Comparative European Politics, **2006**, **1**, (■■)
© 2006 Palgrave Macmillan Ltd 1472-4790/06 $30.00
www.palgrave-journals.com/cep

Review Article

Of Power and Plenty? Europe, Soft Power, and 'Genteel Stagnation'

Terence Casey
Department of Humanities and Social Sciences, Rose-Hulman Institute of Technology, Terre Haute, IN, USA.
E-mail: casey1@rose-hulman.edu

This article reviews three recent books on the EU: T.R. Reid's *The United States of Europe:The New Superpower and the End of American Supremacy* (Penguin, New York, 2004); Mark Leonard's *Why Europe will Run the 21st Century* (Fourth Estate, London, 2005); and Jeremy Rifkin's *The European Dream: How Europe's Vision of the Future is Quietly Eclipsing the American Dream* (Tarcher/Penguin, New York, 2004). All argue that Europe will dominate the 21st century by leveraging 'soft power' into influence on par with the US and possessing a model of political economy ideally suited for delivering prosperity under globalization. This article contests both propositions. The fungibility of soft power into actualized power is more difficult than these authors assert, paradoxically resting in part on the development of hard power resources. The European social model, moreover, with its emphasis on coordination and security, will incur rising opportunity costs in the face of globalization, producing relative economic decline (or 'genteel stagnation'). Without substantial policy changes, for which there is little political support, the power potential of Europe is likely to plateau or even decline. Finally, these authors uncritically treat 'Europe' as a singular entity, ignoring the political divisions and economic differentiations that are relevant to any consideration of the role of Europe or the EU in international relations.
Comparative European Politics (2006) **0,** 000–000. doi:10.1057/palgrave.cep.6110087

Keywords: Europe; EU; soft power; models of capitalism; globalization; economics

UNCORRECTED PROOF

Introduction[1]

The sun shone brightly on the EU in 2004. The union had undergone its most extensive enlargement, the euro was rising, and a draft constitution awaited ratification. In this context, Mark Leonard, T.R. Reid, and Jeremy Rifkin, all published books contending that, with the US overextended and unloved, the 21st century belonged to Europe. By 2005, dark clouds returned, however, as French and Dutch voters sent the EU constitution down to resounding defeat. It is tempting to judge analyses of the EU in terms of these short-term setbacks, or to dismiss them because they are written for mass audiences. That would be a mistake, though, as these books mirror academic and diplomatic debates regarding the basis of power in the new century. The purpose of this article is to critically examine these arguments in light of underlying trends in international politics and economics. All three agree on two propositions. First, despite limited military resources, Europe will leverage its 'soft power' into influence on par with the US. Second, Europe's social market economies are particularly well suited for dealing with globalization. In other words, these authors foresee a Europe of power and plenty.

This article contests both propositions. Translating soft power into actualized power is difficult and, paradoxically, may require more hard power resources than Europe possesses. European economies are equally running against the trends of globalization, which is likely to produce 'genteel stagnation' (relative economic decline). Without increasing hard power or restructuring their economies, neither of which has much political support, the power potential of Europe is unlikely to rise. Finally, all three of these books pursue the questionable supposition that 'Europe' can be treated as a unified, undifferentiated entity. One must embrace this idea in order to critique these works on their own terms, but the conclusion raises a basic question relevant to understanding the continent's status in world affairs: What is Europe? The overarching purpose of this article is neither to denigrate Europe nor, through contrast, praise the US. The US has plenty of its own problems, both in terms of its role in world politics and adjusting to globalization. The intent is to anchor the discussion of role of Europe in more concrete terms.

UNCORRECTED PROOF

Visions of Europe in the 21st Century

In *The United States of Europ*e, T.R. Reid argues that Americans are ignoring a revolution across the Atlantic. The EU has a larger population and market than America's, a governing structure establishing peace and stability where war once prevailed, and a currency with more daily users than the dollar. European companies are dominating international, especially American, markets. Coupled with a European social model protecting its citizens from globalization and providing a high standard of living, the region is becoming the model to be emulated, especially given the negative portrayal of the US. America is seen as a selfish, materialistic society that abandons the poor and sick. It is a nation stained in violence, epitomized by the death penalty. American foreign policy is moralizing, unilateralist, and hypocritical, violating international laws and treaties at a whim. The real problem is that, '…this nation perceived to be ignorant of the rest of the world has the wealth and power to dominate much of it' (Reid, 2004, 19). Europeans increasingly see America as a threat to world peace and are determined to form a counterbalance. They cannot compete with America militarily, but their commitment to multilateralism that will allow Europe to gain influence in a world equally concerned with American 'hyperpower'.

Power is also the focus of Mark Leonard's *Why Europe Will Run the 21st Century*, a short, sharp riposte to Robert Kagan's (2003) portrait of Europe as effete and irrelevant. He says Europe's strength comes from its 'transformative power'. Countries are drawn into a 'Eurosphere' stretching '…from the icebergs of the Artic Ocean to the sand dunes of the Sahara…(110)' through 'passive aggression', the potential withdrawal of friendly relations and lucrative economic connections. The genius of this system is to get candidate countries to become agents of their own integration, a pattern epitomized by Turkey. Highlighting the incoherent EU foreign policy or institutional weaknesses misses the point. The EU is not the nation-state writ large, but a network, existing to serve its members – a structure that offers enhanced flexibility in dealing with globalization. The European model of growth, combining capitalist dynamism with social responsibility, is also more attractive to developing powers, such as China. The success of the EU is creating a 'regional domino effect', whereby countries will join the Union '…or develop their own unions based on the principles of international law, interfering with each other's affairs, and peace as an ideology' (Leonard, 2002, 2005, 140). America's emphasis on unilateralism and national sovereignty is outdated. The 21st century will be a 'New European Century' because the European way of doing things is irresistible.

Jeremy Rifkin concurs with Reid and Leonard, adding that Europe is something more: a new conception of society and an economic model ideally suited to the rigours of globalization. He contrasts Europe's vision against the American Dream. The latter is grounded in individual autonomy, opportunity, and self-advancement. Coupled with faith in material and technological advancement, it is a quintessentially modern perspective. The European Dream, in contrast, is about collective well-being, creating access and connection, and ensuring that none are abandoned to the vagaries of markets. Questioning unfettered material accumulation and technological progress, the European Dream is distinctly postmodern and more apt for an age of political, economic and environmental struggles that transcend territoriality.

Rifkin also lauds Europe's political economy. America's market model of formalized transactions and delineated property rights are too slow for fast-paced global markets. Europeans have developed network economies with firms pooling resources and risks (e.g., shared R&D; complex subcontracting). Firms reap the benefits of collective endeavour, but are also more vulnerable; thus, reciprocity and trust are central to successful networks (Rifkin, 2004, 186–188).[2] As each actor is dependent upon resources controlled by another, maximizing the benefits to all is the best way to maximize self-interest. This is both morally superior to America's unbridled capitalism and better suited to a world economy where information exchange and market transactions occur in nanoseconds (Rifkin, 2004, 196). Going it alone is not viable in a world of shared vulnerabilities. Europeans, as Rifkin sees it, have accepted this. America is again behind the curve.

Such concise summaries cannot do justice to the intellectual sweep of these texts, which are timely additions to debates on the EU, American power, and globalization. While open to criticism on specific points,[3] there are two big ideas promoted by these books: (1) the EU will challenge American hegemony based on its soft power and economic strength; and (2) the European model of political economy is both a morally and materially superior version of capitalism, particularly as the world becomes more globalized. The next two sections critically analyse these ideas.

