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The End of 'Globalization'?

Economic Policy in the Post-Neocon Age

The stunning defeat of the 'Remain camp' in the Brexit referendum in the UK and the surprise 'discursive dominance' of Bernie Sanders and Donald J. Trump throughout the presidential primaries cycle on the other side of the Atlantic have shaken the neoconservative-consumerist policy consensus in Berlin and Brussels. A new consensus seems to be emerging amongst British, American and French experts, one that favors ambitious developmentalism, modern infrastructure investment and the defense of native workers' rights including pensions over lawless 'free trade' and regulatory overreach.

In many ways, with its long litany of discomfiting news, the year 2016 has a fin de siècle feel – 'fin de demi-siècle' would be a more fitting appellation, for many of the themes and ideas that came to define the way the global economy is run actually emerged in 1966 during the California gubernatorial race: a maverick candidate named Ronald Reagan challenged the state's Republican establishment (then led by George Christopher, the Greek-American mayor of San Francisco), won the primaries and went on to defeat Pat Brown, a popular Democratic centrist backed by the President of the United States, Hollywood and Wall Street (any similarity with recent events or characters is purely coincidental!).

IT ALL STARTED IN CALIFORNIA . . .

Reagan was merely a messenger (and a very good one) for a small group of 'ultra-capitalist' ideologues preaching the *laissez-faire* gospel of free trade, globalization, lower taxes

and the free movement of goods, capital, people and ideas across borders – a bold notion when 60% of humanity lived under a Soviet-Communist yoke. The brain trust behind Reaganomics was composed of disciples of William J. Baroody, Sr., president of the American Enterprise Institute (AEI). They wanted to transform America and the world into a unified 'global economy', a huge, deregulated open market run by coldly efficient, rational CEOs selling consumer products to appreciative masses: beyond California, they eventually "*masterminded the transformation of the nation's public philosophy*".

Soon, by the late 1960s and early 1970s, these ideas would cross the Atlantic, informing the 'new policies' proposed by anti-conformist European politicians: Jacques Delors in France (then a center-right neoliberal ideologue for 'La Nouvelle Société' who would become briefly 'Socialist' minister of finance under President Mitterrand...and then 'father of the European Union') and a young Conservative MP for Finchley

named Margaret Thatcher: ironically Thatcher and Delors who went on to be respectively UK Prime Minister and President of the European Commission, quarrelling theatrically for years from Brussels to Bruges regarding the 'future of Europe', shared precisely the same neoliberal economic agenda...

The European version of that all-encompassing *laissez-faire* market ideology is perfectly summarized by Klaus Kinski who plays Tomski in 'Mort d'un pourri' (1977), a cynical West German CEO based in La Défense, the modern business district of the Paris Metropolitan Area that Thatcher would later use as a model for Canary Wharf². Herr Tomski informs a naively patriotic French army veteran (played by Alain Delon) "*to us, America, Russia, Eastern Europe, it's all the same...*"

The economy is global now: we have no enemies, no borders, just trading partners the world over..."

The 'Neocon Era' (1966-2016) was predicated upon the fundamental assumption that borderless *laissez-faire* and 'totally free trade' (Jacques

Delors's Maastricht Treaty in 1993, Bill Clinton's NAFTA in 1994, then CAFTA in 2005, the EU Lisbon Treaty in 2007 and now the Transatlantic Trade and Investment Partnership or TTIP) went hand-in-hand with mass migrations and the 'free movement of persons'.

AMERICA'S INFRASTRUCTURE CRISIS AND THE RISE OF SANDERS AND TRUMP

We have to remember that in the pre-Reagan era, "infrastructure was an apolitical, positively connoted, technocratic term shared by mainstream economists and policy makers [...] including President Eisenhower, a praetorian Republican leader who had championed

investment in the Interstate Highway System, America's national road grid."³ The main architect of Eisenhower's infrastructure-based economic policy was General Lucius Dubignon Clay, a Saint-Simonian French-American civil engineer and military planner.

But Reagan, Thatcher, Delors and their many admirers amongst Clintonian, 'New Labour' and EU Social-Democrat decision makers in Brussels sought to dismantle the generous state subsidies for social infrastructure and public transportation across the United States, Britain and the European Union, focusing instead on the faux modernity of 'information highways', social media⁴ and video-games start-ups, real estate speculation

fueled by massive public subsidies, generous tax holidays for corporate raiders (the vulture capitalism of Lakshmi Mittal who destroyed the steel mills of France and England with Brussels's blessings) and toxic credit-derivatives passing for 'financial innovation'.

