

INTRODUCTION

When an Australian magazine dedicates two thirds of an issue to European questions, this usually requires an explanation. But times are not usual. It is all too obvious why such a detailed treatment is more than warranted these days.

Europe has been a continent in crisis for the past three years. The whole world is watching with astonishment, and at times with exasperation, how the Europeans have been unable to deal with their economic problems. An endless procession of crisis meetings, long weekend summits, and emergency measures could not contain the troubles in the tiny country of Greece on the southeast European periphery. Indeed, the economic crisis has engulfed large parts of Europe and threatens the world economy.

Europe's problems precede the more acute crisis symptoms by decades. Their underlying reasons are manifold but at their root there is political hubris. As the authors of the essays collected in this issue of *Policy* show clearly, all too often decision-making in Europe was guided by wishful political thinking, not by sober political analyses.

This would all be tragic for the Europeans but of little interest to ordinary Australians. And yet, I am convinced that Australians should follow events in Europe closely, as painful as even watching the crisis from afar can be at times. The reason is not Australia's historical links with Europe. The reason is the need to prevent Australia's future from resembling Europe's present.

Some problems are uniquely European and there is no need to fear a repeat of them here. As long as there is no monetary union between Australia, New Zealand, PNG and Fiji, we are unlikely ever to see a similar monetary chaos in this region.

Other problems do nevertheless look frighteningly familiar. And it is not just specific economic policies but the general attitude that politicians can shape an economy according to their wishes.

There was no shortage of this attitude in Europe. At the beginning of the century, Europe's leaders came together in Lisbon to pass a resolution that pledged to turn Europe into the world's most innovative and creative economic area. As we know now, this so-called Lisbon Agenda has not precisely played out the way it was intended.

In Australia, we did not have a Lisbon Agenda. But we certainly did not have a shortage of ambitious government programs with even more ambitious names. Building the Education Revolution, the New Car Plan for a Greener Future, or the National Broadband Network: even the names sound like programs designed in Brussels.

Europe's crisis may have been triggered by the global financial crisis, but troubles in financial markets only brought to the boil a process that had been decades in the making. The cataclysmic events we are witnessing now may mark the end of that fabled European Social Model, the social-democratic hybrid between a planned economy and capitalism.

Australians, take note. To avoid a replay of the European drama in our part of the world, we have to understand what went wrong in Europe.

Dr Oliver Marc Hartwich is a Research Fellow with the economics program at The Centre for Independent Studies.