When it comes to competing political theories, money talks

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The government's mantra is that Europe has to fix its own problems. The Secretary to the Treasury, Martin Parkinson, wants "clear and credible" commitments. The Prime Minster, Julia Gillard, promised to deliver a tough message to leaders at the G20 summit in Cannes last month, from where the Treasurer, Wayne Swan, declared "the time for half measures … was over".

But the government never goes into detail. How much should German taxpayers pay to underwrite the sovereign debts of Italy, Greece and other countries that have spent money they did not have? If their bonds are salvaged, how do these countries get competitive without a massive currency devaluation, which cannot occur in a common currency? What can be done to fix their underlying economies?

The government might think it is none of its business to tell Europeans how to suck sovereign bonds, but if that were the case it would not be demanding action as often as it does.

One time we could have shared our experience of managing and eliminating public debt; how to halt a ratings downgrade and restore a sovereign credit rating to AAA; breaking down restrictive work practices and exposing ossified industries to the winds of competition.

Economic problems usually build up over a long time. Europe's excessive debt and low productivity have been mounting for decades. There is even a word for it: Eurosclerosis.

In the 1990s, the Organisation for Economic Co-operation and Development (OECD) recommended Europe look at Australian reforms as a way of dealing with its problems, but most of it didn't, and the consequences of long-term neglect are coming home to roost.

Since then, a funny thing has happened in Australia. After Lehman Brothers collapsed in 2008, the then prime minister, Kevin Rudd, decided that Lehman's failure showed how the liberal economic model adopted by Australia had failed.

What the world needed, Rudd said, was to be rescued by social democracy, which required more state intervention, higher spending and higher borrowing. There was a model for this kind of thing: Europe, the home of social democracy. Rudd thought that smaller government had been shown up as a poor competitor, and bigger government, with a larger borrowing program, was the answer.

It is strange to think that the government wanted to ape Europe just as it was sliding into crisis. No wonder it feels a bit queasy about recommending how Europe could turn things around.

If Australia cannot share any useful recent experience with Europe, where should Europeans start looking? They are already looking at cashed-up countries that could plough funds into their ailing banking systems, and the biggest of them all is China.

China is not just balancing its budget, it is accumulating money from its rapid economic growth into government-owned sovereign wealth funds. One of these, the China Investment Corporation (CIC), is thought to have about $US400 billion, or five times that of Australia's equivalent, the Future Fund.

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The CIC's chairman, Jin Liqun, was asked recently if he would lend money for European bailouts.

His reply was extraordinary and deserves to be quoted in full: "If you look at the troubles which happened in European countries, this is purely because of the accumulated troubles of the worn-out welfare society. I think the labour laws are outdated. The labour laws induce sloth, indolence, rather than hard-working. The incentive system is totally out of whack."

Jin is an extremely well-regarded economist; he is chairman of the International Forum of Sovereign Wealth Funds, and he represents a Communist government. When you have Communists complaining about socialism in Europe it is worth paying attention.

Is he wrong? I don't think so. Neither does the OECD. The government will not give us the benefit of its views because its Fair Work labour laws are not focused on incentives any more than the European model.

At one time, the Chinese government would have had nothing to teach us about economic growth, but its track record is not looking so bad these days. Borrowers cannot be choosers, and if Europe wants a loan from China it will get an earful of advice with it.

We have had a lot of Europeans lecturing us about carbon emissions and energy policy. Europe will have something to teach us, and the world, about social democracy, labour laws, and carbon pollution reduction schemes when things are the other way round.

Keep your eye on the money. Take it seriously the day you see the Chinese going to Europe looking for a loan.

Peter Costello is the former Liberal federal treasurer.