

Macro Roundup Article

Headline: [Europe Regulates Its Way to Last Place](#)

Article Link: <https://www.wsj.com/economy/europe-regulates-its-way-to-last-place-2a03c21d>

Author(s)	Greg Ip
Publication	Wall Street Journal
Publication Date	February 02, 2024

Tweet: European firms with at least \$1B in revenue spent 3.7% of revenue on R&D; vs. 6.8% for comparable US firms, and earned 14% ROIC vs. 17.8% for US firms. @greg_ip points to European competition policy as a driver.

Summary: Europe's economy underperforms for lots of reasons, from demographics to energy costs, not just regulation. And U.S. regulators aren't exactly hands-off. Still, they tend to act on evidence of harm, whereas Europe's will act on the mere possibility. This precautionary principle can throttle innovation in its cradle. The McKinsey Global Institute noted Europe's internal market is larger than China's and almost as big as the U.S.'s. But when it compared companies with more than \$1 billion in revenue, the U.S. firms spent 80% more on research and development, boasted 30% higher return on capital, and 1.3-percentage points faster revenue growth.

Related Articles: EU's New AI Act Risks Hampering Innovation, Warns Emmanuel Macron and Attenuating Innovation (AI) and Erik Brynjolfsson: 'This Could Be The Best Decade in History — Or The Worst'

Primary Topic: Regulation

Topics: Fiscal Policy, Innovation/Research, Investment, Op-Ed/Blog Post, Productivity, Regulation, Weekly

Permalink: https://www.edwardconard.com/macro-roundup/european-firms-with-at-least-1b-in-revenue-spent-3-7-of-revenue-on-rd-vs-6-8-for-comparable-us-firms-and-earned-14-roic-vs-17-8-for-us-firms-greg_ip-points-to-european-competition-policy-as-a-d?view=detail

Featured Image Link: <https://www.edwardconard.com/wp-content/uploads/2024/02/Greg-IP-Europe-Versus-US-metrics.png>