

Opinion **EU economy**

Why Europe will not catch up with the US

America has cultural and structural advantages that governments can't close

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Former Italian prime minister Mario Draghi released his report on EU competitiveness last week. Comparisons with the US often fail to appreciate Europe just isn't a nation state © Frederick Florin/AFP/Getty Images

Janan Ganesh YESTERDAY

The US, at the turn of the millennium, did not “plan” to outgrow Europe. It did not have a version of Mario Draghi’s new competitiveness report. It did not produce an equivalent of the [Lisbon agenda](#), which in 2000 committed the EU to building the most “dynamic knowledge-based economy in the world”. The US has been deplorably negligent on the report front. Yet here we are. The transatlantic [divergence](#) in material outcomes has been going on for two decades. And Europe was poorer to begin with.

The closest thing that Washington has had to a schematic economic vision over the period is Joe Biden’s recent protectionism. Draghi is under well-founded criticism for wanting to adopt it. But even if he proposed to emulate America’s free-market looseness instead, how could he? Whatever you think hamstringing Europe against the US, there are cultural reasons to doubt it can be fixed. The continent is, in the end, a different place.

If Europe’s problem is that it can’t do Bidenomics, that problem is here to stay. Some 67 years after the Treaty of Rome, the EU has a budget that amounts to [1 per cent](#) of the union’s output. Even if it grows somewhat, which is far from certain as anti-Brussels parties flourish across the continent, who expects it to ever approximate the US federal purse? Who expects, even if national vetoes are trimmed here and there, as

US federal purse: who expects, even if national vetoes are eliminated here and there, as Draghi wishes, European decision-making to resemble Washington's? Let alone Beijing's? This isn't a failure of leadership. Europe just isn't a nation state.

If, however, Europe's problem is burdensome government, there is [little technocratic answer for that](#) either. Europeans have higher expectations of the welfare state than Americans. Whatever the root of this — Catholic social teaching, the residue of inter-class obligation from feudal times, “decadence” — it is a cultural feature. Leaders who buck it risk civil disorder (Margaret Thatcher, Emmanuel Macron) or electoral defeat ([Gerhard Schröder](#)). Brexiters who fancy Britain is “Anglo-Saxon” about these things should propose US levels of statutory paid leave — that is, zero — and await the reaction.

Yet a third reason for Europe's relative torpor is its far-from-complete single market. Here, more can be done. Draghi is at his best on capital markets integration. In the end, though, there is no getting around the fact that America has a single or at least overwhelmingly dominant language. Not all nations do (see India). A 27-member multinational entity certainly doesn't. The cultural barriers to scaling up a business across Europe can't be as low as in the US, which has been a unified place for longer than Germany or Italy, let alone the EU.

These are timeless differences between the two sides of the north Atlantic. But there are newer ones, too. In the 1990s, the US [median age](#) was not much lower than in Europe. The gap has widened since. (A reflection, in part, of Europeans' longevity.) If all other things are equal, we might expect this alone to result in a progressively less dynamic Europe. But other things aren't equal. The US has become the biggest producer of [oil](#) and [natural gas](#) on Earth. Europe hadn't the same geologic luck, even before the American shale bonanza.

In fact, if we take together all America's advantages — mineral, demographic, linguistic — the wonder is that its economic lead over Europe isn't even wider. And this is without getting into the intangible resource of entrepreneurial enthusiasm. A UK-based American investor told me what struck him about his adopted home: there is little cachet in telling your graduating class that you are going to start a business. How amenable is that cultural problem to a technical fix?

Perhaps the aberration isn't Europe's performance since the millennium, but the decades before. What Draghi calls its “social model” was screened from some intense competition. China was feeling its way into the world. India liberalised as late as 1991. The harder-to-undercut US model might be even better fitted for this century than for the last one.

Don't mistake this fatalism for distress. I'd rather, and do, live in Europe. It is telling that American elites frequent the continent to a degree their European peers don't reciprocate. In fact, Europe's reluctance to reform is inseparable from the sweetness of life here for enough people. It is just that Draghi's report won't be the last. Whenever one is published, the done thing is to praise the contents but question their chances of being enacted. This is fog-headed politeness. To the extent that a plan is politically and culturally improbable, it isn't a good plan.

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