

The Italianization of Europe

By Josef Joffe

“W^{STANFORD, Calif.} e are quite the best country in Europe,” Lady Thatcher, she of the tart tongue and whiplash diction, recently informed her fellow Tories. In her lifetime, she added, “all the problems have come from mainland Europe and all the solutions have come from the English-speaking nations across the world.”

One might quibble with that harsh verdict, but she is certainly right that the “English-speaking nations” are different from the rest of the West. Start with the Magna Carta and the United States Constitution, which enshrined limited government while Europe was aching under popes, emperors and Sun Kings. They think differently: the English-speaking nations have Locke and Jefferson, while the Europeans have Hegel and Marx. When in doubt, the English speakers will go for liberty and the market while the Europeans will opt for equality and paternalism.

These are the deepest cultural roots of Reaganism and Thatcherism, those brutal movements of the 1980's that whacked regulation, chopped welfare and defenestrated organized labor. The fine points will be argued forever, but it was that revolution from above that gave America full employment and Britain a jobless rate half that of the European Union.

Sure, European unemployment has declined from 12 percent in the mid-90's to an average of 9 percent today. But that is not good enough, especially since much of the improvement is not the result of market-minded reform but of the end of a European slump almost as old as the American boom.

Is anybody capable of pulling a Thatcher? Chancellor Gerhard Schröder of Germany is *talking* like his British soul mate Tony Blair, and Prime Minister Lionel Jospin of France *sometimes* talks like Mr. Schröder. “People must stop expecting the Government and the state to take charge of everything,” he said in mid-September.

But Mr. Jospin also said, “We are not going in for ‘social liberalism’ ” — a code word for the freer-market doctrines pushed by Mr. Blair and Mr. Schröder. While the Jospinistes have privatized some state companies, they have also introduced a 35-hour workweek, which will not do wonders for French competitiveness.

Mr. Schröder is in more serious

trouble because after months of waver- ing, last fall he started hawking a harsh reformist line of cuts in taxes, regulations and welfare. The reward? He has been bloodied in every regional election since — Brandenburg, Saarland, Thuringia, Saxony and, this weekend, Berlin. And his Social Democrats have lost many a city hall in their traditional stronghold of North Rhine-Westphalia, Germany's Rust Belt.

The lesson is that Continental leaders cannot pull a Reagan or Thatcher. First, because of Europe's proportional-representation voting systems, coalition governments will rule from here to eternity. And they generate not power but stalemate.

More fundamentally, Europeans do not like change that might rob them of a little security here and a few entitlements there. Two unwritten articles of their constitutions say: No change, please, and if it is absolutely unavoidable, losers must be compensated. So voters will punish those who, like Mr. Schröder, timidly try to dismantle a towering edifice of entitlements that eats up half of Europe's gross domestic product.

But do not cry for us, Lady Thatcher. Look instead beneath the level of stalemated state power, and you will detect the wondrous winds of change. Business is downsizing. Labor markets, though formally untouched, are displaying work-rule flexibility and even giving back wages. Call it the “Italianization” of the Continent. Italy has had some 60 revolving-door governments since World War II. So Italians have learned not just to flout their rulers, but to do without them, ignoring laws, regulations and tax collectors. The Italian economy long ago decoupled from the state.

Other European societies have begun to follow, though minus the Mafia and endemic corruption. Take Germany. Those vaunted nationwide collective bargaining agreements that make work as expensive in rich Munich as in impoverished Bremen endure on paper only. Companies strike their own deals on the shop floor. To save jobs, shop stewards will simply ignore union headquarters. Likewise, the French tire maker Michelin recently vowed to cut 10 percent from its work force, never mind that Mr. Jospin was “shocked.”

Sometimes economic activity goes underground, where it is neither taxed nor regulated. Some 15 percent of Germany's G.D.P. is produced in the “shadow economy,” meaning that

dour old Deutschland is mutating into a Northern version of la bella Italia. The productive parts of society are learning to take care of themselves, prodded by the stern discipline of the global market.

“Get out of my way,” is the economy's message to government. The chairman of General Electric, Jack Welch, said it first. But if the Iron Lady were listening, she would hear a multivoiced “amen” — from Calais to Calabria. □

Josef Joffe, editorial page editor of *Süddeutsche Zeitung* in Munich, is a visiting lecturer at Stanford University.

Capitalists thrive under the nose of the nanny state.