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## The Comeback Continent

By Paul Krugman  
The New York Times

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Today I'd like to talk about a much-derided contender making a surprising comeback, a comeback that calls into question much of the conventional wisdom of American politics. No, I'm not talking about a politician. I'm talking about an economy - specifically, the European economy, which many Americans assume is tired and spent but has lately been showing surprising vitality.

Why should Americans care about Europe's economy? Well, for one thing, it's big. The G.D.P. of the European Union is roughly comparable to that of the United States; the euro is almost as important a global currency as the dollar; and the governance of the world financial system is, for practical purposes, equally shared by the European Central Bank and the Federal Reserve.

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But there's another thing: it's important to get the facts about Europe's economy right because the alleged woes of that economy play an important role in American political discourse, usually as an excuse for the insecurities and injustices of our own society.

For example, does Hillary Clinton have a plan to cover the millions of Americans who lack health insurance? "She takes her inspiration from European bureaucracies," sneers Mitt Romney.

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Or are top U.S. executives grossly overpaid? According to a Times report, Michael Jensen, a professor emeritus at Harvard's Graduate School of Business whose theories helped pave the way for gigantic paychecks, considers executive excess "an acceptable price to pay for an American economy that he believes has outstripped Japan and Europe in growth and prosperity."

In fact, however, tales of a moribund Europe are greatly exaggerated.

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It's true that Europe has had a lot of economic troubles over the past generation. In the mid-1970s the Continent entered a prolonged era of sluggish job creation, which contrasted with vigorous employment growth in the United States.

And in the 1990s, Europe lagged behind America in the adoption of new technology. For example, in 1997 fewer than 15 percent of French homes contained personal computers and fewer than 1 percent were connected to the Internet.

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But that was then.

Since 2000, employment has actually grown a bit faster in Europe than in the United States - and since Europe has a lower rate of population growth, this has translated into a substantial rise in the percentage of working-age Europeans with jobs, even as America's employment-population ratio has declined.

In particular, in the prime working years, from 25 to 54, the big gap between European and U.S. employment rates that existed a decade ago has been largely eliminated. If you think Europe is a

place where lots of able-bodied adults just sit at home collecting welfare checks, think again.

Meanwhile, Europe's Internet lag is a thing of the past. The dial-up Internet of the 1990s was dominated by the United States. But as dial-up has given way to broadband, Europe has more than kept up. The number of broadband connections per 100 people in the 15 countries that were members of the European Union before it was enlarged in 2004, is slightly higher than in the U.S. - and Europe's connections are both substantially faster and substantially cheaper than ours.

I don't want to exaggerate the good news. Europe continues to have many economic problems. But who doesn't? The fact is that Europe's economy looks a lot better now - both in absolute terms and compared with our economy - than it did a decade ago.

What's behind Europe's comeback? It's a complicated story, probably involving a combination of deregulation (which has expanded job opportunities) and smart regulation. One of the keys to Europe's broadband success is that unlike U.S. regulators, many European governments have promoted competition, preventing phone and cable companies from monopolizing broadband access.

What European countries definitely haven't done is dismantle their strong social safety nets. Universal health care is a given. So are a variety of programs that support families in trouble, helping protect Europeans from the extreme poverty all too common in this country. All of this costs money - even though European countries spend far less on health care than we do - and European taxes are very high by U.S. standards.

In short, Europe continues to be a big-government sort of place. And that's why it's important to get the real story of the European economy out there.

According to the anti-government ideology that dominates much U.S. political discussion, low taxes and a weak social safety net are essential to prosperity. Try to make the lives of Americans even slightly more secure, we're told, and the economy will shrivel up - the same way it supposedly has in Europe.

But the next time a politician tries to scare you with the European bogeyman, bear this mind: Europe's economy is actually doing O.K. these days, despite a level of taxing and spending beyond the wildest ambitions of American progressives.

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