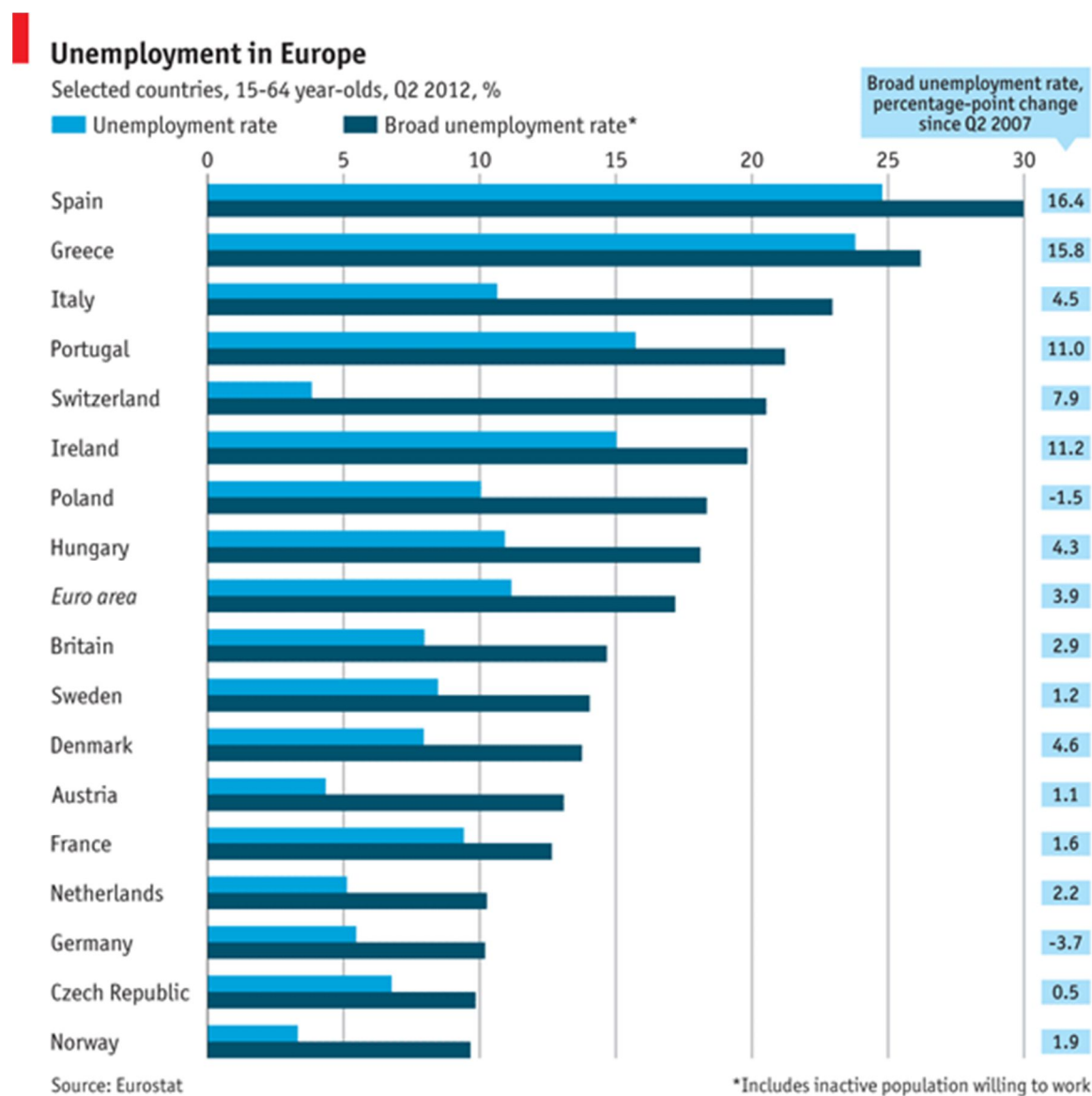


## The euro crisis

### The euro zone isn't working

The Economist Oct 31st 2012, 14:35 by R.A. | WASHINGTON

IF YOU haven't already seen it, here is today's [Daily chart](#):



The euro-area [unemployment rate](#) ticked up to 11.6% in September, up 1.3 percentage points from a year before. There are 18.5m unemployed adults between the age of 15 and 64, over 2m more than there were a year ago. Youth unemployment rates in Greece and Spain are 55.6% and 54.2%, respectively.

But peripheral bond yields are down, so presumably all is well.

October 29, 2012

## Behind the Inscrutable Mien, Clues to Merkel's Methods

By [ALISON SMALE](#)



CHISINAU, Moldova — On a blazing afternoon, as the euro crisis was surging back from summer vacation, Chancellor [Angela Merkel](#) of [Germany](#) descended on this impoverished sliver of a nation in her continuing quest to expand the European family. Folk costumes, children proffering roses and an honor guard figured in a welcome that evoked faded Communist pomp and still more distant Hapsburg glory. In a land that the chancellor acknowledged had once suffered “the dictatorship of Nazi Germany,” the scene unfurled before a mighty Airbus with “Luftwaffe” emblazoned on its tail.

But this afternoon it was 21st-century Germany, Ms. Merkel's Germany, that was coming to call. The greeting was emblematic of how the 58-year-old chancellor, who entered politics in 1990, has become the most powerful German woman since Catherine the Great ruled Russia, and the European leader seen by aides as most dedicated to forging a future for her old Continent in a new, globally connected world.

If Ms. Merkel, who is routinely depicted as dour but in person often conveys a mischievous wit, found irony in Moldova, she kept it to herself.

But she no doubt recognized echoes of her own youth in Communist East Germany, where a culture of keeping silent and a long reign of mediocrity led inexorably to its decline.

Her critics dismiss Ms. Merkel as overly pragmatic rather than visionary, ever mindful of her need to keep German voters on her side as she enters an election year. But if she seems opaque even to her allies, hints of her approach to Europe's economic crisis are sprinkled in a life that includes firsthand experience of how a failure of vision can undo a nation. They are also seen in her embrace of the values of thrift instilled in her small-town upbringing with her father, a Lutheran pastor, and her training as a physicist.

With a scientist's mind, Ms. Merkel is keenly conscious that Europe is aging and will not stay competitive — and thus credible — unless it overcomes its financial and monetary disorder. In her evolving view, the solution is what she calls “more Europe” — a catchphrase that masks a deep lack of agreement among the Continent's bickering nations on what their common future could be.

The Moldova trip in August fit neatly with an approach to governing that is easily misread as Ms. Merkel lavishes attention on even seemingly peripheral matters in pursuit of larger goals.

Ms. Merkel, who was accompanied by a business delegation, knows that Germany, an exporter, depends on developing new European strengths as the Continent's traditional standing wanes. The European Union, she is

fond of noting, comprises only 8 to 9 percent of the world's population of seven billion; for now, Europe still accounts for 25 percent of gross domestic product globally, but a staggering 50 percent of social spending.

"If we don't pay attention to what is going on," she told bankers, lawyers and thinkers invited by Deutsche Bank last month to discuss Germany's future, "then we will not be able to keep our standard of living."

She does not shrink from conclusions that might spook other politicians. "Are you sure," she asked in the same speech, "that in 20 years' time we will have an auto industry? Or that BASF will remain the biggest chemical concern?" Noting that Germany does not control the narrative in financial markets, where influential media and ratings agencies are overwhelmingly Anglo-Saxon, she urged listeners to imagine a future very soon in which German children are all fluent in English and familiar with Chinese culture.

In her political career, this willingness to challenge convention has helped Ms. Merkel, the head of the Christian Democrats, break ideological molds. As a scientist, she has "no barriers on her thinking," said Wolfgang Nowak, a former senior adviser to her Social Democratic predecessor, Gerhard Schröder.

Evelyn Roll, a journalist who early on spotted Ms. Merkel's political potential and has spent many hours with her, writing a 2001 biography, credits Ms. Merkel's scientific mind for much of her unlikely success: in a conservative country, a childless Lutheran divorcee raised in the East became the first female chancellor in 2005 as leader of a party run largely by traditional family men from Roman Catholic strongholds of West Germany.

Most of those men are lawyers. For them, Ms. Roll said in an interview, there is right and there is wrong; if a lawyer loses an argument, he fails. Ms. Merkel, by contrast, views a loss like a scientist — a discovery that shows what will not work.

"She thinks backwards from the end result," Ms. Roll said. Conflict is akin to a mathematical challenge — how to corral both extremes of opinion into the same tent? The chancellor's caution, which her critics contend has hindered fast progress in easing or ending the euro crisis, stems from this approach, in which a course is set only once she considers it certain to succeed.

In conversation, or during a speech, Ms. Merkel is above all alert, looking around, taking in all present. When she lacks an immediate answer, or is weighing words especially carefully, her eyes rise, searching for the right formulation as a pupil might scan her memory for an exam answer. Often, too, a smile dances across an enigmatic face.

Ms. Roll has recounted how Ms. Merkel, when she was 14 just after the Prague Spring reforms had been crushed in 1968, began telling her class about her summer vacation in Czechoslovakia. The teacher grew agitated; the future chancellor quickly adopted a poker face.

Listening, Ms. Roll wrote, she understood the origins of Ms. Merkel's famously unreadable expression. "Yes," Ms. Merkel said, "it is a great advantage from the time in East Germany that one learned to keep quiet. That was one of the strategies for survival. As it is today."

Ms. Merkel spent her formative years in Templin, a medieval town of about 17,000 about 50 miles north of Berlin in a lake-dotted region known as the Uckermark. Just off the central square, in a timbered building that houses the local Sparkasse savings bank, the beams bear carved mottos that Greeks and Spaniards now fear ring loud in Ms. Merkel's ears. "The saver of today is the winner of tomorrow," reads one. "It is not what you earn, but what you save, that makes you independent," says another.

Only people who lived through the dissolution of the Soviet system and then labored to rebuild their lives can understand how shattering an experience it was.

Ms. Merkel has recalled East Germany as a place where no one was pushed to excel. As a star student who graduated from Leipzig University with a degree in physics, then earned a doctorate and knuckled down in a

prestigious if obscure laboratory in East Berlin, she apparently never lost sight of the need to lift her head above that mediocrity, just as East Berliners used to climb high buildings to glimpse the West.

Since the [Berlin Wall](#) came down, she and her country have traveled far.

Her critics cite Ms. Merkel's hesitation and a general European lack of nerve as obstacles. But given the nature of Germany's federal system, which disperses power, the chancellor has more explaining to do to her party, her coalition and her Parliament than, say, any French president. And she has often succeeded while being underestimated.

While critics see a tendency to turn against mentors and allies, none of a dozen or so people interviewed had a clear answer to why Ms. Merkel entered politics, reached for the top or works so hard to stay there.

"I think she just grew into it," Ms. Roll said. Career women of Ms. Merkel's generation, she asserted, do not plan their ascent. — "they just pass the test at each step" along the way.

October 27, 2012

## European Union Exit? Concerns Grow for Britain

By [STEPHEN CASTLE](#)

LONDON — Is [Britain](#) moving inexorably toward the [European Union](#)'s exit door?

When the European Union unexpectedly won the Nobel Peace Prize this month, the leaders of [Germany](#), France and Italy spoke of their pride. But the British prime minister, [David Cameron](#), maintained an awkward silence.

Before that, the British government said it wanted to exercise an opt out of an estimated 133 areas of European Union police and judicial cooperation to which it had once agreed.

And Mr. Cameron supported a plan for a new budget for countries that use the euro (which Britain does not), something that would place his nation firmly in Europe's outer tier. The prime minister has been hinting that he could hold a referendum on Britain's relations with the union, and one newspaper reported recently that a senior cabinet minister wants Britain to threaten openly to leave the 27-nation bloc. There was no official denial of the report.

All of which has fueled concerns that Britain is laying plans for what political and financial pundits have dubbed "Brixit," a variant on "Grexit" — the shorthand for [Greece](#)'s much predicted if currently forestalled departure from the euro zone.

Mr. Cameron insists that he is trying to keep Britain in the European Union. He argues gamely that popular consent to membership can be regained only by refocusing the relationship on Europe's single economic and free trade market — which accounts for half of Britain's foreign trade and investment, according to the government — and loosening other ties.

Britain has always been ambivalent about the European project. Unlike the founding six nations, all of them defeated or occupied in [World War II](#), Britain was a victor. In national mythology, the war was neither a moment of disgrace nor a humiliation. On the contrary, it was widely considered the country's finest hour, when it stood alone against fascism.

So the idea of reconciliation through integration never had the appeal in Britain that it did on the Continent. Unlike many other member countries, Britain always paid more into the union in contributions than it received in subsidies.

Now, with the euro zone almost three years in crisis, British public opinion has hardened. The overwhelming majority of Conservative lawmakers are euro skeptics, and many privately favor withdrawal.

For some this is a question of conviction, while others feel a competitive threat from the United Kingdom Independence Party, which wants to take Britain out of the union altogether. Adept at winning over Conservative voters, the party threatens to deprive many Tories of their seats in Parliament in future elections.

So government strategy toward the union — always hampered by what Lord Christopher Patten, a former Conservative minister and ex-European commissioner, has called "the psychodrama of Britain's relations with Europe" — has turned on its head.

When he was prime minister, Tony Blair sought to exploit strains between [France](#) and Germany, the twin engines of European integration. Mr. Blair, whose Labour Party was less Europe-averse than Mr. Cameron's Conservatives, courted allies among smaller nations and tried to compensate for Britain's self-exclusion from the euro by leading in areas like defense and police cooperation, a policy Mr. Cameron has reversed.

Previous British governments argued that if they did not like something, they had a chance of changing or stopping it only if they sat at all tables with their European partners.

Mr. Cameron seeks a new arrangement that abandons any pretense of being at the heart of the European Union. He does not, for instance, want to stop the euro zone integrating without Britain. Indeed, he recognizes that this is necessary to save the euro.

But can a more remote relationship work?

According to a recent study for the European Council on Foreign Relations by Peter Kellner, president of YouGov, a polling organization, there is a parallel with 1975, when Britain held its referendum on membership in Europe.

“Then, as now, the prime minister, then Labour’s Harold Wilson, had a problem managing party divisions,” Mr. Kellner wrote. “Then, as now, most voters wanted to leave the Common Market (as it then was). Then, as now, polling (specifically, a Gallup Poll in November 1974) suggested that if the prime minister renegotiated the terms of Britain’s membership and recommended acceptance of the new terms, opinion would swing in favor of British membership.”

Mr. Kellner went on to note that Mr. Wilson did talk to his European partners, claimed victory and voters subsequently voted 2 to 1 to stay in Europe.

In July this year, a YouGov poll suggested that, if Mr. Cameron renegotiated the relationship to his satisfaction and recommended a “yes,” 42 percent of voters would vote to stay in and 34 percent to leave.

The strategy may have domestic political logic but there are simultaneous risks: of reducing Britain’s influence on the world stage and making a “Brixit” a self-fulfilling prophecy.

Britain carries weight with some other member states who rely on British influence to bolster the bloc’s free-market wing and counterbalance France’s more statist approach.

But to anchor Britain in Europe, Mr. Cameron needs to emerge from a whole series of negotiations successfully — or at least persuade his own skeptical party that he has done so.

Most urgently, he faces tough discussions on the European Union’s next seven-year spending cycle. Many officials and other observers expect Mr. Cameron to veto a budget deal at a November summit.

That will satisfy euro skeptics only if Mr. Cameron can bring home an improved offer later. Yet, playing to his domestic gallery with an aggressive veto may alienate the very European allies Mr. Cameron would need in later talks in any effort to redefine ties.

Meanwhile, the emergence of an ever more clear-cut two-tier Europe, with much greater integration among the 17 euro zone nations on issues like banking and financial services, is putting a strain on Europe’s unified economic space, and could ultimately threaten London’s status as Europe’s financial capital.

“Deeper integration in the core would come with disintegration in the E.U.’s periphery and shrink the single market,” writes Sebastian Dullien in a separate paper, also for the European Council on Foreign Relations. In other words, it could undermine the one part of the European bargain that Britons actually seem to like.

10/29/2012 12:07 PM

## **Another Default?**

# **Troika Calls for New Debt Relief for Greece**

Greece's international creditors are calling for a new debt haircut for the country so as to bring down its massive debt load. This time, however, taxpayer money from Germany and other donor countries would be involved. Resistance, not surprisingly, is substantial.

For all of the uncertainty surrounding Greece's future in the euro zone and the mixed messages regarding the political and economic reform process in the country, the math is actually relatively simple. Current plans call for Greece's sovereign debt to drop to 120 percent of gross domestic product by 2020. But the country's debt load is 169 percent of GDP and it is expected to rise to 179 percent by the end of next year. In absolute terms, that is almost €350 billion (\$451 billion).

Paying that down will require nothing short of an extended economic miracle in the Mediterranean country, an eventuality not looking terribly realistic following five years of economic shrinkage and a sixth on the horizon.

The other option? Another partial default. That, indeed, would seem to be the conclusion that Greece's main international creditors have come to. According to information received by SPIEGEL, representatives of the so-called troika -- made up of the European Central Bank, the European Commission and the International Monetary Fund -- proposed just such a debt haircut at a meeting last Thursday held in preparation for the next gathering of euro-zone finance ministers.

The proposal is not uncontroversial. At the beginning of this year, a similar debt relief plan resulted in just over €100 billion being shaved off of Greece's mountain of debt. But that money all came from private investors. This time around, public creditors would be involved, meaning that taxpayer money from those countries which have stood behind Greece would vanish off the books.

## **Not a Glowing Report**

Several countries, including Germany, are opposed to such a plan, with representatives from a number of euro-zone member states saying they didn't want to write off the money they have loaned to Greece as emergency aid. The European Central Bank, which holds some €40 billion in Greek debt, would also not participate as the bank is not allowed to directly assist member states in such a manner.

Nevertheless, the ECB has said it is prepared to make available the profits it has earned from Greek sovereign bonds. The profits were generated by virtue of the fact that the ECB purchased its holdings of Greek bonds at below market rate, yet it receives the full return when those bonds mature.

The discussion over the debt haircut, however, is only one element of ongoing talks in Athens ahead of the troika's release of its next progress report. It is almost certain that the evaluation will come to the conclusion that Greece should receive the next tranche of aid money, worth €31.5 billion. Otherwise, the country would slide into uncontrolled bankruptcy by the end of next month. The money, however, may be put into an account that can be quickly blocked, so as to maintain pressure on Greece to continue down the reform path.

Still, it is not likely to be a glowing report. According to a draft report, Athens has only introduced 60 percent of the reforms demanded by the European Union. The paper notes that 20 percent of the requested reforms are currently under consideration. A further 150 measures have also been proposed, including loosening laws governing hiring and firing and those relating to minimum wage requirements.

The troika has already agreed to give Greece two extra years to meet its austerity goals, a delay that will likely result in a need for up to €30 billion in additional aid, according to the ECB and European Commission. The IMF believes the funding gap will be closer to €38 billion. The final troika report is to be presented no later than November 12.

*cgh/SPIEGEL*



## **Crisis Sparks Boom in Language Lessons**

# **Once Scorned, German Now Popular in Italy**

By Hans-Jürgen Schlamp in Massa Marittima, Italy

As the euro crisis grinds on, Italians are storming German language classes to improve their job prospects. They hope that mastering the complicated grammar and tongue-twisting vocabulary will help them land high-paying jobs in Germany.

"It's getting worse," says Massimo. Because the Italian municipality, where the self-employed handyman works, is practically bankrupt, Massimo usually gets paid months late. Sometimes it can even take a year before he gets paid. But he still has to buy materials and pay his taxes immediately, often on credit.

Given his situation Massimo has little desire to stay in Italy. Instead he wants to try his luck up north. "I am going to Germany," he says in broken German. Massimo wants to go to Ulm, a southern German city where he has relatives. He wants to work there and earn more money than he can at home. But there's just one small problem: he has to learn German. "It is hard," he moans in German, but he says he'll get there.

Like Massimo, thousands of Italians are struggling to learn German at the moment. They find the grammar as perplexing as the tongue-twisting pronunciation. Italians simply cannot say words like "Schleswig-Holstein," a northern German state, or "Bordsteinkante," meaning curbside. Even Italian television racing experts stumble over the name of Formula 1 driver Michael Schumacher, who is idolized in the country.

Despite its challenges, learning German, long scorned, is now suddenly popular at schools and universities, at branches of the Goethe Institute cultural association or in private language schools. More than 400,000 Italian middle and high school students are now choosing German as a second foreign language. In 2011, the number of people studying German jumped 18 percent and this year it's likely to be an even larger increase. French and Spanish, on the other hand, are on a downward trend.

## **German for Doctors**

Italians who are beyond school age are leaning German in classes like "German for doctors," or "German for lawyers." Teachers and engineers are also rushing to learn German. They think, or at least hope, that mastering the guttural, consonant-laden northern European language will give them a better chance to find a good job with a decent salary.

They may be right. Germany is Italy's largest trading partner, accounting for 16 percent of imports and 13 percent of exports. More than 2,000 firms in Italy are branches of major German companies like Bosch, Mercedes and Lufthansa or are owned by German businesses. These companies employ 170,000 Italians and those who learn German have better chances of career advancement. And doctors, lawyers and other professionals who want to move to Europe's strongest economy must of course learn the language first.

## **Consonants Instead of Lemons**

Italians aren't the only ones who have discovered the economic opportunities that come from learning German. It has become popular in all crisis-hit countries along the Mediterranean - in Spain as well as Portugal. In Greece, the number of people studying German rose 30 percent within six months.

With soaring unemployment across Southern Europe, it comes as little surprise that people want to find a way out. Even well-educated young people have little chance of landing a decent job at home. That's why engineers, doctors and IT experts are moving to a country where consonants bloom instead of lemons and where the engine of growth continues to hum even in the euro crisis.

There are already signs of this growing wave of migration from south to north, though the wave isn't nearly as big as it was during the 1950s and 1960s when Germany desperately needed what it called "guest workers" to make for its post-war shortage of manpower. Unlike in those days, there is no demand for steel workers, garbage men, pizza makers and ice cream sellers now. Instead, Germany is offering high-end jobs for the highly skilled.

### **Warm German Welcome**

Admittedly not everyone toiling away at learning the crisis-proof foreign language wants to move north. For example, the 39-year-old Roman banker Alessandro says that Germany is too cold, too foreign and that the food is tough to digest. "You guys make everything with butter and Italian stomachs simply cannot tolerate it," he says. Alessandro wants to improve his chances in the domestic labor market. He works for a branch of a German bank and much of the internal communication is in German. He says that those who don't master the language are always at a disadvantage.

Even Italian companies are discovering the value of learning German. Some 80 percent of Italian firms offering jobs requiring with two foreign languages are looking for people with German skills. That applies especially to jobs in the tourism sector as four out of every ten travelers who flock to "Bella Italia" come from German-speaking countries. Those who can greet guests with a warm German welcome or can ask them how they are doing in their native tongue get brownie points from guests as well as from their bosses.

10/29/2012 12:28 PM

## Interview with ECB President Mario Draghi

### 'We Couldn't Just Sit Back and Do Nothing'

In an interview with SPIEGEL, President of the European Central Bank Mario Draghi defends his euro crisis policies and promises to keep prices stable. He also says he's on Germany's side when it comes to encouraging reforms in the euro zone.

**SPIEGEL:** President Draghi, do you have a savings account?

**Draghi:** Yes.

**SPIEGEL:** Do you know much interest you are getting?

**Draghi:** Around 1.75 percent. That's the current rate on savings in Italy.

**SPIEGEL:** The rate on a German savings account is even lower than that. The returns are not anywhere near sufficient to make up for rising prices. Are savers picking up the bill for the euro crisis?

**Draghi:** No. If we do not resolve the euro crisis, we will all pay the price. And if we do resolve it, we will all benefit, particularly German taxpayers and savers.

**SPIEGEL:** Nevertheless, many people, particularly in Germany, are worried about the value of their money because the European Central Bank has reduced interest rates to a historically low level and announced its intention to make [large-scale purchases of government bonds](#) issued by indebted southern European countries. Are people right to be worried?

**Draghi:** We take the worries of the people very seriously. People are right to ask why we felt it necessary to announce the program for government bond purchases.

**SPIEGEL:** Then please explain it to us.

**Draghi:** The crisis of confidence means that money is flowing to Germany. This depresses interest rates in Germany and increases interest rates in other countries to unjustifiably high levels. Put simply, interest rates reflected, among other things, speculation that the euro area could break up. This speculation was unfounded, and we had to counter it.

**SPIEGEL:** And so you decided to help out the governments in Rome and Madrid.

**Draghi:** No, the decisive factor was something else. The high bond yields also caused interest rates on corporate and housing loans to shoot up. This put the effectiveness of our monetary policy at risk: No matter how much we cut interest rates, there was no longer any effect on the real economy. We couldn't just sit back and do nothing.

**SPIEGEL:** Many experts have expressed doubts that the interest rates on loans in Spain and Italy were really at alarming levels.

**Draghi:** There is no reason for this; we have a great deal of evidence. Take the bank in Spain that could barely issue a bond, although it was, objectively speaking, just as solvent as a credit institution in Germany. No wonder that banks charge completely different interest rates on loans depending on which side of the border they are resident. Also, for this reason, a married couple can get totally different mortgage conditions for an apartment in Madrid than in Munich.

**SPIEGEL:** It is not unusual for interest rates on loans to vary from country to country.

**Draghi:** That is true, but the scale of the differences had exceeded all normal levels. Interest rates do not have to be identical across the whole euro area, but it is unacceptable if major differences arise from broken capital markets or concern about a euro area break-up. In addition, short-term rates were higher than long-term rates in some countries, which we always see as a warning sign. All of our analysis indicated that we were facing a serious crisis of confidence, and that we urgently needed to do something about it.

**SPIEGEL:** But many people, particularly in Germany, [believe that your measures are illegal](#). You are circumventing the prohibition on financing government deficits by printing money.

**Draghi:** That is incorrect. We are prohibited from buying bonds directly from governments, and we abide by this prohibition. But we are allowed to purchase bonds on what is known as the secondary market -- that is, from banks or financial institutions -- if it is necessary for our monetary policy. And that's exactly what we are doing.

**SPIEGEL:** The question is why you had to frighten people with the comment that you were preparing to purchase "unlimited amounts." Didn't you realize that this would make people anxious?

**Draghi:** I chose the word "unlimited" in order to clearly indicate our determination to defend the euro. One has to understand how markets work. But unlimited does not mean uncontrolled. On the contrary, we will only buy bonds from those countries that accept strict conditions, and we will check very carefully whether those conditions are adhered to.

**SPIEGEL:** We have our doubts about that. Would you really refuse to help a country that does not fulfil the reform requirements?

**Draghi:** Of course. If a country does not adhere to what has been agreed, we will not resume the program. We have announced that we will suspend operations once a program country is under review. We will then ask the International Monetary Fund and the European Commission to assess whether the country is keeping the conditions of the agreement, and only after a positive assessment will we resume operations.

**SPIEGEL:** One only needs to consider the [example of Greece](#) currently to get an idea of how credible such statements are. The government in Athens repeatedly broke their commitments to the troika, made up of the IMF, ECB and European Commission, and yet they are now about to receive the next tranche of financial assistance anyway.

**Draghi:** That is not an appropriate comparison. Greece will not be considered at all for our program because it is targeted exclusively at countries that finance themselves, now as before, on the capital market. This is something completely different.

**SPIEGEL:** Many people are nevertheless concerned that the ECB wants to take a vast amount of high-risk government bonds from southern Europe onto its balance sheet. You already have around €200 billion in securities from countries such as Portugal and Ireland on your books. Will it be the taxpayer who ultimately has to jump in if the countries cannot service their debt?

**Draghi:** I do not anticipate this; quite the opposite. So far we have actually made a profit on our bond purchases, which has gone to the national central banks, in turn profiting the governments and taxpayers.

**SPIEGEL:** Can you guarantee it will stay this way?

**Draghi:** One thing is clear: If the governments in southern Europe continue with the successful implementation of policy reforms seen in the last few months, German taxpayers will make a profit from our purchases. There is no better protection against the euro crisis than successful structural reforms in southern Europe.

**SPIEGEL:** This can also be expressed in a different way: Your balance sheet is dependent upon political developments in Madrid, Rome and Lisbon. Do you think it is wise for a central bank to make itself dependent on governments in this way?

