here about many Democrats as well as essentially all Republicans — European-style social democracy should be an utter disaster. And people tend to see what they want to see.

After all, while reports of Europe's economic demise are greatly exaggerated, reports of its high taxes and generous benefits aren't. Taxes in major European nations range from 36 to 44 percent of G.D.P., compared with 28 in the United States. Universal health care is, well, universal. Social expenditure is vastly higher than it is here.

So if there were anything to the economic assumptions that dominate U.S. public discussion — above all, the belief that even modestly higher taxes on the rich and benefits for the less well off would drastically undermine incentives to work, invest and innovate — Europe would be the stagnant, decaying economy of legend. But it isn't.

Europe is often held up as a cautionary tale, a demonstration that if you try to make the economy less brutal, to take better care of your fellow citizens when they're down on their luck, you end up killing economic progress. But what European experience actually demonstrates is the opposite: social justice and progress can go hand in hand.

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