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Anglo-American Capitalism on Trial

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LONDON — Sitting in a gilded upper room at 10 Downing Street last week listening to Prime Minister [Gordon Brown](#) outline his ambitions for reforming the world economy had something of an out-of-this-world feeling. With Mr. Brown seated beneath a 16th-century oil painting of Queen Elizabeth I, it was tempting to imagine for a moment that [Britain](#) was again rising grandly to the challenges of the age, in the way of Good Queen Bess.

The occasion was a briefing for reporters on the Group of 20 summit meeting to be held Thursday at a conference center in the London docklands, close to the historic City of London, Britain's financial hub. Mr. Brown was intense, and prolific with facts. He was also visibly exhausted, hours before leaving on a five-day, 20,000-mile trip to Europe, the United States and Latin America before the conference.

The event for which he was preparing is as weighty as any London has hosted in decades. It will be attended by [President Obama](#) and the leaders of 21 other nations, including Europe's wealthiest countries and Russia, China, and India. Organizers say that those attending generate 80 percent of the world's wealth, making the gathering a potential powerhouse for global reform.

The meeting is too short — a single day — to make more than a start on fixing the weaknesses in the international financial system that contributed to the current crisis. But it will help determine the extent to which the economic model shaped largely by Britain and America after World War II — call it Anglo-American capitalism — survives as the touchstone for economic growth worldwide.

For Mr. Brown, it is a make-or-break moment. His government faces an election within 14 months that current polls suggest could bring a crashing end to more than 12 years of Labor rule. While Mr. Obama will be judged in time on how well he can negotiate America's way out of the financial crisis, Mr. Brown carries the added burden of having overseen Britain's economy as chancellor of the exchequer for a decade before becoming prime minister in 2007. From that comes a belief, common in Britain, that he is one of those mainly responsible for the country's current woes.

Partly because of the heavy burden of government debt built up during his stewardship, and the uncurbed recklessness of the country's banks, Britain's recession is already the harshest in Western Europe. The Brown government has committed tens of billions to the recapitalization of Britain's

banks and a raft of stimulus measures, pushing its budget deficit to levels unknown since World War II without any sign yet that the economy's plunge has been slowed.

But Mr. Brown has a plan, set out at the briefing. His goal at the G-20 meeting is to make a start on reforming, and eventually saving in more regulated form, the model of the Anglo-American free-market system. It is a plan that Mr. Brown hopes will give Canary Wharf a place in history somewhat like [Bretton Woods](#), the New Hampshire resort where, in July 1944, the United States and Britain led other nations in creating the [International Monetary Fund](#), the first of a group of international organizations that became the pillars of the postwar international system.

In many ways, the new order was the legacy of [Franklin D. Roosevelt](#) and [Winston Churchill](#), embodying the common beliefs in freedom that had bound the wartime alliance, as they had infused the wider bonds between what Churchill called "the English-speaking peoples" since the flowering of liberal thought in the 17th and 18th centuries.

Just as Roosevelt and Churchill shared that bond, so, now, do Mr. Obama and Mr. Brown. Both men, reacting to events on Wall Street, in the City and in other financial centers, have spoken, with unaccustomed asperity, of the greed and irresponsibility of bankers, hedge-fund managers and others who, the two men have as much as said, have betrayed the system and come close to wrecking it.

Now, the conviction that the system must be rebuilt to curb future excesses forms a starting point for the reforms that will come under discussion in London. Like Mr. Brown's, President Obama's message to his own compatriots has focused on ways of revitalizing the system, often to the exasperation of those among their supporters who would favor more radical measures.

Even as both men have embarked on enormous increases in public-sector spending, they have maintained that solutions to the crisis lie in reawakening the markets and recapitalizing the banks, rather than having the government take them over, and in placing financial institutions under closer supervision rather than tearing at the system's foundations. And both, when they respond to public anger at the private sector, have seemed more geared to managing that anger than stoking it.

