

Sarkozy, Merkel, Blair call for new capitalism

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PARIS – The leaders of France and Germany appeared to put disagreements over economic policy behind them Thursday, calling on the U.S. to join global efforts to address the financial crisis.

French President Nicolas Sarkozy, leading a two-day conference with former British Prime Minister Tony Blair on the future of capitalism, said the crisis has shown that no country can go it alone on economic policy.

"In the 21st century, there is no longer a single nation who can say what we should do or what we should think," he said.

German Chancellor Angela Merkel said the system "cannot continue as it is" and called for better-regulated financial markets.

European leaders will meet in Berlin before the G-20 summit in London to decide a common approach as global leaders gear up for a second meeting on the global financial crisis, Sarkozy said.

Measures will be taken at the G-20 meeting in London on April 2, Sarkozy promised, saying "we cannot accept the status quo."

He called for closer cooperation on economic policy, saying: "We should discuss how each of us is managing his currency, his interest rates."

The leaders of France and Germany have differed in the past over how much government support Europe's economy needs.

Merkel deplored huge debts that governments are accumulating to spend their way out of the present crisis. But she said she recognized, for the moment, that "there is no other possibility."

Leaders should look beyond financial markets, she said, singling out the American budget deficit and China's current account surplus — or trade balance — as problems upsetting the global economy.

A Congressional Budget Office report estimates that the U.S. federal budget deficit will hit an unparalleled \$1.2 trillion for the 2009 budget year — and that is before President-elect Barack Obama's sweeping stimulus package is calculated.

European governments have agreed to be flexible about budget rules that limit deficits to 3 percent of gross domestic product as recession bites. Merkel is planning an extra stimulus of up to euro50 billion (\$70 billion) and Sarkozy said Thursday that he is considering additional measures.

French Finance Minister Christine Lagarde said Thursday that Paris is planning to inject a second tranche of euro10.5 billion into some of the nation's largest banks in an effort to spur lending.

Merkel said the International Monetary Fund has not managed to regulate global capitalism, and she called for the creation of an economy body at the United Nations, similar to the Security Council, to judge government policy.

Speaking at the conference, European Competition Commissioner Neelie Kroes said "global rules" on government aid to companies would be "helpful."

"A closer network of competition systems is slowly emerging after decades of work," she said.

Sarkozy blamed financial speculators for encouraging a system fueled on debt. He called financial capitalism based on speculation "an immoral system" that has "perverted the logic of capitalism."

"It's a system where wealth goes to the wealthy, where work is devalued, where production is devalued, where entrepreneurial spirit is devalued," he said.

But no more: "In capitalism of the 21st century, there is room for the state," he said.

Blair called for a new financial order based on "values other than the maximum short-term profit."

"The greatest entrepreneur I had the chance to meet was passionate about what he had created, not what he had accumulated," he said.

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