The Hard Problem of Soft Power

All three books claim that the foundation of Europe's strength will be its soft power, a term coined by Joseph Nye (1990) and reinvigorated as a critique of the Bush Administration's unilateralism (Nye, 2002, 2004a). In contrast to hard power (tangible assets), soft power is the ability to shape the preferences of others; convincing other actors to *want* the same things as you (Nye, 2004a, 6). Such desire is instilled by a nation's culture (attractive), political values (favourable and consistent at home and abroad), and foreign policy (legitimate and having moral authority) (Nye, 2004a, 11). Soft power is not disconnected from hard power, as Nye sees a policy continuum running from coercion to cooptation. The attractiveness of a state is also a function of its ability to deliver the goods in political, military, or economic terms (e.g., Japan's economic rise in the late 20th century). Still, soft power can accrue independently of hard power resources. Nye defined what historians and statesmen have long understood: a state' reputation, diplomatic dealings, and predominant values enhance power above and beyond military and economic capabilities. His larger point is that an array of global trends (i.e., the spread of democracy, the IT revolution, economic and environmental interdependence, etc.) are undermining the utility of coercion in favour of persuasion. Military and economic power remains relevant; after all, these trends have bypassed significant parts of the world, especially the Middle East and Africa. Nevertheless, soft power is increasingly important and all nations, the US especially, ought to focus on nurturing it (Nye, 2004b).

Europhiles go beyond Nye's formulation of soft power as a complement to hard power. The EU is depicted as a new animal in global politics — a 'normative power' (Manners, 2002), eschewing both geopolitical interest and military force, binding its behaviour to that of international conventions, and actively promoting multilateral engagement. Europe's *mission civilisatrice* is

UNCORRECTED PROOF

now to spread these ideals using economic and political benefits to transform others. More importantly, this will succeed where America's militarism has failed.

> …the EU is betting that it can become an actor of equal importance on the world stage — in short, the world's next superpower — through the 'soft power' it is consistently enhancing. Indeed, the Europeans argue that hard power is so costly to maintain — and so likely to generate hatred from those who are weaker — that soft power amounts to greater power. (Reid, 2004, 195–196)

What begins as an analysis of the role of Europe in the world is thus reworked into a general discussion on power in world politics. Europe, as these authors see it, is at the leading edge of three transformations in international relations:

1. Soft power is (or is rapidly becoming) both necessary *and* sufficient for becoming a superpower.
2. Soft power is derived by adherence to the processes and procedures of international law and multilateral institutions.
3. Europe's stock of soft power is greater than others, mainly the US, because the EU's behaviour and values have more universal appeal.

The power potential of Europe turns on the empirical validity of these points.

The main argument against the EU as a potential superpower is its lack of military capability. European nations could not undertake operations on anywhere near the scale of US actions in Afghanistan and Iraq, even though possessing more persons under arms (1.8 million to 1.4 million). Many, however, are conscripts, leaving only about 10–15% deployable. Even so, EU states lack the transport and logistics for large-scale deployments. Europeans spend half as much as Americans on defence and much of that goes to infrastructure and personnel in militaries still geared toward territorial defence. Nor has Europe invested in precision weaponry, advanced reconnaissance equipment, and integrated communication networks, or the research and development needed to continually upgrade these resources. European forces fall short in quality, not quantity, a point made clear to all concerned during the Kosovo campaign (see Schmitt 2004 for a full discussion of EU capabilities).

No matter, say these authors. The 'European way of war' (Everts *et al.*, 2004) is to undertake humanitarian, peacekeeping, and state-building operations — the Petersberg tasks — and the EU is developing appropriate capabilities. The Helsinki European Council (1999) committed the Union to establishing a 50,000–60,000 Rapid Reaction Force deployable within 60 days

UNCORRECTED PROOF

and sustainable for up to 1 year. Generating new capabilities was left to individual states, however, so the programme missed it 2003 deadline (although Q2 Giegerich and Wallace (2004) note that the EU fielded about the same number of troops in various overseas deployments that year). Owing to these shortcomings, and in the context of formulating a European Security Strategy ('A Secure Europe in a Better World', 2003), a programme dubbed Headline Goals 2010 was affirmed in June 2004 to create battle groups of 1500 troops that could be mobilized within 10 days. The first 2–3 would be formed in 2005[4] with a goal of 7–9 by 2007 (Schmitt, 2004: 98). A European Defence Agency was also created to coordinate procurement and R&D among member states. This cannot compete with the US, but suffices for a soft power.

If Europe's goal is to be a power of global reach, even if limited to non-combat operations, these forces may not be enough, however. Take, for example, the December 2004 Asian tsunami. Immediately after the disaster, Europeans pledged hundreds of billions of euros while the US dithered (although eventually pledging $950 million). Nevertheless, the US was able to immediately deploy a host of military assets to the region to aid relief efforts.[5] US forces similarly assisted in relief and rescue operations in northern Pakistan after the October 2005 earthquake. All this was done while fighting wars in Afghanistan and Iraq. Even if the EU meets its 2010 goals, it would be hard pressed to undertake an operation on this scale — and that is *if* these goals are met. Given past failures, there is good reason to be sceptical, especially as this requires increased defence spending by member governments, a policy few voters support.[6] In short, the EU may not even possess sufficient capabilities to play the humanitarian role envisioned by Euro-enthusiasts.[7]

Arguments about European capabilities are also distorted by a narrow definition of hard power. Hard power properly defined includes all tangible resources: military, economic, geography, population, etc. Since the foil for European power is the US – China, India, and Japan get surprisingly little discussion in these books[8] — the main differential between these two powers (military strength) is thus treated as synonymous with hard power. All that is not deadly, including economic resources, is presented as soft power. Europe is thus purported to be able use soft power to transform others, implying that this occurs merely because of the self-evident attractiveness of its example. In reality, states are mainly attracted to the EU by the economic benefits of membership and the main tools of transformation are material incentives. Turkey is the classic case, improving its record on human rights, eliminating the death penalty, and softening its stand on Cyprus. However, decades of engagement have not produced a heartfelt inculcation of Europe's perspective on the world. Turks overwhelmingly want to be in the EU, but their motivation is economic, not normative.[9] In short, much of European soft power derives from its (hard) economic power. The paradox of American power is that, for

UNCORRECTED PROOF

all of its military strength, it cannot achieve much without the cooperation of Q3 others (Nye, 2003). The paradox of European power is that it cannot achieve many of its soft power goals without greater hard power capabilities.

The second purported transformation of the international system relates to how states accrue soft power, now seen as a function of adherence to international law and multilateralism. European statesmen are more concerned with whether actions are legitimized by international organizations, whereas Americans focus on the legitimacy of the ends of policy. Put differently, Europeans emphasize a procedural view of soft power while Americans adopt an outcome-oriented interpretation. One can see this when comparing the US National Security Strategy (2002), which advocates unilateral, preemptive force in service of advancing freedom, with the European Security Strategy's (2003) emphasis on a rule-based, negotiated, multilateral order.

The difficulties of successfully pursuing an outcome-oriented approach, especially regarding America's application of force in Iraq, are obvious. The credibility of the operation is also undermined by shifting goals — removing WMD, removing Saddam Hussein, prosecuting the War on Terror, establishing democracy. Even if Iraq can be stabilized and a viable democracy established — all quite tenuous — it will be years before this translates into any soft power benefit for the US, only then reversing the loses accrued in the interim. It is a long-term investment with deep sunk costs and a very uncertain payoff.