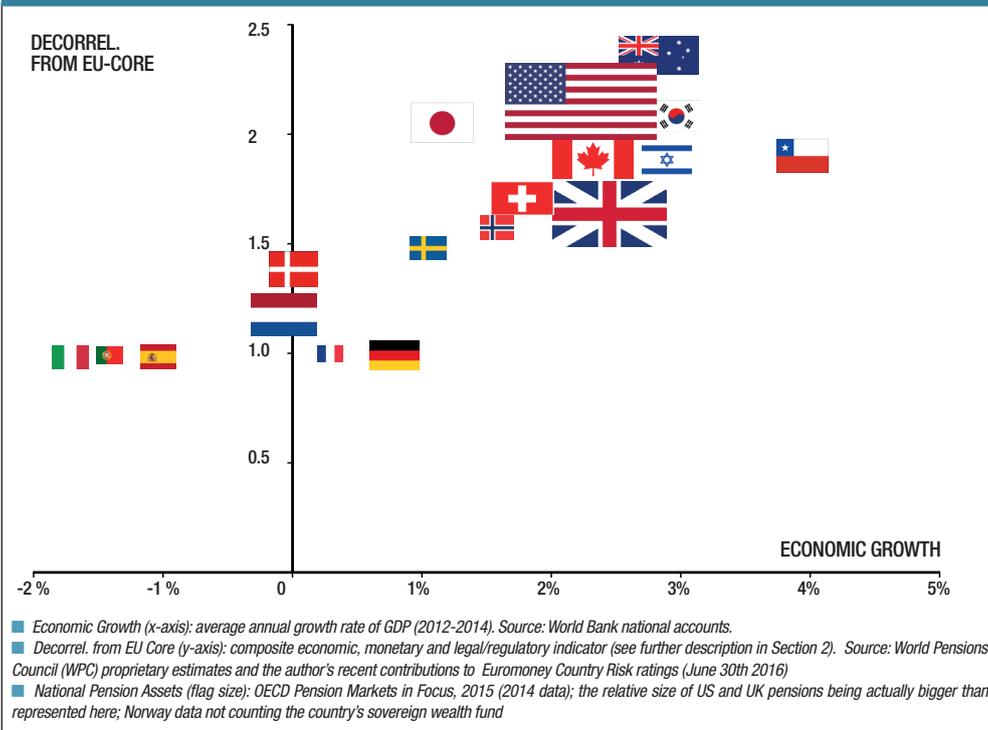
This systematic, deliberate diversion of public resources in favor of unproductive sectors of the economy has turned Michigan, Upstate New York, Pennsylvania, Ohio, Northern England (where workers voted massively in favor of Brexit last week), Northern France and many regions of Belgium, Spain, Portugal and Greece into pauperized urban wastelands: in Flint, Michigan, more than 10,000 children were recently exposed to cancerous lead-laced

water and Legionnaires' disease while the equally incompetent Democrat mayor and Republican governor blamed each other for that seemingly 'tragic event'.

As predicted by World Pensions Council researchers⁵ at the start of the decade, financial short-termism and the deliberate under-investment in public infrastructure by Ronald Reagan and those who followed him in the White House in the past thirty-five years has finally caught up with the US economy: even neoconservative thought-leaders and Wall Street Journal editorialists had to admit recently that neglected roads and bridges could potentially "fuel a political rebellion against the establishment."⁶

In the past 9 months, the US presidential primary campaign was shaken by the rise of two highly contrarian contenders: Bernie Sanders a (truly) Socialist senator from Vermont and Donald J. Trump, a real estate tycoon turned center-right nationalist leader. Initially, most experts within the Republican and Democratic establishments predicted that Sanders and Trump would fail miserably...But US voters proved them wrong: beyond the traditional left/right divide, these 'iconoclast candidates' share two key economic themes that resonate strongly across the American heartland and beyond. These common, common sense ideas are fairly simple: the need to curtail extreme forms of 'free trade' and mass migration (neocon ideologues call it the 'free trade of the labor force!') and, more importantly, the need to restart massive, sustained federally-funded investment in public infrastructure: ▶

