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In 1965, a young middle-class Italian born in 1940 possessed no car, took cheap holidays, had already graduated from university, did not wait for financial security before starting a family, which was of course founded in marriage, and believed that his future would be more prosperous than that of his parents. If he did well as a student, he would find a job quickly and could afford his rent from his starting salary; after working for 15-20 years he could, with the help of a loan, afford to buy a house.

The situation of his son born in 1970 is almost the reverse: long-drawn-out studies, conspicuous consumption, no job, or only temporary contracts, no problems about living together outside marriage but fewer prospects of a family. We have gone from enriching the poor to impoverishing the rich. Today's sense of decline appears to be the corollary of the sudden comfort which the previous generation had been the first to enjoy.

Throughout the post-war period, the economy of Europe was more dynamic than that of America. Europe gradually caught up with the United States, which appeared to be a country in decline. There was talk of alternatives to capitalism and many studies encouraged America to follow the European or Japanese model: fewer redundancies, a paternalistic and corporatist attitude, strong ties between worker and firm, stable ownership, fewer stock exchange raids and takeovers, more social welfare.

Then, about 15 years ago, these trends went into reverse: Japan ground to a halt, Europe began to lag behind, the United States re-entered the race. For the first five years of the new century, Europe's economy suffered from the longest period of stagnation since the end of the Second World War; compared with the normal rates of growth in previous decades, it suffered a much greater loss of income than would have been caused by a real recession followed by a real boom.

The disease from which Europe's economy suffered at the start of the third millennium, and which is only now showing signs of overcoming, was low growth, not a cyclical slowdown. Economists and politicians know a lot about the economic cycle but not as much about growth, a phenomenon which they find difficult to forecast or create, which usually takes them by surprise both when it comes and when it goes, and which they normally study only in hindsight.

The enlargement of the European Union – to 25 countries and now to 27 – nevertheless means that Europe is bound to grow in future. There are those who regret, quite rightly, the urgent need for structural reforms; but the important reforms of recent years should not be overlooked. They lie behind the current recovery which shows some signs of being durable.

The discussions of recent years reveal certain constant factors. If it is not to be squeezed between competition from America's high-technology services and Asia's low-cost manufactured goods, Europe must increase its productivity, expand into new sectors of industry and services and, in the traditional sectors, aim at the higher quality brackets. To do this, it must develop a capability for more rapid change, shift labour and capital more easily from the old to the new, from firms and sectors that are in the red, or only marginally profitable, to those that are more competitive. The watchword is no longer 'stability' but 'flexibility'. Today, the obstacles to rapid change are the laws, regulatory provisions and labour agreements which protect the old economy and spare it from the effort of conversion. The forces with a vested interest in the status quo have more influence on governments and the political system than those who would benefit from change.

This is a European story in that it is French, German, Belgian and Dutch, not merely Italian. But is it also European in the sense that it derives from a

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congenital defect in the European Union or from some error in the way it exercises its own powers? And if there is an error, whose is it?

A truly united Europe is perhaps the only way of providing guidance which would offer hope to young people, encourage families to live and spend, give businesses confidence and a desire to invest, and provide the will and resources to undertake ambitious research projects and develop infrastructure. In this sense, it is true that many of the remedies are to be found in Brussels.

But it would be a serious mistake to think that national policies have no part to play or do not bear considerable responsibilities.

First of all: despite everything, Europe includes economies which are growing, as well as stagnant ones; and the differences between the two are largely a result of the national behaviour of governments, the captains of industry and society as a whole.

A country which works better than the others becomes more competitive and secures a premium, which is increased by its participation in Europe. Similarly, the penalty suffered by the country which performs less well than the others is more severe.

Secondly: it is true that the errors and omissions in European policies which act as a brake on growth come from Brussels, but they are decided on by the national governments meeting there. It is true that Brussels houses the government of Europe (the Commission) but it is also the venue for meetings of the cartel of national powers (the Council) which not infrequently has hindered Europe's forward march. It is this cartel which prevents progress on policies for energy, research, transport and infrastructure, which blocks the Community budget, which gives birth to the worst excesses of regulation and which impedes political union.

In Brussels, we sometimes waste time legislating on minutiae, at the expense of the Constitution or joint defence: still less do we complete important projects, because we are wasting time on trivia. We have both too much Europe and too little. Things have not substantially changed in the last decades. During my years in Brussels, at the beginning of the 1980s as the head of DG ECFIN, I had the same mixed feelings. In spite of this, it was perhaps in those years that the seeds were sown for the developments that led to the single market and the single currency.

Growth is a social process even more than an industrial, productive or commercial process; what grows is society, even more than the economy. The things that accompany growth, dynamism, optimism and the desire to improve one's lot are a reflection of society as a whole and, in particular, of that part of it which, through its influence and ability to guide, emerges as the managing class. Only Europe can provide an institutional framework and basic direction to release the dynamic forces which are both able and willing to confront today's global challenges. ■