For a process-oriented strategy, the first pitfall is that what may be appropriate to a region of where all agree on the basic rules may be inappropriate for the wider world. Robert Cooper (2002, 2003), who popularized the idea of the EU as a postmodern state,[10] recognizes that much of the world does not fit this characterization; there are modern and premodern states also. 'Among ourselves, we keep the law but when we are operating in the jungle, we must also use the laws of the jungle' (Cooper, 2002, 16). A strategy built on multilateralism and international law implies equal treatment, yet consistency is an elusive quality in diplomacy. Cooper's solution is to recognize the need for double standards, yet this opens one to charges of hypocrisy. Target states may rankle under unequal treatment and inconsistent benefits, seeing them as arbitrary and unjust (Smith, 27). Applying double standards may be unavoidable, but it undermines the soft power benefit of a process-oriented strategy. Equally, as the EU presses more into 'the jungle' of the former Soviet republics and Middle East, a multilateral, legalistic strategy cuts against the grain of domestic politics; the tools of passive aggression may be viewed as less passive and more aggressive by target states (Youngs, Q4 2005a, b). Even if not directly affected, other states may interpret EU involvement negatively. Given their intransigence over Ukraine's Orange Revolution, Russia is unlikely to view democracy promotion in Belarus or

UNCORRECTED PROOF

Georgia with indifference. Democracy and liberalism may be no more acceptable to Middle East regimes packaged as European universal human rights rather than American individual liberty. 'It is a comforting fallacy that soft power does not make enemies' (Gowan, 2005, iv), but if the interests and values of other actors are challenged, there may be resistance whether policies are pursued softly or not. Successfully pursuing a grand strategy of soft power is thus a much more complicated affair than these books imply. On the relationships that represent the true tests of this strategy — Turkey, Russia, and Iran — none can yet be deemed a success.

The efficacy of soft power also turns on the receptivity of others to the values and goals espoused. The universal human rights developing in Europe — centered on sustainability, community, egalitarianism, diversity, protection from mutual vulnerabilities — are said to be more amenable to other cultures, especially in Asia, than America's materialism, individualism, and inegalitarianism. American foreign policy also puts interest over principle (unilateralism and preemption), allowing Europe to become the guardians of internationalism. Europe's regionalism goes beyond modernist state sovereignty, providing a framework for dialogue and an amorphous governing structure better able to deal with global problems. All told, American *realpolitik* is contrasted with Europe moralism. The soft power edge goes to Europe.

Posing an amoral US against a virtuous Europe is a crude caricature, however. Going back to Thomas Jefferson's 'empire of liberty', American foreign policy has historically linked democratic ideals to national interests, giving the US equal claim as a normative power (Diez, 2005), a stance unchanged by 9/11 (Gaddis, 2004). While willing to use force in pursuit of national interest, George W. Bush is no Machiavellian realist. Note how national interest was defined in his second inaugural address:

> The survival of liberty in our land increasingly depends on the success of liberty in other lands. The best hope for peace in our world is the expansion of freedom in all the world. America's vital national interests and our deepest beliefs are now one.

This is more aptly described as 'democratic realism', combining realist and globalist traditions of spreading democracy (Krauthammer, 2004). Conversely, Europeans are not immune to the pursuing national interest when not congruent with internationalist values (e.g., approving arms sales to China; French and British military interventions in West Africa). American and European foreign policy alike are guided by interests *and* values.

The content of European values must, therefore, be both considerably different from America's and much more appealing to third parties. Across the Atlantic we certainly differ on the nature of the social contract, the role of government, and the meaning of liberty, equality, and fraternity (Danchev,

UNCORRECTED PROOF

2005). Combine this with competing perspectives on international politics and you have the stuff of permanent rifts — 'Americans are from Mars and Europeans are from Venus' (Kagan, 2003, 3). Yet the differences are easily overstated. In a global comparative sense, the US and European countries are all free, liberal, democratic, secular, advanced capitalist societies. Leaders on both sides of the Atlantic have similar goals: peaceful resolving conflicts, fostering economic development, preventing the proliferation of WMD, defeating international terrorism and Muslim fundamentalist extremism, sustaining stable global growth, etc. We differ on what to do when things go awry. Ours are disputes over methods, not goals.

Does not the rise of anti-Americanism belie such a conclusion? The Pew Global Attitudes Project shows that favourable ratings for the US have plummeted since 2000 (Pew). Europe has benefited, with a majority of respondents *outside of Europe* wanting them to be more influential than the US (GlobeScan/PIPA, 2005, 1). One should be cautious in drawing too strong of an inference from these surveys, however. The current wave of anti-Americanism is driven by Bush Administration policies and the policy element of soft power is the most volatile (Nye, 2004a, 38). The long-term impact of current policies on soft power is subject to future events, which may reverse the current downward trend.[11] Long-term data on global public opinion that might allow for informed inferences does not exist, moreover, and the US has recovered from previous troughs, such as during Vietnam. Nor is opinion evenly distributed. Some nations (i.e., India, Philippines) and some groups within nations (i.e., men in general, working class Europeans, those seeking upward mobility) are more likely to be pro-American (Applebaum, 2005). The US also suffers the wrath of its own economic and military weight, making it the focus of attention of the discontented. Nor is it clear that global sentiment is truly pro-European as opposed to anti-American. We have, after all, something of a natural experiment on the appeal of European values to other cultures – immigrants, particularly Europe's large Muslim population. The assassination of filmmaker Theo van Gogh in the Netherlands, the London underground bombings, and the global rioting sparked by the publication of cartoons of Mohammed in Denmark all show that experiment has not gone so well (Leiken, 2005). Europe may have less of a soft power values edge than these authors assert.

The accumulation of soft power and the ability to translate these resources into actual power is a more complicated and uncertain affair than many Europhiles imply. In a way too infrequently recognized, the soft power of the EU rests on its hard power capabilities. The military shortfalls have been discussed above. The next section looks at the economic base.

UNCORRECTED PROOF

Globalization, Opportunity Costs and 'Genteel Stagnation'

Having eschewed the military stick, Europe's status rests more heavily upon the economic carrot. But what is that carrot becomes less scrumptious? Any prediction of a European Century rests on the strength of its economic base. This counters the oft-cited recitations of European economic woes: low growth, high unemployment, and an incapacity for structural reform. Leonard, Reid, and Rifkin disagree — Europe is a technological and economic dynamo that provides an unmatched quality of life and is ideally suited to the rigours of globalization. The argument here is that the material opportunity costs of the European model are rising and the net result is likely to be a relative economic decline best described as 'genteel stagnation'.

The *prima facie* case against Europe is usually its performance compared to the US. The American economy grew an average of 3.3% per year from 1995–2004 compared to 2% for the eurozone and 1.3% for region's largest economy, Germany. Eurozone per capita GDP is thus only 72% of America's. A Swedish think tank study recently noted — to elicit maximum shock value — that per capita GDPs in France, Germany and Italy is only above the five *poorest* American states (Bergström and Gidehag, 2004). The US unemployment rate has stayed around 4 per cent below the EU for more than a decade. European job seekers are also likely to be out of work longer: 65% for more than 6 months; nearly half for more than a year. The equivalent figures for the US are 10 and 5.5% (OECD, 2004, 315).

