

## Why Europe failed

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Oliver Hartwich | The New Zealand Initiative | 31 August 2015

There was a time, not long ago, when some commentators believed Europe was a model for the rest of the world. US sociologist Jeremy Rifkin forecast *The European Dream: How Europe's Vision of the Future is Quietly Eclipsing the American Dream* (2004); British foreign policy expert Mark Leonard explained *Why Europe Will Run the 21st Century* (2005); and, US publicist T.R. Read boldly predicted *The United States of Europe: The New Superpower and the End of American Supremacy* (2004).

A decade later, it would be unthinkable for anyone to write such books. The Global Financial Crisis of 2007/08 may have started in the US with the collapse of its subprime housing market. However, the crisis quickly spread to Europe, where it had far worse consequences. Whereas in the US, the economic crisis mainly affected individual companies such as the failed investment bank Lehman Brothers and insurance giant AIG, the economic crisis in Europe quickly became a crisis of sovereigns. Greece has been teetering on the brink of bankruptcy since late 2009. Ireland, Spain, Portugal and Cyprus had to be bailed out by various mechanisms. France and Italy hardly look reassuring, either.

Some might argue that Europe's recent troubles are just of a cyclical nature and that eventually the continent will recover. However, such an optimistic assessment is not warranted. What we are witnessing in Europe is much more fundamental.

The current troubles of Europe are symptoms of the end of the European world order. To put this into perspective, we only need to think back to the Great War whose centenary we are commemorating.

World War I was the time when Europe last ruled the world, politically and economically. The end of that war marked the beginning of the end of Europe's global hegemony – along with a significant era of history.

No doubt, history was made in Europe before the Great War. With the Age of Enlightenment, Europe led the way in scientific discoveries and ideas. Industrialisation catapulted Europe's economies from medieval production methods to modernity within a few decades. The military power of European nations was unmatched. Many European nations, even small ones such as Belgium, established colonies all over the world.

On the eve of World War I, Western Europe accounted for one-seventh of the global population but one-third of the global economy. Of the 10 largest economies in the world in 1913, six were European. Europe's influence on global ideas and institutions was greater still, not least due to its colonial outreach.

A century ago, European capitals dominated world politics. The streets of London, Paris and Berlin were once the corridors of world power. Indeed, the monumental buildings along Whitehall, the Élysée Palace and the Reichstag still exude a profound sense of greatness and historic significance.

In some ways, this European dominance of world affairs remains palpable to this day. Among the most influential newspapers and broadcasters are *The Financial Times*, *The Economist* and the *BBC*, all headquartered in London. Europe accounts for three of the UN Security Council's five permanent, veto-power holding members – Britain, France and Russia (not India, Brazil or Japan). Eurocentrism is even more pronounced in the G7, which includes Britain, Germany, France, Italy and the European Union (but not Mexico, Australia or China).

But these are the dying embers of a past world behemoth. Europe's influence is undoubtedly in decline. Whereas in 1980, the current 28 EU member states accounted for almost a third of the global economy, their share today is only 23%. Because of the continuing rise of Asian economies, this figure will further decline over the coming decades.

It would be easy to excuse Europe's relative decline as a result of the rise of other, previously poor countries. But that would be dishonest. Europe's decay is mostly due to the way Europe has been conducting itself. If other countries were catching up with Europe while Europe itself was doing fine, that would be no reason for concern. Such convergence is the rightful triumph of a globalised economy.

But Europe is not doing fine.

Europe's downfall will also show in population numbers. The UN estimates that by 2100, only 5.9% of the world's population will be European compared to the approximately 10% now. This is not just a relative reduction but also an absolute decline of 104 million Europeans from 743 million today to just 639 million in 2100.

Contrast this with the only one statistic in which Europe leads the world by a mile – the EU's 28 member states account for 54% of global spending on social welfare.

It would be too simplistic to reduce Europe's challenges to problems with its monetary union. Nor is Europe's crisis limited to countries like Greece that produce negative headlines at regular intervals.

Europe's problems are more fundamental. Its elitist structure of governance has locked its political institutions into paralysis. Its economic model of a mixed market economy is unable to keep up pace with more dynamic world regions. Its demographic changes will test the limits of its expanding welfare state. And all of this is happening against a background of increased security concerns on Europe's borders with Africa, the Arab world, and Russia. Europe is being challenged on many fronts at once, and even this is an understatement.

It would be optimistic to say Europe is at the crossroads today. At least that would suggest it has a choice between reform and decline. But it increasingly looks as if there is no such

choice and Europe's inevitable future is one of decaying power, wealth and influence. Europe then is not at the crossroads but is facing a dead-end. Or a cliff. A very steep cliff.

Europe's leaders are struggling to come up with solutions to these challenges, preferring instead to instinctively cling to the EU's mantra of "ever closer union" – as if that programmatic vision, spelt out in the EU Treaty, is sufficient in itself. Or as if "ever closer union" had been a pure success story.

This paper provides a brief historic account of Europe's downfall and an analysis of Europe's current economic and monetary crisis.

More importantly, it tries to make sense of Europe's downfall. If you will, it is a eulogy written for a continent that shaped world history for centuries but is desperately failing to shape its own future. This paper does so from the perspective of a writer who is European himself but has chosen to observe European affairs from the distance of the South Pacific. As such, the account is coloured as much by personal affections and affiliations as by an emotional detachment that such geographical distance allows.

Finally, though there are elements of Europe's decline that are unique to the continent, there are lessons that apply beyond Europe. We in Australasia could do well to learn from the pitfalls of elitist decision-making and an unsustainable, expanding welfare state.

To be clear, Europe is still one of the most developed, most prosperous, and most liveable places on earth. However, the cracks in Europe are clearly visible and will become increasingly pronounced over the coming decades. It is a world region that made the past but will not make the future.

[Read "Why Europe failed"](#)



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