

# Sarkozy's dream of taming America is doomed

The American model of lightly regulated capitalism may be in disrepute, says **Irwin Stelzer**. But the French President's ambition is deluded

**F**rench presidents/emperors are given to delusion. Napoleon thought he could conquer the Russian winter. Charles de Gaulle thought he heard voices anointing him the leader of the Free French, and later deluded himself into believing that he — not the British and the Americans, not Winston Churchill and Franklin Roosevelt — liberated France from the Nazis, to whom the massive French army had quickly surrendered just a few years earlier.

And now we have Nicolas Sarkozy. Taller than Napoleon, shorter than de Gaulle, but equally susceptible to delusions. And more than one. The first is that he can turn back the tide of globalisation, hold back the tides of capital that wash across national borders. So he has set up one of the 20 largest investment funds in the world, to be managed by state-backed Caisse des Dépôts, its purpose to prevent foreign companies from buying French enterprises. 'The day we stop building trains, aircraft, cars and ships, what is left of the French economy? I will not turn France into a reserve for tourists,' he said last week. He might have added that the soul of the nation would wither were foreigners to gain control of Danone, the yogurt-maker, which he has also declared off-limits to foreigners.

Meanwhile EDF, France's state-owned electricity monopoly, is purchasing British Energy and control of Britain's nuclear power industry. This transfers to Paris decisions concerning the allocation of investment funds between facilities needed to keep French consumers and industries adequately supplied with affordable electricity, and those needed in Britain. Sarkozy is untroubled by the contradictions inherent in his combination of protecting French companies while acquiring overseas enterprises. Gordon Brown should be. Even Adam Smith never argued that free trade trumps all other societal concerns.

Sarkozy's delusions do not stop with his notion that he can control the flow of capital without reducing the material wellbeing of France's citizens. He also believes that his recent trip to Washington to attend the G20 meeting resulted in the reduction of the United States to a junior partner of a French-led Europe. Sarkozy is generous: he concedes that he needed a bit of help from regulation-inclined Gordon Brown to

consign the American model of capitalism to the ash heap of history. But only a bit of help. Brown merely blames America, knowing that doing so gets him off the hook at home, but does not antagonise the incoming president, who is every bit as critical of Bush as Brown has now found the courage to be. Sarkozy goes further: he wants to cut American influence down to size, to a notch below that of France if possible, well below Europe if he has to settle for that comparison. Hence Sarkozy's renewed pursuit of the long-held French dream of enhancing his nation's power and prestige by diminishing the role played in the world by that hyperpower, the United States of America.

Sarkozy is shrewd enough to know that two things converge to enhance his chances of success. The first is the unpopularity of George W. Bush, and the fact that the US President is a lame duck, his power diminished by his low standing in the polls and the presence of removal vans at the back entrance of the White House. When Barack Obama is sworn in on 20 January, European leaders won't have George Bush to kick around any more, to borrow a phrase made famous by Richard Nixon when his failure to capture California's governorship seemed to him to mark the end of his political career. The 'nons' and 'neins' to every American request that have been so popular in France, Germany and elsewhere will not go down quite as well with European voters when they are directed at Europe's new idol, Barack Obama.

Sarkozy knows, too, that his chance of selling the state-run capitalism of France as a model superior to the American version is maximised by the world's economic woes. Brown's efforts to blame the world's troubles on America suit Sarkozy perfectly. Good enough for Brown, good enough for Sarkozy. America is the culprit, and as a consequence a discredited giant whose day has



'Old Labour has repossessed New Labour.'

come and gone. Its 'dictatorship of the markets' has been shown to be incapable of controlling speculators, overpaid bankers and others who have caused the current worldwide crisis. France's 'massive' — his word — state intervention is now the model *du jour*.

Sarkozy believes that the weakness of the American economic model will bring with it a decline in America's military power. To help that decline along he is whipping up new enthusiasm for a European army, again with the enthusiastic support of Gordon Brown, as a counterpoise to Nato, which he believes is dominated by America. Never mind that his EU partners have no taste for increasing their defence spending, or that his German friends do not share his willingness to put troops in harm's way by permitting them to be stationed in dangerous places, or to emerge from their barracks in Afghanistan after dark. The new army will borrow Nato — read, American — 'assets' such as helicopters when circumstances demand. Why even as ally-friendly a president as Obama would sign on to such an arrangement is unclear.

Sarkozy undoubtedly was as pleased as the *Guardian* ('Sun sets on US power') by the report of America's National Intelligence Council calling into question the inevitability of the continued lustre of 'the Western model of economic liberalism, democracy and secularism'. The outlook for the EU is equally bleak — it will be 'hobbled' by the 'democracy gap' separating citizens from the Brussels eurocracy.

So where are we? First, the French model will prove sustainable so long as its citizens are willing to accept the slower economic growth and higher long-term unemployment that result from the hardening of a nation's economic arteries when decision-making increasingly is in the hands of risk-averse bureaucrats. But the export potential of such a model is limited.

Second, America's dominance will obviously be reduced as wealth moves to emerging economies — not a bad thing. But the NIC predicts that in 2025 America's economy will remain the most powerful in the world, with China replacing Europe in the second spot. The American model of lightly regulated capitalism, in temporary disrepute and suspension, remains the only one with a proven ability to drive living standards forward while preserving individual freedom. The made-in-America model, appropriately reformed, sensibly regulated, modified and updated will again be the international gold standard for democratic countries. Mr Sarkozy is doomed to disappointment: the dominant post-recession model will be nothing like the highly regulated, state-bound model, with markets replaced by political 'leadership' that he is hoping for. As the *Economist* has put it, 'History has not been kind to companies run by state planners.'

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