Euroenthusiasts suggest that straight comparisons are deceptive. American GDP is increased by such things as road building to scattered suburbs, commuting costs, higher security costs, and higher heating and cooling costs, which do not improve the standard of living. They claim faster US growth results from higher population growth rather than greater efficiency. Conversely, Europe is dragged down by the laggard Germany economy, while many others (Ireland, Sweden, and Finland) have outperformed the US (Leonard, 2002, 2005, 70–72). America's productivity lead is also illusory. European productivity growth was double the US through the 1970s and productivity per hour worked was just below America's by the mid-1990s. For some individual EU states, productivity exceeded the US (Leonard, 2002, 2005, 73; Rifkin, 2004, 45–46). If per capita GDP is higher than Europe, it is because Americans work longer hours (about 350 hours more per year than their French and German counterparts) and take far fewer holidays (Leonard, 2002, 2005, 72; Reid, 2004, 157; Rifkin, 2004, 48). Europeans have used productivity Q5 gains for more leisure over greater income (Blanchard, 2004). To the extent that productivity gaps remain, the EU has the Lisbon Strategy of becoming, 'the most dynamic and competitive knowledge-based economy in the world' by Q6 2010 (European Commission, 2003, 2004, 8). Even America's unemployment

UNCORRECTED PROOF

rate is misleading as it is boosted by part-time, low-wage service jobs; workers who have dropped from the job market entirely (Rifkin, 2004, 53); and the high US incarceration rate (Leonard, 2002, 2005, 73).

Europe's real economic strength is its quality of life. The European social model is intended '…to insulate and protect people from the harsh vicissitudes of modern life' (Reid, 2004, 172). America's market-driven economy leaves workers insecure, unequal, and impoverished. Indeed, the Gini coefficient in 2000 was 30.8 for the entire OECD, 28.6 for the EU-15, and 36.7 for the US. The percentage of people in poverty — less than 50% of the median — is 17.1% in the US compared to 10.1% for the OECD as a whole (OECD,
Q7 2005a, b, c). Labour laws guard European workers from sudden dismissal and the long hours of their American counterparts. Add to this the welfare state proper. As Reid describes it:

> If you topple off the tight wire of normal life in the United States, you will be caught by a 'social safety net' that is supposed to provide you with some level of sustenance, shelter, and medical care. But in Europe, falling into the 'safety net' is more like falling into a large, soft bed with a down comforter for protection against the cold and a matron standing by with a warm cup of tea to sooth the discomfort (p 146).

This requires high tax burdens, but Europeans feel it is a price worth paying. Taking these quality of life factors into account might, by one estimate,
Q8 eliminate half of the GDP gap (Gordon, 2004a, b).

Optimism also stems from the euro, intended to increase efficiency by eliminating transaction costs and providing price transparency. Externally, the euro was designed to challenge the hegemony of the dollar (Reid, 2004, 64), which allows the US to borrow to finance balance of payments deficits — now pushing 6% of GDP — at deflated prices. That the euro is a serious contender as a reserve currency is indicated by its rise in value and its increasing share of official reserves. If OPEC priced oil in euros or Asian central banks substantially increased their euro holdings, it could become dominant quickly (Leonard, 2002, 2005, 77–78). (All three authors, by the way, have no doubt that Denmark, Sweden, and the UK will join the single currency at some point in the very near future.)

Europe is also said to be better positioned to deal with globalization. With a continental market and greater inclination toward regulation, Reid argues that Europeans are writing the rules of the global economy to their advantage (Reid, 2004, 232). For Leonard Europe offers, '…a synthesis of the dynamism of liberalism with the stability and welfare of social democracy' (85), rendering it a magnetic example for rising economies like Brazil, India, and China (p 71). Rifkin goes further: In a world of increasing interdependence and mutual vulnerability, '…trust, reciprocity, and cooperation become more important

UNCORRECTED PROOF

survival values than go-it-alone rugged individualism and adversarial behaviour' (Rifkin, 2004, 196). Comparative advantage will accrue to those who can nurture cooperative networks pooling risks and resources and developing transnational political spaces (Rifkin, 2004, 187–92). Europe is at the cutting edge, poised to excel in the world of tomorrow.

Unfortunately, it requires a rather generous interpretation of the evidence to reach these conclusions. Altering the terms of comparison from growth to quality of life cannot detract from the fact that material performance of European economies is poor. Suggesting that American unemployment rates are underreported is invalid[12] and does little to boost European employment. Nor is the growth and productivity record more favourable. A report by a committee charged with reviewing progress toward the Lisbon goals headed by former Dutch Prime Minister Wim Kok found that

> Europe's economy, bluntly, is growing less quickly than the US and has suffered recently from a lower rate of productivity growth. The post-war catching-up process of the EU with the US in terms of output per head had come to an end by the mid-1970s…but then broadly stabilized. However, since 1996 the average annual growth rate in EU output per head has been 0.4 percentage points below that of the US. From holding its own, *Europe is now losing ground* (European Commission, 2003, 2004, 14; emphasis added).

Q9 Some European countries, particularly Ireland, have improved their economies of late. Others, especially Germany, have moved in the other direction. German per capita GDP was 93% of America's in 1991, but only 73.7% in 2003. Only about half of this results from reunification; the numbers still decline even if focusing on the western *Länder*. Nor can these differences be written off as the result of Americans working longer hours. A recent study using five decades of time-use surveys shows that the number of leisure time hours for Americans has actually increased (Aguiar and Hurst, 2006). All told, the roughly 30 per cent gap with the US is getting bigger. The question then becomes whether the quality of life factors are sufficient to offset a *growing* gap in per capita GDP between the US (and possibly others) and Europe.

Higher productivity could offset this. If, as is argued, Europeans work less but more productively than Americans, this should register as a higher GDP per hour worked. In reality, it is lower for the EU overall, although some individual states are higher (O'Mahoney and van Ark, 2003, 20).[13] Other measures of productivity, GDP per capita or GDP per person employed, shows the US with an across the board advantage. The trend had been for Europe to slowly close the productivity gap with the US. With a GDP per hour worked just 44% of the United States' in 1950, Europe narrowed the difference to 94% in 1995. The situation then reversed, with US productivity growing at 2.2% and the EU-15 at 1.4% (European Commission, 2003, 2004, 15). By 2004 Q10

UNCORRECTED PROOF

output per hour had slipped back to 85%, a fifth of the gains of the previous 45 years having been lost (Gordon, 2004b, Table 1). European economies have become comparatively less productive over the last decade.

Is this a short-term blip or a long-term trend? America's productivity spurt in the 1990s is attributed to investment in information and communications technology (ICT) and its spread throughout the economy (Oliner and Sichel, 2002). From this perspective, the bulk of ICT investment in the US has already occurred, allowing other economies to catch-up and realigning productivity growth rates. However, increased American productivity was not driven by ICT-*producing* industries, the productivity growth rates of which were similar in Europe and America (Gordon, 2004b, Table 3). Almost all of the aggregate differences stemmed from ICT-*using* service industries, primarily securities, wholesale trades, and retail trades (van Ark *et al.*, 2003). These did not accrue simply by installing electronic checkouts and inventory scanners, but by reorganizing into 'big box' operations like Wal-Mart, Home Depot, and Best Q11 Buy (Gordon, 2002b, 9), changes which are limited by governmental and social impediments in Europe. This reduced the contributions of ICT to European growth to half that of the US (European Commission, 2003, 2004, 15). The vocal defeat of the EU services directive in 2005 does not bode well for improvement on this front. Nor has there been much progress on the Lisbon Strategy, as the Kok Committee report makes clear. The European Innovation Scoreboard[14] developed to monitor progress on Lisbon, shows that EU innovation activity is largely unchanged since 1996 while the US and Japan forge ahead.