**Draghi:** We are not making ourselves dependent, quite the opposite. When the crisis escalated in early summer, the ECB had three options: First, do nothing, allowing the crisis to get worse and worse with greater risks, particularly for the German taxpayer; second, provide support unconditionally; or third, provide support under certain conditions. The ECB chose the third option because that was the best way to combat the causes of the crisis. Governments must commit to sound economic and financial policies. This is how we ensure reform in the euro area -- and our independence.

### **'We Have Decided Not to Give Exact Figures For Our Program'**

**SPIEGEL:** Experience shows otherwise. If you artificially lower interest rates, it makes it easier for governments to become indebted and decreases the pressure for reform.

**Draghi:** High interest rates are the most significant source of pressure for a government resisting reform, I agree with you there. This is exactly why we insist on adherence to strict conditions. Moreover, we do not want to completely eliminate differences in interest rates between countries. We will only intervene if the differences become excessive.

**SPIEGEL:** Many experts doubt that you can make a clear distinction in this regard.

**Draghi:** We would disagree. There are models and indicators available that will help us to make an informed judgment.

**SPIEGEL:** When you announced your program, interest rates in Spain, for example, stood at 6.5 percent. What proportion of this was speculative?

**Draghi:** I will not tell you that. We have decided not to give exact figures for our program that we could later be pinned down to. What I can tell you is that a good analysis will provide you with the necessary indications regarding at which point the differences give cause for concern.

**SPIEGEL:** We fear that you are getting entangled in hopeless political discussions with the European governments. In order to put the monetary union on firm footing, you are in favor of, for example, greater centralization of economic and financial policy. Up to now we have seen little of this.

**Draghi:** This is not how I see it. Governments are on the right path. They have committed themselves to transferring more competencies for budgetary and financial policy to the European level. They need to make the necessary decisions on this at their summit meeting in December.

**SPIEGEL:** Up to now, governments have only been ready to concede greater powers to the Commission regarding the control of their budgets. The actual decisions will continue to be taken at the national level, however.

**Draghi:** The governments have made decisions that would have been inconceivable even one year ago. This is progress, but it is not enough.

**SPIEGEL:** Why not?

**Draghi:** If you want to restore confidence in the euro area, you need rules. But that is only the first step. You also need to ensure that the rules are adhered to. This is what was lacking in the past and what governments need to work on.

**SPIEGEL:** German Finance Minister Wolfgang Schäuble has proposed giving the European Commissioner for Economic and Monetary Affairs a direct say in national budgets. What do you think of that proposal?

**Draghi:** I am fully in favor of it. Governments would be wise to seriously consider it. I firmly believe that, in order to restore confidence in the euro area, countries need to transfer part of their sovereignty to the European level.

**SPIEGEL:** But this is precisely what many governments are unwilling to do. Why is there so much resistance?

**Draghi:** A lot of governments have yet to realize that they lost their national sovereignty a long time ago. Because, in the past, they have allowed their debt to pile up, they now need the goodwill of the financial markets. That sounds like a paradox, but it is nonetheless true. Only when the euro area countries are willing to share sovereignty at the European level will they gain sovereignty.

**SPIEGEL:** The second measure with which you wanted to place the monetary union on a firmer footing was the establishment of a single supervisory mechanism (SSM), with the ECB at the helm. However, it will now not be up and running on Jan. 1, 2013, as planned. Are you disappointed?

**Draghi:** Not at all. What is more important is that the SSM works well, not when it starts. Otherwise, the reputation and independence of the ECB are at risk.

**SPIEGEL:** Why do you think that the ECB will do a better job of supervising banks than the national authorities that have been responsible for doing it until now?

**Draghi:** It is not that we want to replace the national supervisory authorities; on the contrary, we want to work closely with them. However, they need to be independent of their governments in their assessment of the problems. In the past, problems in the banking sector have been hushed up time and again.

**SPIEGEL:** Like in Spain...

**Draghi:** I am not going to mention any names. However, I am certain that we will be able to act more independently and quickly if Frankfurt is at the heart of the decision-making.

**SPIEGEL:** But that means that the independence of your monetary policy will come under threat. Will you still be able to take an impartial decision on interest rates if there is the danger that major banks will be pushed into financial ruin?

**Draghi:** I am aware of the risk, which is why there must be a strict separation between the two areas at the ECB. The Governing Council of the ECB should assign most of the supervisory tasks to an independent committee composed primarily of supervisors.

**SPIEGEL:** That sounds modest, because you now actually have more responsibilities than any other central banker before you. You are the biggest creditor of many euro area countries; you are the chief banking supervisor and are designing a new structure for the euro area alongside the President of the European Council, Herman Van Rompuy. Would it be wrong to call you the most powerful man in Europe?

**Draghi:** That is certainly not the way I see myself. With regard to the banking union, for example, we are only providing technical assistance because we were asked to.

**SPIEGEL:** You are in the news after every EU summit along with world leaders. Are you trying to say that you don't have any influence?

**Draghi:** I can see how I may give this impression, but I am well aware that I am a central banker without a political mandate, who only acts together with the Governing Council of the ECB.

**SPIEGEL:** In Germany, people have several reservations about your crisis policies. Were you surprised to receive so much criticism?

**Draghi:** I had the opportunity of a very deep and wide-ranging exchange of views with members of the Bundestag last Wednesday. My impression was that I was able to explain a number of issues, in particular how the measures comply with our mandate to safeguard our independence and to ensure price stability in the medium term.

**SPIEGEL:** This fear stems from historical experience. Germans have learned that, if central banks flood the markets with money, this always leads to inflation.

**Draghi:** We have to take these fears very seriously. But the correlation is not so simple. In some cases, such as in the Weimar Republic, printing money caused inflation. But in other cases, proactive central bank action did not.

**SPIEGEL:** You mean the Federal Reserve System's decision at the start of this millennium to drastically reduce interest rates, a policy which contributed to the price bubble on the housing market and the financial crisis of 2007-2008. How do you intend to rule out something similar repeating itself in Europe?

**Draghi:** We are committed to safeguarding price stability and avoiding systemic asset bubbles. So far we have seen some rising prices in a few asset markets at the local level. Such phenomena must be dealt with regionally by the relevant political and supervisory authorities, for example by asking banks to hold more capital against their real estate exposure.

**SPIEGEL:** What would you say to German taxpayers who fear inflation?

**Draghi:** At present I do not see any risks to price stability. The ECB remains committed to safeguarding price stability as it has always done in the past. We firmly expect the inflation rate in the euro area to fall next year to below our target of close to 2 percent.

**SPIEGEL:** At the start of Monetary Union, Germans were promised that the ECB would behave like a second Bundesbank, the country's central bank. Many people here now speak of a new Banca d'Italia, which tolerated double-figure inflation rates in the 1970s.

**Draghi:** I consider such accusations, to put it mildly, inelegant. For two reasons: in the 1970s, the Banca d'Italia was not independent. Today, the situation is completely different. But there is also a personal reason. Because of inflation, my family lost a large part of its savings at that time. You can therefore rest assured that I am personally and not only professionally committed to delivering price stability.

**SPIEGEL:** Two German members of the ECB's Governing Council have stepped down in protest, and the [head of the Bundesbank Jens Weidmann openly opposes your policy](#). Does that not make you think?

**Draghi:** Of course. That reflects concerns which we incorporate into our decisions. You can be assured that, in taking measures, we stick strictly to our mandate.

**SPIEGEL:** Your former colleague Jürgen Stark, who resigned, sees it differently.

**Draghi:** His reasoning is not shared by the Governing Council of the ECB.

**SPIEGEL:** But the fact is you are doing things that would have previously been inconceivable.

**Draghi:** We are also currently in a crisis that was previously inconceivable. It is therefore not very helpful to compare our measures with the past. When we speak of the Bundesbank culture, we mean a culture of

independence and price stability. I am deeply attached to both principles and can assure you that each member of the Governing Council is just as deeply committed to delivering price stability in total independence and fully in line with the mandate of our founding fathers.

**SPIEGEL:** In a recent interview with SPIEGEL, [Mr. Weidmann warned](#) that central bank financing could become addictive, like a drug.

**Draghi:** That risk exists, and we have it in mind. But central bank financing can also be helpful, like medicine. And that should also be kept in mind.

**SPIEGEL:** How long can these controversies between you and Mr. Weidmann continue?

**Draghi:** I would like certain discussions to proceed in a more controlled way. Mr. Weidmann and I still have a great deal of understanding for one another. We have the same goal and our differences of opinion over the correct instruments are not insurmountable.

**SPIEGEL:** Mr. Draghi, thank you for this interview.

*Interview conducted by Michael Sauga and Anna Seith*



## Der Euro hat Europa nicht geeint

27. Oktober 2012, 14:05 Uhr

**Es gibt mehr Integration in der EU, aber die Währungsunion driftet auseinander**

Von [Philip Plickert](#)



Europa ist ohne Alternative? Stimmt nicht. Seit den Anfangszeiten der europäischen Integration gibt es zwei unterschiedliche, widerstreitende Ansätze: "Markt-Integration" versus "institutionelle Integration". Die Anhänger des ersten Ansatzes sagen, dass Europa durch wirtschaftliche Verflechtung und Wettbewerb zusammenkommt. Freier Austausch von Gütern und Leistungen, freie Bewegung für Arbeitnehmer und investitionsberechtigtes Kapital sind die Treiber der Integration. Es ist ein Zusammenwachsen "von unten", ungeplant und dezentral.

Der andere Ansatz zielt auf eine Integration "von oben": über neu geschaffene Institutionen, politisch-bürokratische Gremien und Kommissionen, die einheitliche Gesetze für den Kontinent schaffen. Es geht um Koordinierung, "Harmonisierung" und letztlich Vereinheitlichung. Die Franzosen versuchten eine wirtschaftliche "Planification" auf europäischer Ebene durchzusetzen. Jean Monnet, der Vordenker der Montanunion, setzte auf politische Vorgaben und Feinsteuerung der Wirtschaft. Frankreich wünschte zudem eine Angleichung der Sozialleistungen und koordinierte Lohnpolitik in ganz Europa. Noch heute schwingt das im Pariser Ruf nach einer "Wirtschaftsregierung" mit.

Die "Markt-Integration" ist ein klassisch-liberaler Ansatz, die "institutionelle Integration" entspricht bürokratisch-sozialistischem Denken. Ludwig Erhard, der legendäre deutsche Wirtschaftsminister, war schon im frühen Stadium der europäischen Integration skeptisch. In seinem Buch "Wohlstand für alle", veröffentlicht 1957 im Jahr der Römischen Verträge, warnte Erhard vor falschen Einheitsphantasien und wettete gegen den "abwegigen Gedanken... der ‚Harmonisierung‘... und Gleichmacherei aller wirtschaftlichen Verhältnisse". Die Produktivität "von Sizilien bis zum Ruhrgebiet" (an Griechenland dachte damals niemand) sei höchst unterschiedlich, man könne nicht alles über einen Kamm scheren. Erhard war für Freihandel. Regulierung, Planung und bürokratische Gremien brächten Europa nichts. Der mit ihm befreundete liberale Ökonom Wilhelm Röpke warnte in drastischen Worten: "Wenn wir versuchen wollten, Europa zentralistisch zu organisieren, einer planwirtschaftlichen Bürokratie zu unterwerfen und gleichzeitig zu einem mehr oder weniger geschlossenen Block zu schmieden, so ist das nicht weniger als ein Verrat an Europa."

Die Kritik war überzogen. Es gab Fehlentwicklungen wie die Agrarsubventionen - ein Planungsirrsinn. Ansonsten hat die Europäische Wirtschaftsgemeinschaft (EWG) aber einen Binnenmarkt geschaffen, der den Wettbewerb fördert. So sehr die Kommission für bürokratische Regelungswut bekannt ist, Kern der Verträge ist die Forderung nach "unverfälschtem Wettbewerb". Die EU spürt Kartelle auf und geht gegen unerlaubte Beihilfen vor.

Die Währungsunion sollte die Integration vertiefen und sie unumkehrbar machen, so sagten die Väter des Euro. Stattdessen steckt Europa nun in der existentiellen Finanzkrise. Die niedrigen Zinsen haben in den Südländern eine Kredit- und Ausgabenblase befeuert, deren Platzen schmerzhaft Rezession bewirkt.

Der Ausweg aus der Krise - heißt es aus der Politik gebetsmühlenhaft - soll "mehr Europa", "mehr Integration" sein. Doch die Begriffe sind diffus und vieldeutig. Den Südländern und Frankreich geht es um eine Vergemeinschaftung der Schulden, Berlin versucht eine verschärfte zentrale Kontrolle über die Haushalte durchzusetzen.

Um den Stand der "Integration" messbar zu machen, haben die Ökonomen Jörg König und Renate Ohr von der Universität Göttingen nun [erstmals einen "EU-Index" für jedes Land entwickelt](#). Der Index setzt sich aus 25 Indikatoren aus vier Bereichen zusammen: "Gemeinsamer Markt" (die Verflechtungen durch Handel und Dienstleistungen, Kapitalbewegungen und Arbeitskraftmigration), "Homogenität" (Annäherung der Pro-Kopf-Einkommen, Kaufkraftparitäten, Arbeitskosten, Zinsen, Staatsschuldenquoten und Steuern), "Symmetrie" (Gleichlauf von Konjunkturzyklen, Inflationsraten, Arbeitslosenquoten, Staatsdefizite und anderes) sowie "Konformität" mit EU-Rechtsvorschriften.

Das Maximum von 100 Punkten im EU-Index erreicht ein Land, das vollständig integriert ist: Es ist durch Handel, Migration und Finanzen stark im Binnenmarkt verflochten; Einkommen, Zinsen und Defizite liegen im Durchschnitt (so wie die These von der Konvergenz erwarten ließe), die Wirtschaftsentwicklung verläuft parallel zu der im Rest der EU.

Die Ergebnisse des EU-Index sind aber ernüchternd: Zwar hat sich die faktische Integration fast aller Länder von 1999 bis 2010 erhöht, aber der Abstand zwischen den am meisten integrierten Ländern und der abgeschlagenen Europenipherie hat zugenommen. Es gab also keine Konvergenz der Länder in der Währungsunion. **"Die Heterogenität hat sich nicht verringert"**, betont Renate Ohr. Die höchste Integration haben heute Belgien (77 Punkte), Österreich (66), die Niederlande (65), Frankreich und Deutschland (je 64), Schlusslicht ist Griechenland (44 Punkte). Es gibt drei Gruppen von ähnlichen Ländern: die sechs EWG-Gründer, die "PIGS"-Krisenländer sowie die Nicht-Euro-Mitglieder.

Erstaunlicherweise hat sich die Marktintegration im Euro nicht generell verbessert, im Fall von Italien und Griechenland ist sie geringer geworden. Die Spannbreite ist heute größer als 1999. Ebenfalls überraschend: Die Nicht-Euro-Mitglieder Dänemark und Schweden bewegen sich makroökonomisch heute näher am EU-Durchschnitt als 1999, während die Euro-Mitglieder Griechenland und Portugal nach unten abweichen. **"Es gab keine Konvergenz durch die Währungsunion"**, sagt Ohr.

**Die frühen Skeptiker wussten: Integration lässt sich nicht von oben erzwingen. Sie kann sogar beschädigt werden, wenn zu ungleiche Länder in ein zu enges institutionelles Korsett gezwängt werden.**

*Der Beitrag ist der Sonntagsökonom aus der F.A.S. vom 21.10.2012. Die Illustration stammt von Alfons Holtgreve.*

## Mario Draghi tries to cajole Bundestag

25 October 2012

Presseurop

Die Welt, Wirtschaftswoche



[Die Welt](#), 25 October 2012

His first words were: “It is a great honour” and “an exceptional privilege to speak to the Bundestag, the heart of German democracy.” On October 24 Mario Draghi arrived in Berlin on what [Die Welt](#) calls a “[charm offensive](#)”. In an unusual step, the president of the European Central Bank (ECB) had come to the German parliament to defend his handling of the eurozone crisis, which has been heavily criticised in Germany, where it is feared that the ECB’s policy of debt redemption amounts to printing money and will see inflation return. Draghi, the Berlin daily writes, argues that –

The purchases of bonds that are being considered also protect German taxpayers [...] They will not lead to inflation and they will therefore not be inconsistent with the ECB’s mandate to ensure monetary stability.

This soothing reassurance risks being insufficient, however, [says the Wirtschaftswoche](#). On its website, the weekly dubs Draghi a “Trojan horse in the Bundestag” –

Those who watched and analysed the ECB President and his speech critically had to gasp. What Mario Draghi told the Bundestag is, all the same, brazen. One can only hope that the parliamentarians have realised that it was just a fairy tale.

<http://www.presseurop.eu/en/content/article/2940211-give-us-break-your-nation-states>

## Give us a break with your nation states

25 October 2012

[Der Spiegel](#) Hamburg



[Wolfgang Ammer](#)

**Those who are arguing today for more Europe have provoked the wrath of the professional democracy purists who hold up the nation state as an ideal model. But do we seriously want to live in a super-Austria?**

[Hans Hoyng](#)

As we were all anointed [winners of the Nobel Peace Prize](#) and the first flush of self-adulation was over, the realists among the experts began to wrinkle their noses: nice, indeed, but real politics are different. “Peace costs money,” warned German constitutional law expert Paul Kirchhof. He meant “our peace”.

When (German sociologist) Ulrich Beck wrote in *Der Spiegel* that Germany is on the threshold of the “decision whether Europe will be or will not be” – an assertion that apparently about 70 percent of all EU leaders would currently sign up to – he was told that he was exaggerating, and shockingly.

And as Robert Menasse, the angry Austrian, called in his most recent pamphlet (*Der Europäische Landbote*, or “The European Messenger”) for the European Council to be abolished, this stronghold of petty national schemers – a request by the way, that EU Commission president Barroso probably includes in his prayers every evening – [Die Zeit printed a whole page of outrage](#): “ideologues” of Menasse’s kind were worse than all the populist enemies of the EU in Rome and The Hague.

Why is it this way? Why should the Super European Daniel Cohn-Bendit [a Franco-German EU parliamentarian] be more dangerous than the super-blonde Europe-despiser Geert Wilders? Why is every voice that warns us not to lose sight of the European project dismissed as dewy-eyed at best? Why must Brussels always and forever be just a “bureaucratic Moloch”? Why – this is even more puzzling than anything else – should the European nation-state be held up, in contrast, as the all-rounded democratic ideal?

### Why are we ashamed of Europe?

It cannot really be true that we would all much rather live in a kind of super Austria, where the term consensus politics is commonly interpreted to mean that everything runs smoothest if one hand amicably washes the other. Or in Italy, which was rescued from the plunge into the abyss only by the demise of the entire political class in

favour of a temporary dictator, called a “technocrat” to keep the whole manoeuvre from looking too embarrassing.

Even the German model, which the politicians and media would love to export to the farthest corners of Europe, is far from ideal – and not just because of all the political blockages due to the ‘party state’ (parliament, parties, government) or a federalism that keeps vested interests safe. It’s also because we Germans have not yet got a grip on our national debt, but shout the loudest when it comes to demanding the same from others. It was Helmut Kohl, the unifier of Germany, who warned of a German Europe.

In referring to the many mistakes and shortcomings of the European Union we tend to measure them against the alleged benefits of nation-states, which, however, get themselves in great difficulties when it comes to adapting to the supranational conditions of a globalised world.

Why are we ashamed of Europe? For a time, the German Embassy in London ran the European flag up the pole every morning with pride, because the officials knew that it would make Margaret Thatcher in the office opposite light up with a white heat. The European model was admired at the time because it let in poor countries like Ireland and Portugal.

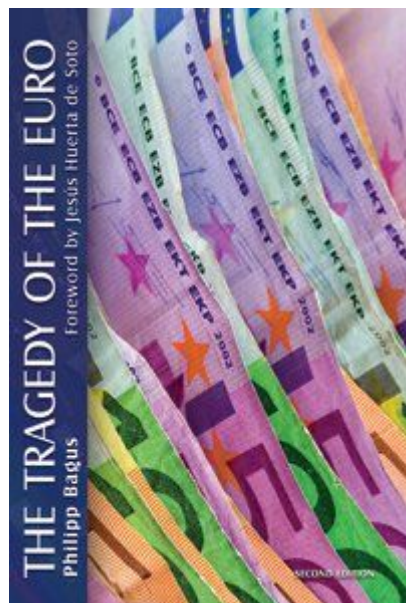
Suddenly they’re all just shiftless? At times Europe has worked well together, even when the EU did not yet exist: at the London Debt Conference in 1953, for example, the participants freed the Federal Republic of Germany from burdensome payment obligations. Greece was one of those countries that voted to forgive those debts.

Granted, Europe is in crisis. But it surely will not be a return to the nation state that gets us out of it.

Translated from the German by **Anton Baer**

# The Tragedy of the Euro

Philipp Bagus



## 2nd Edition

Philipp Bagus, professor of economics at Universidad Rey Juan Carlos in Madrid, is a young scholar with a large influence, having forecast all the problems with the Euro and having persuaded many economists on the Continent that this currency is no better than any fiat currency. In some ways it is much worse because it has cartelized the management of European monetary regimes and created a terrible moral hazard.

We often hear analysis of the workings of the Fed. Discussion of the European Central Bank is more rare. Bagus compares the two institutions to show a fundamental difference. Member states of the ECB can run deficits and expect them to be financed by the ECB. This is not true with the Fed. So Europe has a tragedy of the commons at work **with its monetary policy that sets up very dangerous incentives for member states. For this reason, the system is unworkable.**

With this book, Professor Bagus brings his scholarship to English readers, explaining the background to the idea of European unity and its heritage of sound money. He explains that **the Euro is** not what the older classical liberals had hoped for but instead **is a politically managed money that is destined for failure.**

He writes with a keen sense for economic analytics and empirical detail, offering one of the most accessible and yet rigorous accounts of the emergence of the Euro. **He predicts its downfall due to political pressures, bad banking practices, and exploding public-sector liabilities.**

**The analogies with the dollar are indeed close, but with welfare states at a more advanced stage, it will be a race to see which paper currency will crumble first.**

Professor Bagus brings theoretical power to investigating one of the most important topics in economics today. His arguments and evidence convinced even **Jesus Huerta de Soto** to withdraw support for the Euro. For this reason, de Soto has written the introduction to this important work.

*Perhaps I lead a sheltered life, but I found *The Tragedy of the Euro* to read like a great adventure novel. Here we have heroes (mostly post war German bankers, resisting inflation) and villains (mostly post war Frenchmen, allied with post war German politicians, determined to keep the common German citizen paying and paying). The villains believe, falsely, that they can secure for all time their special privileges over the German citizenry—which is not the same as the German*

elite, who often collude with the French elite for their own privileges. But this is their great error, which Professor Bagus explains so clearly. They want to ignore the laws of economics by building coercive pan-European bureaucracies to enforce their will. But this will not work. How long it will last is the question. The European financial crisis proceeds from day to day. This wonderful book will help everyone understand what is really happening and, we hope, provide a lesson for others. ~ Patrick Barron

Publication Information Mises Institute, 2010

Updated 2/29/2012

<https://mises.org/daily/6228/A-Golden-Opportunity>

## A Golden Opportunity

Mises Daily: Monday, October 22, 2012 by [Patrick Barron](#) and [Godfrey Bloom](#)



The euro debt crisis in Europe has presented Germany with a unique opportunity to lead the world away from monetary destruction and its consequences of economic chaos, social unrest, and unfathomable human suffering. The cause of the euro debt crisis is the misconstruction of the euro that allows all members of the European Monetary Union (EMU), currently 17 sovereign nations, to print euros and force them on all other members. Dr. Philipp Bagus of King Juan Carlos University in Madrid has diagnosed this situation as a tragedy of the commons in his aptly named book [The Tragedy of the Euro](#). Germany is on the verge of seeing its capital base plundered from the inevitable dynamics of this tragedy of the commons. It should leave the EMU, reinstate the deutsche mark (DM), and anchor it to gold.

## The Structure of the European Monetary Union

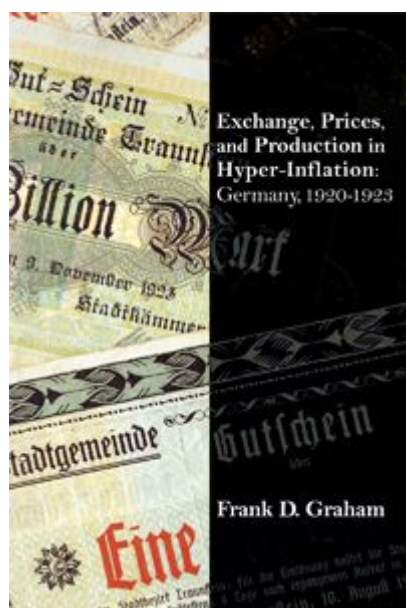
The European System of Central Banks (ESCB) consists of one central bank, the European Central Bank (ECB), and the national central banks of the EMU, all of which are still extant within their own sovereign nations. Although the ECB is prohibited by treaty from monetizing the debt of its sovereign members via outright purchases of their debt, it has interpreted this limitation on its power *not* to include *lending* euros to the national central banks taking the very same sovereign debt as collateral. Of course this is simply a backdoor method to circumvent the very limitation that was insisted on when the more responsible members such as Germany joined the European Monetary Union.

## Corruption of the European Central Bank into an Engine of Inflation

When the ECB was first formed around the turn of the new millennium, the bond markets assumed that it would be operated along the lines of the German central bank, the Bundesbank, which ran probably the least inflationary monetary system in the developed world. However, they also assumed that the EMU would not allow one of its members to default on its sovereign debt. Therefore, the interest rate for many members of the EMU fell to German levels. Unfortunately, many nations in the EMU did not use this lower interest rate as an opportunity to reduce their budgets; rather, many simply borrowed more. Thus was born the euro debt crisis, when it became clear to the bond market that debt repayment by many members of the EMU was questionable. Interest rates for these nations soared.

Over the past few years the European Union itself has established several bailout funds, but the situation has not been resolved. In fact, things are even worse, for it now appears that even larger members of the EMU succumbed to the debt orgy and may need a bailout to avoid default. Thus we have arrived at the point predicted by Dr. Bagus in which the euro has been plundered by multiple parties and the pot is empty. The ECB and many sovereign members of the EMU want unlimited bond buying of sovereign debt by the ECB. Only Germany opposes this plan, but it is the lone voice against this new bout of monetary inflation.

## The Historical Context of German Antipathy to Monetary Inflation



[\\$19.00](#) [\\$16.00](#)

In 1923 Germany experienced one of the world's worst cases of hyperinflation and the worst ever for an industrialized nation. The reichsmark was destroyed by its own central bank, plunging the German people into misery and desperation. Now, after only a dozen years of relative monetary discipline, the euro faces the same fate as country after country demands to be bailed out of its mounting debts by unlimited printing of money by the ECB. Because Germany is part of the EMU, it must accept these newly printed euros. This threatened monetary inflation of unlimited amounts has shaken German bankers to the core. It is the nightmare scenario that they feared when, against their better judgment, the German politicians agreed to give up their beloved deutsche mark and place the economic fate of the nation in the hands of a committee of foreigners not as concerned about monetary inflation. But Germany can put a stop to this destruction and save the world while it saves itself. It can leave the EMU, reinstate the deutsche mark, and tie it to gold.

## A Golden Deutsche Mark Is Possible and Desirable

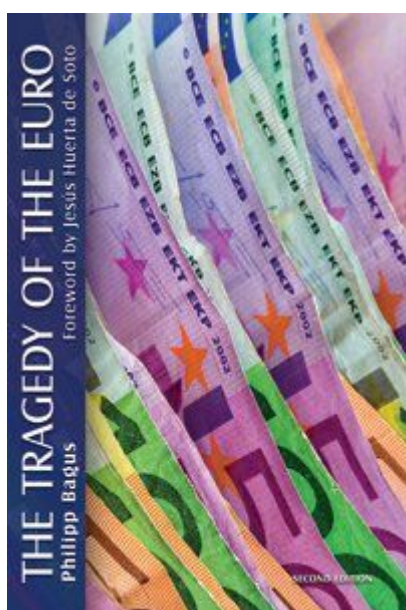
Despite the haughty pronouncements of EU officials, there is nothing that can stop a sovereign country from leaving the EMU and adopting a different monetary system. The most likely scenario would be a one-for-one redenomination of German banks' euro-denominated accounts for deutsche marks. Thereafter, the DM would float freely in currency markets in the same way as British pounds and American dollars. The Bundesbank would be responsible for monetary policy just as it was before Germany joined the EMU. By leaving the EMU



Germany would insulate itself from the consequences of the euro as a tragedy of the commons; i.e., monetary inflation by third parties would end, Germany would not experience higher prices due to the actions of third parties, and the capital-destroying transfers of wealth would end.

