

A view from Europe

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For the past three years I have had the privilege to work in one of the finest academic institutions in the world, the *European University Institute*, and to live in remarkable and beautiful Florence, Italy. I would like to take the opportunity of this letter to note some of my reflections as an American living in Europe at this time of enormous political and economic challenge.

A number of scholars and journalists have written recently about how the economic crisis is challenging “the European social model.” Frankly, I don’t see it. Living in Italy now drives home the point to me that there is no “European” model. There are instead, many radically different systems. Living near the center of Italy, I am continually struck by how different this place is from Northern Europe where I have spent much more time in past years as a student and researcher. Surely it is true that the food is far better here in the south. But, make no mistake, the political and bureaucratic systems governing Italy are a disaster. I am not referring to the bizarre antics of Mr. Berlusconi, but rather the rather simple and important things that we take for granted in both northern Europe and in America: For example, it can sometimes take 6 hours of standing in line to pay your road tax (and this must be done yearly) or it can sometimes take 2 months get your phone/internet connected in your home (but then, it still might not work reliably). Even catching a bus, or a train, is something you can never be quite sure you can rely on.

The contrast to the Social Democratic welfare states of Northern Europe could scarcely be more stark. Despite the widespread predictions that heavy taxes and large redistributive welfare states should ruin these countries, the Scandinavian countries of northern Europe have done phenomenally well in the past several years. They are efficient, very well run, and remarkably happy societies. A key reason for this is that these countries have invested heavily in their citizens, improving educational systems, social infrastructure, and gender equality. The result has been that these northern countries have managed to build high trust societies in which citizens feel engaged, confident about the future, and fairly treated. The “welfare state,” contrary to many people’s expectations, has strongly contributed to the economic and social success in this part of the world. Today these countries have very high levels of investment and productivity, admirable levels of gender and economic equality and even relatively positive demographic outlooks. All this while they have managed to hold their budgets in line.

In the Mediterranean countries, the so called ‘welfare state’ should more accurately be called a ‘pension state.’ The reality in these countries is that young people (and immigrants) are increasingly

shut out of the labor market and/or are forced to pay high taxes and social fees, while their parents and grandparents enjoy remarkably generous social benefits and early pensions. A conspicuous coalition has emerged in these countries between the aging citizens, the entrenched unions and the political elite. These countries have not only racked up the highest levels of public debt, but also have the lowest levels of trust and confidence in their public authorities. The obvious consequence is that no one trusts the state, few people are willing to take the fiscal burden of having children and these societies become more older and more dependent on a underclass of immigrants (both legal and illegal) who have virtually no chance of ever being able to take advantage of the benefits their hard labor is providing those they serve. The economic and social future for these countries appears grim indeed.

The pictures in the middle of Europe are more complex. For example, the export machine known as Germany, continues to be the “Powerhouse of Europe.” But it must be said, that despite their economic power the Germans have not built the kind of productive social welfare state found to the north and instead relies far too heavily on a social and economic model designed for a 20th century world. France, similarly, seems caught in the tired battles between the “insiders” who are already advantaged by the largess of a generous state and “outsiders” who do an increasingly large share of the nation’s work. As in Germany, there are advocates of a newer economic model favoring social investment in France, but there is little evidence that they can force those who currently advantaged with long vacations and early retirement in favor of those who have not been able to buy into the system.

Finally, the English speaking countries on Europe’s western frontier have moved far closer to something like an “American” liberal model. While certainly not as indebted or as unequal as the US, after a decade of deregulation, tax cutting and impressive economic growth, Ireland and Britain are now mired in economic disarray and caught in what is known as a fiscal trap. Having just elected a new government that promises to cut spending, Brits in particular, are bracing for some tough times ahead.

The next time you read an article in the *New York Times*, or have a discussion with your conservative uncle that predicts the “End of Europe,” ask “Which Europe?” There can be no doubt that this crisis presents difficult times for each European country. But the simple truth is that there is no single pattern. Whether the Euro survives or not, (it certainly seems likely that it will) it is the enormous economic, political and cultural diversity of this small peninsula that continues to stand out. Perhaps that is why it continues to be so delightful.