Then there are Europe's demographic difficulties, largely discounted by these authors. Even if the American economy is driven by population growth (a combination of immigration and higher birth rates), declining populations in Europe[15] spell ill for the continent's economies, reducing the number of available workers and increasing strains on state pension and health systems. The US faces a similar problem and Japan's demographic profile is worse still, yet with more generous benefits, earlier retirement ages, and fewer young taxpayers to foot the bill, Europe's challenge will be greater. Increased immigration, both from within and outside of the union, could correct this, but apocryphal 'Polish plumbers' and fears of Islamic terrorism make this is a political non-starter. Add this to the previously considered points regarding employment, growth, and productivity, and this suggests that the core European economies are unlikely to alter their growth trajectories in the near term.

Nor is the single currency likely to come to the rescue. The euro has appreciated in value and established itself as the number two reserve currency (with 19.7% of official reserves), well behind the dollar (63.8%) but four times the yen or the pound (Chinn and Frankel, 2005, 12–13). For the single currency

UNCORRECTED PROOF

to overtake the dollar, the eurozone too needs to expand to encompass all remaining EU members (especially the UK, given its well-developed financial markets) and there must be continued decline in confidence in the dollar. Even under this scenario, the euro dominance is unlikely before the early 2020s (Chinn and Frankel, 2005). Economic gains from seignorage are uncertain and, at best, accrue long-term. Meanwhile, the eurozone must pay the costs of operating a single monetary policy in a less than optimal currency area. Interest rates are too high for Germany, suppressing growth, yet too low for Spain, fostering a housing bubble and soaring current account deficit. Italian real exchange rates have risen sharply due to higher unit labour costs, yet they cannot devalue, producing a deep recession and calls for the re-adoption of the lira (Prior-Wandesforde and Hacche, 2005, 11–13). Institutional reforms in the EMU or structural reforms of eurozone economies are needed to avert a currency meltdown (Prior-Wandesforde and Hacche, 2005, 34–35).

The most noteworthy issue raised by these authors relates to Europe's purported competitive advantage in a globalizing economy. Globalization is a contested concept and encompasses a wide range of social, political, and economic changes. Economically it entails the internationalization of economic activity (increased trade and capital flows), technological changes (the ICT revolution), and the globalization of production structures (outsourcing and integrated production). Still, many of the old rules of capitalism remain: companies — and countries — must remain productive, innovative, and (especially given reduced product life-cycles) adaptive to a more unpredictable environment.

These texts draw on a larger discourse about the relative advantages of different models of capitalism (Overviews include Crouch and Streeck, 1997; Coates, 2001; Hall and Soskice, 2001). Capitalist economies are not interchangeable; markets are embedded in specific institutional, regulatory and social structures that shape development. Actors face common problems — managing industrial relations, gaining access to finance, securing a properly trained workforce, dealing with suppliers and clients (Hall and Soskice, 2001, 7) — but develop diverse means to resolve them. The focus then is on socially embedded cross-national institutional variations and how these influence economic performance (Phillips, 2004).

A commonly used dichotomy is between liberal and coordinated market economies, epitomized by the United States and Germany. In liberal market economies, equity finance predominates, requiring close attention to current earnings. Industrial relations are contractual and transient; managers craft corporate strategy as they see fit. Education and training emphasize general, hence transferable, skills. Inter-firm networks are discouraged (i.e., antitrust) and innovations are proprietary, allowing windfall profits for new technologies and putting a premium on being a first mover. In coordinated economies, firms

UNCORRECTED PROOF

access 'patient capital' through major banks or other corporations. Investments are monitored less through profit reports and more through insider information, with banks holding seats on boards of directors and companies linked through business networks. This allows the sharing of technological and organizational know-how. Corporate managers are constrained by corporate governance rules and an ethos biased toward consensus decision-making, including labour. Industrial relations are governed by industry-wide bargaining, equalizing (high) wages across skill levels, encouraging a committed and stable labour force with specific skills. These do not just represent a menu of options, but rather interconnected models producing complementarities, pushing actors to pursue strategies conforming to the dominant model. When cumulated these create *comparative institutional advantages* across these economies.[16] Different models of capitalism thus have different strengths and can prosper — globalization or not — by accentuating these strengths.

Drawing from the models of capitalism literature, the message of the books under review is that the European social model can continue to prosper under globalization by reinforcing its existing institutional advantages. Rifkin even suggests that these advantages will increase. The problem is that this conception of advantage in inherently static. A better way to make sense of this issue is to think less in terms of static comparative advantages and more in terms of *how globalization alters the opportunity cost of various models of capitalism*. Models that buck global trends pay a rising price for doing so, and this should be reflected in relatively poor performance. Conforming to changes in the global economy should produce the opposite, leading to improved economic performance. Increasing competition and rapid technological change thus generates rising opportunity costs for coordinated strategies. The persistence of the European social model does not in itself establish that global forces can be mediated through domestic structures without material consequences (Schmidt, 2002; Swank, 2002). Complementarities remain that encourage actors to pursue strategies after their efficiency has declined; think of Great Britain after World War II. What matters is whether a system is 'adaptively efficient', possessing formal and informal institutions that provide incentives to undertake risk and adapt to changing circumstances (North, 1990, 2005).

Are European economies adaptively efficient? Too much of the discussion focuses on the welfare state. The liberalizing argument is that high taxation and spending is unsustainable in an era of footloose capital; companies will flee to less costly climes. There is some evidence of this, particularly of companies moving to Eastern Europe, but European capital flight has not been on the scale predicted and offshore outsourcing is as much of an issue in liberal economies. Moreover, there is no clear pattern of performance correlating with welfare spending. The last decade has seen strong growth in welfare states

UNCORRECTED PROOF

(Sweden, Denmark), Anglo-Saxon economies (US, UK) and those that reside somewhere in between (Ireland). Analysts can thus pick *à la carte* the example that best serves their point. The authors of these books do just that, Leonard being the most egregious offender. The welfare state is a poor means of explaining differential economic outcomes.

The focus on public policy misses a key aspect of globalization. Hierarchies and barriers are being knocked down by a convergence of technological and political changes; the world has 'flattened', as it were. The implications are multiple, but a key point is that '…globalization is going to be increasingly driven by the *individuals* who understand the flat world, adapt themselves quickly to its processes and technologies, and start to march forward …' (Friedman, 183). Globalization means that individuals are connected directly to global market forces *regardless* of national policies. It is not just an issue of how governments respond to globalization, but how societies and individuals respond. So are European societies and individuals adaptively efficient?

The evidence is not favourable. The year 1990 — straddled by the collapse of the Berlin Wall and the development of the Worldwide Web — can be marked as the start of the 'take-of stage of globalization'.[17] The performance of European economies since then has been substandard; if they are going to thrive under globalization, they have not done so yet. The ideological and cultural underpinnings of the European social model, moreover, rest on ideals of compromise, social solidarity, and collective endeavour. These may be inclusive and equitable, not necessarily efficient or adaptive. Furthermore, if technological innovation is crucial, then the actual record of improvement, the rhetoric of the Lisbon goals aside, is poor, as the EU itself recognizes. Nor does the political will seem to exist for radical reforms, as evidenced by the French referendum and the 2005 German election. Voters want to maintain the tenets of the postwar settlement, countenancing only marginal changes.