Yet Germany should go one step further. It should anchor the DM to gold. Germany is the world's fourth-largest economy, behind only the United States, China, and Japan. Furthermore, Germany owns more of the world's gold than any other entity except the United States, more than either China or Japan and more than any other European country. A prerequisite to market acceptance of any gold money would be confidence in the integrity of the sponsoring institution. Not only is the Bundesbank known for its integrity and reverence for stable money; Germany itself has a worldwide reputation for the rule of law, advanced financial architecture, and a stable political system. For these reasons, Germany would prove to the world that a gold-backed money is not only possible but desirable. Expect a cascade of similar pronouncements once Germany's trading partners realize the importance of settling international financial transactions in the best money available — which initially at least would be a golden DM.

## Germany Should Seize the Moment!



[\\$15.00](#) [\\$12.00](#)

Of course the beneficial consequences of tying money to gold go beyond ending price inflation and capital-destroying wealth transfers. We can expect all the beneficial consequences of a return to limited government, for government could no longer fund itself through the unholy alliance with an inflationary central bank that creates fiat money in order to monetize government's profligate spending. The people would no longer be so subservient to government, pleading and begging for special interests at the expense of the rest of society, for government would be forced to go to the people for approval to increase its budget. The list of benefits goes on and on. Suffice it to say that it all begins with truly sound money, money anchored in gold. Germany can lead the way and earn the just respect of a grateful world. It is in the right place at the right moment in history. It should seize the moment!

[Comment on this article.](#)

Patrick Barron is a private consultant in the banking industry. He teaches in the Graduate School of Banking at the University of Wisconsin, Madison, and teaches Austrian economics at the University of Iowa, in Iowa City, where he lives with his wife of 40 years. Read his [blog](#). Send him [mail](#). See Patrick Barron's [article archives](#).

You can subscribe to future articles by Patrick Barron via this [RSS feed](#).

Godfrey Bloom is a financial economist by profession and winner of international fund management awards. He is a member of the European Parliament Economic and Monetary Affairs Committee and chairman of the Parliamentary Mises Book Club. Send him [mail](#). See Godfrey Bloom's [article archives](#).

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## Guest Post: A Golden Opportunity

Submitted by [Tyler Durden](#) on 10/26/2012 19:27 -0400

Submitted by Patrick Barron via the [Ludwig von Mises Institute](#).

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deutsche mark and place the economic fate of the nation in the hands of a committee of foreigners not as concerned about monetary inflation. But Germany can put a stop to this destruction and save the world while it saves itself. It can leave the EMU, reinstate the deutsche mark, and tie it to gold.

## **A Golden Deutsche Mark Is Possible and Desirable**

Despite the haughty pronouncements of EU officials, there is nothing that can stop a sovereign country from leaving the EMU and adopting a different monetary system. The most likely scenario would be a one-for-one redenomination of German banks' euro-denominated accounts for deutsche marks. Thereafter, the DM would float freely in currency markets in the same way as British pounds and American dollars. The Bundesbank would be responsible for monetary policy just as it was before Germany joined the EMU. By leaving the EMU Germany would insulate itself from the consequences of the euro as a tragedy of the commons; i.e., monetary inflation by third parties would end, Germany would not experience higher prices due to the actions of third parties, and the capital-destroying transfers of wealth would end.

Yet Germany should go one step further. It should anchor the DM to gold. Germany is the world's fourth-largest economy, behind only the United States, China, and Japan. Furthermore, Germany owns more of the world's gold than any other entity except the United States, more than either China or Japan and more than any other European country. A prerequisite to market acceptance of any gold money would be confidence in the integrity of the sponsoring institution. Not only is the Bundesbank known for its integrity and reverence for stable money; Germany itself has a worldwide reputation for the rule of law, advanced financial architecture, and a stable political system. For these reasons, Germany would prove to the world that a gold-backed money is not only possible but desirable. Expect a cascade of similar pronouncements once Germany's trading partners realize the importance of settling international financial transactions in the best money available — which initially at least would be a golden DM.

## **Germany Should Seize the Moment!**

Of course the beneficial consequences of tying money to gold go beyond ending price inflation and capital-destroying wealth transfers. We can expect all the beneficial consequences of a return to limited government, for government could no longer fund itself through the unholy alliance with an inflationary central bank that creates fiat money in order to monetize government's profligate spending. The people would no longer be so subservient to government, pleading and begging for special interests at the expense of the rest of society, for government would be forced to go to the people for approval to increase its budget. The list of benefits goes on and on. Suffice it to say that it all begins with truly sound money, money anchored in gold. Germany can lead the way and earn the just respect of a grateful world. It is in the right place at the right moment in history. It should seize the moment!

## David Einhorn Explains How Ben Bernanke Is Destroying America

Submitted by [Tyler Durden](#) on 10/25/2012 20:50 -0400

David Einhorn knocks it out of the park with his very first statement during today's Buttonwood Gathering, in a segment dedicated to one thing only: explaining how the Fed's policies are not only not helping the economy, **they are now actively destroying this country.**

"Sometimes you have to look at what is the base assumption. because sometimes you have a groupthink around the base assumption and everybody agrees to the same thing and acts reflexively and doesn't really challenge what is going on. I think we have reached that point with the monetary policy. The assumption is that if you want the economy to improve, if you want more jobs, if you want more consumption, what we need is ever-easing monetary policy. My point is that if one jelly donut is a fine thing to have, 35 jelly donuts is not a fine thing to have, and it gets to a point where it's not a question of diminishing returns but it actually turns out to be a drag. I think we have passed the point where incremental easing of Federal policy actually acts as a headwind to the economy and is actually slowing down our recovery, and I am alarmed by the reflexive groupthink of the leaders which is if we want a stronger economy, we need lower rates, we need more QE and other such measures."

And that, in a nutshell is it: everything else follows.

Because in addition to explaining the same fundamental error in the Fed's logic (from an economic standpoint; we already showed [what the "market" error is](#), namely that instead of *forcing* investors to buy risk assets as Bernanke's wealth effect prerogative demands, these same investors are merely *frontrunning* the Fed's purchases of bonds and MBS, in what is truly a risk free, if lower-returning trade, and is key reason why ever fewer equity market participants are left, leading to lower bank revenues, bank employee terminations, lower Federal and State tax refunds, and so on, in a closed loop) it also points out the social aspect. At one point in the interview, Einhorn observes that traders and economists now have diametrically opposing views on the effectiveness of QE (no need to explain whose view is what). The reason for this dichotomy is simple, if crucial: we are now at a point where the entire practice of new-classical economics - the bedrock thinking of all modern soecity - is at risk of being exposed for a sham "science" which is and has always been absolutely flawed. Because when one day the Fed fails to prop up the Fed, and fail it will, all the economists that encouraged the Fed to do what it does, without grasping the true implications of 'diminishing returns', will be forced to fall on their swords (hopefully metaphorically but who knows). And with that the end of the shaman cult that shaped the modern world will finally end. But not before every single "economist" keen on perpetuating their job, their tenure, and their paycheck for as long as possible, backs the Chairman fully and unconditionally: **anything less, any outright dissent within the economic cabal, would lead to a far faster unwind of the Fed's policy artifice even faster than it otherwise will fail.**

Recall that this was precisely the dilemma before the Bundesbank as we explained yesterday, when it did what it had full right to do openly, yet did secretly, when it pulled its gold inventory from London: it implicitly confirmed it was no longer a willing participant of the NWO, and no longer is willing to sacrifice its sovereign independence at the altar of Keynesianism, and monetary theory.

But back to Einhorn, who presents one of the most coherent explanations why QE, contrary to the Chairman's "best intentions" does nothing to stimulate the economy at the consumer level, and why it effectively serves as a hindrance to future growth:

"Lower rates drive up the cost of commodities: oil and food. And money that is spent on oil is sent out of the country to the Mideast and it doesn't help, and takes out income from people's pockets that could otherwise be spent on other goods. The second [ZH: and this is *by far* the biggest thing that the Fed refuses to acknowledge] is that not being able to earn a safe return on savings, is causing people to hoard savings rather than consume. In other words if I know I am going to earn 3% in the bank I can spend that income and I can have visibility towards that, but if I know I'm going to earn zero in the bank, in order to figure out how much I need to save for

retirement **I need to save a much bigger number. Which means I can't spend much now, I need to save more now, to build up those savings for retirement.** If I am already retired and I am on fixed income, my income has now really gone down and I have to hoard money so I can spread it out thinner over a longer part of my life. So by denying individuals savings or interest on income on their savings, it is causing hoarding which is driving down consumption which is hurting the economy."

As a reminder, in America consumption, not the government (which despite incorrect claims to the contrary *has never created even one penny of wealth*), is responsible for 70% of annual GDP. Is it any wonder that the Fed's own policies, done solely to protect the financial system, and to enrich those whose wealth is already primarily in the stock market (the infamous "1%"), are the cause of the ongoing catastrophe that is the destruction of America's middle class, which day after day sinks lower and lower?

Also, in direct debunking of all those *Magic Money Tree* (aka MMT) "economists" who say that government deficits are a great thing because they lead to higher savings, while maybe true on paper, Einhorn shows that the "expectations" component of behavior here is far more critical than what simplistic Econ 101 textbooks claim, especially the ones that were written long before anyone thought that the US would have a Zero Interest Rate Policy for at least 7 years (and likely more until the runaway inflation finally hits):

In terms of the savings, I don't think it's a zero sum, because it's a multiplier on the behavior. It's not just the income I am not receiving now. It is the income I don't expect to receive in the future as well. Now we are years into [ZIRP] with a promise of at least three more, so that's seven years, and **you are getting a change in behavior on a multiplied basis.**

Finally, and touching on the previous point of why **theoretical** economists' views differ so much from those who **practically** make a living by being right for a change, Einhorn is laconic: "It's very hard for economists with models, with very limited sample sets and empirical data to understand [that we've gone beyond the point of monetary policy diminishing returns.] I think you wind up with a different view **from people like me in the real world** who aren't just trying to figure out what do the models say, **but how do people actually behave...** **We've opened up enormous tail risks of what happens if the Fed loses control, what happens if the Treasury loses control** and these scare people and drive up risk premiums, and drive down P/E multiples and make **companies defer long-term investments in the country because they are worried about significant tail risks these very aggressive policies are creating.**" And there you have it - someone please advise Paul Krugman and his coterie of useless voodoo shamans whose only recommendation has always been more of the same. Pardon: much, much more.

None of the what Einhorn said in today's Buttonwood gathering of course is news, as he simply reiterated everything he said in his letter to investors from Tuesday, which is just as effective at explaining how the Fed's solipsistic illogical methods are bankrupting America. The key section in that letter is the following excerpt:

It seems as if nothing will stop the money printing, and Chairman Bernanke in fact assures us that it will continue even after the economic recovery strengthens. Specifically, he says, "Even after the economy starts to recover more quickly, even after the unemployment rate begins to move down more decisively, we're not going to rush to begin to tighten policy." **Apparently, anything less than a \$40 billion per month subscription order for MBS is now considered 'tightening'. He's letting us know that what once looked like a purchasing spree of unimaginable proportions is now just the monthly budget.**

Chairman Bernanke concedes that this policy hurts savers, **then offers some verbal sleight-of-hand worthy of a three-card monte hustle:** He says the savers are helped by low rates because low rates support higher asset values and promote a healthy and growing economy. He then goes on to say that because savers benefit from a healthy and growing economy, we must therefore have an accommodative policy. This in turn begs the question: Does an accommodative policy promote a healthy economy? Chairman Bernanke argues that higher asset values create a wealth effect, which he again describes, "if people feel that their financial situation is better because their 401(k) looks better or for whatever reason, their house is worth more, they are more willing to go out and spend."

**We have just spent 15 years learning that a policy of creating asset bubbles is a bad idea, so it is hard to imagine why the Fed wants to create another one.** But perhaps the more basic question is: **How fruitful is the wealth effect?** Is the additional spending that these volatile paper profits are intended to induce overwhelmed by the lost consumption of the many savers who are deprived of steady, recurring interest income? We have asked several well-known economists who publicly support the Fed's policy and found that they don't have good answers.

And so on. If by now it is unclear to anyone that Bernanke is not only not doing anything to help America, or the world, but is merely accelerating this country's destruction, and perpetuating the same practices that result in breakouts of food price shocks leading to isolated genocide in those parts of the world without a safety net, then we congratulate you on your imminent receipt of a Nobel prize in Economics.

Finally, for those asking "what should be done", Einhorn's suggestion is *identical to the one Zero Hedge has preached to its readers since day 1, nearly 4 years ago. And we don't even charge 2 and 20...*

If Chairman Bernanke is setting distant and hard-to-achieve benchmarks for when he would reverse course, it is possibly because he understands that it may never come to that. **Sooner or later, we will enter another recession. It could come from normal cyclicity, or it could come from an exogenous shock.** Either way, when it comes, it is very likely we will enter it prior to the Fed having 'normalized' monetary policy, and we'll have a large fiscal deficit to boot. **What tools will the Fed and the Congress have at that point?** If the Fed is willing to deploy this new set of desperate measures in these frustrating, but non-desperate times, what will it do then? **We don't know, but a large allocation to gold still seems like a very good idea.**

So who should listen to: a failed historian-economist who has never worked in the real world, who has no idea how human behavior plays out in reality, who has lived in an ivory tower all his life, and who has never had to put his money where his mouth is, or a self-made billionaire? For us the choice is clear.

\* \* \*

*The Einhorn segment in the Economist clip below starts 56 minutes in.*

Watch [live streaming video](#) from [theeconomist](#) at [livestream.com](#)

*And for more context, here is what Einhorn said about the Fed in his latest letter to clients:*

Central bankers have been on a money printing spree. In Japan, they expanded monetary easing by ¥10 trillion. In the U.K., the Bank of England monetized another £50 billion of gilts. ECB President Mario Draghi promised "unlimited" bond buying, and the Swiss are committed to putting a floor under the Franc through unlimited purchases of Euros and other assets.

This buying binge brings to mind American Express cards, which are famous for their promise of no pre-set spending limits. But as some AmEx customers have learned, there is a spending limit – they just don't tell you what it is. AmEx anticipates how much you can repay based on your annual income and your payment history. When your charges exceed their estimates, they cut you off until you pay off your balance.

Central bankers should keep this dynamic in mind, as they continue to run their printing presses. While the ink may be endless, the market's tolerance is not (though there is no sign that it is nearly exhausted). Like American Express, the market won't let the central bankers know what their spending limits are until they have exceeded them and get cut off.

Here in the U.S., Chairman Bernanke announced desperate measures in non-desperate times. The Fed will be using its new AmEx Debasium card to buy a minimum of \$40 billion per month worth of mortgage-backed securities...indefinitely. If the job market doesn't show "substantial improvement" the Fed might increase its monthly MBS allocation, or head over to aisle 3 to pick up some Treasuries. When asked what would bring the binge to an end, Chairman Bernanke was more intent on emphasizing all the things that would necessitate further easing. In conjunction with the money printing, Chairman Bernanke has promised zero percent interest rates through the middle of 2015.

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One observation: it is **not** \$40 billion. It is \$85 billion as we said the day QE3 was announced:

New Normal market expectation: \$85 billion in Fed Flow every month. Anything less is "tightening"

[14 Sep 12](#)

Because remember: exchanging Long-Term debt which has massive 10 year equivalent duration, with risk free paper, aka Operation Twist and of which \$45 billion takes place each month (i.e., the direct monetization of all gross Treasury issuance with a maturity more than 10 Years) is merely another "Flow" type operation.

Einhorn continues:

Chairman Bernanke concedes that this policy hurts savers, then offers some verbal sleight-of-hand worthy of a three-card monte hustle: He says the savers are helped by low rates because low rates support higher asset values and promote a healthy and growing economy. He then goes on to say that because savers benefit from a healthy and growing economy, we must therefore have an accommodative policy. This in turn begs the question: Does an accommodative policy promote a healthy economy? Chairman Bernanke argues that higher asset values create a wealth effect, which he again describes, "if people feel that their financial situation is better because their 401(k) looks better or for whatever reason, their house is worth more, they are more willing to go out and spend."

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October 26, 2012

## Making Revolution Work

In Tripoli this week, there was no water for at least five days, huge heaps of garbage lined the highways and thousands of young men, most of them heavily armed, lacked meaningful work. As Libya reached the one-year anniversary of the death of Col. Muammar el-Qaddafi and his regime, the country's new leaders are not delivering on the revolution's promise and many Libyans are souring on democracy.

The situation is both worse and better than in other Arab Spring countries, where expectations were predictably large in the heady days after the dictators fell. Despite its tribal culture, Libya has a strong sense of national identity and significant natural resources on which to build a future. Oil production is nearly back to prerevolution levels.

Elections held in July gave the first elected government legitimacy. But Qaddafi never let the country build strong state institutions or a civil society. The inexperienced new political leaders are fumbling, and even many Congress members lack a basic understanding of what legislatures do. [The first prime minister was dismissed](#) after only three weeks and the second is still trying to put together his cabinet.

Another serious problem is the delay in disarming revolutionaries who liberated Libya but now pose a long-term threat to stability. Last month's attack on the American consulate in Benghazi that killed Ambassador J. Christopher Stevens and three other Americans showed the Libyan government's weakness in dealing with extremist groups.

A government commission is working to provide former fighters with education, training, mental health services and job programs, but it lacks sufficient financing. In Tripoli, there has been progress integrating the revolutionaries into official police and army units. But elsewhere, thousands of young men still belong to local militias that can fuel conflicts.

One example is Bani Walid, the Qaddafi stronghold that resisted government authority until [government-allied militias captured it](#) on Wednesday after a weeklong siege. The government said it needed to arrest criminals hiding there and bring the town under federal control, but there are serious questions about why the community was shelled with artillery and rockets.

Libya's other major task is writing a constitution that will decide the character of the new state. After decades of abusive rule by the regime in Tripoli, Libyans in the eastern and southern regions are insisting on more control over their lives. Most Libyans doubt the country will break apart, but decentralization of authority is inevitable.

The danger is that chaos and corruption will breed widespread cynicism even as a democracy struggles to take root. Libya's new leaders need to do a far better job of connecting with their citizens — by providing honest information and basic services like garbage collection, and giving them reasons to trust that government can improve their lives.

10/25/2012 01:09 PM

The World from Berlin

## 'Euro-Zone Plans to Fix Greece Have Failed'

Greece says it has been granted an extra two years to meet austerity targets. The EU and IMF deny it. According to press reports, Athens needs an extra 20 billion euros in aid. It is difficult to determine exactly what might come next for the country, but commentators say it is clear that Europe is at a crossroads.

What is going on in the never-ending negotiations between Greece and its international creditors? That depends largely on who you ask. If you ask Greek Finance Minister Yannis Stournaras, Athens on Wednesday was given an [additional two years to reach its budgetary target](#) of reducing new lending below the EU-mandated maximum of 3 percent. Instead of 2014, Greece would have a new deadline of 2016.

If you ask [German Finance Minister Wolfgang Schäuble](#) and other major creditors, however, such a delay has in no way been finalized. "I cannot confirm that," said Schäuble on Wednesday when asked about Stournaras' claim, delivered in a speech before the Greek parliament. He insisted, again, that no decisions would be made until the completion of a report currently being assembled by the troika, made up of the European Commission, the European Central Bank (ECB) and the International Monetary Fund (IMF).

A spokesperson for the IMF also said that no final decision had been made on granting an extra two years to Athens for making necessary budget cuts.

The problem is, though, that it is becoming increasingly [difficult to believe](#) the denials. European newspapers on Wednesday were full of reports that a draft "Memorandum of Understanding" included the two-year delay. Furthermore, Germany's business daily *Handelsblatt*, citing an unnamed senior euro-zone source, reported that Greece would need an additional €16 billion to €20 billion in aid. The sum was consistent with previous reports, including [one in SPIEGEL in late September](#), on how much a two-year delay might cost.

### 'Makes Sense for Greece'

To be sure, Chancellor Angela Merkel will not be looking forward to pushing an additional aid package for Greece through parliament in Berlin. The country has already been the beneficiary of two aid packages worth a total of €240 billion, and parliamentarians made it clear when the second one passed in March that no more charity would be forthcoming.

But Merkel and Schäuble have both lately seemed to be preparing the groundwork for a softer approach to Greece. Merkel visited Athens last week and pledged solidarity, while Schäuble said it seemed likely "that we can come to agreement on a policy that makes sense for Greece."

Stournaras' speech focused on the €13.5 billion cuts the Greek government agreed to on Wednesday, additional austerity measures necessary to trigger the release of a €31.5 billion aid tranche the country badly needs to retain liquidity through the end of the year. He said that, if Greece had not been granted an extension, then an austerity package of €18 billion would have been necessary.

Still, just what the final agreement with Greece will look like remains unclear. The *Handelsblatt* also reports on Thursday that the country's creditors will once again cut the interest rate due on the tens of billions of euros the country has borrowed from its euro-zone partners and the IMF. The period of the emergency loans will also be extended; the paper quotes a senior euro-zone official as saying the goal was a "substantial" reduction in the country's debt load. That report has not been denied -- at least not yet.

German media commentators on Thursday also take a closer look at what is going on in Greece.

Center-left daily **Süddeutsche Zeitung** writes:

"The government in Athens has shown that it is determined to help save the country by instituting reforms. Berlin and Brussels have recognized that. What the experts have preferred not to discuss openly, however, is that the two-year delay for Athens does not change the fact that Greece will need another debt haircut to make its debt load manageable. And this time, it is public creditors who will be forced to surrender a portion of their capital. That won't be cheap, but a Greek insolvency would be more expensive. And it is not just about euros and cents. It is about the social costs as well. Greece has become a kind of impoverished pariah state in Europe, something the European Union cannot afford. The consequences of five years of recession can already be seen: unemployment, poverty and political extremism."

Conservative daily **Die Welt** writes:

"Greece's credit conditions are once again being softened. The German government continues to insist that there is, as yet, no written agreement, but the Greek finance minister has already triumphantly announced that a deal has been reached allowing Athens an extra two years to achieve its budgetary targets. He speaks like someone who knows he cannot lose."

"In the present situation, however, leniency might actually be the correct course of action. Greece lost valuable time in the spring because of the new elections and no matter how hard it tries, the country cannot achieve the goals it originally set for itself. And the delay was worth it; Greece now has a government that is more serious about austerity. That is an argument in favor of leniency. Another argument in favor is the fact that Greece's euro-zone partners have also made mistakes. At the beginning, they insisted to interest rates that were too high and they focused exclusively on austerity to the detriment of reforms that would stimulate economic growth. As such, some of the responsibility for the fact that Greece has made so little progress since the spring of 2010 can be shared by Berlin, Paris and Brussels."

Left-leaning daily **Die Tageszeitung** writes:

"The two-year delay reveals the depth of Greece's misery, and the helplessness of its so-called saviors. Experts and creditors alike have reached a dead end; their plans to fix Greece have failed. Indeed, they need a two-year break at least as badly as does the increasingly fragile government in Athens. Germany in particular needs more time. One year is already reserved for the campaign and the general elections scheduled for next fall. In the run up to the vote, Merkel would like calm on the euro front."

"There are, after all, new facts that Merkel's government has thus far insisted upon ignoring. For one, the International Monetary Fund has recalculated and found that the austerity measures have had a much more detrimental effect on the country's real economy than had been previously thought. The deeper the cuts, the greater the collapse of both the economy and tax revenues -- essentially eliminating the benefits derived from the cuts. Most experts also now agree that Greece will never be able to get back on its feet without another significant slashing of debt. But Berlin has thus far been deaf to such concerns and will only confront reality after the election. How nice that we will now have two years of peace."

-- *Charles Hawley*

10/26/2012 01:07 PM

## Cutting Carbon

# Is Europe's Emissions Trading System Broken?

By Joel Stonington

Emitting CO<sub>2</sub> into the atmosphere is dirt cheap in Europe these days. At just 8 euros per ton, the low price is undermining the European Union's effort to establish an effective cap and trade system. Implementing necessary fixes to the system, however, won't be easy in the face of industry opposition.

Europe's carbon market is in deep trouble and it's not just environmentalists sounding the alarm. Back in April, the CEO of Shell said that the European Union's system for trading allowances for the emission of greenhouse gases was "in danger." But that's about as direct as anyone will get in this world of bureaucratese. Most simply talk of "price weakness" (meaning that emission credits are absurdly cheap), a desire for "long-term policy certainty" (the system needs a fix!), and the need to "restore confidence" (and the fix has to come fast!).

The simple fact is that the most important tool in Europe's fight against climate change needs a major fix. When it was introduced in 2005, the idea was to make pollution expensive. And in the summer of 2008, the price for emitting a ton of carbon peaked at a price of around €30. But the global financial crisis and ensuing economic downturn in Europe have taken their toll. Prices are currently hovering around €8 euros per ton of carbon emissions, hardly the disincentive policy makers had hoped for.

"The emissions trading system is not very credible," said Jo Leinen, a Social Democratic member of European Parliament from Germany, in a recent phone interview. "It doesn't look like it has credibility in the near future. So we need to give it back its real function to be an incentive for low carbon investment and low carbon technology."

The regime, known as the Emissions Trading System (ETS), is now entering a third phase intended to begin the process of reducing the number of credits available, thus forcing prices up and pollution down. It will also dramatically increase the number of credits that are auctioned off rather than handed out. But its problems this year are more obvious than ever. Far too many carbon credits were given out in the beginning of the program and companies produced less in the downturn, resulting in a huge surplus of credits. Current prices for emissions certificates hardly act as a disincentive to continue emitting CO<sub>2</sub>.

## Looking at Fixes for the ETS

The European Commission is aware of the problem. In a draft report leaked to the press earlier this week, the Commission lays out proposals for both short- and long-term fixes to the ETS. And time, it would appear, is of the essence. "The options for structural measures outlined in the report should be discussed and explored without delay," the report reads according to Bloomberg.

Neither fix, however, will be easy and even proposals for short-term repairs are controversial. It remains to be seen whether there is enough political will to address the issue as the EU continues to muddle through the euro crisis. Yet failure to act would render meaningless the single most important governmental tool for reducing the emissions that cause climate change.

According to a Climate Action Commission report released on Wednesday, the EU remains on track to achieve its goal of 20 percent lower emissions by 2020 relative to 1990. Some point to the reductions as a success for the ETS, such as a [recent study by the Environmental Defense Fund](#), while others suggest reductions so far are

due to governmental policies in addition to the economic downturn. Indeed, success for the program can thus far mostly be measured in the fact that it exists at all.

But the ETS blueprint calls for the third phase, which will run from 2013 to 2020, to be much more rigorous, making it more expensive for major emitters and generating large amounts of revenue for member countries through the increased auctioning of credits.

Yet the huge surplus of credits handed out early in the program has largely undermined the teeth that the launch of the third phase was supposed to show. The proposed solution for the short-term is to take some credits out of the system early in the third phase of the program and put them back in at the end. The idea has been called back-loading.

### **'No Brainer'**

European Climate Action Commissioner Connie Hedegaard called this "an administrative thing" in a recent phone interview, though it's more controversial than that, with some opponents calling the plan a form of market manipulation.

According to Mark Lewis, a carbon market analyst at Deutsche Bank, the market is betting that back-loading will happen, with the only question being how many credits should be taken out. Without the back-loading plan looming, Lewis estimates that emissions allowances today would be worth just two or three euros. "The only value that these allowances have at the moment," said Lewis, "is the value of the political option."

Hedegaard laid out a plan in July containing models for withholding 400 million, 900 million or 1.2 billion carbon credits from planned auctions during the next three years. The price on Friday for an EU carbon permit on the ICE Futures Europe exchange is €7.94 euros per metric ton. A report from Deutsche Bank suggests the price would stay steady or drop if only 400 million are taken out and rise to around €15 per ton within 18 months if 900 million or 1.2 billion were initially removed.

