

# Anglo-Saxon vs. European capitalism

## Drifting apart, US and EU politicians follow underlying economic trends

*Politically, the European Union and the United States are drifting apart. But as we all know - since Karl Marx or Bill Clinton, depending on our age - economy always comes first. Actually, the economic cultures of the 'old' and the 'new' world were already moving in opposite directions long before George Bush jr. and Jacques Chirac started quarrelling (in 2003). Evidence suggests that in the '90s the US became even more 'Anglo-Saxon' in economic nature. In the 'old' world only the Dutch followed the Americans, and with great enthusiasm. Meanwhile the EU-core, France and Germany, adopted a more 'Continental European' course – as the UK did under Tony Blair.*

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The concepts 'Continental European' and 'Anglo-Saxon' were introduced in 1991 by Michel Albert, a former director of the French central government planning agency. In his book *Capitalisme contre capitalisme* he argued that two forms of capitalism are trying to gain global dominance, with Europe as their main battlefield.

The Continental European model (Albert also used the term 'Rhineland Model') can be found in Germany and other Western European countries. Japan has its own version. Albert described the model as a strongly regulated market economy with an elaborate system of labour laws and social security, in which the government, the employers' organizations and the trade unions discuss and determine socio-economic policies. Its underlying assumptions are that people are aware of their collective responsibilities for their societies and that 'capital' and 'labour' are prepared to join forces and to put their basic conflict aside.

The Anglo-Saxon model is of course based in the US and the UK. Its key concepts are competition, individual responsibility and the dominance of market forces. Its underlying assumptions are that people mainly pursue their own interests and get what they deserve, depending on their individual competitive power.

So what has happened on the capitalistic battlefield since Albert wrote his book? Which model has won, which has lost ground? There is a way to assess that. According to Albert the Anglo-Saxon and Continental European models differ in eight aspects. Since 1989, the Lausanne business school IMD publishes a World Competitiveness Yearbook, which compares the competitive power of 46 countries. As it turns out, the Yearbooks provide reasonably fitting data for six of the eight 'Albert-indicators'.\*\*

These data clearly show that between 1990 and 2000 the centre of the European Union withdrew in its 'Continental-European' shell. This does not only apply to France and Germany, but also to the adjacent member-states Belgium, Denmark, Austria and Spain. The peripheral EU-countries were more open to Anglo-Saxon capitalism. There was some Anglo-Saxon Shift in Ireland, and during the last five years also a little bit in Finland, Sweden and Italy. The Netherlands, always with their back to Germany, embraced Anglo-Saxon capitalism with outright enthusiasm. No other EU-country moved that far towards the American Way.

The UK turned around halfway. When the Tories were still in charge, the country moved in the Anglo-Saxon direction. But since Tony Blair the UK has been more in line with *mainstream*-Europe.

Interestingly, the differences in pattern and direction of the shift between the EU-countries diminished in the second half of the '90s. This could reflect a unifying effect, as a result of the harmonization of laws, the institution of the European Monetary Union and the ECB, and the gradual introduction of the Euro.

While the EU-bloc as a whole became more 'Continental European', the US moved on along their own Anglo-Saxon road. The Clinton-years left only one 'Continental European' trace in the data: a growing public sector. Apart from that the US remained the motor of the Anglo-Saxon Movement with their enormously dynamic stock markets, decreasing savings and increasing income differences. In poorly-performing Japan, the 'Continental European' trend has shifted to a cautious 'Anglo-Saxon' one from the middle of the '90s, so far without any clear results.

Professor Stéphane Garelli, director of the World Competitiveness Yearbook, has recently translated Michel Albert's dichotomy to a national level. He argues that national economies can be split up in an *economy of globality* and an *economy of proximity*. Big, international companies operate and compete on global markets, while medium and small-sized ones, especially those providing personal and community services, operate strictly on a national or even regional scale, close to the consumer. The Anglo-Saxon principles rule the economy of globality, the Continental European ones the economy of proximity. When interviewed by telephone, Garelli seems not surprised about the Continental European Shift in the EU. 'That has happened in the *economy of proximity*. We see this shift there because many Europeans feel that the Anglo-Saxon model is too tough with respect to the social consequences'.

The findings presented here corroborate that analysis. In the EU as a whole, income differences have become smaller, savings have gone up, public sectors have grown. All of these are areas of national policy. As far as any Anglo-Saxon changes have occurred, they had to do with financial dynamics and *shareholder value* thinking – areas where international influences dominate.

In the year 2001, when George Bush was elected, the US and the EU started to drift apart politically. These days, we hear the American Secretary of Defence scorn 'old Europe' and we witness a surge of anti-Americanism in France. However, as the Albert-indicators show, when the politicians started quarrelling, they actually followed underlying trends in the economic cultures, which had already existed for at least half a decade. As always, economy comes first.

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- \* For additional information about this research project, please contact the author ([marcel@metze-research.com](mailto:marcel@metze-research.com)). More extensive details, including tables comparing 15 EU-countries, the USA and Japan, have been published (in Dutch) in:
    - Marcel Metze, *Let's talk Dutch now*, Arbeiderspers Publishers, Amsterdam, 1999
    - Marcel Metze, Het einde van de Amerikanisering, in *Het Financieele Dagblad*, November 23d, 2002
  - \*\* The IMD World Competitiveness Yearbooks contain a large number of statistical data - economic, financial, political and social - from a variety of sources, such as the OECD, the IMF and the World Bank, and the results of a yearly global Executive Opinion Survey. For my research I used Yearbook data and survey results about stock market capitalisation, shareholder value, income differences, the public sector, national savings and government flexibility.