Some reforms, such as 2-year work contracts in France and the Hartz IV labour reforms in Germany, have been implemented. Multinationals like Volkswagen have negotiated new contracts to extend work hours and increase flexibility to stave off outsourcing. As a result, French growth saw an uptick and German unit labour costs are down. The open question is whether it is enough. The underlying macroeconomic performance of the major continental economies has not changed. The exception is the UK, but they are the most liberal of any EU state. Politically, there remains more resistance to reform than actual reform. And while the EU's major multinationals may be adjusting, great swaths of domestic economies, particularly the service sectors, remain locked in inefficient business patterns. Even if the tides shift and reforms are advanced, how will individual citizens respond to greater exposure to global markets? Otto Graf Lambsdorff, a former economics minister in the German Free Democratic Party, suggests that his countrymen are enamored

UNCORRECTED PROOF

with 'snuggle-capitalism' — favouring '…certainty and equality over freedom…clinging to what they know, consoling themselves that they are all in the same boat' ('Ready to Motor?', 2005, 58). Can a society whose dominant ethos is stability and security lead a world economy characterized by rapid change and technological transformation?

This can be given concrete expression using a longstanding economic concept for the inclination to adapt, innovate, and combine technologies in new ways: entrepreneurialism. The Global Entrepreneurial Monitor (GEM, 2004), directed by Babson College and London Business School, shows that the level of 'Total Entrepreneurial Activity' (TEA — the percentage of the adult population engaged in entrepreneurial activity) in Europe is half or less than in the US (Acs *et al.*, 2005, 17).[18] In an EU study of entrepreneurialism, Europeans expressed less desire than Americans to be self-employed or foresaw self-employment as a viable possibility (Eurobarometer, 2004). Europeans also see more obstacles to starting a new business, particularly in terms of administrative barriers, but they also weigh the psychological costs of failure more heavily. American entrepreneurs are more likely to start businesses to seize opportunities (71%) compared to Europeans (55%). Twice as many Europeans did so for reasons of necessity, that is, lacking other employment possibilities (Eurobarometer, 2004, 36). In explaining differences between the US and Europe, a GEM study noted that '…the most marked difference between the United States and the world average is the strength of US cultural and social norms…' (Minniti *et al.*, 2004, 24). Entrepreneurialism is first and foremost a state of mind that blends risk-taking with creativity and innovation
Q12 (European Commission, 2003, 2004, 6). Too few Europeans have this state of mind.

One also needs to be able to turn an entrepreneurial propensity into growth enhancing action. Europeans may be more risk averse because higher taxes on the self-employed reduce potential gains, or because of greater financial and
Q13 legal penalties for bankruptcy (European Commission, 2003, 2004, 12). Institutions also affect entrepreneurs once they are established. An OECD study showed little difference in exit and entry rates for firms across the Atlantic, but US firms started smaller and expanded employment more quickly if they survived, indicating a greater potential for experimentation and exploitation of success. Heavy-handed labour market regulation discourages European companies from hiring new workers. This also has a detrimental effect on productivity growth, particularly in industries with evolving technology (Scarpetta *et al.*, 2002). A negative complementarity is generated — employment protections reduce the propensity for entrepreneurialism, producing fewer entrepreneurs starting new businesses and hiring workers (GEM, 2004).

UNCORRECTED PROOF

The assumption of all of the books reviewed here is that there are no substantial material costs to the European social model. Material gain *vs* quality of life is an important question, but it turns on norms and values, not objective criteria. The opportunity cost inherent in any particular choice *is* an empirical question, however. All economic choices entail tradeoffs; opportunity costs are ubiquitous. The American model may generate jobs, but at a cost of economic insecurity and reduced general welfare (i.e., a lack of healthcare for many lower wage workers). Nor are opportunity costs static; they change over time (i.e., the Soviet command economy in the 1930s *vs* the 1980s). Such changes are driven by sweeping economic and technological changes. Nations, of course, do not have to adjust to changes in the global economy. North Korea and Cuba seem determined to struggle on with versions of state socialism. Yet an unwillingness or inability to change comes at an increasing cost if the world economy is changing rapidly. This is the crux of the argument: the material opportunity costs of the European social model are rising with globalization and the net result is declining comparative economic performance.

An unreformed EU faces 'genteel stagnation' in the 21st century, a relative economic decline comparable to the experience of Great Britain in the 20th century. After World War II, the UK was the second largest economy behind the US. Productivity and growth then started to lag, leading to a decline in comparative economic performance, a trend only stabilized in the 1990s. This was a relative affair, however; Britons are better off than before 'decline' set in. Other economies simply grew faster. This is really where much of Europe finds itself today, with poor performance compared to more dynamic economies. The gaps are widening, admittedly slowly, but, as documented above, this is a process that has been in train for a decade. Such stagnation is genteel because Europe has achieved levels of output and productivity sufficient to support a high standard of living. As Leonard puts it, 'In the future, Europe might not keep up with the voracious consumption of an American economy that puts growth above all else, but the European economic model is robust enough to pay for a quality of life for European citizens that are among the best in the world' (Leonard, 2002, 2005, 84). Why undertake painful reforms when day-to-day existence remains pleasant?

The overriding question remains: Can Europe sustain this quality of life if their economies comparatively stagnate for decades more? Again, the British experience is instructive. On per capita GDP, Britain was top in Europe in 1960. By 1980 it was one of the weakest. Since that time its economy has improved much, yet the UK has still not recovered the level of comparative income of half a century earlier, and this after wrenching political and economic restructuring. The problems of the continental European economies are not as bad as those of Britain in the 1970s, but they are real, nonetheless,

UNCORRECTED PROOF

and reforms are needed. The longer they are delayed, the greater the problems will be, and the more distant the cure. Yet these economies are not on the verge of collapse or penury and will be able to deliver high quality of life for some time. Regrettably, this creates disincentives for reform. This is why the syndrome of genteel stagnation is so ominous. By the time the problems are patently obvious, the challenge could be daunting.

This draws the discussion back to Europe's influence in the world. Not so long ago many argued that Japan would rule the 21st century, forging ahead in technology, dominating world trade, and dictating the rules of the global economy (e.g., Vogel, 1979; Thurow, 1992). It was *the* model to emulate. Multiple recessions and a decade and half of comparative stagnation later, these arguments seem quaint. These analyses of Europe leave one with an arresting sense of *déjà vu*. For the EU to dominate, as these books suggest, they need to outperform others. This is unlikely. The core economies of Europe have underperformed for more than a decade and there is little evidence of growth trajectories changing substantially in the near term given the lack of political will for reform. If this is the case, few will wish to emulate them, further diminishing their influence. No one publishes books anymore touting the 'Japanese century'. In a few years one suspects that these works will be read in the same light.

What is 'Europe'?

There is furthermore a false premise at the heart of these treatises. Europe is treated as a unified and unproblematic concept, a singularity with no meaningful variations. None of these authors, in short, really address the question of 'What is ''Europe''?' (They seem to mean the core continental countries, particularly France and Germany, although this is never explicitly stated.) Norman Davies usefully reminds us that, '…the geographical, cultural, and political parameters of the European community have always remained open to debate (Davies, 1996, 8). The *question* of Europe is thus crucial to any understanding of its status in the years ahead.