"On backloading, this is a no brainer," Hedegaard said. "This is an overflooded market. Would it be wise to continue to overflood it?"

Various players in the carbon market have proposed that up to a full year's worth of carbon credits -- in 2011, 2.08 billion allowances were issued -- be removed for later back-loading. With phase three, credit auctions were supposed to provide member countries with money for investing in low-carbon initiatives. But revenue from the scheme is less than half of what was projected just a few years ago.

It isn't difficult to find the culprit. When the system was designed, it used contemporary models predicting economic growth. But 2008 radically changed the outlook in Europe and the surplus of carbon credits has been building ever since.

### **'A Very Expensive Route'**

As it currently stands, The European Commission does not expect the surplus to disappear organically by 2020. A commission draft document recently predicted that 1.5 billion surplus allowances will still be on the books at the end of the third phase. The draft report leaked earlier this week raised that estimate to 2 billion, according to Reuters.

"Having a low carbon price isn't a reflection of cheap decarbonization," said David Hone, Senior Climate Change Advisor at Shell, in a recent phone interview. "It probably means you've gone down a very expensive route and haven't allowed the ETS to do what it was set up to do, which is to find the lowest cost route to tackle the emissions problem."

Simply temporarily removing allowances from the system, though, may not be enough. The recently leaked draft document proposing fixes to the ETS laid out a number of deeper structural adjustments to the program,

changes that Commissioner Hedegaard said are political dynamite. "It is more difficult when you come to the more structural options that we will present a month from now," she said.

Proposals for such larger fixes include a tighter cap on emissions, canceling credits outright or lowering the total number of credits issued, according to Reuters. Indeed, the United Kingdom recently called for 1.8 billion credits to be permanently removed from the system to spur prices higher.

Some ideas from the financial and academic communities appear no longer to be under consideration, such as the creation of a central bank for the ETS that could adjust the number of credits in a downturn or the idea of setting a mandatory minimum price for auctions.

Of course, much of this feels like déjà vu. [SPIEGEL ONLINE noted back in 2006](#) that phase two of the ETS was "expected to run more smoothly." But that didn't happen. With the downturn, significant industry profits resulting from the sale of unused emissions certificates, a fraud scandal and the simple fact of too many credits given away, some studies now politely refer to both phase one and two as "teething phases."

### **'No Man's Land'**

All of this, however, should not suggest that the system is broken entirely. The conversation about the cost of carbon in Europe is firmly entrenched in boardrooms. The biggest producers of greenhouse gases are part of the program with an expected 50 percent of the EU emissions part of the plan by 2013. Some are optimistic that Europe will simply be able to work out the kinks along the way.

But as with many proposals for necessary reform in Europe, opposition to potential ETS fixes is substantial. Ironically, the main opposition to both short- and long-term fixes to the ETS comes from those who have profited from or been given special allowances in the program.

Industrial manufacturers, for example, received millions of unneeded credits during the recession that they then sold on to power companies, essentially a twice-removed subsidy for the manufacturing sector. Perhaps not surprisingly, the powerful manufacturing and business lobby, BusinessEurope, has objected to the backloading plan, according to Bloomberg. The estimate of windfall profits during the first two phases runs at €19 billion euros, according to a study put out in 2010.

"It's uncontroversial that the sale of allowances during the nadir of the recession was an important source of income for many companies," confirms Damien Morris, Senior Policy Advisor at Sandbag Climate Campaign.

The other major opposition to any ETS changes is coal-dependent Poland. Back in April, Poland's Environment Minister Marcin Korolec told Reuters that fixing the ETS could bankrupt industry in the country. Poland is one of 10 EU countries that can get exemptions from paying for allowances for up to seven years. But that's only if Poland agrees to invest in renewables and diversify, something the country has not been willing to do.

"We're sort of in no mans land at the moment," said Deutsche Bank's Lewis. "You've got a price out there that is costing the consumer an extra seven or eight euros a ton. Power is really what is affected. We're paying a higher power price than we would be otherwise because of the carbon market but we're not getting the advantage of renewable investments."

**URL:**

October 26, 2012

## Spain's Economic Misery Hits New Threshold

By [RAPHAEL MINDER](#)

MADRID — Though hardly a surprise, data released Friday showing that Spain's unemployment rate had breached 25 percent for the first time in the country's modern history were bad news for a government that had recently trumpeted a streamlining of its labor market rules.

As a signal of deepening recession, the bleak jobs data also raised the likelihood that Spain would once again miss budget targets agreed to with its euro zone counterparts. The one perversely positive element: The labor picture is so dark that it could help Prime Minister Mariano Rajoy make the case that Germany and other lenders cannot risk imposing further austerity measures on Spain's economy in return for providing more European rescue funding.

The dire jobs report "gives Rajoy more leverage in his European negotiations and is good ammunition to ask for more time to adapt," said Federico Steinberg, an economist at the Elcano Institute, a Madrid research organization.

Mr. Rajoy, however, is also fighting the crisis at home. Unions have called a general strike for Nov. 14, and elections in Catalonia on Nov. 25 could accelerate that region's drive toward independence.

According to Friday's data, the ranks of the unemployed have swollen to 5.78 million people by the end of the third quarter, compared with 5.69 million people a quarter earlier and 2.6 million four years earlier, when Spain's property bubble burst.

Luis Garicano, a professor at the London School of Economics, said the government's cost of paying unemployment benefits, now almost 4 percent of gross domestic product, was unsustainable. Twenty consecutive quarters of job destruction, he said, means that "people see very little light at the end of the tunnel, and Spaniards are losing hope."

The separatist push in Catalonia "is partly a reaction to this lack of hope," Mr. Garicano said. "It worries me for what it says about what can happen in the next two years, in which we will have a sharp fiscal contraction, low external demand, continuing deleveraging by households, and restricted credit to companies."

On Friday, the International Monetary Fund and a team of European officials wrapped up a visit to Spain to assess its efforts to shore up its banking sector. The so-called troika of the I.M.F., the European Commission and the European Central Bank issued positive statements but urged the Rajoy government to maintain momentum on reform.

The assessment is part of the process that would enable Spain to receive up to €100 billion, or \$129 billion, of banking aid that euro zone finance ministers pledged to provide last June. Lengthy wrangling over how to disburse the money underlines the extent to which Spain is losing the sovereignty argument that Mr. Rajoy has long employed.

Instead, Mr. Rajoy was forced at the recent Brussels summit meeting of E.U. leaders to accept that conditions for Spain to receive European funding essentially need the approval of Germany, where Chancellor Angela Merkel is increasingly wary of trying to promote any additional euro zone bailout program ahead of next year's elections.

Spain's banking crisis came to the fore in early May, when Madrid nationalized one of the country's largest lenders, Bankia, and then requested the banking bailout a month later. On Friday, Bankia reported a loss of €2.6 billion for the third quarter.

One of the immediate challenges for Madrid is how to value assets that Bankia and other troubled banks are set to transfer to a so-called bad bank that is meant to sequester tens of billions of euros of property loans and repossessed assets that carry the risk of never being repaid or sold.

In setting up that bad bank, Madrid is led into a difficult balancing act, one that proved Ireland's undoing earlier in the [European debt crisis](#). The challenge is to make such assets cheap enough to attract private investors, without forcing the whole banking sector to make steep and immediate reductions in the value of their whole property portfolios.

Among possible investors in the bad bank is the U.S. investment firm Kohlberg Kravis Roberts, which is also in talks to invest in the Spanish hotel chain NH Hoteles, the lodging company said Friday.

In Spain, "we are starting to see some positive indicators," Alexandre Perez Casares of KKR's office in London said. "Of course, the key requirement is to make private investors feel confident to commit long-term capital to Spain and to finalize the stabilization of the financial sector, for which a successful implementation of the bad bank is critical."

Indeed, while the latest jobs report makes for grim reading, Spain is showing resilience in some key sectors of its economy. As in neighboring Portugal, which has also swung to a trade surplus, Spanish exports have risen.

Tourism, which accounts for one-tenth of Spain's economy, has also remained relatively buoyant, with Spain welcoming a record number of foreign visitors this summer — 7.7 million in July alone.

An announcement this week by Ford that it would shut three European factories, eliminating 5,700 jobs, elicited a sigh of relief in Spain. The decision in effect safeguards Ford's factory in Valencia, which will take over production from Genk, the Belgian factory that Ford plans to close.

Javier Díaz-Giménez, an economics professor at the IESE business school, said he had "a change of mind" around July about whether Spain's adjustment efforts were yielding fruit. "I believe Spain is coming out of recession, but very slowly," he said.

Solving the costly unemployment problem, however, is a real challenge. Drastic measures like lowering the minimum wage or cutting unemployment benefits, Mr. Díaz-Giménez warned, would probably mean "fire on the streets."



October 25, 2012

## **Euro Survives, but Future Is in Doubt**

By [FLOYD NORRIS](#)

Remember the euro crisis?

Only a few months ago, it was front-page news. Would the euro collapse? Would most of southern Europe go broke, unable to borrow money at any reasonable rate? Would that bring on a new world recession?

But in this week's foreign policy debate between President Obama and Mitt Romney, the euro never came up. Europe was mentioned once, but the reference had nothing to do with economics. Mr. Romney did refer to Greece, but only to say we were in danger of going down the same path if we did not change our ways.

To a surprising extent, the perception seems to be that the European situation is under control. That is true if all you worry about is whether bondholders will get paid. It is false if you have a broader perspective.

The focus of the last couple of years on borrowing costs for peripheral members of the euro zone was, in retrospect, unfortunate. It was always clear that Europe, as a whole, had the ability to solve that issue if it wished to do so. The [European Central Bank](#), like the United States Federal Reserve, has the ability to print money, and that is what it finally did.

But the real issue was — and remains — whether the peripheral countries could turn into successful economies while staying in the euro zone. On that issue, progress is painfully slow.

“The actions of the E.C.B. and other policy makers in Europe have generally had the effect of filling large financial gaps in periphery bank and sovereign funding,” wrote Bob Prince of Bridgewater Associates this week, “but have done relatively little to resolve competitive imbalances among these economies.”

Banks are hesitant to lend. On Thursday, the European Central Bank report on loan activity in September showed a record 1.4 percent year-over-year decline in loans outstanding to private sector companies and individuals in the euro zone. “These numbers are rather consistent with the bleak picture painted by business surveys, showing an ongoing contraction of activity,” wrote François Cabau and Phillippe Gudin of Barclays Capital in a note to clients.

If peripheral countries simply had fixed exchange rates, rather than a common currency, they could and almost certainly would have devalued their currencies long before now. That is the normal prescription for countries in financial distress. Couple it with austerity and revivals can be surprisingly rapid, as exports surge and imports plunge.

As it is, the process is sure to be long and painful, but not certain to succeed.

As Europe stumbles and slows, there has been a temptation in the United States to turn our attention elsewhere, to Asia for economic reasons and to the Mideast for political ones. Mr. Romney has tried to add South America to that mix. But neither the Romney nor Obama campaign has wanted to talk much about Europe, a fact that has been noted with a little alarm in Europe.

Richard Lambert, the chancellor of Britain's Warwick University — and a former editor of The Financial Times as well as a former central banker — was in New York this week trying to convince Americans that they should care, and predicting that the euro will survive.

“The European Union has the capacity to get its affairs into order, if it has the political determination to do so,” he said in a speech at New York University. “This is a crisis about economic imbalances within the euro zone, more than it is about fault lines with the rest of the world.”

That is a point worth remembering. The euro zone as a whole is running smaller budget and current account deficits than is the United States. If it were one country, there might be articles about depressed regions, but not talk of collapse.

But it is not one country. It is taking halting steps in that direction, with a move to unified bank supervision, but political union is not going to happen; Angela Merkel’s name is never going to be on a ballot outside of Germany. Nor is there going to be easy labor mobility around Europe, even though that is supposedly guaranteed now. Cultural and language differences assure that.

Within the United States, there have long been depressed areas — sometimes changing, as when Texas went from boom to bust when oil prices collapsed in the early 1980s — and transfer of payments from one region to another. Europe does not have automatic transfer payments, but its various central bank programs, as well as the bailouts, amount to transfer payments from the rich countries to the poor ones.

It was not easy getting the Germans to agree to those programs, and ambiguity remains regarding future transfers as a way of persuading depressed countries to stick to the austerity programs Europe demands. It was critically important that Ms. Merkel, Germany’s chancellor, was willing to approve the newest European Central Bank program despite the objections of Germany’s own central bank, the Bundesbank.

Ireland is often painted as the periphery’s success story, and in some ways it has been. Unit labor costs are down, and the country seems to be better able to compete in world markets. It did so with [deflation](#), by slashing wages in the private and public sector, reducing unemployment benefits and raising the retirement age. Its exports are rising and — unusual for the periphery — its imports are also going up.

Those sacrifices amounted to a very large price to pay for the sin of having a housing bubble that devastated the country’s banks, and then its government when it tried to stand behind the banks.

One reason that Americans have been dubious about the prospects for euro survival is that it is hard for us to imagine anyone accepting such a prescription when simply adopting a (quickly devalued) new currency would seem to be much less painful, even considering the financial chaos that might ensue for a brief time.

The wealth of the populace, measured in foreign currency, would decline, but nominal salaries would not. Fixed payments — such as car payments and mortgage payments — would not suddenly increase as a percentage of income, as they have with slashes in paychecks.

But the euro never was primarily an economic creation. The political reasons for binding Europe together were — and are — more important. “It is essential to understand the strength of the political glue that is holding the project together,” Mr. Lambert of Warwick University said in his speech. “A whole generation of political leaders want this project to survive, and they have the economic resources to make it do so if they choose to use them.”

He pointed out that polls in Greece — which seems to be in a never-ending depression — still show strong support for the euro, and so do polls in Finland, which has been upset over the need to support the periphery.

If countries in the periphery cannot devalue their currencies versus the German currency — that is, if they stay in the euro — then they must somehow get their labor costs in line with Germany’s. There is talk of, and even some action, regarding labor market reforms, but that is a slow process.

In Portugal, the clever idea was something called “fiscal devaluation,” in which taxes were to be adjusted to lower labor costs. The government proposed charging lower payroll taxes to companies and higher ones to workers. That would have cut take-home pay, and reduced wage costs for business. The populace was outraged, and the government backed down.

It is not only the troubled countries on the periphery that saw inflation, and unit labor costs, rise much faster than costs in Germany over the past decade, leading to the competitive problem. **That is still true in Italy and France. Mr. Lambert argues that the most important issue facing Europe is whether France will get a handle on its competitiveness problem.**

German inflation would help greatly, and that could be a side benefit of the central bank running its printing presses full out.

In the long run, the peripheral economies must become competitive with their neighbors, so they can earn their own way, or the result will be, in Mr. Lambert's words, "the permanent division of Europe into creditor and debtor nations, with the creditors dictating the terms." That, he says, "would not be politically sustainable over time."

The euro zone is not about to collapse. Whether it can be sustained over the long term is not as clear.

Floyd Norris comments on finance and the economy at [nytimes.com/economix](https://www.nytimes.com/economix).

October 24, 2012

## Greece Reaches Agreement With International Lenders

By [LIZ ALDERMAN](#)

ATHENS — [Greece](#) has reached an agreement with its international lenders on a harsh new austerity package and a brace of controversial labor market reforms, the country's finance minister said Wednesday.

The long-sought deal is aimed at releasing billions of euros in additional financial aid for Greece and could also alleviate fears that the country might leave the euro monetary union.

The deal still requires passage by the Greek Parliament, where it is certain to test the viability of the country's shaky governing coalition.

The finance minister, Yannis Stournaras, also said Wednesday that Greece's European partners had agreed to give Athens additional time to carry out the austerity program — about 13.5 billion euros (\$17.5 billion) of spending cuts and tax increases — instead of adopting it all immediately. The point would be to soften the blow to Greece's moribund economy, which is heading for its sixth consecutive year of recession.

But Simon O'Connor, spokesman for the European economic affairs commissioner, Olli Rehn, rebuffed reports that an extended timetable had yet been agreed to.

The austerity package, months in the making, has fueled sometimes violent street protests by Greeks who are facing their third round of belt-tightening in three years. And getting the three-party coalition of the prime minister, Antonis Samaras, to approve the package remains an uphill battle.

Mr. Samaras has warned members of his own New Democracy Party to approve the package or face being ousted. But some members of the coalition's junior partners — the Democratic Left and the socialist Pasok parties — are refusing to support wage and pension cuts, although they have pledged not to jeopardize Greece's access to more financial aid.

Passage would require 151 of the Parliament's total 300 votes.

The leader of the neo-fascist Golden Dawn party, which has ridden a tide of anger against immigrants and Greece's worsening economy, recently threatened to have the party's 18 parliamentary members resign when a vote is held, a move that, if carried out, could delay its passage.

The measures need to be approved by Greek lawmakers before Nov. 12. That is when finance ministers from euro zone countries, scheduled to meet in Brussels, are expected to consider whether Greece should get its new tranche of aid.

Should the measures pass, Greece's so-called troika of lenders — the International Monetary Fund, the European Central Bank and the European Commission — would issue a report gauging whether Greece has made sufficient progress in mending its tattered finances to receive the 31.5 billion euros in aid that Mr. Stournaras has said is needed for Greece to avoid bankruptcy.

With state coffers virtually empty, an economy near depression and unemployment at a record high of 25 percent, Greece is counting on the money to keep the government running. It also needs to pay off a portion of more than 8 billion euros in arrears that it owes suppliers for basic products, like medicines, that some companies have stopped supplying to Greece until they are paid.

And yet most of the money would not be put directly back into the economy. Instead, about 85 percent of the loan installment would go to replenishing the capital reserves of Greece's shaky banking system. Those cushions were depleted early this year after the banks lost huge amounts of money, when the government forced its creditors to take a 50 percent loss on the Greek bonds — held in large part by Greece's banks.

Mr. Samaras, the prime minister, has said the money will enable banks to start lending again, fueling growth at a time when the government estimates that the economy will contract by 6.5 percent this year.

But many Greeks are concerned that the banks would simply hold onto the money rather than lend to businesses, continuing a trend that has already led tens of thousands of small and medium-size enterprises to fold in the last several years.

"I'm not confident that there will be a large portion of funds going into the market," said Constantine Mihalos, president of the Athens Chamber of Commerce. "The vast majority of the funds will be filling gaps" in the banks' accounts, he added, so "the liquidity crunch that has resulted in the death of even healthy companies will go on."

A draft version of the deal, leaked to the media late Tuesday, included cutbacks in the public sector, where 5,000 civil servants would be placed on reduced wages this year before being either transferred to other jobs or dismissed. The same would happen to another 20,000 in 2013.

The retirement age would increase by two years, to 67 from 65, while certain categories of civil servants on "special salaries" would see their wages cut by as much as 35 percent.

The draft package also foresees a reduction in the number of associate professors at state universities from 15,226 to 2,000 and an end to the majority of tax exemptions. An emergency "solidarity" tax on income would be extended until 2018.

Mr. Stournaras, the finance minister, told Parliament on Wednesday that Greece aimed to reduce its debt burden by lowering the interest rate on the rescue loans it receives from the troika and extending the payback periods of those loans.

Niki Kitsantonis contributed reporting.

This article has been revised to reflect the following correction:

**Correction: October 24, 2012**

An earlier version of this article misstated the plan for changing the retirement age. It would change to 67 from 65, not to 65 from 67.

October 24, 2012

## Amid Cutbacks, Greek Doctors Offer Message to Poor: You Are Not Alone

By [LIZ ALDERMAN](#)

ATHENS — As the head of [Greece](#)'s largest oncology department, Dr. Kostas Syrigos thought he had seen everything. But nothing prepared him for Elena, an unemployed woman whose [breast cancer](#) had been diagnosed a year before she came to him.

By that time, her [cancer](#) had grown to the size of an orange and broken through the skin, leaving a wound that she was draining with paper napkins. "When we saw her we were speechless," said Dr. Syrigos, the chief of oncology at Sotiria General Hospital in central Athens. "Everyone was crying. Things like that are described in textbooks, but you never see them because until now, anybody who got sick in this country could always get help."

Life in Greece has been turned on its head since the debt crisis took hold. But in few areas has the change been more striking than in health care. Until recently, Greece had a typical European health system, with employers and individuals contributing to a fund that with government assistance financed universal care. People who lost their jobs received health care and unemployment benefits for a year, but were still treated by hospitals even after the benefits expired.

Things changed in July 2011, when Greece signed a supplemental loan agreement with international lenders to ward off financial collapse. Now, as stipulated in the deal, if people are unable to foot the bill after their benefits expire, they are on their own, paying all costs out of pocket.

About half of Greece's 1.2 million long-term unemployed lack [health insurance](#), a number that is expected to rise sharply in a country with an unemployment rate of 25 percent and a moribund economy, said Savas Robolis, director of the Labor Institute of the General Confederation of Greek Workers. A new \$17.5 billion austerity package of budget cuts and tax increases, agreed upon Wednesday with Greece's international lenders, will make matters only worse, most economists say.

The changes are forcing increasing numbers of people to seek help outside the traditional health care system. Elena, for example, was referred to Dr. Syrigos by doctors in an underground movement that has sprung up here to care for the uninsured. "In Greece right now, to be unemployed means death," said Dr. Syrigos, an imposing man with a stern demeanor that grew soft when discussing the plight of cancer patients.

The development is new for Greeks — and perhaps for Europe, too. "We are moving to the same situation that the United States has been in, where when you lose your job and you are uninsured, you aren't covered," Dr. Syrigos said.

The change is particularly striking in cancer care, with its lengthy and expensive treatments. When cancer is diagnosed among the uninsured, "the system simply ignores them," Dr. Syrigos said. He said, "They can't access [chemotherapy](#), surgery or even simple drugs."

The health care system itself is increasingly dysfunctional, and may worsen if the government slashes an additional \$2 billion in health spending, which it has proposed as part of a new austerity plan aimed to lock down more financing. With the state coffers drained, supplies have gotten so low that some patients have been forced to bring their own supplies, like [stents](#) and syringes, for treatments.

Hospitals and pharmacies now demand cash payment for drugs, which for cancer patients can amount to tens of thousands of dollars, money most of them do not have. With the system deteriorating, Dr. Syrigos and several colleagues have decided to take matters into their own hands.

Earlier this year, they set up a surreptitious network to help uninsured cancer patients and other ill people, which operates off the official grid using only spare medicines donated by pharmacies, some pharmaceutical companies and even the families of cancer patients who died. In Greece, doctors found to be helping an uninsured person using hospital medicines must cover the cost from their own pockets.

At the Metropolitan Social Clinic, a makeshift medical center near an abandoned American Air Force base outside Athens, Dr. Giorgos Vichas pointed one recent afternoon to plastic bags crammed with donated medicines lining the dingy floors outside his office.

“We’re a Robin Hood network,” said Dr. Vichas, a cardiologist who founded the underground movement in January. “But this operation has an expiration date,” he said. “People at some point will no longer be able to donate because of the crisis. That’s why we’re pressuring the state to take responsibility again.”

In a supply room, a blue filing cabinet was filled with cancer drugs. But they were not enough to take care of the rising number of cancer patients knocking on his door. Many of the medicines are forwarded to Dr. Syrigos, who set up an off-hours infirmary in the hospital three months ago to treat uninsured cancer patients. Dr. Vichas and other doctors in the network send his way.

Dr. Syrigos’s staff members consistently volunteer to work after their official shifts; the number of patients has risen to 35 from 5. “Sometimes I come home tired, exhausted, seeing double,” said Korina Liberopoulou, a pathologist on site one afternoon with five doctors and nurses. “But as long as there are materials to work with, this practice will go on.”

Back at the medical center, Dr. Vichas said he had never imagined being so overwhelmed with people in need.

As he spoke, Elena appeared, wearing a pleated gray head wrap and a loose plum blouse. She was coming for drugs to help her cope with the aftermath of chemotherapy she had recently received from Dr. Syrigos.

Elena said she was left without insurance after quitting her teaching job to care for her cancer-stricken parents and a sick uncle. By the time they died, the financial crisis had hit Greece and, at 58, it was impossible for her to find work.

She said she panicked when she was found to have the same type of breast cancer that killed her mother: the treatments would cost at least \$40,000, she was told, and her family’s funds were depleted. She tried to sell a small plot of land, but no one was buying.

Her cancer spread, and she could not find treatment until a few months ago, when she sought out Dr. Vichas’s underground clinic after hearing about it through word of mouth. “If I couldn’t come here, I would do nothing,” she said. “In Greece today, you have to make a contract with yourself that you will not get very sick.”

She said she was dismayed that the Greek state, as part of the bailout, had pulled back on a pillar of protection for society. But the fact that doctors and ordinary Greeks were organizing to pitch in where the state failed gave her hope in her bleakest hours. “Here, there is somebody who cares,” Elena said.

For Dr. Vichas, the most powerful therapy may not be the medicines, but the optimism that his Robin Hood group brings to those who have almost given up. “What we’ve gained from the crisis is to come closer together,” he said.

“This is resistance,” he added, sweeping his eyes over the volunteers and patients bustling around the clinic. “It is a nation, a people allowed to stand on their own two feet again with the help they give each other.”

Dimitris Bounias contributed reporting.

## L'image de l'islam se dégrade fortement en France

Par [Jean-Marie Guénois](#), [Service infographie du Figaro](#) Mis à jour le 24/10/2012 à 22:33 | publié le 24/10/2012 à 20:16  
[Réactions](#) (83)



Des fidèles prient dans une mosquée du sud de Lille. Crédits photo : PHILIPPE HUGUEN/AFP

**SONDAGE - Une étude de l'Ifop pour *Le Figaro* montre que la montée du communautarisme des musulmans accentue leur rejet par l'opinion.**

La communauté musulmane de France s'apprête à fêter, vendredi, sa plus grande fête de l'année, Aïd-el-Kébir, également dénommée Aïd-el-Adha, fête du sacrifice. Elle intervient au lendemain du rassemblement de millions de pèlerins, jeudi, sur le mont Arafat près de La Mecque. Cette fête commémore l'acte de sacrifice, interrompu par l'ange, du fils d'Ibrahim (Abraham dans la tradition juive). Elle voit donc les familles musulmanes immoler, après le sermon de l'aïd, un mouton ou un bélier, parfois un bovin ou une chèvre, couché sur le flanc gauche et la tête tournée vers La Mecque.

Une fête qui tombe dans une France qui conteste de plus en plus cette religion, comme le démontre [un sondage exclusif de l'Ifop pour \*Le Figaro\*](#), mais aussi des faits spectaculaires comme l'occupation symbolique, samedi dernier, de la mosquée de Poitiers. «Notre sondage, explique Jérôme Fourquet, directeur du département opinion de l'Ifop, démontre une évolution qui va dans le sens d'un durcissement supplémentaire des Français vis-à-vis de cette religion et d'une perception négative renforcée de l'islam. Même si une proportion non négligeable de Français, 40 %, continue à se dire indifférente à la question de la présence de l'islam en France.»

Ce qui explique, à ses yeux, un tel durcissement - 43 % des sondés considèrent l'islam comme une «menace» - est lié à une «visibilité» fortement accrue de l'islam sur la scène publique et médiatique. «Ces dernières années, il n'est pas une semaine sans que l'islam, pour des questions sociétales, voile, nourriture halal, ou pour une actualité dramatique, attentats, ou géopolitique, n'ait été au cœur de l'actualité.» D'où cette autre impression: 60 % pensent que cette religion a désormais «trop d'importance». Ils étaient 55 % il y a seulement deux ans. Ceux qui se disaient indifférents à cette question passent de 41 à 35 %.

«De ce point de vue, ajoute Jérôme Fourquet, la polémique sur le fast-food halal à Roubaix - certes largement instrumentalisée politiquement - ou certaines publicités halal, ont eu plus d'effets que n'importe quel discours politique. Elles confirment dans l'opinion l'irréversibilité de l'enracinement de l'islam en France, qui n'est plus perçu comme un problème passager. Voilà une clé d'interprétation de ce sondage: cette caisse de résonance permanente conduit à une prise de conscience très forte qui n'a peut-être jamais été atteinte à ce point.»

