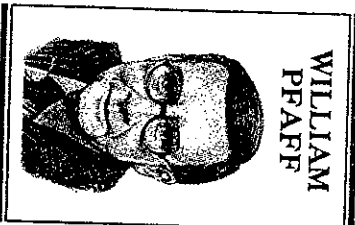


French distrust U.S. capitalism

PARIS — Newsweek has written that the strikes disrupting France's society and economy are a futile attempt to deny the reality that the Europeans' "easy life" is over.

The implacable evolution of the global economy means no more free universal health care in Europe, the magazine says. No more free universities. No more generous unemployment benefits. No more subsidized orchestras and opera and ballet companies. From now on Europeans will have to live pinched and mean lives — just like modern Americans, the magazine seems to be announcing, with grim satisfaction.



Newsweek is correct to the extent that what is going on in France, in the guise of a defense of various established privileges, or abuses, is an inarticulate refusal (which enjoys the sympathy of a majority of the French) to accept the version of capitalism now practiced in the United States and Britain.

This is not the capitalism of Adam Smith. It is the new economic ideology that has emerged in U.S. and British universities and editorial rooms during the past 15 years.

I am not speaking of monetarism, which is an innovative and useful interpretation of economic forces, although certainly not a comprehensive or infallible one. I am talking about two arguments made in the United States and Britain, which have become extremely influential elsewhere, including in Brussels, the European Union's headquarters.

The first argument says that totally unfettered trade among societies at all levels of economic, social and political development is an unqualified good and will eventually produce a better life for all who take part in this trading system.

There is no reliable evidence that this is true. The argument relies on the experience of the advanced industrial countries' trade with one another since the end of World War II. This has been trade among societies that are at about the same level of industrial sophistication. Japan, industrially backward in 1945, subsequently prospered through a policy of domestic protectionism and exploitation of open markets in the United States and Europe, and thereby joined the ranks of the advanced industrial economies. But Japan still resists the open trade policy demanded by Washington.

The second argument says that the sole appropriate criterion for corporate decisions is return on invested capital and that any other consideration, including concern for the well-being of the work force and of the community in which the corporation functions, distorts economic rationality. The concept of a "social return" on investment, or of a corporate social responsibility, is peremptorily and arbitrarily ruled out by this theory.

This, too is sheer ideology, and a pernicious one because it tends to destroy the well-being of living people for the sake of a utopian future. The most bizarre feature of today's politico-economic scene is that capitalism, in the form now taught in U.S. and European schools of management, and practiced by international corporations, is behaving as Leninism and Stalinism did in the first half of this century. It is destroying the prosperity of livelihoods of millions for the sake of the promised well-being of generations to come. This is not only intellectually disreputable, it is immoral.

This economic ideology has turned U.S. capitalism from the machine for creating wealth and improving human lives that it was between 1940 and 1980 into a machine for impoverishing society and destroying employment — to the benefit, chiefly, of a narrow class of corporate managers and a somewhat larger class of corporate investors.

The U.S. worker without a college education made \$11.23 an hour in 1979, on average. In 1993 he made \$9.92, in inflation-adjusted dollars. The university-educated employee made \$15.52 in 1979 and in 1993 was up to \$15.71, a 19-cent gain.

The average chief executive officer of a large U.S. company made about 40 times the wage of an average worker two decades ago, and now makes 190 times a worker's salary, according to a sampling of executive compensation in 424 very large companies cited recently in The New Yorker.

The European model has held that social return, or social responsibility, is as important as investment return to the enterprise, and is essential to the society in which the corporation functions. This model is under intellectual and economic attack from the ideology now uncritically promulgated by Democratic as well as Republican administrations in the United States, and by Britain's Conservatives.

The battle continues, in part because the Anglo-American trade ideology is rejected by Japan and the Asian "tiger" economies, all of them protectionist in fact if not in name. The new ideology has made substantial gains in Europe, which is why this upheaval in France is so interesting.

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