The issue cannot be resolved here, only the lines of division noted. In international politics, 'Europe' can mean the EU, or NATO, or a subset of key nations (i.e., France and Germany opposing the US on Iraq; the same two countries working with the UK in trying to resolve the Iranian nuclear issue). Europe manages to speak with a single voice in some areas, such as trade, but devolves to national perspectives on issues of peace and security. When it comes to economic considerations, there is even great diversity. The British Isles, liberal in orientation and with less generous welfare states, contrast sharply with the core continental economies (i.e., the Inner Six), with extensive labour protections, coordinated economies, and substantial redistribution.

UNCORRECTED PROOF

These in turn differs from the Nordic states, heavy on social welfare but replete with work incentives, as well as the Mediterranean countries, with extensive labour protections by weaker welfare states. All differ from the Eastern Europe states, many of whom have adopted flat taxes and embraced free markets. Nor have they been equal in accomplishment. It is the core continental and Mediterranean economies that have been weak; Scandinavia, Britain, and Ireland have been performing admirably. Europe is no more a single economic entity than it is a unified political actor. (As such, the critique of the European social model and the above is really aimed more at the continental European economies than the EU as a whole.) The EU's motto is 'United in Diversity'. One must recognize the diversity so as not to get lost in the hyperbolic claims of works such as these.

Conclusion

Despite the criticisms levelled above, these books are worthy of examination insomuch as they represent a prominent popular and academic perspective on the future status of Europe. In terms of their individual efforts, Reid's book is the most accessible and has the benefits of a journalist's eye for an illuminating anecdote. Yet in a quest to wake up his fellow Americans to the need to emulate European ways, he slips into oversimplification and a very selective use of evidence. Rifkin's book is the most ambitious and intellectually engaging of the three, seeing Europe as a grand experiment that transcends mundane questions regarding issues like welfare state reforms, the CFSP, or the CAP. Ambition falls short of result in this case, however, and Rifkin's provocative arguments wither on close examination. Leonard's book offers the most academic utility, with a better grounding in the scholarly literature and the actual functioning of the EU. However, it is most assuredly a polemic, intended to make the case for Europe. Those seeking a dispassionate exploration of the issue will be disappointed.

These authors may vary in pitch and tone, but they are all singing from the same hymnal. The commonalities across these books are of great consequence than their differences and they collectively fall short. Reid, Rifkin, and Leonard all argue that the EU will be the next superpower based on their soft power and economic prowess. Yet soft power is not as fungible an asset as they maintain and Europe's economic base is insufficiently dynamic to justify predictions of dominance. Europe's power is more likely to plateau in the near term. Moreover, they inappropriately treat Europe as a unified political and economic actor. These books are worth notice as they touch vital questions of the role of Europe, the sources of power in the 21st century, and economic management under globalization, but a much more down-to-earth appraisal is needed.

UNCORRECTED PROOF

Notes

1 I thank Matt Hoffman, Alix Howard, Elham Mafi-Kreft, Kelly Kollman and Tim Oliver for comments on earlier drafts.

2 This is a rehash of the 'industrial district' literature that developed out of studies of northern Italy.

3 For example, all three tend to equate globalization with Europeanization, to treat proposals as finished projects (i.e., the EU constitution), and to be rather fast and loose with the facts.

4 Although these will be solely French or British forces placed under an EU flag rather than new formations. My thanks to Bastian Geigerich for this point.

5 At the height of the tsunami operations, the US had 16,000 US military personnel, 26 ships, and more than 100 aircraft. Statement by Assistant Secretary of Defence Paul Wolfowitz before the Senate Foreign Relations Committee, 10 February 2005.

6 Majorities want the EU to play a greater role in the world, but only 22% support increased defence spending (Transatlantic Trends 2004, 9).

7 The obvious retort would be the slow and insufficient response of the American government to Hurricane Katrina. The problems here were civilian rather than military — a failure of local and federal officials to order military forces into affected areas quickly enough. Once deployed, the military was quite effective. Ironically, the US is probably *more* capable of dealing with foreign disasters because the lines of authority are clear.

8 Leonard devotes a chapter to China, simply asserting that it too will be drawn into Europe's orbit. Of course, this requires that China must develop 'a new ethic of global responsibility [and]…shift its thinking on sovereignty' (p 118). Quite.

9 Fully 59% of Turks think that peace is best secured through military strength, compared to 28% in the EU (and 54% for the US). Nor are Turks multilateralists: 71% think it valid to bypass the UN if a national interest was at stake, even more than in the US (59%). Only 44% of Europeans agree. SeeTransatlantic Trends (2004, 21–23).

10 An anonymous reviewer noted that Ole Weaver should get some credit for the postmodern state moniker. Cooper acknowledges that others have used the term before him, although he does not cite Weaver as one of his references (Cooper, 2003, 173, f.n. 6)

11 American tsunami relief efforts increased favourable ratings for the US in Indonesia, for example.

12 US employment rates (employment to population ratio) are 6% above the EU-15. Nor have they fallen substantially in the last two decades, refuting the idea of a substantial withdrawal from the workforce (OECD, 2005b, 238). Job growth has been strongest in healthcare and financial services, offering above average pay (Sorrentino and Moy, 2002, 23–25). There are fewer part-time workers in the US than the EU and the vast majority of these (85% according to the US Census Bureau) do so for non-economic reasons. Finally, the 'employment through incarceration' argument is a farce. In 2003, the civilian workforce was 147 million with 8.7 million unemployed (5.9%). If *all* of the approximately two million people in jail were released and *none* of them could find work, the unemployment rate would rise to 7.2%, still below European levels.

13 In 2002, EU GDP per hour worked is 92.1% of US. Belgium (108.8), France (106.1), Germany (102.5), Ireland (104.2), and the Netherlands (104.5) are higher.

14 This includes multiple indicators of human resources, knowledge creation, the application of knowledge, and innovation in finance, outputs, and markets.

15 The World Bank predicts eurozone populations will contract by 2015 and may fall by as much as 25% by 2045 (Prior-Wandesforde and Hacche, 2005, 6)

UNCORRECTED PROOF

16 Hall and Soskice contend that CMEs excel in incremental innovations in stable technological sectors while LMEs are stronger in radical innovations in fast-moving technology sectors (pp 41–44).

17 Obviously, many of the political, economic, and technological trends encompassed in globalization predate this point, but this is when they started to converge in truly transformative ways.

18 The US scored a TEA of 11.3, with Britain at 6.3, France at 6.0, Germany at 4.5, and Italy at 4.3.

References

Q15 A Secure Europe in a Better World, European Security Strategy, December 2003.

Q14 Acs, S.J., Pia, A., Michael, H. and Maria, M. (2005) *Global Entrepreneurship Monitor: 2004 Executive Report*, GEM Babson College/Kaufman Foundation.

Aguiar, M. and Hurst, E. (2006) 'Measuring trends in leisure: the allocation of time over five decades', Working Paper No. 06-2, Federal Reserve Bank of Boston.

Q16 Applebaum, A. (2005) 'In search of pro-Americanism', *Foreign Policy*, July/August 32–40.

Bergström, F. and Gidehag, R. (2004) *EU Versus USA*, Stockholm: Timbro.

Blanchard, O. (2004) 'The economic future of Europe, NBER Working Paper No. 10310.