Une analyse qui apparaît du reste très nettement quand les questions sont posées sur le voile islamique ou sur la construction des mosquées. En 1989, 33 % des sondés se disaient favorables à la construction des mosquées. Ils ne sont plus que 18 %. Pour le voile dans la rue, et sur la même période, les personnes opposées passent de 31 % à 63 %. Et les indifférents ont quasiment fondu de moitié pour n'être que 28 %. Quant au voile à l'école, le



feu rouge écarlate s'allume puisque l'on passe sur la même période de 75 % opposés à 89 %! Les indifférents chutant de 17 % à 6 %...

### «Les avis négatifs convergent»

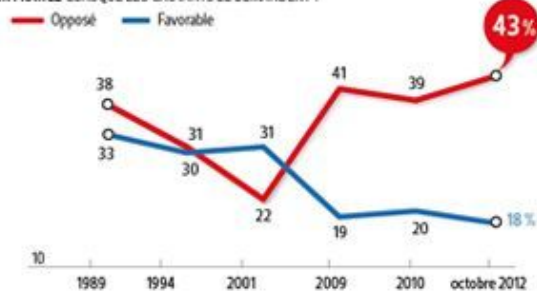
Sur ces sujets précis, très repérables dans la vie de tous les jours, «les avis négatifs convergent, constate Jérôme Fourquet, et l'on ne voit pas comment ils pourraient désormais s'inverser». On vérifie ainsi cette «radicalisation de l'opinion publique et cette baisse de l'indifférence vis-à-vis de l'islam», note ce spécialiste des sondages. Quand on demande aux Français quelles sont «les causes» de ce rejet: le «refus de s'intégrer à la société française» passe de 61 à 68 % en deux ans. «Les trop fortes différences culturelles» de 40 à 52 % et «le fait que les personnes d'origine musulmane soient regroupées dans certains quartiers et certaines écoles» de 37 % à 47 %. Quant à la question des «traits d'image associés globalement à l'islam», le «rejet des valeurs occidentales» arrive très largement en tête.

Tout se passe comme si les marqueurs du communautarisme étaient devenus insupportables aux Français, qui ne voient, au passage, aucun effet des «actions ou des budgets des pouvoirs publics» pour l'intégration.

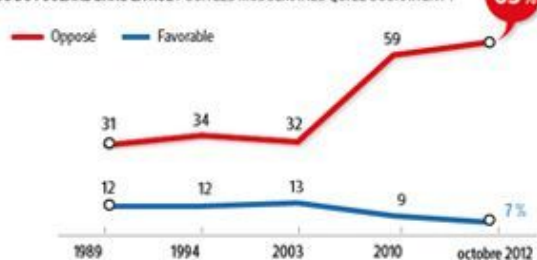
Enfin, pour ce qui est de la politique, une évolution a particulièrement été repérée par Jérôme Fourquet. Il constate qu'une «digue» vient de céder. Elle séparait le refus - constant depuis 1989 - de partis politiques se référant à l'islam et une certaine bienveillance pour des élus locaux, voire des maires musulmans. Cette hostilité de principe à ces élus - très forte en 1989, avec 63 % - s'était atténuée jusqu'à 33 % en 2010. Mais cette hostilité aux élus locaux musulmans vient subitement de remonter à 45 %.

## Une opposition de plus en plus marquée

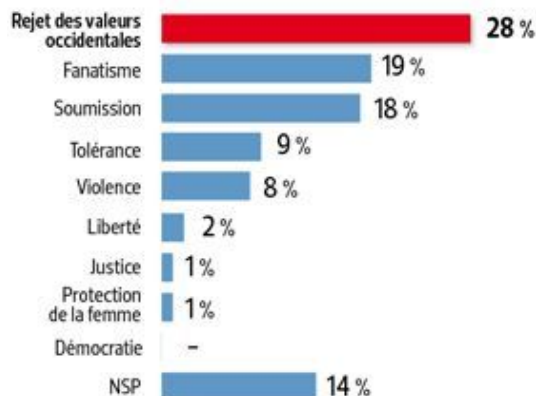
QUESTION : ÊTES-VOUS FAVORABLE OU OPPOSÉ À L'ÉDIFICATION DE MOSQUÉES EN FRANCE LORSQUE LES CROYANTS LE DEMANDENT ?



QUESTION : ÊTES-VOUS FAVORABLE OU OPPOSÉ AU PORT DU VOILE OU DU FOULARD DANS LA RUE POUR LES MUSULMANES QUI LE SOUHAITENT ?



QUESTION : ENTRE LES MOTS SUIVANTS, QUELS SONT LES TROIS QUI CORRESPONDENT LE MIEUX À L'IDÉE QUE VOUS VOUS FAITES DE L'ISLAM ?



\*mots cités en premier

QUESTION : QUELLES SONT LES DEUX CAUSES QUI, SELON VOUS, EXPLIQUENT LE PLUS QUE LES MUSULMANS ET LES PERSONNES D'ORIGINE MUSULMANE SONT MAL INTÉGRÉS DANS LA SOCIÉTÉ FRANÇAISE ?

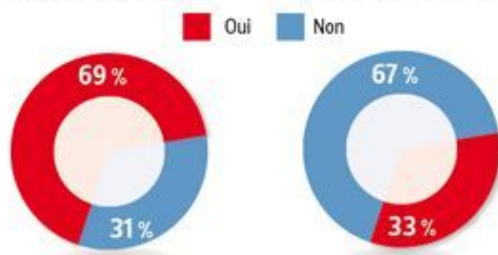


Question posée uniquement aux personnes estimant que les musulmans ne sont pas bien intégrés dans la société, soit 67% de l'échantillon

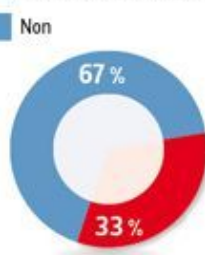
QUESTION : DIRIEZ-VOUS QUE LA PRÉSENCE D'UNE COMMUNAUTÉ MUSULMANE EN FRANCE EST...



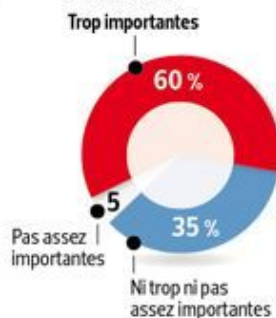
QUESTION : DIRIEZ-VOUS QUE LA SOCIÉTÉ FRANÇAISE EST SUFFISAMMENT OUVERTE ET ACCUEILLANTE VIS-À-VIS DES MUSULMANS ?



QUESTION : DIRIEZ-VOUS QU'AUJOURD'HUI LES MUSULMANS ET LES PERSONNES D'ORIGINE MUSULMANE SONT BIEN INTÉGRÉS DANS LA SOCIÉTÉ FRANÇAISE ?



QUESTION : DIRIEZ-VOUS QUE L'INFLUENCE ET LA VISIBILITÉ DE L'ISLAM EN FRANCE SONT AUJOURD'HUI...



Sondage Ifop pour Le Figaro réalisé sur un échantillon de 1736 personnes, représentatif de la population française âgée de 18 ans et plus. La représentativité de l'échantillon a été assurée par la méthode des quotas (sexe, âge, profession de la personne interrogée) après stratification par région et catégorie d'agglomération. Les interviews ont eu lieu par questionnaire auto-administré en ligne (CAWI - Computer Assisted Web Interviewing).  
Sondage réalisé du 15 au 18 octobre 2012.

## Full Mario Draghi Pro-Inflation Speech To Germany

Submitted by [Tyler Durden](#) on 10/24/2012 09:49 -0400

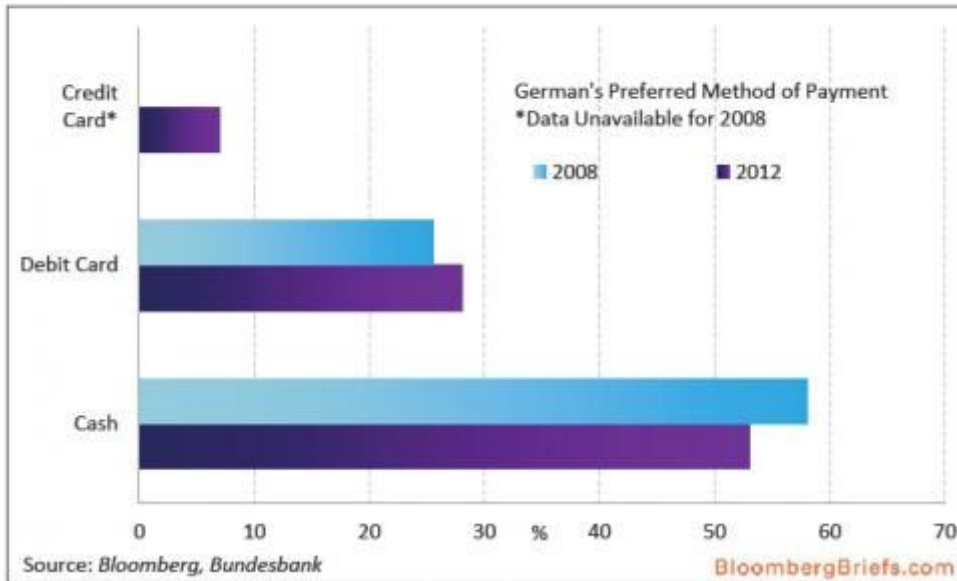
For all those wondering why next time Mario Draghi will need to pull a "*Merkel Lampoons Greek Vacation*" next time he comes to Berlin, and is accompanied by 7,000 policemen, here is the Goldmanite's full speech, with the five key lies highlighted for general consumption:

- **First**, OMTs will not lead to disguised financing of governments. We have specifically designed our interventions to avoid this. They will take place solely on secondary markets, where bonds that have already been issued are traded. If interventions take place, they will involve buying government debt from investors, not from governments. All this is fully consistent with the Treaty's prohibition on monetary financing. Moreover, they will focus on shorter maturities and leave room for market discipline.
- **Second**, OMTs will not compromise the independence of the ECB. The ECB will continue to take all decisions related to OMTs in full independence. It will decide whether to intervene based on its own assessment of monetary policy transmission and with the aim of safeguarding price stability. The fact that governments have to comply with conditionality will actually protect our independence. The ECB will not be forced to step in for a lack of policy implementation.
- **Third**, OMTs will not create excessive risks for euro area taxpayers. Such risks would only materialise if a country were to run unsound policies. This is explicitly prevented by the ESM programme. And we have been very clear that each time a programme starts being reviewed, we will routinely suspend operations and resume them only if the review has been concluded positively. This will ensure that the ECB intervenes only in countries where the economy and public finances are on a sustainable path.
- **Fourth**, OMTs will not lead to inflation. We have designed our operations so that their effect on monetary conditions will be neutral. For every euro we inject, we will withdraw a euro. In our assessment, the greater risk to price stability is currently falling prices in some euro area countries. In this sense, OMTs are not in contradiction to our mandate: in fact, they are essential for ensuring we can continue to achieve it.
- **Moreover**, we see no signs that our announcement has affected inflation expectations. They continue to be firmly anchored. This is testament to our track record on price stability over the last decade and our credible commitment to maintaining price stability. The citizens of the euro area can be confident that we will remain permanently alert to risks to price stability. We have all the necessary tools at our disposal to maintain it and to withdraw any excess liquidity in case of upward risks to price stability.

Needless to say, nobody in Germany believes him, but that is not surprising. The scariest part is probably that the Goldman messenger believes himself. The good news is that Goldman will be able to book some serious revenue from selling Germany inflation-linked Special Purpose Vehicles from now until the advent of Weimar 2.0.

Incidentally for those curious why ze Germans like their cash, here is a chart showing just how attached to paper, unlike the US, Germans are.

## Germans Make More Than Half Their Purchases in Cash



Full speech from Draghi - [link](#)

### **Speech by Mario Draghi, President of the ECB, Discussion on ECB policies with Members of Parliament, Berlin, 24 October 2012**

Dear President Lammert,

Honourable Committee Chairs,

Honourable Members of the Bundestag,

I am deeply honoured to be here today.

As President of the European Central Bank (ECB), it is a privilege for me to come to the heart of German democracy to present our policy responses to the challenges facing the euro area economy.

I know that central bank actions are often a topic of debate among politicians, the media and the general public in Germany. So I would like to thank President Lammert and all Committee Chairs most warmly for this kind invitation – and the opportunity it gives me to participate in that discussion.

It is rare for the ECB President to speak in a national parliament. The ECB is accountable to the European Parliament, where we have scheduled hearings every three months and occasional hearings on topical matters. We take these duties of accountability to the citizens of Europe and their elected representatives very seriously.

But I am here today not only to explain the ECB's policies. I am also here to listen. I am here to listen to your views on the ECB, on the euro area economy and on the longer-term vision for Europe.

To lay the ground for our discussion, I would like to explain our view of the current situation and the rationale for our recent monetary policy decisions. I will focus in particular on the Outright Monetary Transactions (OMTs) that we formally announced in September.

# **Financial markets and the disruptions of monetary policy transmission**

Let me begin with the challenges facing the euro area. We expect the economy to remain weak in the near term, also reflecting the adjustment that many countries are undergoing in order to lay the foundations for sustainable future prosperity. For next year, we expect a very gradual recovery. Euro area unemployment remains deplorably high.

In this environment, the ECB has responded by lowering its key interest rates. In normal times, such reductions would be passed on relatively evenly to firms and households across the euro area. But this is not what we have seen.

In some countries, the reductions were fully passed on. In others, the rates charged on bank loans to the real economy declined only a little, if at all. And in a few countries, some lending rates have actually risen.

Why did this divergence happen? Let me explain this in detail because it is so important for understanding our policies. A fundamental concept in central banking is what is known as 'monetary policy transmission'. This is the way that changes in a central bank's main interest rate are passed via the financial system to the real economy.

In a well-functioning financial system, there is a stable relationship between changes to central bank rates and the cost of bank loans to firms and households. This allows central banks to influence overall economic conditions and maintain price stability.

But the euro area financial system has become increasingly disturbed. There has been a severe fragmentation in the single financial market. Bank funding costs have diverged significantly across countries. The euro area interbank market has been effectively closed to a large number of banks and some countries' entire banking systems. Interest rates on government bonds in some countries have risen steeply, hurting the funding costs of domestic banks and limiting their access to funding markets.

This has been a key factor why banks have passed on interest rates very differently to firms and households across the euro area. Interest rates do not have to be identical across the euro area, but it is unacceptable if major differences arise from broken capital markets or the perception of a euro area break-up. The fragmentation of the single financial market has led to a fragmentation of the single monetary policy. And in an economy like the euro area where about three quarters of firms' financing comes from banks, this has very severe consequences for the real economy, investment and employment.

It meant that countries in economic difficulties could not benefit from our low interest rates and return to health. Instead, they were experiencing a vicious circle.

Economic growth was falling. Public finances were deteriorating. Banks and governments were being forced to pay even higher interest rates. And credit and economic growth were falling further, leading to rising unemployment and reduced consumption and investment. A number of economies could have seen risks of deflation.

All of this meant that the outlook for the euro area economy as a whole was increasingly fragile. There were potentially negative consequences for Europe's single market, as access to finance was increasingly influenced by location rather than creditworthiness and the quality of the project.

The disruption of the monetary policy transmission is something deeply profound. It threatens the single monetary policy and the ECB's ability to ensure price stability. This was why the ECB decided that action was essential.

## **Restoring the proper transmission of monetary policy**

So let me now turn directly to our recent policy announcements. To decide what type of action was appropriate, we had to make two key assessments. First, we had to diagnose precisely why the transmission was disrupted. And second, we had to identify the most effective policy tool to repair those disruptions, while remaining within our mandate to preserve price stability.

In our analysis, a main cause of disruptions in the transmission was unfounded fears about the future of the euro area. Some investors had become excessively influenced by imagined scenarios of disaster. They were therefore charging interest rates to countries they perceived to be most vulnerable that went beyond levels warranted by economic fundamentals and justifiable risk premia.

Clearly, it was not by chance that some countries found themselves in a more difficult situation than others. It was mainly those countries that had implemented inappropriate economic policies in the past. This is also why the first responsibility in this situation is for countries to make determined reforms and convince markets that they are credible.

But many were already doing this, only for interest rates to rise even higher. There was an element of fear in markets' assessments that governments, acting alone, could not remove. Markets were not prepared to wait for the positive effects of reforms to emerge.

In our view, to restore the proper transmission of monetary policy, those unfounded fears about the future of the euro area had to be removed. And the only way to do so was to establish a fully credible backstop against disaster scenarios.

We designed the OMTs exactly to fulfil this role and restore monetary policy transmission in two key ways.

First, it provides for *ex ante* unlimited interventions in government bond markets, focusing on bonds with a remaining maturity of up to three years. A lot of comments have been made about this commitment. But we have to understand how markets work. Interventions are designed to send a clear signal to investors that their fears about the euro area are baseless.

Second, as a pre-requisite for OMTs, countries must have negotiated with the other euro area governments a European Stability Mechanism (ESM) programme with strict and effective conditionality. This ensures that governments continue to correct economic weaknesses while the ECB is active. The involvement of the IMF, with its unparalleled track record in monitoring adjustment programmes would be an additional safeguard.

## **The consequences of the ECB's actions**

So what are the likely consequences of the ECB's actions? Before announcing the OMT programme, we considered very carefully the possible risks – and we designed our operations to minimise them. But I am aware that some observers in this country remain concerned about the potential impact of this policy. I would therefore like to use this opportunity to go through those concerns – one by one – and explain our views.

First, OMTs will not lead to disguised financing of governments. We have specifically designed our interventions to avoid this. They will take place solely on secondary markets, where bonds that have already been issued are traded. If interventions take place, they will involve buying government debt from investors, not from governments. All this is fully consistent with the Treaty's prohibition on monetary financing. Moreover, they will focus on shorter maturities and leave room for market discipline.

Second, OMTs will not compromise the independence of the ECB. The ECB will continue to take all decisions related to OMTs in full independence. It will decide whether to intervene based on its own assessment of monetary policy transmission and with the aim of safeguarding price stability. The fact that governments have to comply with conditionality will actually protect our independence. The ECB will not be forced to step in for a lack of policy implementation.

Third, OMTs will not create excessive risks for euro area taxpayers. Such risks would only materialise if a country were to run unsound policies. This is explicitly prevented by the ESM programme. And we have been

very clear that each time a programme starts being reviewed, we will routinely suspend operations and resume them only if the review has been concluded positively. This will ensure that the ECB intervenes only in countries where the economy and public finances are on a sustainable path.

Fourth, OMTs will not lead to inflation. We have designed our operations so that their effect on monetary conditions will be neutral. For every euro we inject, we will withdraw a euro. In our assessment, the greater risk to price stability is currently falling prices in some euro area countries. In this sense, OMTs are not in contradiction to our mandate: in fact, they are essential for ensuring we can continue to achieve it.

Moreover, we see no signs that our announcement has affected inflation expectations. They continue to be firmly anchored. This is testament to our track record on price stability over the last decade and our credible commitment to maintaining price stability. The citizens of the euro area can be confident that we will remain permanently alert to risks to price stability. We have all the necessary tools at our disposal to maintain it and to withdraw any excess liquidity in case of upward risks to price stability.

## **Conclusion**

Let me conclude these opening remarks.

Three elements are essential for understanding the policies of the ECB: immutable focus on price stability; acting within our mandate; and being fully independent.

The ECB's new measures help to ensure price stability across the euro area. They also contribute to improving the economic environment. But completing that task of economic renewal demands continuing action by the governments of the euro area.

It is governments that must set right their public finances. It is governments that must reform their economies. And it is governments that must work together effectively to establish an institutional architecture for the euro area that best serves its citizens.

We are already moving in the right direction. Across the euro area, deficits are being cut. Competitiveness is being improved. Imbalances are closing. And governments are working seriously to complete economic and monetary union.

It is important that Europe's leaders stay on course. In doing so, they will be able to unlock fully the enormous potential of the euro to improve living standards and carry forward the project of European integration.

Thank you for your attention – and I look forward to our discussion

## Peugeot : l'intervention de l'État fait plonger l'action

Par Roland Laskine | Publié le 24/10/2012 à 09:55 | Mise à jour le 24/10/2012 à 12:25 | [Réactions \(21\)](#)



L'intervention de l'État risque de bloquer la réduction des capacités de production du secteur en France. Crédit Photo : © Billy Weeks / Reuters/Reuters

Le titre Peugeot recule de plus de 7% et affiche un plus bas depuis 26 ans. Le marché craint que le sauvetage de l'État ne bloque le nécessaire processus de restructuration de Peugeot.

Le titre Peugeot a ouvert en hausse de 1,82 % en réaction à l'annonce du [plan de sauvetage d'urgence de l'État](#) à hauteur de 5 milliards d'euros, auquel s'ajoutera 5 milliards de garanties apportées par un pool bancaire.

Mais le titre est très vite repassé dans le rouge (-7% à 10H30) au plus bas depuis 26 ans. Les mesures qui accompagnent cette aide destinée à éviter une dégradation par les agences de notation de la note de l'établissement financier dispensateur de crédit au sein de Peugeot n'ont rien de très réjouissant. La première d'entre elle concerne la non distribution de dividende aux actionnaires pendant toute la durée du plan.

«Il a été décidé, pendant la période de la garantie de l'État, de ne pas procéder à des distributions de dividendes ou à des rachats d'actions, et de ne pas attribuer aux membres du directoire d'options de souscription ou d'achat d'actions ni d'actions gratuites», a indiqué le constructeur automobile dans un communiqué.

L'autre condition est la nomination de deux administrateurs, un représentant de l'État et un des pouvoirs publics. Ceci signifie que l'État compte bien influencer sur la gouvernance du groupe, en s'opposant notamment aux nécessaires mesures de restructuration qui s'imposent, notamment en matière de fermeture de sites de production.

Cet hypothèque risque surtout de peser sur les négociations en cours avec General Motors qui vont reprendre aujourd'hui. En Allemagne, certains responsables politiques songent déjà à déposer un recours à Bruxelles pour s'opposer à l'intervention de l'État français chez Peugeot, qui pourrait avoir pour conséquence un maintien artificiel des sites de production en grande difficulté. Cela, alors que l'Europe a au contraire besoin de réduire ses capacités de production.



## Guest Post: Merkollande Becomes Merde

Submitted by [Tyler Durden](#) on 10/23/2012 15:06 -0400

Submitted by Pater Tenebrarum of [Acting-Man blog](#).

### European Discord Mounts – The Fraying Franco-German Alliance

**The most important alliance within the EU, the one that has ultimately defined the union's course over the past few decades, is the French-German axis.** It appears that this is no longer the case. The once so strong friendship is in danger of fraying ever since the socialist Francois Hollande has become president of France. Not only was he elected on an 'anti austerity' platform (disguised as a 'pro growth' agenda, which is of course one of the most laughable misrepresentations ever), it has turned out that **his big-brother, anti-free market socialist agenda wasn't merely an electoral ploy to differentiate himself from Sarkozy. He actually means it.**

This **puts him at odds with the at least nominally conservative chancellor of Germany, Angela Merkel.** Shortly after Hollande's election, the tone of commentary emanating from Germany was still marked by cautious optimism. Sure, so the story went, Mrs. Merkel would have preferred it if she had been able to continue working with Mr. Sarkozy. But we don't always get what we want, and surely it would be possible to find enough common ground with Mr. Hollande on questions concerning Europe. However, in the euro area, **it is no longer so easy to completely divorce domestic policy from euro-land policy.** And Hollande's domestic policies are setting a terrible example.

**How can Germany demand free market-oriented reforms and austerity from the periphery while the French president implements anything *but* with great fanfare in France?**

The **growing rift** was not yet as glaringly evident during the first EU summit in which Hollande took part, although the summit was notable for creating the impression that 'Germany was backing down on key demands' according to the press – ostensibly due to Mario Monti digging in his heels. However, Monti, Rajoy, Hollande and Merkel had met ahead of the summit to clear up the most important questions, so it seemed likely that we were merely witnessing an example of well staged political theater. Monti was under great deal of political pressure at the time and had to return home with a 'victory'.

**In the run-up to last week's 'banking union' summit, the vast gulf between the diverging opinions of the French and German administrations garnered some attention however.** Apparently this time, it was rather more difficult to find common ground. As 'Der Spiegel' noted at the time, it seemed as though the moniker 'Merkozy', which was at first replaced with 'Merkollande', was on the verge of being shortened to ['Merde'](#):

"A bit of brinksmanship on the eve of European Union summits is to be expected. Heads of state and government are fond of going public with what they hope to achieve, only to make concessions once negotiations begin in Brussels. What might look like a deep abyss prior to the meeting will often be bridged.

But this time around, the self-serving rhetoric has been so intense that it is difficult to imagine the 27 EU leaders coming to agreement at the two-day summit, which begins on Thursday afternoon. First, it was German Finance Minister Wolfgang Schäuble, from Chancellor Angela Merkel's conservative Christian Democrats, who went on the offensive on Tuesday with a far-reaching plan to outfit Brussels with a veto right over national budgets. The position, widely referred to as a "super-commissioner," would even be able to override national parliaments, a taboo in Paris and in many other European capitals.

Then, in an interview with five leading European dailies, French President François Hollande repeated a proposal that isn't any less controversial. He wants to see the introduction of euro bonds, in addition to the installation of a euro-zone wide banking oversight authority by the end of the year. In Berlin, euro bonds are categorically rejected. And Hollande's timeline for banking oversight, combined with serious differences between Paris and Berlin on what such a regime might look like, is seen in Germany as unrealistic to the point of being an affront.

*It almost seems as though Paris and Berlin are intentionally getting in each other's way. Germany wants to further stiffen EU budgetary rules and would like to amend EU treaties as quickly as possible next year to make it possible. France, on the other hand, believes the priority should be the collectivization of debt and rapidly installing bank oversight. For the summit, the result is likely to be a stalemate. The new Franco-German partnership of Mercolle is on the verge of earning a less flattering moniker: Merde."*

*(emphasis added)*



*Not seeing eye to eye: François Hollande and Angela Merkel. (Photo credit: Getty Images)*

**Although the German government has refrained from publicly commenting on Hollande's domestic policies, it doesn't require a big leap of the imagination that the bizarre and outmoded socialist program implemented by the French administration is regarded with some apprehension from Berlin.** There is not only the already mentioned signal that France is sending to the rest of Europe one needs to consider. There is also the not unimportant question of how France is going to be able to adhere to the deficit and debt targets of the 'fiscal compact' if Hollande runs its economy into the ground. Should France miss its targets, what can Germany do about it? In reality, not much. And should the markets begin to get worried about the sustainability of France's government debt, then it will be all over but the shouting.



*What Angela Merkel dreams about: the much happier times when Ersatz Napoleon was still around.*

*(Photo credit: Philippe Wojazer/AP/Press Association Images)*

## Parallel Universes

In its latest edition, Der Spiegel once again tackles the topic of the Franco-German alliance, this time asserting that a 'crisis of confidence' has developed. France and Germany, so the magazine, now inhabit 'parallel universes' and relations have turned 'frosty'.

“Since the days of former German Chancellor Konrad Adenauer and former French President Charles de Gaulle, Germany and France have generally been run by politicians who placed more value on unity than their differences. The axis between former German Chancellor Helmut Schmidt and former French President Valéry d'Estaing axis proved to be just as resilient as the partnership between their successors, Helmut Kohl and Francois Mitterand.

### Frosty Relations

*Under Merkel and Hollande, however, the German-French partnership threatens to deteriorate into nothing but a façade. The two politicians, who hold the fate of the continent in their hands, greet each other politely with kisses on the cheek, and their respective public relations staffs extol their "professional" and "trusting" cooperation.*

*In truth, however, the relationship began on a cool note and has since slipped below the freezing point.* Hollande doesn't want to forgive Merkel for having campaigned for his conservative opponent, former President Nicolas Sarkozy. Now the Chancellery suspects that Hollande is secretly planning a campaign for Merkel's challenger from the center-left Social Democratic Party (SPD), former Finance Minister Peer Steinbrück.