ECONOMIC DYNAMISM AND NATIONAL PENSION WEALTH: 'EU CORE' VS. OTHER OECD COUNTRIES





President Eisenhower with his chief adviser General Lucius Dubignon Clay, the French-American civil engineer and military planner who championed the formation of the Interstate Highway System (IHS), the marquee public infrastructure asset that fostered socially-beneficial, sustainable economic growth across the nation for decades: "Together, the uniting forces of our communication and transportation systems are dynamic elements in the very name we bear--United States. Without them, we would be a mere alliance of many separate parts" (Dwight D. Eisenhower, Special Message to the Congress of the United States, Feb. 22, 1955)

► "When I see the crumbling roads and bridges, or the dilapidated airports or the factories moving overseas to Mexico, or to other countries for that matter, I know these problems can all be fixed" (Trump) and "Our nation's infrastructure is collapsing, and the American people know it [...] For too many years, we have dramatically underfunded the physical infrastructure that our economy depends on (Sanders)."⁷

'BREXIT' AND THE BROKEN EU CORE

Last week it was the UK voters' turn to reject the destructive neoliberal agenda: The 'Leave' camp won with a wide margin in spite of challenging odds. The European Union in its current condition has become a potential threat to national security itself—the most fundamental country-risk factor for long-term investors

and single most important issue for most voters. The brutal migratory pressures imposed by Brussels are putting an untenable burden on the nation's public transportation, schools and hospitals (not to mention the pension system), while forcing native workers to compete for their sustenance with unskilled migrants and 'refugees' lured to our shores by the irresponsible promises of the German Chancellor.

Beyond mass migration and national security, Angela Merkel's swollen European Union is characterized by lackluster economic performance: 'EU-Core' states (see chart), defined as Germany, France, Italy, Belgium and Luxembourg (the original members of the 1958 European Coal and Steel Community, with the possible exception of the Netherlands) plus Spain and Portugal are stuck in a low economic growth/

high unemployment trap of their own making (misallocation of public capital, 'free circulation of persons' pauperizing the national labor force and bureaucratic regulations stifling the private sector).

Apart from Holland and Denmark, EU-Core countries all have poor retirement systems with dangerously low pension assets (see chart). On the other hand, assets owned by UK pension funds are actually more than 11 times bigger than those of all German and French retirement institutions put together, a sign of Britain's economic strength.

Who knows? By defending 'egoistically' its own national interests, the new UK government may well change the course of European history and finally force Germany and the entrenched EU establishment to reform the rigid Maastricht/Lisbon constitutional framework, thus giving more leeway to Britain, France and other Northern European nations and allowing a more democratic union to focus on economic cooperation *internally* with much stronger external borders, leaving the rest to member-states: the far more effective, more nimble 'European Community' model designed by French investment bankers and development economists (treaties of Paris and Brussels built on the ideas of Winston Churchill and his protégé the Anglophile Jean Monnet). ■

The data charts, conclusions and opinions expressed here are the author's and do not necessarily reflect the views of the World Pensions Forum or the World Pensions Council.

(1) Stoesz, David. "Responding to the Crisis: Conservative Prescriptions." *Reconstructing the American Welfare State* 43 (1992): 50, pg. 44

(2) Today, Canary Wharf is owned jointly by QIA, the Qatar sovereign wealth fund, and a real estate and infrastructure asset management company investing on behalf of Canadian pension funds – see Julia Kollewe, "Canary Wharf to be bought by Qatar Investment Authority," *The Guardian*, January 28, 2015

<https://www.theguardian.com/business/2015/jan/28/canary-wharf-qatar-brookfield-sale-london>

(3) Firzli, MN., and Vincent Bazi. "Transportation Infrastructure and Country Attractiveness." *Revue Analyse Financière* 48 (2013): 67-68

(4) A handful of contrarian American academics predicted that the rise of mass entertainment fueled by 'consumer electronics' would eventually represent a mortal threat to Western culture itself – see notably Hannah Arendt in Jacobs, Norman. "Introduction to the Issue of Mass Culture and Mass Media". *Daedalus* 89, no. 2 (1960): 273-277

(5) Firzli, MN., and Vincent Bazi. "Infrastructure Investments in an Age of Austerity: The Pension and Sovereign Funds Perspective." *Revue Analyse Financière* 41 (2011): 34-37

(6) Gerald F. Seib, "As Infrastructure Creaks, Congress Dithers," *Wall Street Journal*, Oct. 5 2015

(7) <https://berniesanders.com/issues/creating-jobs-rebuilding-america/>