Chinn, B. and Frankel, J. (2005) 'Will the Euro eventually surpass the dollar as leading international reserve currency, Paper presented at the NBER Conference on G-7 Current Accounts: Sustainability and Adjustment, Newport, RI, 1–2 June 2005.

Coates, D. (2001) *Models of Capitalism: Growth and Stagnation in the Modern Era*., Cambridge, UK: Polity Press.

Q17 Cooper, R. (2002) 'The post modern State', in Leonard (ed.), pp 11–20.

Cooper, R. (2003) *The Breaking of Nations: Order and Chaos in the Twenty-First Century*, New York: Atlantic Monthly Press.

Crouch, C. and Streeck, W. (eds.) (1997) *The Political Economy of Modern Capitalism: Mapping Convergence and Diversity*, London: Sage.

Danchev, A. (2005) 'How strong are shared values in the transatlantic relationship?' *British Journal of Politics and International Studies* 7(3): 429–436.

Davies, N. (1996) *Europe: A History*., New York: Oxford University Press.

Diez, T. (2005) 'Constructing the self and changing others reconsidering "normative power Europe"', *Millennium* 33(3): 613–636.

Eurobarometer (2004) *Entrepreneurship*, Flash Eurobarometer 160.

European Commission (2003) 'Entrepreneurship in Europe', Green Paper.

European Commission (2004) *Facing the Challenge: The Lisbon Strategy for Growth and Employment*, Report from the High Level Group chaired by Wim Kok, Brussels: The European Union.

Q18 Everts, S. *et al.* (2004) *A European Way of War*, London: Center for European Reform.

Q19 Freidman, T.L. (2005) *The World Is Flat: A Brief History of the Twenty-First Century*, New York: Farrar, Straus, and Girroux.

Gaddis, J.L. (2004) *Surprise, Security and the American Experience,*, Cambridge, MA: Harvard University Press.

Q20 Geigerich, B. and William, W. (2004) 'Not such a soft power: the external deployment of European forces', *Survival* 46(2): 163–183.

Q21 Global Entrepreneurship Monitor (2004) *Global Entrepreneurship Monitor: National and Regional Summaries*, Babson College.

UNCORRECTED PROOF

GlobeScan/PIPA. (Programme on International Policy Attitudes), '23 Nation Poll: Who Will Lead theWorld?' April 2005.

Q22 Gnessetto, N. (ed.) (2004) *EU Security and Defense Policy: The First Five Years (1999–2004)*, Paris: EU Institute for Security Studies.

Gordon, R.J. (2004a) 'Two centuries of economic growth: Europe chasing the American frontier', CEPR Working Paper.

Gordon, R.J. (2004b) 'Why was Europe left at the station when America's productivity locomotive departed?', CEPR Working Paper.

Q23 Gowan, R. (2005) 'Preface' in Youngs (ed.) pp iii–viii.

Hall, P.A. and Soskice, D. (eds.) (2001) *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*, New York: Oxford University Press.

Kagan, R. (2003) *Of Paradise and Power: America and Europe in the New World Order*, New York:Vintage Books.

Krauthammer, C. (2004) 'In defense of democratic realism', *The National Interest* 77: 15–25.

Leiken, R. (2005) 'Europe's angry muslims', *Foreign Affairs* 84(4): 120–135.

Leonard, M. (ed.) (2002) *Re-Ordering the World*, London: The Foreign Policy Centre.

Leonard, M. (2005) *Why Europe Will Run the 21st Century*, London: Fourth Estate.

Manners, I. (2002) 'Normative power Europe: a contradiction in terms?' *Journal of Common Market Studies* 40(2): 235–258.

Q24 Minniti, M. *et al.* (2004) *National Entrepreneurship Assessment: United States of America*, Global Entrepreneurship Monitor. Babson College/Kaufman Foundation.

Q25 National Security Strategy of the United States of America, September 2002.

North, D.C. (1990) *Institutions, Institutional Change, and Economic Performance*, New York: Cambridge University Press.

North, D.C. (2005) *Understanding the Process of Economic Change*, Princeton, NJ: Princeton University Press.

Nye, J. (1990) *Bound to Lead: The Changing Nature of American Power*, New York: Basic Books.

Nye, J. (2002) *The Paradox of American Power*, New York: Oxford University Press.

Nye, J. (2004a) *Soft Power: The Means to Success in World Politics*, New York: Public Affairs.

Nye, J. (2004b) 'The decline of America soft power', *Foreign Affairs* 83(3): 16–20.

OECD (2004) *Employment Outlook*, Paris: OECD.

OECD (2005a) *Economic Outlook*, No. 77 Paris: OECD.

OECD (2005b) *Employment Outlook*, Paris: OECD.

OECD (2005c) *Society at a Glance*, Paris: OECD.

Q26 Oliner, S.D. and Sichel, D.E. (2002) 'Information technology and productivity: where are we now and where are we going?' *Federal Reserve Bank of Atlanta Economic Review*, Third Quarter 15–44.

O'Mahoney, M. and van Ark, B. (eds.) (2003) *EU Productivity and Competitiveness: An Industry Perspective*, Luxembourg: EU.

Pew Global Attitudes Project. 16-Nation Pew Global Attitudes Survey, June 23, 2005.

Phillips, N. (2004) *The Southern Cone Model: The Political Economy of Regional Capitalist Development in Latin America*, London: Routledge.

Q27 Prior-Wandesforde and Hacche, G. (2005) *European Meltdown?*, London: HSBC Global Research.

Ready to Motor? 2005 *The Economist*, August 20, pp 58–60.

Reid, T.R. (2004) *The United States of Europe: The New Superpower and the End of American Supremacy*, New York: Penguin.

Rifkin, J. (2004) *The European Dream: How Europe's Vision of the Future is Quietly Eclipsing the American Dream*, New York: Tarcher/Penguin.

Q28 Scarpetta, S. *et al.* (2002) *The Role of Policy and Institutions for Productivity and Firm Dynamics: Evidence from Micro and Industry Data*, OECD: Paris.

UNCORRECTED PROOF

Schmidt, V. (2002) *The Futures of European Capitalism*, New York: Oxford University Press.

Q30 Schmitt, B. (2004) 'European capabilities: how many divisions?' *Gnessetto*, 89–110.

Q29 Shonfield, A. (1965) *Modern Capitalism*, New York: Oxford University Press.

Sorrentino, C. and Moy, J. (2002) 'US labor market performance in international perspective', *Monthly Labor Review* (June): 15–35.

Swank, D. (2002) *Global Capital, Political Institutions, and Policy Change in Developed Welfare States*, New York: Cambridge University Press.

Thurow, L. (1992) *Head to Head: The Coming Economic Battle Among Japan, Europe and America*, New York: Morrow.

Q31 Transatlantic Trends (2004) 'The German Marshall Fund in the United States'.

Van Ark, B., Inklaar, R. and McGuckin, R.H. (2003) 'ICT and productivity in Europe and the United States: where do the differences come from?' *CESifo Economic Studies* 49(3): 295–318.

Vogel, E. (1979) *Japan as Number One: Lessons for America*, New York: Harper and Row.

Youngs, R. (ed.) (2005a) *Global Europe Report 2: The New Terms of Engagement*, London: The Foreign Policy Centre.

Q32 Youngs, R. (2005b) 'Engagement: sharpening European influence,' in Youngs (ed.), pp 1–14.

UNCORRECTED PROOF