*Mistrust shapes the relationship between Paris and Berlin, on issues ranging from future European bank regulation to the joint aerospace and defense group EADS and the future architecture of Europe. Hollande suspects that Berlin is using budget consolidation as an excuse to gain European dominance. Merkel notes with unease that Hollande is joining forces with Rome and Madrid to form a joint axis against Germany.*

Last Monday, a joint interview with the French president at the Elysée Palace given to six European newspapers offered a sense of how deep the divide is. In the one-hour meeting, Hollande not only criticized German policies more sharply than he ever has before since taking office, but he also rebuffed Merkel's austerity course. "It is France's task to tirelessly tell our partners that there are alternatives to a policy of austerity," Hollande said.

*His predecessor Sarkozy also had differences of opinion with Merkel. Nevertheless, the two leaders always managed to agree on a joint position prior to a summit. This has changed, with the two sides now intensifying rather than smoothing over their conflicts prior to meetings.”*

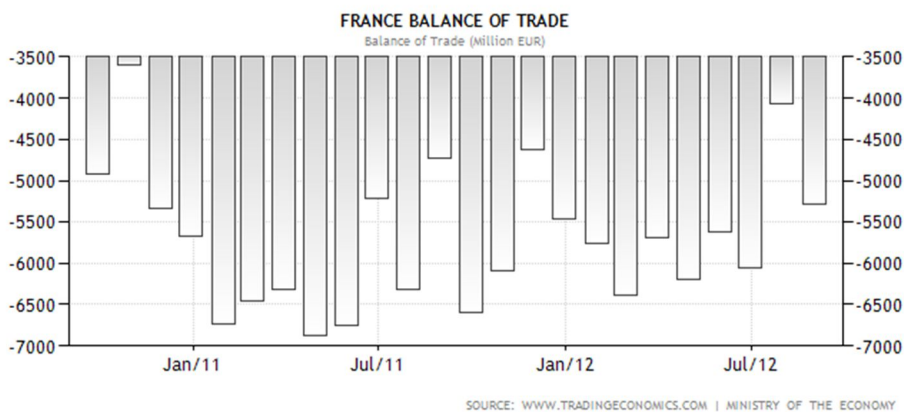
*(emphasis added)*

But **what are Hollande's vaunted 'alternatives to the austerity policy'?** The new socialist “Zwangswirtschaft” model that he is implementing in France and which marches on inexorably, from one absurdity to the next? **If Spain were to attempt to do the same, its bond market would crash in an instant.**

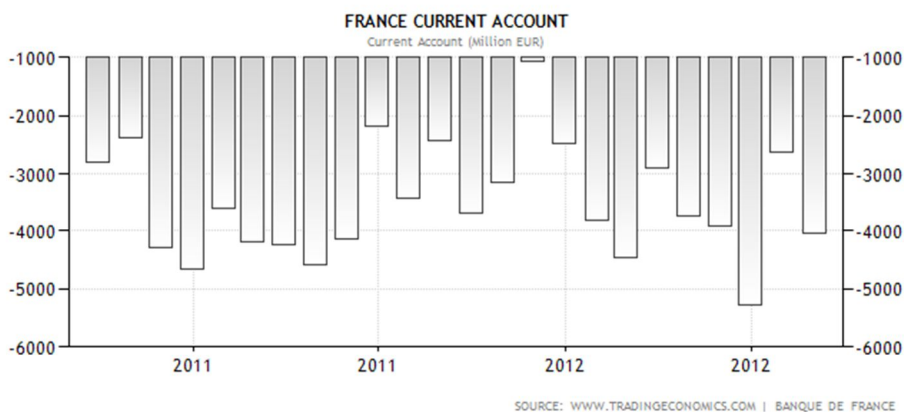
To be sure, Hollande is not entirely wrong when he accuses the German government of having 'double standards'. As we have often pointed out, **Germany itself has little moral standing in demanding that others cut their debt loads while it is in flagrant violation of the Maastricht (now 'fiscal compact') limits itself.** The unilateral scuttling of the EADS/BEA merger was an inexplicable oddity as well. However, the Germans

are quite correct when they grumble about the unprofessional attitude revealed by the 'journalistic broadsides' Hollande lately fires at them and about Hollande's economic policies at home. As an unnamed German official noted privately: "You don't get France's problems under control by raising taxes and lowering the retirement age." In fact, this is not only not the way to get France's problems under control, it is sure to add to the growing list of problems of the euro-zone as a whole.

One thing is certain: **the markets have not yet fully assimilated what is going on here**. If relations between France and Germany continue to fray, it will become highly likely that the euro area will eventually fall apart with a bang. After last week's summit, which predictably did not result in anything tangible, Hollande *sotto voce* declared that "[Europe is very close to ending the debt crisis](#)" and had "taken the right decisions" (actually, no decisions have been taken at all). Ironically, he also proposed that the "surplus countries should lower their taxes". This must have been the first time ever that Hollande has put the terms 'lower' and 'taxes' into the same sentence. Of course he is on safe ground here, as **France is definitely not a surplus country**:



France's trade deficit – [click for better resolution](#).



France's current account deficit – [click for better resolution](#).

Still, we can finally commend him for uttering a good idea: **lowering taxes is always a good plan, no matter who pursues it**. Let's get on with it.

Unfortunately he proposed a **very bad idea in the same sentence: the surplus countries should also "raise wages"**. He did not mention that rising wages need to be accompanied by gains in labor productivity – no, he wants the countries with trade surpluses to make themselves *deliberately less competitive*, which is an utterly nonsensical demand. **Not only is it absurd, period, it is especially so as no country is an island**, and neither is the euro area as a whole. German producers not only need to consider the European market – they must stay competitive globally. Obviously, to deliberately make one set of countries *less competitive* is fundamentally

very different from altering conditions in those that are currently not competitive in a positive direction. Hollande is essentially saying: **'I'm implementing terrible policies at home – those with better policies should drag themselves down to my level, so as to blunt the harm I'm inflicting on France in the service of unworkable socialism.'**

#### ***Addendum: BuBa Still Unhappy with the ECB***

*The Bundesbank's latest monthly report has come out yesterday (at the moment, unfortunately only [the German version is available](#)), and it is evident that the German central bank continues to look askance at Super Mario's foray into manipulating interest rates in euro area crisis countries by buying their debt. We mention this here because this rift between ECB and BuBa is in a way mirroring the rift between France and Germany. If it were up to France, Draghi would no doubt already be a clone of Bernanke. [Alphaville has a brief comment](#) on the BuBa's report, summarizing several of the salient points. We intend to provide a more extensive overview in an upcoming post.*



*Another picture from happier times, when France and Germany were working closely together: Francois Mitterand and Helmut Kohl are commemorating the dead of World War I in Verdun in 1984. It was a 'symbolic moment of reconciliation between the two countries' as Der Spiegel remarks.*

## "If" Becomes "When"

Submitted by [Tyler Durden](#) on 10/23/2012 18:41 -0400

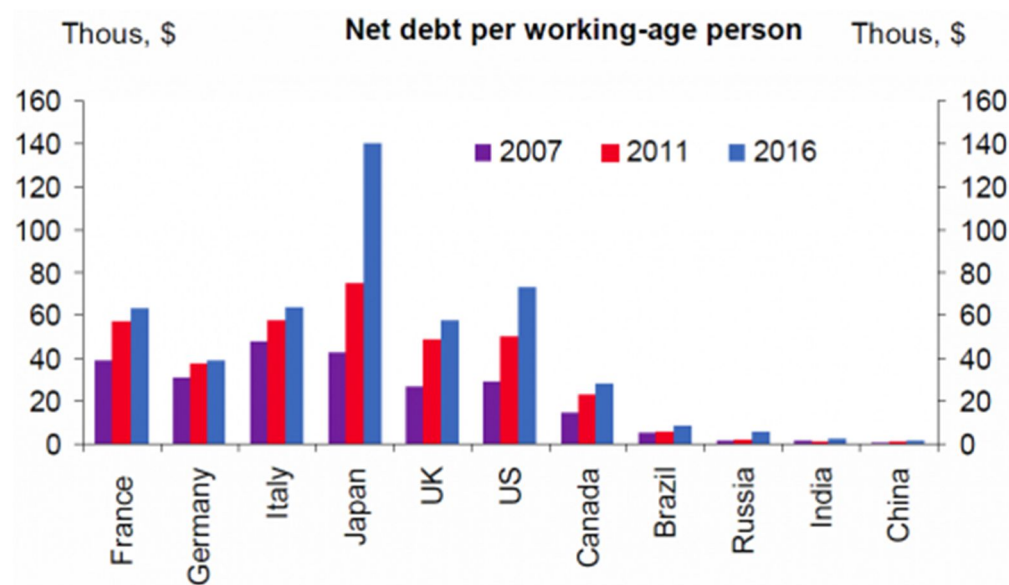
*Via Mark J. Grant, author of Out of the Box,*

- If the Central banks are done printing
- If there is to be no more flood of liquidity spilling into the world that required Noah's Ark
- That buoyed the equity markets; that compressed the bond markets
- If the ECB will never do one thing because the EU cannot agree on them to do it
- If Greece cannot agree on the mandated austerity measures and so new elections are called
- If Spain asks for money and Germany says it is a legacy issue and it is Spain's problem
- If money for Cyprus cannot be agreed to
- If Portugal appears back at the till
- If Catalonia decides that it no longer wishes to be part of Spain
- If China has a slow-down which is far past the common thinking
- If a new leader appears in Germany who wants to retain the nation for its people
- If the nations in Europe cannot agree on a banking supervisor or while funding the ESM refuse to hand over their country's money to other nations any longer
- If the recession in Europe is worsening and deepening and broadening and the distance across the Atlantic shrinks by the recession's intensity

Then "If" is no longer "If" and it grows up and becomes "When" and perhaps that moment has begun and the consequences will be soon enough.

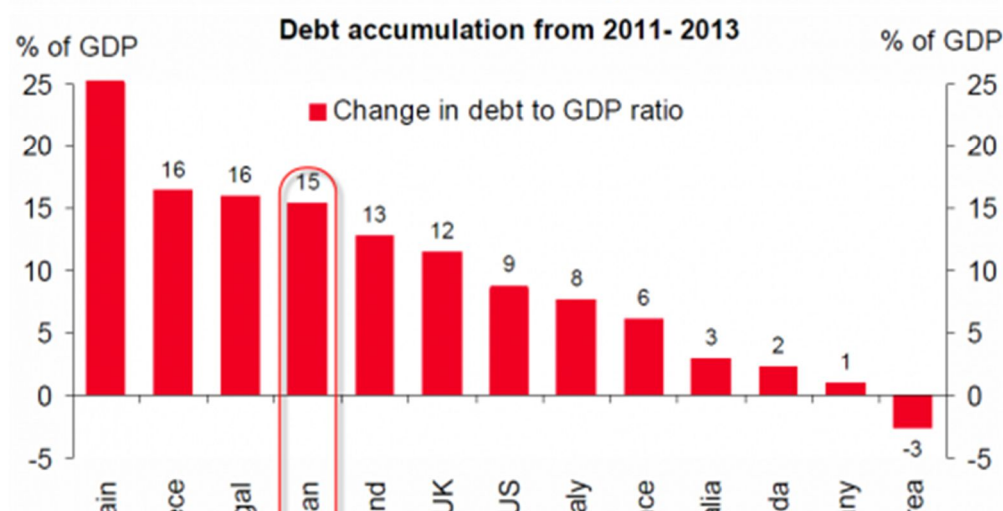
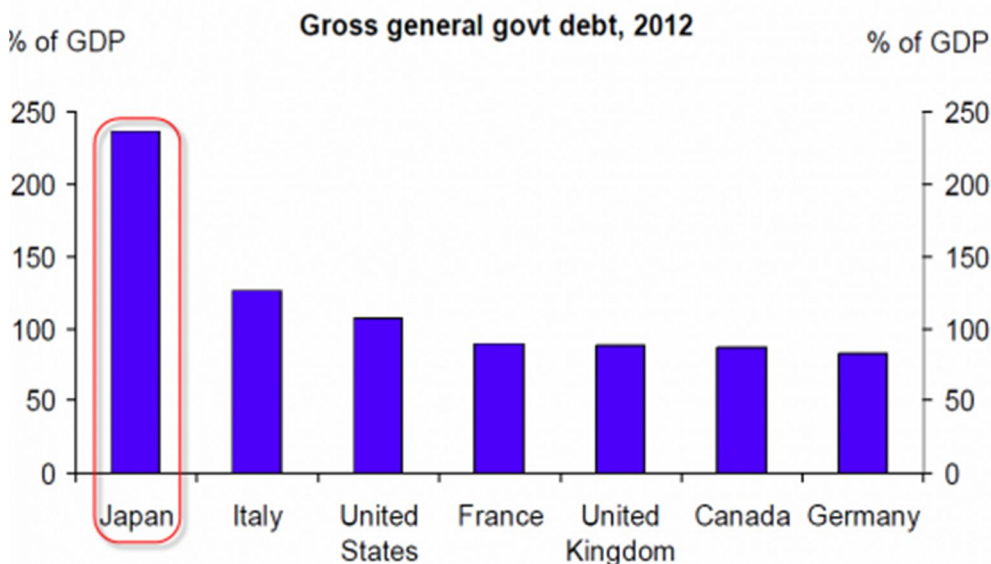
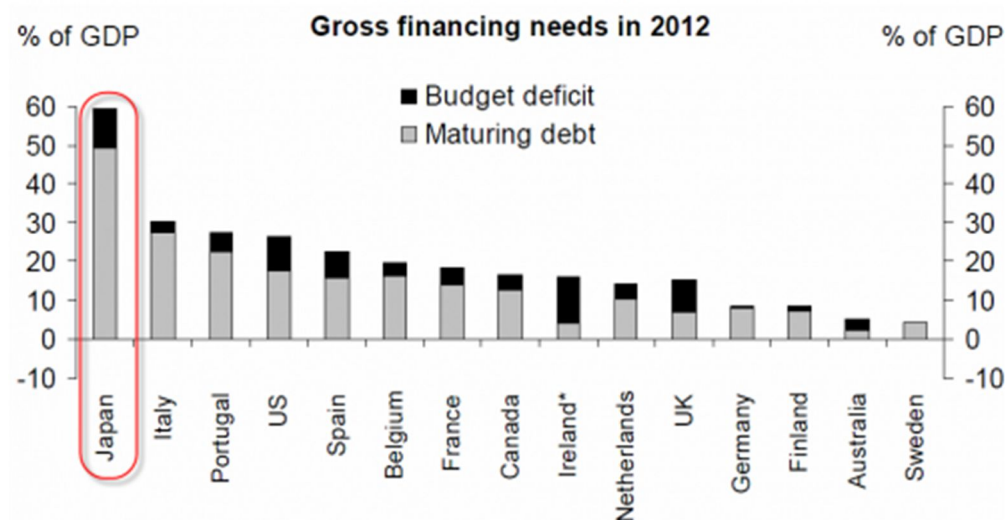
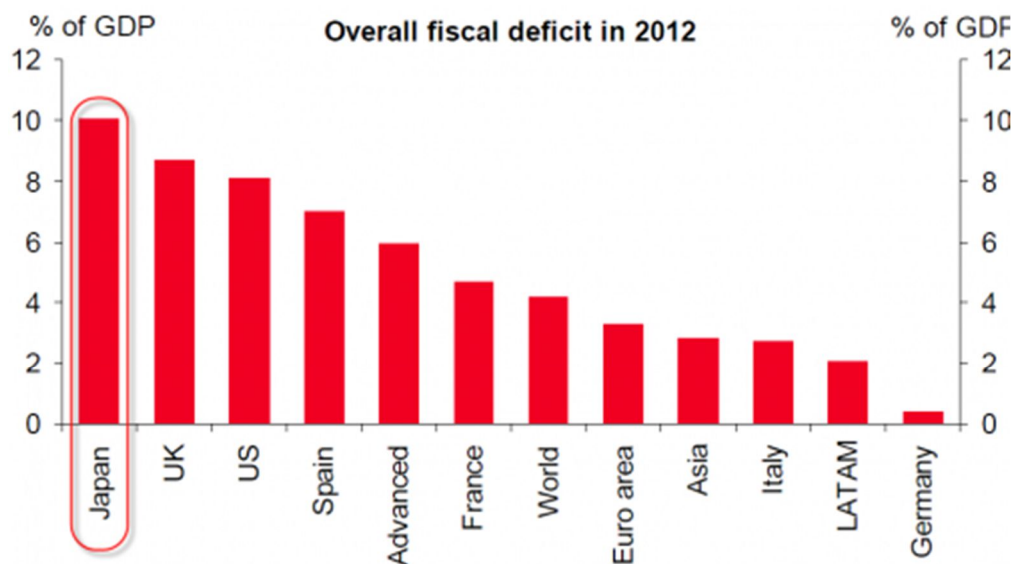
## A Mushroom Cloudy Future: In 2016 Japan, Net Debt Per Capita Will Be \$140,000

Sometimes you just have to laugh; or else committing harakiri comes dangerously close to mind. Japan's increasingly terrifying fiscal situation combined with a central bank that is rapidly becoming the laughing stock of the world (though all the other central banks are merely mimicking its actions) is becoming so self-referential (with its almost total domestic ownership of government debt), so short-termist (with its dramatically high short-term funding requirements constantly rolling), and demographically challenged (with its elderly almost entirely reliant upon government transfer payments) that it is hard to comprehend how much longer this farce can carry on. We have [previously discussed Japan's WTF charts](#), but the following collection from Deutsche Bank's Torsten Slok must be seen to be believed. For now - **the problem in a nutshell is government-debt per working-age person in Japan will be \$140,000 in 2016 - almost triple the rest of the G7.**



But They are Fiscally FUBAR...

- Significant Fiscal Deficits
- Gross Financing Needs Are Remarkable
- Debt/GDP now above 80% in all G7 Countries
- Debt/GDP ratio up significantly in Spain, Greece, Portugal, and Japan
- In most G7 countries short term debt is 20% to 30% of total debt outstanding

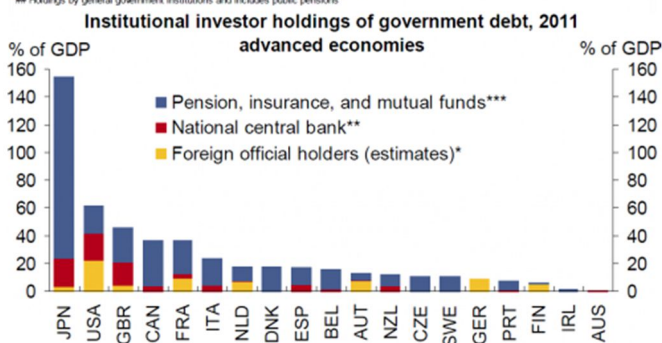
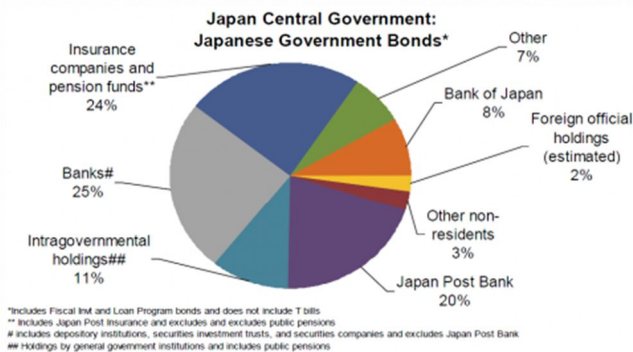
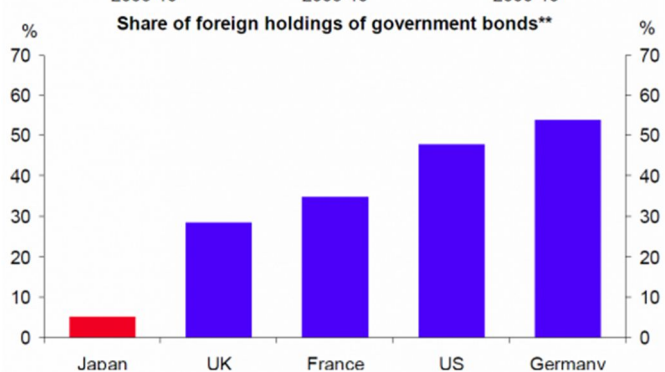
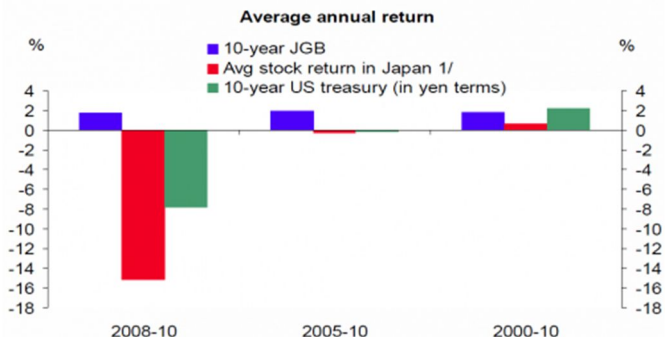




and Financial Repression and Domesticization has become rife...

- For Japanese investors JGBs look attractive
- Foreigners own only 5% of JGBs
- Japan: Holders of government debt as % of total outstanding. Foreigners hold 5%
- Institutional investor holdings of government debt

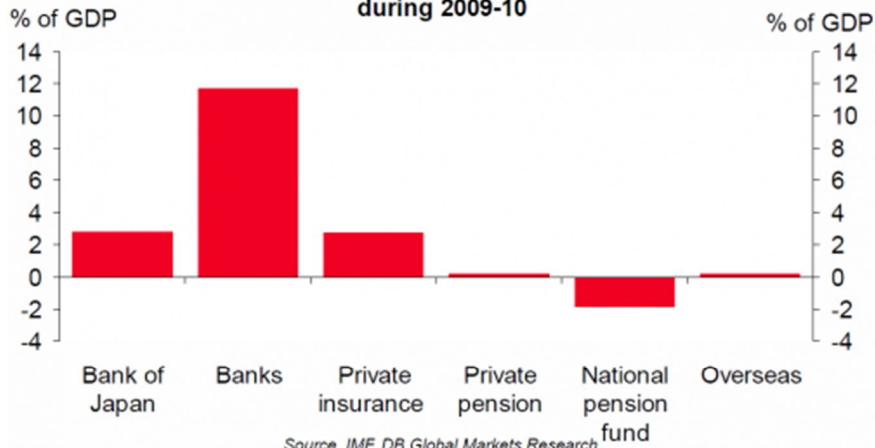
For Japanese investors JGBs look attractive 



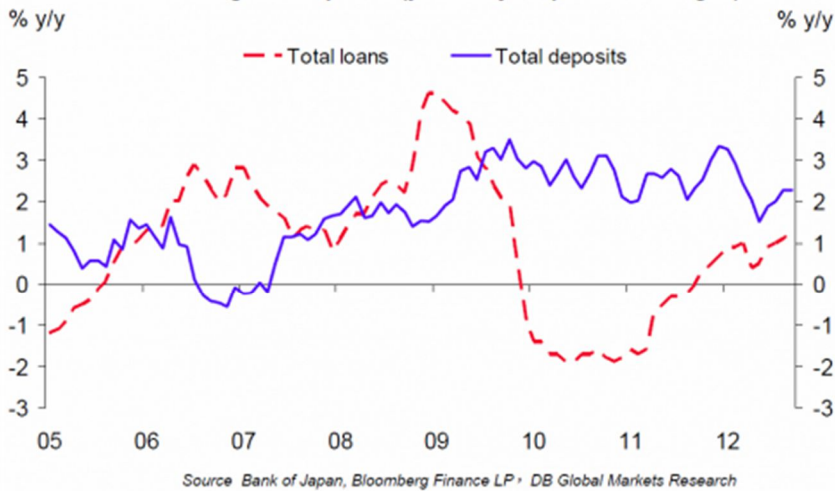
which has lead to a nation (people and banks) that are entirely as one connected to this SNAFU...

- Japanese banks have been increasing their holdings of Japanese government bonds
- Japanese banks: Deposit growth higher than loan growth
- Japanese banks buying JGBs for their surplus deposits
- Japan's elderly rely mainly on public transfers when they turn 70

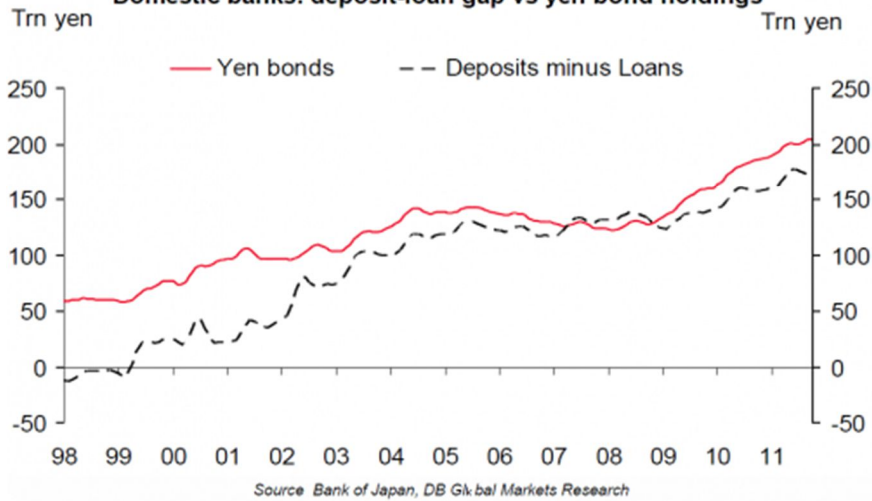
**Japan: net increase in holdings of JGBs and FBs during 2009-10**



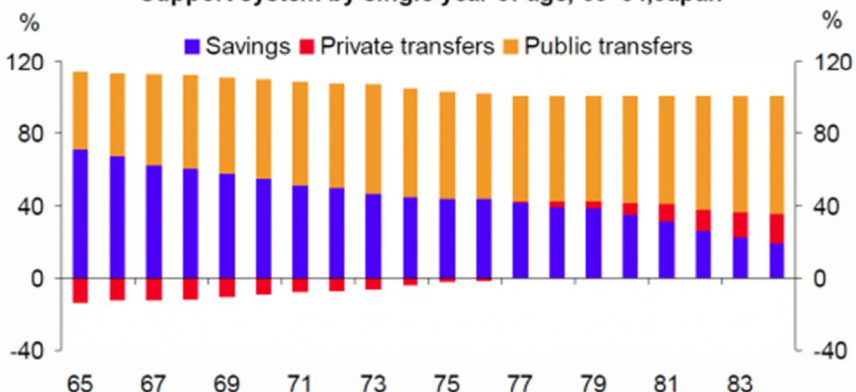
**Bank lending and deposits (year-on-year percent changes)**



**Domestic banks: deposit-loan gap vs yen bond holdings**



**Support system by single year of age, 65-84, Japan**



Note: Negative values represent net outflows, that is, the elderly provide more support to their families than they receive. If values in one support system are negative, values in another support system can be greater than 100%.

So - how does this all end? Who knows but the build up of outliers, black swans, bugs in search of windshields, and mushroom clouds waiting to happen is simply remarkable - and there is little doubt that with the right convexity the upside from this [debt saturation's final death](#) will be huge. The background can be found [here](#) - on how we got here and while Richard Koo can prescribe an ever-increasing budget of fiscal stimulus to plug the deflationary spiral - in the end, there is only one way out for Japan.

Please do not repeat the simplistic response to a Japan 'crisis' bet - that it has ruined many traders - this is simply incorrect in the last decade or more - with JGBs practically unchanged (it has merely been a carry loss) and their broad equity market down over 50%.

As SocGen's Dylan Grice once noted, Will 2012 be the beginning of the end of flawed Keynesian economics?

Maybe Japan's will be the crisis that wakes up the rest of the world and triggers some tough decisions on world-wide debt loads. Or maybe not - maybe the Greeks will beat them to it? or the Irish or the UK, or the US? Like banks in 2007, developed market governments today rely on sustained capital markets more than any time in their history. What if they shut?

*Charts: Deutsche Bank*

## Hubert Védrine im Gespräch

### „Deutschland könnte eine echte Macht sein“

FAZ 24.10.2012 · Der ehemalige französische Außenminister Védrine fordert Deutschland auf, eine größere Rolle in der internationalen Politik und bei militärischen Einsätzen zu spielen. Im Interview mit der F.A.Z. sagt der Berater Präsident Hollandes, Deutschland könne „nicht darin verharren, seine Geschichte zu bewältigen“.



