

July 23, 2007**OP-ED COLUMNIST**

The French Connections

By [PAUL KRUGMAN](#)

There was a time when everyone thought that the Europeans and the Japanese were better at business than we were. In the early 1990s airport bookstores were full of volumes with samurai warriors on their covers, promising to teach you the secrets of Japanese business success. Lester Thurow's 1992 book, "Head to Head: The Coming Economic Battle Among Japan, Europe and America," which spent more than six months on the Times best-seller list, predicted that Europe would win.

Then it all changed, and American despondency turned into triumphalism. Partly this was because the Clinton boom contrasted so sharply with Europe's slow growth and Japan's decade-long slump. Above all, however, our new confidence reflected the rise of the Internet. Jacques Chirac complained that the Internet was an "Anglo-Saxon network," and he had a point — France, like most of Europe except Scandinavia, lagged far behind the U.S. when it came to getting online.

What most Americans probably don't know is that over the last few years the situation has totally reversed. As the Internet has evolved — in particular, as dial-up has given way to broadband connections using DSL, cable and other high-speed links — it's the United States that has fallen behind.

The numbers are startling. As recently as 2001, the percentage of the population with high-speed access in Japan and Germany was only half that in the United States. In France it was less than a quarter. By the end of 2006, however, all three countries had more broadband subscribers per 100 people than we did.

Even more striking is the fact that our "high speed" connections are painfully slow by other countries' standards. According to the Information Technology and Innovation Foundation, French broadband connections are, on average, more than three times as fast as ours. Japanese connections are a dozen times faster. Oh, and access is much cheaper in both countries than it is here.

As a result, we're lagging in new applications of the Internet that depend on high speed. France leads the world in the number of subscribers to Internet TV; the United States isn't even in the top 10.

What happened to America's Internet lead? Bad policy. Specifically, the United States made the same mistake in Internet policy that California made in energy policy: it forgot — or was persuaded by special interests to ignore — the reality that sometimes you can't have effective market competition without effective regulation.

You see, the world may look flat once you're in cyberspace — but to get there you need to go through a narrow passageway, down your phone line or down your TV cable. And if the companies controlling these passageways can behave like the robber barons of yore, levying whatever tolls they like on those who pass by, commerce suffers.

America's Internet flourished in the dial-up era because federal regulators didn't let that happen — they forced local phone companies to act as common carriers, allowing competing service providers to use their lines. Clinton administration officials, including Al Gore and Reed Hundt, the chairman of the Federal Communications Commission, tried to ensure that this open competition would continue — but the telecommunications giants sabotaged their efforts, while The Wall Street Journal's editorial page ridiculed them as people with the minds of French bureaucrats.

And when the Bush administration put Michael Powell in charge of the F.C.C., the digital robber barons were basically set free to do whatever they liked. As a result, there's little competition in U.S. broadband — if you're lucky, you have a choice between the services offered by the local cable monopoly and the local phone monopoly. The price is high and the service is poor, but there's nowhere else to go.

Meanwhile, as a recent article in Business Week explains, the real French bureaucrats used judicious regulation to promote competition. As a result, French consumers get to choose from a variety of service providers who offer reasonably priced Internet access that's much faster than anything I can get, and comes with free voice calls, TV and Wi-Fi.

It's too early to say how much harm the broadband lag will do to the U.S. economy as a whole. But it's interesting to learn that health care isn't the only area in which the French, who can take a pragmatic approach because they aren't prisoners of free-market ideology, simply do things better.

[Copyright 2007 The New York Times Company](#)

[Privacy Policy](#) | [Search](#) | [Corrections](#) | [RSS](#) | [First Look](#) | [Help](#) | [Contact Us](#) | [Work for Us](#) | [Site Map](#)