Still, Mr. Brown may not have strengthened Washington's confidence in him as a partner with his habit of tailoring his remarks to popular predilections on opposite sides of the Atlantic. In New York and Washington, he has been lionized for his pathfinding decision last fall to recapitalize Britain's banks, a step later followed by the Bush and Obama administrations. He has responded by emphasizing Britain's close ties to America, and the two countries' responsibility to lead in reforming the system they gave the world. He frequently mentions his summer vacations on Cape Cod.

But at home, and on his visits to Continental Europe, the prime minister seems, as often as not, to

cast America as the villain. In response to a wave of opposition demands that he apologize for his failings as chancellor of the exchequer, he has insisted that Britain's financial woes, and the world's, came "from America," as though Britain was as much a victim as it was a perpetrator of its ills through the venality of its own financial institutions and its failures of regulatory oversight.

Speaking to the [European Parliament](#) last week before flying to New York, he flattered legislators by saying that "we in Europe are uniquely placed to lead the world" in meeting the challenges of remaking the world's economic system, not only because the union's 500 million people constitute "the greatest and biggest single market in the world," but because of European moral sensibilities. Without mentioning the United States, he implied that the moral contagion that has afflicted market economies ran counter to a common European belief that "liberty, economic progress and social justice advance together, or not at all."

As chancellor, Mr. Brown celebrated the "light touch" regulation of the City of London under which American banks and investment houses flocked to build up their London operations. He appeared, to his critics on Labor's left, to have accepted a Faustian deal under which the unbridled excesses of the City were tolerated because they generated windfall tax revenues that allowed Labor to splurge on public sector spending.

But in Strasbourg, France, the prime minister seemed to fall back on his roots as the son of a Scottish preacher, and as a student politician of the radical left, focusing on the demons that detractors believe are inherent in the capitalist system. Europe, he told the legislators, had learned the truth that "riches are of value only when they enrich not just some communities, but all." He added: "As we have discovered to our cost, the problem of unbridled free markets in an unsupervised marketplace is that they can reduce all relationships to transactions, all motivations to self-interest, all sense of value to consumer choice and all sense of worth to a price tag."

If the implication was that Gordon Gekko-style greed was an American contagion, Mr. Brown is far from alone in Europe. Among some of those who worked through the boom years in the City of London, the moment when matters began to get out of hand under the international financial architecture that began to take shape at Bretton Woods can be dated to the collapse of the Soviet Union. One result, these people now say, was an American triumphalism that translated, in the financial world, to the kind of free-for-all Mr. Brown spoke about in Strasbourg.

Not that London needed encouragement. The Big Bang that liberated financial institutions in the City had come in 1986, sweeping away the cobwebbed traditions of centuries and putting London, at last, in a position to compete with, and in some cases outmatch, Wall Street's most aggressive practices. The genteel if not downright sleepy practices of post-imperial Britain gave way to what one British banker from that era described as the end of Anglo-American capitalism, and the beginning of a more virulent "American-Anglo" form.

"We were star struck — the American way had become more glamorous," said George G. Blakey, a

stockbroker who has written a book on the history of the [London Stock Exchange](#). "This was the beginning of globalization, and this new American culture swept away everything I had been accustomed to."

Now, a wave of voices around the world would like a new Big Bang to sweep away the Bretton Woods template and the era of Anglo-American dominance it ushered in. Prime Minister [Vladimir Putin](#) of Russia has suggested as much, to nobody's great surprise, and even France's otherwise pro-American president, [Nicolas Sarkozy](#), has said the "Anglo-Saxon" presumption of dominance should be abandoned.

Against this background, what the British and American leaders will be attempting at the G-20 conference, along with their partners from around the world, will be to begin building a new global financial system that curbs the rampant and often conscienceless free-marketeering of the past 20 years with a new sense of accountability and restraint, but without extinguishing the spirit of enterprise that arrived in America with the Pilgrims who landed at Plymouth Rock.

It is a task some have likened to rebuilding an aircraft in midflight, and on its success may depend the future well-being of much of the world's population of 6.5 billion, not to mention the fragile political prospects of Mr. Brown.

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