© IMAGO Hubert Védrine war zwischen 1997 und 2002 Außenminister Frankreichs

### Herr Védrine, wie bewerten Sie das deutsch-französische Verhältnis seit dem Machtwechsel in Paris? Können Angela Merkel und François Hollande zueinanderfinden?

Für mich gibt es seit der Wiedervereinigung kein deutsch-französisches Paar mehr. Schon vorher fand ich den Begriff zu sentimental und zu introvertiert. Die großen Augenblicke der deutsch-französischen Beziehung, zu Zeiten Giscard und Schmidts oder Mitterrands und Kohls waren Momente, in denen beide Länder ein Motor für den Rest Europas waren. Das ist nur noch selten der Fall heute.

### Worauf führen Sie das zurück?

Seit der Wiedervereinigung haben sich die Deutschen von der deutsch-französischen Rhetorik gelöst. Das ist weder überraschend noch schockierend. Die französischen Reaktionen hinkten den Realitäten hinterher. Als führe man einen afrikanischen Regentanz auf, gab es inständige Aufrufe zu einer Wiederbelebung der deutsch-französischen Beziehungen.

### Und heute glaubt die Linke in Frankreich nicht mehr an eine Wiederbelebung?

Der französischen Seite ist es schwergefallen, sich einzugestehen, dass Deutschland die wichtigste europäische Wirtschaftsmacht und damit die wichtigste politische Macht Europas geworden ist. Viele Franzosen waren auf ein erstarktes Deutschland ohne Komplexe - mit Ausnahme des militärischen Bereichs - nicht vorbereitet, auch aufgrund der wirtschaftlichen Schwierigkeiten, die Deutschland vor gut zehn Jahren hatte. Trotzdem musste man feststellen, dass ohne eine deutsch-französische Verständigung in Europa nichts vernünftig funktioniert. Es gibt also keine Alternative, auch für Deutschland allein nicht. Deshalb kommt man wieder auf die deutsch-französischen Beziehungen zurück, aber dieses Mal ganz konkret und ohne Mythologie.

### Aber ging so nicht schon das von der Bundeskanzlerin und Präsident Sarkozy gebildete „Merkozy-Paar“ vor?

Angela Merkel und Nicolas Sarkozy hatten einen schlechten gemeinsamen Start. Aber zum Schluss erweckten sie den Eindruck, dass das deutsch-französische Paar wieder zueinandergefunden hätte. Ich glaube, das war nur eine optische Täuschung. Die Bundeskanzlerin hatte verstanden, dass die harten deutschen Forderungen nach Haushaltsdisziplin innerhalb der Eurozone viel besser durchzusetzen sind, wenn sie den deutsch-französischen Stempel tragen. Nicolas Sarkozy hat von diesem Umstand profitiert und das war in Ordnung so. Aber die deutsch-französischen Beziehungen sind dadurch aus dem Gleichgewicht geraten.

## **War der Spruch vom deutsch-französischen Ungleichgewicht nicht nur ein Wahlkampfeslogan Hollandes?**

Seit seiner Wahl versucht François Hollande, die Beziehungen wieder auszugleichen, zum Beispiel, wenn er sich mit Spaniern oder Italienern verbündet. Das bedeutet aber nicht, dass er die deutsch-französischen Beziehungen zerstören will. Er will das Gleichgewicht wiederherstellen. Wir sind immer noch in dieser Phase der Neujustierung. **Meines Erachtens werden wir langfristig mit pragmatischen deutsch-französischen Beziehungen leben. Wir werden oft nicht miteinander einverstanden sein. Aber wir werden immer versuchen, so viele Übereinstimmungen wie möglich zu finden.** Der Kompromiss über die Bankenunion ist ein gutes Beispiel dafür.

**Aber in Ihrer Partei, den Sozialisten, herrscht weiterhin Unbehagen über den europäischen Fiskalpakt, auch wenn er gerade mit einer sozialistischen Mehrheit ratifiziert wurde.**

**Der europäische Fiskalpakt steht im Grundsatz dafür, dass wir den Maastrichter Vertrag endlich ernstnehmen.** Schon einige Jahre nach der Unterzeichnung des Vertrages haben Deutschland und Frankreich ihre Engagements gebrochen. Heute kann man deshalb nicht so tun, als ob die Verpflichtungen des Fiskalpakts gänzlich neu wären. **Der Pakt ist die Bestätigung der Maastrichter Kriterien, mit verbindlicheren Kontrollprozeduren, damit auch die großen Länder sich an ihre Verpflichtungen halten.**

## **Warum sind dann so viele sozialistische Wähler enttäuscht über die Europa-Politik Hollandes?**

Wir sind uns noch nicht darüber bewusst, dass wir innerhalb der Eurozone in den jüngsten Monaten beträchtliche Entscheidungen getroffen haben. Das „europäische Semester“ zum Beispiel bedeutet eine enorme Veränderung: Die Haushaltspläne werden der Kommission übermittelt, die Anmerkungen machen und sogar Sanktionen verhängen kann. Das Gleiche gilt für das Europäische Parlament mit dem „Six-Pack“. Wir verpflichten uns, unsere wirtschafts- und haushaltspolitischen Entscheidungen zu harmonisieren und später vielleicht die steuerpolitischen.

**Sie haben den von Hollande gepriesenen Wachstumspakt nicht erwähnt.**

Die Wachstumsdebatte ist legitim. Als der Euro eingeführt wurde, waren wir in einer Wachstumsperiode. Wir mussten uns nicht um das Wirtschaftswachstum sorgen. Doch heute ist das anders. **Wir versuchen, ohne es bislang geschafft zu haben, eine Wachstums- mit einer Konsolidierungspolitik innerhalb der Eurozone zu kombinieren. Es steht viel auf dem Spiel, für alle Europäer, auch für Deutschland.**

## **Kann ein neuer EU-Vertrag helfen, die europäische Krise zu überwinden?**

**Für mich kommt die Idee eines neuen europäischen Vertrages zur Unzeit.** Dieser Vorschlag erklärt sich mir nur vor dem Hintergrund der deutschen Innenpolitik und des kommenden Bundestagswahlkampfes. Er bringt die Frage des Wirtschaftswachstums nicht voran. Frau Merkel ist im Wahlkampf. Sie will den deutschen Steuerzahlern zeigen, dass sie ihre Interessen am besten verteidigt. Deshalb hat sie das Thema der politischen Union wieder aufgebracht. **Aber wenn man prüft, was sie darunter versteht, dann ist nur von stärkeren Kontrollen die Rede, um die Deutschen zu beruhigen. Ein neue Verhandlungsrunde, ein neuer Vertrag, neue Ratifizierungsprozesse, wer wird das innerhalb der EU akzeptieren? Und was würde das Bundesverfassungsgericht in Karlsruhe dazu sagen? Nein, kümmern wir uns doch lieber ums Wachstum.**

## **Wird Frankreich ein Vertragsprojekt blockieren?**

Nehmen wir das Projekt eines neuen EU-Vertrages einmal ernst. Wollen wir diesen Vertrag zu 27 oder zu 17 verabschieden? Mit Großbritannien ist es unmöglich. Aber selbst, wenn wir nur zu 17 darüber entscheiden: Wer unter den 17 Staats- und Regierungschefs der Eurostaaten wünscht eine lange Debatte über einen neuen, verschärften Vertrag? **Und was ist mit den Ratifizierungsprozessen? Wenn selbst Deutschland ein Referendum erwägt, dann müssen die anderen Staaten erst recht ein Referendum organisieren. Wo ist ein solches Referendum zu gewinnen?** In Europa brauchen wir derzeit wirklich nicht so eine Flucht nach vorn.

## Was braucht Europa aus Sicht eines führenden französischen Sozialisten?

Wir brauchen eine intelligente Wachstumspolitik und neues Vertrauen in Europa. Die Formulierung François Hollandes über eine „solidarische Integration“ bedeutet: Wir gehen in Etappen voran und begründen jedes Mal einen entsprechenden demokratischen Mechanismus. Ich glaube, die Europäer brauchen ansonsten Ruhe und einen stabilen europäischen Rahmen. Und wir müssen arbeiten, nicht an Vertragswerken, sondern inhaltlich.

**An welche Bereiche für eine weitere Zusammenarbeit denken Sie? In der **Energiepolitik** ist zum Beispiel seit langem wenig vorangekommen.**

Ich bin mit dieser Aussage einverstanden: **Es gibt keine europäische Energiepolitik. Frankreich und Deutschland haben hier Meinungsverschiedenheiten.** Aber wir könnten versuchen, dort voranzukommen, wo es keine grundsätzliche Unstimmigkeit gibt, zum Beispiel bei erneuerbaren Energien oder Energieeinsparungen. Wir könnten die Forschung dazu gemeinsam vorantreiben. Soll man über die Konfliktthemen, über russisches Erdgas, über Atomenergie oder Schiefergas, miteinander sprechen? Ich glaube nicht, dass das sehr vielversprechend ist. **Wir könnten eine Übereinkunft finden, dass wir nicht übereinstimmen, „agree to disagree“.** Aber dann müsste Deutschland auch aufhören, Propaganda gegen die Atomenergie zu betreiben.

**Sie arbeiten gerade an einem Bericht zur französischen Sicherheitspolitik und evaluieren die Rückkehr Frankreichs in die integrierten Nato-Strukturen für Präsident Hollande. Sollten Frankreich und Deutschland auf dem Gebiet der Außen- und Sicherheitspolitik stärker zusammenarbeiten?**

Auch auf diesem Gebiet gibt es einen anderen Ansatz in Frankreich als in Deutschland. Mir scheint, dass der Unterschied größer geworden ist als während der Ära Schmidt, Kohl oder Schröder. Es handelt sich um eine deutsche Entwicklung. Ich will das nicht bewerten. **Aber ich glaube, dass zum Beispiel Außenminister Westerwelle eine profunde deutsche Haltung ausspricht. Deutschland sieht sich im Wesentlichen als pazifistische Macht.** Dabei übt Deutschland als wichtigste Wirtschaftsmacht Europas einen großen Einfluss aus. Warum akzeptiert Deutschland nicht, auch in anderen Bereichen mehr zu unternehmen? **Es kann doch nicht darin verharren, seine Geschichte zu bewältigen.** Die Gemengelage nach dem Versailler Vertrag hat nichts mehr mit dem heutigen Europa zu tun. Absolut nichts. **Ich sehe wirklich nicht, was Deutschland daran hindert, eine größere Rolle in der internationalen Politik und bei militärischen Einsätzen zu spielen. Deutschland könnte eine echte Macht sein, friedlich, aber nicht pazifistisch, kurzum: nützlich.**

**Gilt Ihre Kritik auch für die Rolle Deutschlands in der Nato?**

Innerhalb der Nato finde ich Deutschland zu konformistisch. Nur weil wir in der Nato sind, müssen wir uns nicht automatisch den Positionen des Bündnisses unterwerfen, gerade in dieser Epoche, in der die Amerikaner offener und umgänglicher sind, was Europa angeht. Warum sollten wir nicht eine gemeinsame und ehrgeizige europäische Vision innerhalb und für die Nato entwickeln?

**Aber stimmen sich Frankreich und Deutschland nicht schon ab?**

In der Nato hat es nie eine gesonderte Abstimmung zwischen Frankreich und Deutschland gegeben. Die Amerikaner wollten lange nicht, dass die Europäer sich innerhalb der Nato abstimmen. Die deutsch-französische Verständigung war immer wichtig, nur nicht in der Nato. Dabei könnten wir sehr viel gemeinsam innerhalb des Bündnisses ausrichten.

**Was steht einer europäischen Sicherheitspolitik entgegen?**

Wann immer wir über eine Krise oder eine Rolle für die EU sprechen, sagt Deutschland, dass wir uns um die zivilen Aspekte kümmern müssen und so wenig wie möglich um die militärischen. Aber Europa ist ja keine große Nichtregierungsorganisation, Europa ist potentiell eine Großmacht. Was hindert Deutschland im Jahr 2012 daran, eine größere Rolle zu spielen? Ich hoffe, dass die Haltung während der Libyen-Krise wie die betrübliche Blockade des Fusionsprojektes der Rüstungsunternehmen EADS und BAE nicht das letzte Wort Deutschlands ist.

## Hubert Védrine

Auf seinen Rat hört Präsident François Hollande: Der 65 Jahre alte Hubert Védrine ist einer der erfahrensten Außenpolitiker in der Sozialistischen Partei. Die deutsch-französischen Beziehungen hat er schon für Präsident Mitterrand verfolgt. Während der Jahre nach der deutschen Wiedervereinigung wirkte er als Generalsekretär im Elysée-Palast an zentraler Stelle. In seine Amtszeit als Außenminister (1997 bis 2002) fiel der Kosovo-Krieg. Nicolas Sarkozy wollte sich den Sozialisten als Außenminister in sein Kabinett holen. Védrine leitet für Hollande die Kommission, die Frankreichs Rückkehr in die integrierten Militärstrukturen der Nato evaluieren soll. (mic.)

Das Gespräch mit dem früheren französischen Außenminister führte **Michaela Wiegel**.

Quelle: F.A.Z.

## Mali-Krise Hollandes Francafrique

FAZ 24.10.2012 · Frankreich treibt eine Intervention in Mali voran, will sich aber im Hintergrund halten. Die Erwartungen an Berlin sind groß.

Von [Michaela Wiegel](#)

Seit dem Machtwechsel gibt sich Frankreich als geläuterte Kolonialmacht. Francois Hollande beschwört das Ende des als „Francafrique“ verrufenen Beziehungsgeflechtes aus Privilegien, Protektion und Korruption. Die hehren Vorsätze hindern Frankreich jedoch nicht, sich als Ordnungsmacht im früheren Kolonialreich zu behaupten. Die sozialistische Staatsführung in Paris treibt eine Militärintervention in Mali voran, als sei Frankreich wie eh und je zum Gendarmen in Afrika berufen.

Dabei erprobt Hollande neue Wege, französische Sicherheitsinteressen im „afrikanischen Hinterhof“ zu wahren. Hollande kann mit größerer Gelassenheit als Nicolas Sarkozy gestalten, steht er als Neuling doch nicht unter Druck, Fehleinschätzungen zur „Arabellion“ wettmachen zu müssen. Hinzu kommt, dass das französisch-britische Verhältnis seit dem Libyen-Abenteuer merklich abgekühlt ist, und Hollande zur Befriedung und Stabilisierung Malis anders als sein Vorgänger nicht auf eine französisch-britische Interessengemeinschaft setzen kann.

Kontinuität herrscht hingegen in der französisch-amerikanischen Beziehung. Seit dem Attentat auf den amerikanischen Botschafter in Bengasi unterstützt Washington das französische Drängen, gegen das Rückzugsgebiet der Terroristen im Norden Malis vorzugehen. Ähnlich wie bei der Libyen-Operation will Washington nicht führen, könnte aber Drohnen zur Verfügung stellen. Das entspricht den Erwartungen Frankreichs, das sich dieses Mal in der Rolle der grauen Eminenz gefällt, die aus dem Hintergrund schaltet und waltet.



© F.A.Z.

Die Sahara-Region in Nordwestafrika

Hollande behagt es nicht, Frankreich in der Öffentlichkeit als militärische Führungsmacht zu exponieren. Die Regierung macht möglichst wenig Aufheben von der militärischen Planung für die bevorstehende Intervention, obwohl sie diese federführend leitet. In der in Paris ausgeheckten Aufgabenverteilung fällt es der Westafrikanischen Wirtschaftsgemeinschaft (Ecowas) zu, hinreichend Truppen für einen militärischen Einsatz aufzutreiben, an denen sich die französische Armee nicht beteiligen soll. Die von Frankreich ausgearbeitete, am 12. Oktober verabschiedete UN-Resolution sieht eine Frist von 45 Tagen vor, binnen derer nach einer Verhandlungslösung gesucht wird. Paris will gleichzeitig die militärischen Einsatzpläne ausarbeiten und die Vorbereitungen so schnell wie möglich abschließen. Die französische Armeeführung treibt zur Eile. Der Einsatz müsse rechtzeitig vor Beginn der Regenzeit Ende März 2013 begonnen haben, heißt es in Paris.

## EU soll aktiv beteiligt werden

Obwohl Hollande den Franzosen weiszumachen versucht, dass bei ihm afrikanische Diktatoren verpönt sind, hat er enge Kontakte etwa zu Idriss Deby geknüpft, der seit 1991 im Tschad herrscht. Deby verdankt seine



lange Amtszeit militärischer Hilfe der früheren Kolonialmacht. Das macht ihn zu einem typischen Repräsentanten der „Francafrique“, deren Ende Hollande eigentlich verkündete. Doch Ende Oktober will er Deby in Paris empfangen, weil er über gut ausgebildete, im Wüstenkampf erfahrene Truppen verfügt.

Andere „schwarze Schafe“ unter den afrikanischen Staatschefs finden dank der Mali-Planungen zurück nach Paris. Der Präsident Burkina Fasos, Blaise Compaoré, wurde gar zum „Vermittler“ der Ecowas bestimmt. Hollande will auch die algerische Staatsführung überzeugen, dass eine Militärintervention gegen die Dschihadisten im Norden Malis notwendig ist. Präsident Bouteflika aber wirft Paris vor, dass es durch die militärische Hilfe zum Sturz des Gaddafi-Regimes erst die Kräfte freigesetzt hat, die es jetzt bekämpfen will. Der Zugang zu den libyschen Waffenarsenalen habe den Terroristen und Tuareg ermöglicht, den Norden Malis zu erobern. Paris hofft, dass Algerien das militärische Eingreifen wenigstens dulden und Hilfe bei der Aufklärung leisten wird. Ein Besuch Hollandes in Algerien Anfang Dezember soll den Durchbruch bringen.

Bei der neuen Lastenverteilung will Frankreich nicht nur die afrikanischen Staaten, sondern auch Europa stärker einbinden. Hollande strebt an, die EU aktiv an der logistischen und planerischen Gestaltung der Militärintervention zu beteiligen. Als Vorbild gilt ihm die EU-geführte Operation Atalanta zur Bekämpfung der Piraterie vor der Küste Somalias.

Das Argument Frankreichs, nur 1200 Kilometer vom europäischen Kontinent entfernt kein „zweites Afghanistan“ entstehen zu lassen, ist nicht von der Hand zu weisen. Sollte der Norden Malis zu einem sicheren Rückzugsgebiet und zu einem leicht erreichbaren Ausbildungslager für junge Dschihadisten aus Europa werden, wären die Sicherheitsinteressen aller EU-Staaten bedroht. Anders als vor dem Libyen-Einsatz können sich die EU-Staaten nicht vom Vorgehen des französischen Präsidenten überrumpelt fühlen. Die an Deutschland gerichteten Erwartungen sind besonders groß, nachdem die Bundesregierung sich zum Libyeneinsatz enthalten hatte. Allerdings sollte Hollande daran erinnert werden, dass sein Ruf nach europäischer Unterstützung noch überzeugender wäre, wenn er der „Francafrique“ wirklich entsagen würde.

Quelle: F.A.Z.

## Der EZB-Präsident im Bundestag Abgeordnete üben harte Kritik an Draghi

FAZ 24.10.2012 · Vor seinem Berlin-Besuch sieht sich der EZB-Präsident einer Diskussion über den Ankauf von Anleihen finanzschwacher Euroländer gegenüber. Die kritischen Stimmen im Bundestag mehren sich.

Von [Manfred Schäfers](#) und [Stefan Ruhkamp](#), Berlin/Frankfurt



© dpa Mario Draghi stellt sich am Mittwoch den Bundestagsausschüssen

Der Präsident der Europäischen Zentralbank (EZB), Mario Draghi, muss sich auf kritische Fragen von Abgeordneten des Bundestages einstellen. Zwar gehen wenige so weit wie der FDP-Politiker Frank Schäffler, der Draghis Position als EZB-Chef infrage stellt. Aber auch in der Unionsfraktion gibt es einige Zweifel [angesichts des der Höhe nach unbegrenzten EZB-Programms für den Ankauf von Anleihen finanzschwacher Euroländer \(OMT\)](#). So sind einige Abgeordnete von CDU und CSU nach Informationen dieser Zeitung nicht glücklich mit der Positionierung der Bundesregierung, die Bundesbankpräsident **Jens Weidmann** mit seiner Kritik am OMT-Programm allein gelassen hat. Dieser befürchtet, dass die Geldpolitik sich von der Finanzpolitik abhängig macht. Draghi diskutiert an diesem Mittwoch mit Mitgliedern der zuständigen Ausschüsse in nichtöffentlicher Sitzung.

### „Die EZB ist nicht die Ersatzregierung für die Eurozone“

Der SPD-Haushaltspolitiker Carsten Schneider kritisierte gegenüber dieser Zeitung, dass die Zentralbank angebliche geldpolitische Entscheidungen mit fiskalpolitischen Auflagen für einzelne Staaten verbinde. „Dazu ist sie nicht legitimiert“, sagte er. „Die **EZB ist nicht die Ersatzregierung für die Eurozone.**“ Schäffler sagte dieser Zeitung: „**Wer die Geldpolitik zur verbotenen Staatsfinanzierung nutzt, hat im Zweifel keinen Platz an der Spitze der Europäischen Zentralbank.**“

Der Parlamentarische Staatssekretär im Bundesfinanzministerium, Steffen Kampeter (CDU), verteidigte die umstrittenen Anleihekäufe hingegen im Kern. Kampeter sagte am Mittwoch im Deutschlandfunk, er könne die Kritik an den bisherigen Aktivitäten der Zentralbank nur teilweise nachvollziehen. Draghi habe nie einen Zweifel daran gelassen, dass die EZB die Käufe „neutralisieren“ werde. Das bedeute, dass die Zentralbank die durch diese Käufe wachsende Geldmenge durch andere Instrumente begrenzen werde, um die Inflation zu bekämpfen. Er wies darauf hin, dass das Mandat der EZB Inflationsbekämpfung sei. Wichtig sei, dass die Notenbank im Rahmen dieses Mandates arbeite. „Ich habe keinen Zweifel, dass sich Mario Draghi dessen bewusst ist.“

Auch der CDU-Politiker Norbert Barthle zeigte Verständnis. „Anleihekäufe können und dürfen nicht dauerhaft die Aufgaben der Finanz- und Wirtschaftspolitik ersetzen“, sagte er. **Als kurzfristiges Instrument zur Krisenreaktion könnten sie in Ausnahmesituationen aber sinnvoll sein.**

### Jürgen Stark erhöht den Druck auf Draghi

**Kritische Abgeordnete wie Schäffler sehen sich durch ein Gutachten der wissenschaftlichen Dienste des Bundestags bestätigt. Grundsätzlich sei der Ankauf von Staatsanleihen durch die EZB verboten, „wenn**

**dieser unmittelbar dem Zweck der monetären Staatsfinanzierung dient“, heißt es darin.** Doch ist das Gutachten nicht eindeutig. An anderer Stelle heißt es: „Vor dem Hintergrund der Unabhängigkeit und des weiten Einschätzungs- und Prognosespielraums der EZB verstößt das OMT-Programm nicht evident gegen das Verbot monetärer Haushaltsfinanzierung.“ **Kritisch wird jedoch jedes Geschäft zwischen EZB und den Hilfsfonds EFSF und ESM gesehen.**

Wenige Stunden bevor Draghi sich den Fragen der Parlamentarier stellt, **hat der ehemalige Chef-Volkswirt der EZB Jürgen Stark den Druck auf ihn erhöht.** „Die EZB ist dabei, die einheitliche Geldpolitik aufzugeben“, sagte Stark der Frankfurter Allgemeinen Zeitung. Die mit dem Anleihekaufprogramm verbundenen Auflagen seien von den Kritikern des Programms im EZB-Rat durchgesetzt worden und auch gut gemeint gewesen. **Aber in dem Moment, da sich die Zentralbank von den Handlungen der Politik abhängig mache, „ist das keine Geldpolitik mehr“, sagte Stark.** Es gebe Anzeichen, dass die Wirkung der Geldpolitik gestört sei. Doch dann dürfe die Zentralbank nicht regional eingreifen. **Es gehe der EZB in Wahrheit nicht um die Wirkung der Geldpolitik, sonst hätte sie längst eingreifen müssen, und zwar im gesamten Währungsraum. Die EZB betreibe vielmehr längst Staatsfinanzierung, etwa dann, wenn sie Griechenland zusätzlich Notkredite bewillige, damit der Staat fällige Anleihen im Besitz der EZB tilgen könne.**

Quelle: F.A.Z.

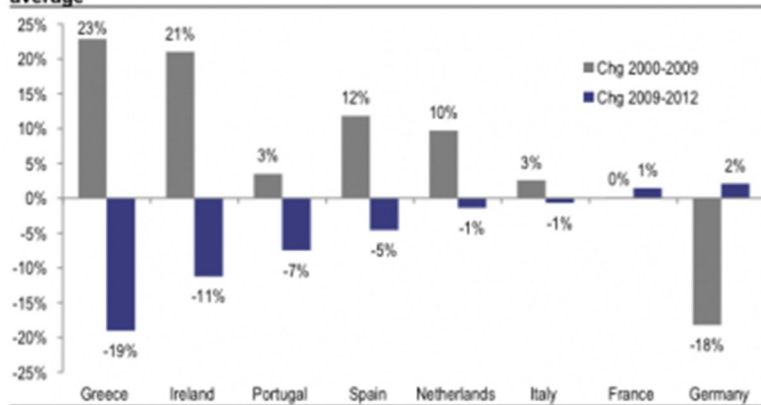
## Eurozone wage adjustment, charted

Paul Murphy | Oct 23 15:05 | [7 comments](#) |

[Share](#)

Or peripheral pain in terms of growth/shrinkage in compensation per employee. It offers a striking illustration of why both Greeks and Germans have reason to feel peeved...

Exhibit 12: Change in nominal compensation per employee relative to European average



Source: Credit Suisse, Eurostat

The chart is from Yiagos Alexopoulos at Credit Suisse, and you'll find more of his thinking [in the usual place](#).

NYT October 23, 2012

## Coalition in Athens Split on Labor Law Changes

By *NIKI KITSANTONIS*

ATHENS — The two junior partners in [Greece](#)'s shaky coalition government voiced their opposition Tuesday to proposed labor law changes demanded by the country's troika of international lenders, as efforts remained stalled in reaching a budget deal necessary for releasing the next round of rescue loans.

The leader of the moderate Democratic Left, Fotis Kouvelis, said his party, the smallest in the coalition, would oppose the labor changes if they were submitted to Parliament because they would “demolish what is left of workers' rights.” Mr. Kouvelis said the changes would fuel a deepening recession and rising unemployment that has already topped 25 percent.

Evangelos Venizelos, leader of the Socialist wing of the coalition, said the troika's insistence on the labor law overhaul was “unjustifiable and provocative,” and he suggested that the lenders had gone too far.

But Mr. Venizelos, who was finance minister in February when Greece signed its second international loan agreement, worth €130 billion, or about \$170 billion, did not explicitly state that his party would vote against the proposed labor reforms. Greece still has a chance to reach a deal with the troika but it must be done “in the next few days,” he said. “We can't fall back into uncertainty again.”

The Greek government has been embroiled for weeks in grueling talks with envoys from the troika: the International Monetary Fund, the European Central Bank and the European Commission. The lenders are insisting that a €13.5 billion package of austerity measures — chiefly cuts to pensions, civil servants' salaries and social benefits — must be completed to secure the release of a €31.5 billion tranche of rescue funding without which the country faces default in the middle of next month.

Both sides hinted at a breakthrough last week, but negotiations subsequently stalled over the troika's demands for changes to labor laws — chiefly the abolition of automatic salary increases in both the private and public sectors and a reduction of the severance given to employees dismissed from private firms.

Prime Minister Antonis Samaras has been eager to secure consensus on both the austerity package and the troika's other demands so the measures can be pushed through Parliament before Nov. 12, when the next summit of euro zone finance ministers is due.

With a comfortable majority of 176 in the 300-seat Parliament, the coalition is expected to win the vote. But internal dissent is shaking the stability of the fragile coalition.

In a televised statement after the talks, Mr. Samaras suggested that Greece already had won concessions in its talks with the troika, hinting at a rift within the coalition. “I'm looking straight ahead and asking for the greatest possible unity,” he said.

NYT October 23, 2012

## Spain's Troubles Catch Up With a Storied Newspaper

By [RAPHAEL MINDER](#) and [ERIC PFANNER](#)

MADRID — El País established itself as the leading newspaper in Spain in the late 1970s, serving as a front-line witness to the period in which Spain returned to democracy after the death of the dictator Francisco Franco. Now the newspaper is going through turbulent times of its own.

The news staff held a two-hour work stoppage on Tuesday, with labor leaders warning of more prolonged strike action, after management announced plans to cut a third of the staff to offset falling revenue.

“You don’t fire one-third of the staff just like that,” said one journalist at the newspaper, who spoke on the condition of anonymity because of the coming layoffs. “It’s contradictory to the history of the company, which was about looking out for the welfare of the staff.”

Until this year, El País had managed to avoid the losses that have hit the global newspaper industry as it struggles with the transition to digital publishing. In the first half of the year, it had a net profit of 1.8 million euros, or \$2.3 million.

The fact that El País has now succumbed reflects the depth of the recession in Spain — the Bank of Spain said on Tuesday that the economy had contracted by 0.4 percent in the third quarter — as well as some factors that are the newspaper’s alone.

Management had warned that El País was headed for losses by the end of the year unless it cut costs drastically. In addition to the layoffs, the newspaper will reduce the pay of the remaining staff by 15 percent.

Since the crisis began, dozens of newspapers have shut down across Spain, and 8,000 journalists have lost their jobs, according to the Federation of Spanish Journalist Associations. One national newspaper, the leftist Público, folded its print edition this year and went online-only. Three leading rightist newspapers — El Mundo, ABC and La Razón — are under pressure to consolidate in order to stem mounting losses.

While newspapers nearly everywhere have been cutting back, the recession in Spain has set off a precipitous fall in advertising. Magna Global, a media buying agency, forecast that ad spending in the country would drop 8.4 percent this year, the fourth decline in five years, which would put the Spanish ad market 37 percent below 2007 levels. Another agency, ZenithOptimedia, said it expected the decline this year to be 12.2 percent, compared with 0.7 percent for Western Europe over all.

It is not just newspapers that are suffering. While commercial television has generally done a bit better, the national public broadcaster, RTVE, is implementing spending cuts of 204 million euros this year, on a budget of 1.2 billion euros, and faces further reductions next year. RTVE generates its budget from government grants and advertising revenue, both of which are under pressure from the economic crisis.

In this context, questions have been raised about the level of political control over RTVE, which shuffled its management on the orders of the government of Prime Minister Mariano Rajoy. Last month, RTVE apologized for playing down news coverage of a giant rally in Barcelona supporting Catalonia’s independence.

Cynicism about the independence of journalism has driven viewers and readers to alternative news sources on the Web, compounding the effects of the crisis. “There is a general lack of confidence, not only in politicians, but also in the profession of journalism,” said Carlos Barrera, a journalism professor at the University of Navarra.

“The indignados were protesting against institutions like journalism, too,” Mr. Barrera said, referring to the youth-led protests, fueled by social media, that began in May 2011 in Madrid and other cities. “They saw the mainstream media as being tied in with the politicians and the banks.”

In the deepening dispute at El País, the staff has called for the resignation of Javier Moreno, the editor, contending that he tried to use strong-arm tactics to prevent journalists from withdrawing their bylines to protest the cuts. In an interview, however, Mr. Moreno insisted that he had only called on staff to respect the terms of editorial statutes agreed to in 1980, which limit the right to remove bylines.

He accused some of his staff of putting the newspaper’s reputation on the line by spreading disparaging comments online about its management. That, he warned, could do far more damage to El País than the planned strike action. “There is a legal right to strike, but it is irresponsible to allow labor issues to then seriously hurt the image of the newspaper,” he said.

The staff cuts at El País come as its parent company, Prisa, continues to struggle under a mountain of debt. Two years ago, Prisa received a 900 million euro cash infusion from Liberty Acquisition Holdings, an investment company based in New York, which took over majority control from family members of Prisa’s co-founder, Jesús de Polanco.

The takeover shifted Prisa from family ownership to control by a group of financiers, hedge funds and investment banks, but Juan Luis Cebrián remained chief executive. Mr. Cebrián had started Prisa with Mr. de Polanco and edited El País for more than a decade. Mr. de Polanco’s death in 2007 left Mr. Cebrián effectively alone at the helm as the world financial crisis unfolded.

Prisa accumulated significant debt after expensive and mistimed acquisitions, particularly in the Spanish television market. Since October 2008, Prisa shares have fallen 90 percent, to 32.5 euro cents from more than 3 euros, leaving the company with a market value of 326 million euros. Its debt is 3.5 billion euros.

Mr. Moreno dismissed the suggestion that El País was being made to pay for Prisa’s debt burden and failure to find buyers for some of its other media and publishing assets. Whatever Prisa’s own problems, Mr. Moreno said, “I’m pretty sure nobody would have or should have allowed El País to turn into a subsidized newspaper.”

Since the layoff announcement, disgruntled employees have also turned on Mr. Cebrián, whom they accuse of driving El País into the ground. Mr. Cebrián has one of the highest salaries in the media sector, and discontented staff have distributed stickers showing him with the slogan “149 layoffs and €13 million,” which is how much the union claims Mr. Cebrián earned last year.

“Cebrián has already managed to destroy Prisa and is now doing the same with its main newspaper while getting paid a lot for it,” said Manuel González, president of the El País staff union. “He considers that El País is his creature and he can now do whatever he wants, even eat it alive like in one of the paintings by Goya.”

Mr. Cebrián did not return a request for comment sent by e-mail last week. Mr. Moreno, however, defended Mr. Cebrián and argued that it was “a wonder” that El País managed to stay profitable until this year, as well as gain market share from its rivals.

“The problems faced by El País are the same as those for Newsweek, The New York Times, The Guardian or Le Monde,” Mr. Moreno said, “to which we need to add, of course, the difficulties of any company operating now in Spain.”

Mr. Moreno acknowledged that economic constraints had recently forced the newspaper to accept some paid travel and other invitations, but not to the extent, he said, of compromising its reporting standards. He said the planned job cuts were essential to ensure that El País remained financially viable.

“The independence of this newspaper is based on its financial solidity, and so if the paper is allowed to enter into losses, that independence is under threat,” he said.

NYT Editorial October 23, 2012

## The Austerity Trap

In [Monday night's presidential debate](#), Mitt Romney echoed other Republican politicians, saying that under President Obama's economic policies, the United States is "heading toward Greece." Mr. Romney was invoking Greece apparently to make the point that deep and swift budget cuts are needed in the United States to avoid a debt crisis.

That bizarre comment, sadly, is no surprise in a campaign that has parted ways with the facts. The president's budget, as scored by the Congressional Budget Office, would stabilize the ratio of federal debt to the economy over 10 years.

What is more disturbing is that the comment displays willful ignorance about the lessons of Greece, and such ignorance can only lead to bad policy decisions at home. The lesson that should be learned from Greece is that its fiscal mess has been made far worse by severe budget cuts.

[New data from the European Union](#), released on Monday and [analyzed in The Times](#) by Landon Thomas Jr. and David Jolly, show that countries that have most ruthlessly cut their budgets — Greece, especially — have seen their overall debt loads increase as a share of the economy.

The data provide objective support for what has been clear to just about everyone except pro-austerity German officials and deficit-crazed Republican politicians. Namely, deep government budget cuts at a time of economic weakness are counterproductive, complicating, if not ruining, the chances for economic growth.

The new European statistics also dovetail with a recent [analysis](#) by economists from the International Monetary Fund. They found that budget cutbacks are much more damaging to economies recovering from recession than has been previously believed. The reason is that with interest rates stuck near zero, there is no room to lower them when fiscal policy is tightened, and thus no way to offset the pain of budget cutbacks.

If governments push ahead anyway with deep spending cuts, the result is only more economic weakness without the hoped for budget improvement. That has been the case in Greece and other nations of Europe, like Ireland, Portugal, Spain and Britain. If Republican policies to slash government programs while excessively cutting taxes were carried out here, the United States would experience a similar effect.

Taken together, the Greek experience and the recent European research, show that for the United States, a "grand bargain" on the deficit should include two main parts: spending in the near term to boost the recovery, coupled with tax increases, and spending cuts to reduce the deficit as the economy regains its health.

Mr. Obama is better positioned than Mr. Romney to deliver that agenda. Mr. Obama could make his jobs plan, introduced last September but blocked by Congressional Republicans, part of the budget package to be negotiated after the election, when politicians must agree on tax increases and spending cuts to avoid the so-called fiscal cliff.

Mr. Romney's agenda is missing a direct focus on jobs, foolishly relying instead on high-end tax cuts and deregulation to help the recovery. And he and his party continue to insist on premature deficit reduction that, in a fragile economy, is the real road to Greece.



## Des hommes armés pénètrent dans un lycée marseillais

Par [lefigaro.fr](http://lefigaro.fr) Mis à jour le 23/10/2012 à 21:22 | publié le 23/10/2012 à 21:15 [Réactions](#) (35)

**Les deux hommes poursuivaient un élève qui aurait donné un coup de pied dans la portière de leur véhicule. Refoulés par le personnel de l'établissement, ils n'ont toutefois pas encore été interpellés.**

Nouvel incident grave dans les quartiers Nord de [Marseille](#). Mardi matin, deux hommes armés ont pénétré dans un lycée du le XIII<sup>e</sup> arrondissement de la ville à la poursuite d'un élève de l'établissement. Selon les premiers éléments de l'enquête, le lycéen avait, un peu plus tôt dans la matinée, donné un coup de pied dans la portière d'un véhicule qui avait failli le renverser à proximité de son lycée. Il a été pris en chasse par six individus, dont deux ont pénétré dans l'établissement, armés d'une machette et d'une arme de poing.

Ses agresseurs, qui n'ont aucun rapport avec le lycée, ont rebroussé chemin devant la détermination du personnel et des nombreux élèves déjà présents dans l'établissement, non sans proférer injures et menaces de mort à l'encontre de ceux qui avaient tenté de s'interposer. Le jeune poursuivi est parvenu quant à lui à se réfugier dans le bureau du proviseur. La Division Nord de la sécurité publique, puis la Sûreté départementale de Marseille, ont été successivement chargées de l'enquête. Les deux hommes armés n'ont pas encore été arrêtés.

### «On a frôlé la catastrophe»

Les enseignants ont suspendu leurs cours en fin de matinée en faisant valoir leur droit de retrait. Ils estiment que leur sécurité et celle de leurs élèves n'est plus assurée et demandent à l'administration et aux pouvoirs publics de «rétablir d'urgence les conditions propices à l'exercice de leur mission». «L'ensemble des personnels et des élèves du Lycée Denis Diderot sont particulièrement choqués et se sentent abandonnés face à l'escalade de la violence. Ils ont à de nombreuses reprises alerté les autorités sur ces faits, sans effet réel», expliquent-ils dans un communiqué. Ils demandent que des mesures exceptionnelles soient prises, à la «hauteur de la gravité de cette situation», pour que leur lycée devienne «le lieu pacifié, d'apprentissage et de vie, auxquels les élèves comme les personnels ont droit au cœur d'un territoire laissé à l'abandon».

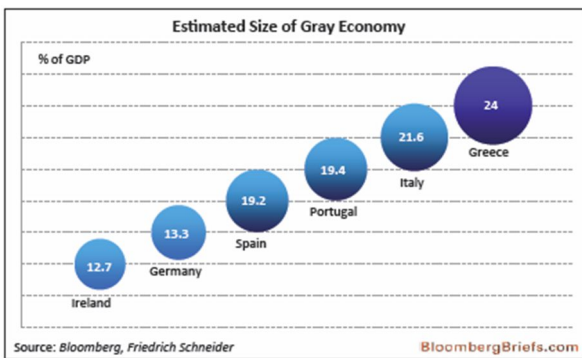
«On a frôlé une catastrophe qui n'a été évitée que grâce au courage et au sang-froid du personnel de surveillance du lycée», a dit le secrétaire académique du SNES, Laurent Tramoni. «Diderot est un immense établissement particulièrement difficile à surveiller. Le personnel avait demandé lors de la dernière rentrée un renfort d'effectifs pour améliorer la sécurité.» Pour le syndicat Sud Education, «les événements qui sont survenus soulignent de façon particulièrement prégnantes les conditions de travail inadmissibles auxquelles les usagers et agents du service public d'éducation sont actuellement soumis».

## The Gray Economy: Europe's €1.5 Trillion A Year Black Hole

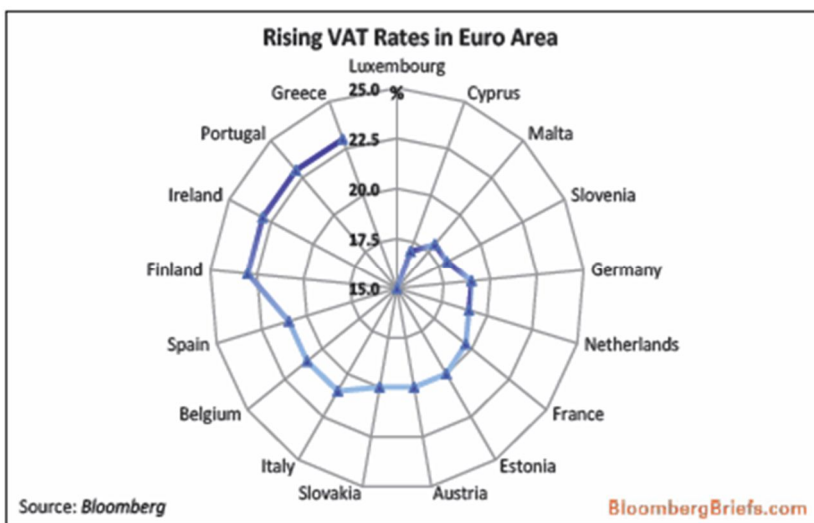
ZeroHedge Submitted by [Tyler Durden](#) on 10/23/2012 08:49 -0400

With Greek tax-collectors under increasing pressure to squeeze their quote out of an increasingly bombastic population, Italy's Rossi arguing for the need to fight VAT evasion, and France taxing anything and everything that moves - all in the name of austerity; it seems, as Bloomberg Brief's Niraj Shah notes today that **attempts to bring burgeoning debt levels in Europe under control - by tackling the unofficial, or gray, economy - may backfire**. It seems, given the large and growing (**average 17.3% of euro GDP or EUR1.5tn**) size of the gray economy that the more governments try to capture 'gray' externalities (or hike VATs - up from 18.1% to 20% on average), they merely succeed in pushing more transactions into the gray area. A study by Schneider of Linz University finds that focusing on the gray economy may be counter-productive as some of the activities may act as a safety net and contribute to growth - **in a counter-cyclical way - serving as a cushion for people facing wage cuts and job losses**. With as much as 24% of Greece's economy now estimated to be 'unofficial', the Troika-inspired 23% VAT rate is having quite the unintended consequence it seems.

From Ireland's 12.7% 'unofficial' economy to Greece's 24% of GDP, the people have found a way to survive...



... which, it would seem, drives transactions further off the grid as VAT rates rise.



... forcing Europe to scramble to find any incremental sources of tax revenue which just aren't there, in turn pushing the continent to rely on debt funding (like the US) to an ever greater degree, until finally all the sovereign funding needs are funding solely through debt.

## Violences contre les forces de l'ordre : 38 blessés par jour

Par [Christophe Cornevin](#), [Service infographie du Figaro](#) Publié le 23/10/2012 à 18:39 [Réactions](#) (10)



Un policier blessé en 2006, lors d'une manifestation contre le CPE. Crédits photo : THOMAS COEX/AFP

**INFO LE FIGARO - Sur le front d'une délinquance violente, policiers et gendarmes paient un lourd tribut. L'uniforme est devenu une cible.**

Le chauffard, surpris à La Grave-de-Peille, village de l'arrière-pays niçois, n'a laissé aucune chance au major Daniel Brière. À la vue du gendarme qui tentait de l'intercepter, à pied et l'arme à la main, il a appuyé sur l'accélérateur de la Mini Cooper volée le matin même. [Percuté à vive allure et de plein fouet, le militaire a été projeté à une dizaine de mètres.](#) Numéro deux de la brigade de recherche de Nice, il a succombé de ses multiples blessures à l'hôpital. Décrit par sa hiérarchie comme un «grand professionnel de la police judiciaire, avec une personnalité rayonnante», ce militaire de 52 ans était père de deux enfants. Deux jours auparavant, un brigadier était grièvement brûlé au visage à Pipriac, en Ille-et-Villaine, par un cocktail Molotov jeté par un jeune déséquilibré. Transféré au service des grands brûlés d'un hôpital à Nantes, le sous-officier conservera à vie les stigmates de la sauvage agression.

### Haine devenue ordinaire

Côté police, le tableau n'est guère meilleur. La consultation du Bulletin quotidien de la Direction centrale de la sécurité publique (DCSP) en dit plus long que n'importe quel discours sur les attaques incessantes qu'encaissent les fonctionnaires au quotidien. Dans une cité du XV<sup>e</sup> arrondissement de Marseille, une patrouille de la BAC reçoit une pluie de projectiles alors qu'elle intervient jeudi dernier peu avant minuit sur cinq receleurs. Une lourde brique, balancée depuis le haut d'un immeuble, traverse le pare-brise de la voiture de police. Par miracle, les fonctionnaires, ainsi qu'un gardé à vue, s'en sortent indemnes. À Lyon, trois jours plus tôt, un agent de la sécurité publique est roué de coups à l'extérieur d'une clinique des Minguettes par le frère d'un jeune homme poignardé à mort. Lors d'échauffourées déclenchées à la nuit tombée, les policiers sont caillassés par des inconnus qui dégradent trois voitures de police. Une quarantaine de tirs de grenades et de balles de défense ont été nécessaires pour rétablir le calme. Peu avant, à Chilly-Mazarin (Essonne), trois agents en voiture étaient blessés aux cervicales, aux jambes et au bassin après avoir été percutés de plein fouet par un cambrioleur de 19 ans.

Brigade anticriminalité tombée dans une embuscade à Nice, policière tirée par les cheveux et frappée au visage par une furie à Meaux, patrouilles essuyant des jets de cocktail Molotov et de bouteilles d'acide chlorhydrique à Brive-la-Gaillarde, coup de feu contre la vitre de l'École nationale de police de Draveil... La litanie est sans fin. Chronique d'une haine devenue ordinaire, elle émaille la vie des commissariats et des brigades.

Selon nos informations, les forces de l'ordre ont eu à déplorer pas moins de 10.331 blessés en service depuis le début de l'année dans leur engagement contre la délinquance et le crime quotidien. Soit en moyenne 38 victimes

par jour! Le chiffre, effarant et auquel se rajoutent déjà six morts en opération, confirme une tendance lourde et calamiteuse. En 2011, quelque 11 257 policiers et 2 176 gendarmes ont été impliqués dans des agressions ou des accidents dans le cadre de leurs missions. Sept y ont perdu la vie. Les opérations dites «de routine» n'existent plus depuis des lustres.

Et, dans les rangs des forces de l'ordre, des voix s'élèvent pour exprimer une vive lassitude, voire une colère mâtinée d'incompréhension, face à la bouffée de violence visant l'uniforme. Las de jouer les punching-balls, policiers et gendarmes en ont ras le képi. Un message reçu cinq sur cinq par le ministère de l'Intérieur, qui partage au quotidien la souffrance des troupes sur le terrain. «Jour après jour, les comptes rendus d'opération rappellent à quel point le métier est dangereux, observe-t-on dans l'entourage de Manuel Valls. On y voit des gens forcer des barrages, refuser les contrôles, se heurter aux effectifs pour rendre les interventions de plus en plus compliquées. Dans nos rangs, on ne compte plus les mâchoires brisées, les poignets cassés ou encore les balles qui traversent les jambes...»

## Panoplie de défense étoffée

Les risques du métier sont tels que des consignes ont été données pour limiter, voire stopper les chasses et les courses-poursuites quand elles sont estimées trop dangereuses. «La sécurité des effectifs est érigée en priorité absolue, martèle-t-on Place Beauvau. Nous repensons sans cesse les équipements de protection pour faire face aux nouvelles donnes du terrain, pour renforcer la cuirasse des unités d'intervention sans pour autant les déshumaniser. Tout est question de dosage...» Afin d'éviter la multiplication des «expériences trop traumatisantes», la panoplie de défense non létale s'est étoffée, avec la généralisation du bâton de type «tonfa», le pistolet à impulsion électrique ou encore la bombe lacrymogène. Le port du gilet pare-balles, jadis réservé aux seules unités d'élite, est devenu obligatoire dans tous les services. Il a permis d'épargner des dizaines de vies humaines. Dimanche dernier, deux gendarmes de la brigade de Dole ont été blessés par balles, dont l'un grièvement, par un forcené incarcéré depuis lors pour «tentative d'assassinat».



Par [Christophe Cornevin](#)

NYT October 22, 2012

## Despite Push for Austerity, European Debt Has Soared

By [LONDON THOMAS Jr.](#) and [DAVID JOLLY](#)

LONDON — As Greece and its international lenders continue tense talks on reducing the Greek budget deficit, new data from the [European Union](#) on Monday underscored the potentially Sisyphean nature of such efforts.

Some of the countries that have made the most progress in closing their budget gaps — Greece, in particular — have also had their overall debt loads actually get bigger as a percentage of the economy, [according to data](#) released by Eurostat, the European Union's data agency.

A [recent report](#) from the International Monetary Fund, one of Greece's international creditors, reached a similar conclusion. That helps explain why the I.M.F. has started adopting a less austere stance toward debtor countries, even as countries like Germany continue to take a hard fiscal line, insisting that Athens stick to a program of lower spending and higher taxes.

Critics of the euro zone's austerity push have argued it is counterproductive. But the new data provide perhaps the starkest, most objective picture yet of the mounting burdens shouldered by countries that have accepted bailouts, like Greece, Ireland and Portugal, as well as Spain, which may soon need to accept its own strings-attached European aid.

The economies of all four countries have contracted sharply under the austerity measures — Greece's by one-fourth since 2009. But the size of the debts relative to economic output has soared. That raises serious questions about their ability to repay those obligations over time.

"If you want to make its debt burden sustainable, there will have to be some kind of debt forgiveness and restructuring," Jörg Krämer, chief economist at Commerzbank in Frankfurt, said of Greece.

For now, the Greek government apparently sees little choice but to continue working out a 13.5 billion euro (\$17.6 billion) austerity package and changes to labor laws that its international creditors have demanded before releasing the next installment of bailout loans. Negotiations continued Monday in Athens with the creditors: the I.M.F., the European Central Bank and the European Commission.

The Greek finance minister, Yannis Stournaras, told the economic affairs committee in Parliament on Monday that the new austerity package must be approved quickly so that Greece can secure crucial rescue funding. "The cost of us not getting the tranche would be huge," he said. "People would go hungry."

Many analysts and economists, though, say the most diligent deficit reduction programs would do little to bring down debt levels as long as economies are not growing and the interest rates that these countries pay on their debt remain high.

"The theory that these countries will grow out of their debt problem has a strong aspirational element to it," said Lee C. Buchheit, a senior sovereign debt lawyer at Cleary Gottlieb Steen & Hamilton in New York. He worked on debt reduction deals from Latin America in the 1990s and was involved in the revamping of Greece's debt this year. "There is not much doubt that this problem will require a more severe remedy," Mr. Buchheit said.

There have been varying causes for the debt spirals. Greece's ratio of debt to gross domestic product has hit a new high of 170 percent, and Portugal's has reached 120 percent. Both can blame high interest rates and deep recessions. But for Ireland, with a debt burden of 117 percent of G.D.P., and Spain, with a ratio of 90 percent, a big factor is heavy borrowing to bail out their failed banks.

The promise by the European Central Bank to buy troubled countries' bonds, if requested, has reduced some of the short-term borrowing costs of these countries. But they are still much higher than the interest rates paid by the most creditworthy euro zone nations, like Germany.

Debt experts like Mr. Buchheit, who recently [published a paper](#) on the subject, argue that debt relief is inevitable over the long term if these countries are to return to meaningful growth.

Even the I.M.F., which traditionally shuns debt write-offs, has said that for Greece — whose debt mostly is held by other governments and the central bank — some form of additional debt adjustment should be considered. Rich European countries have rejected the idea, fearing that to ask their taxpayers again to forgive some of Greece's debt could spell political doom.

It is a noteworthy philosophical shift for the I.M.F., according to long-term observers of the institution. And it suggests that the fund has learned from its experience in the late 1990s, when its austere budgetary demands backfired in Indonesia, South Korea and Thailand, causing deep recessions in all three countries.

“The fund is responding to the German eat-your-peas argument that has become so powerful in Europe,” said Paul Blustein, the author of [“The Chastening,”](#) a book on the fund's checkered experience during the Asian crisis that began in 1997.

“I think this is largely an exercise in intellectual honesty — and it's a bit of a mea culpa, too,” said Arvind Subramanian, a former research director at the I.M.F. who is now at the Peter G. Peterson Institute for International Economics in Washington. “But the more interesting question is, so what? Will this really make a difference in Spain and Greece?”

Martine Guerguil is the assistant director of the I.M.F.'s fiscal policy and surveillance division, where it is her job to keep track of the progress that countries are making in reducing their debt.

“You will need fiscal consolidation for quite some time to bring these debt ratios down,” she said, speaking last week at a briefing session held at Chatham House, a research organization in London.

The Greek recession is in its fifth year. Since 2007, the Portuguese economy has shrunk every year except for 2010, with 2013 expected to be another down year. And Spain has now entered a low-growth cycle.

Given this outlook, Ms. Guerguil does not expect debt ratios in these countries to stabilize until sometime between 2014 and 2016.

A [companion study](#) to the I.M.F.'s recent report provided a cautionary case study: what happened in Britain from 1918 to 1933, when the country put in place spending cuts and tax increases as it grappled with debts it took on during World War I.

The result was 15 years in which the economy shrank an average 0.2 percent a year. Unemployment soared. And the British debt burden grew from 140 percent of G.D.P. in 1918 to 190 percent a decade and a half later.

Only in cutting the deficit was the policy a success: during this period Britain's budget surplus, excluding debt from interest payments, averaged 8.2 percent of G.D.P.

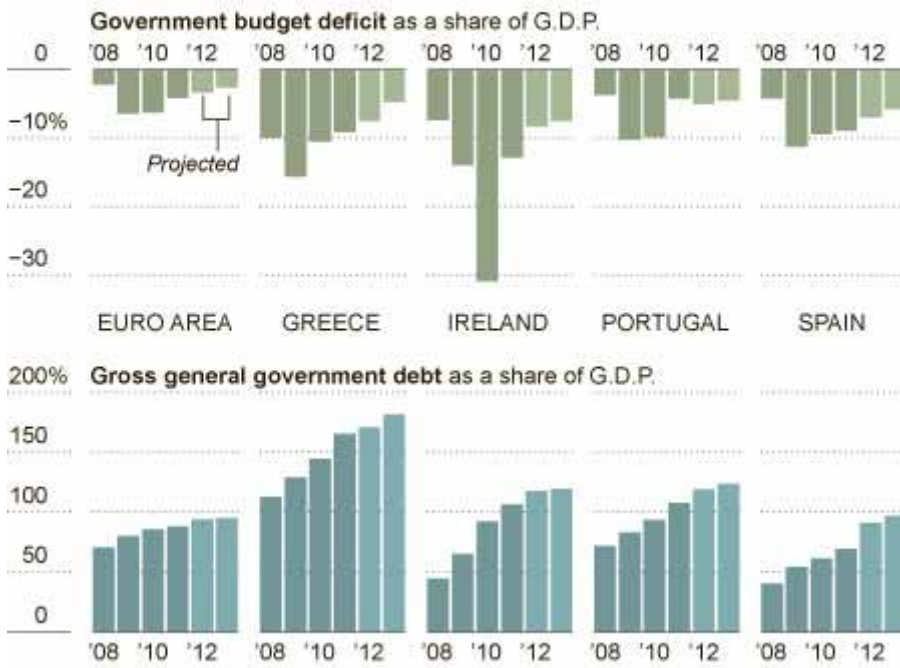
But, asked David Lloyd George, who was prime minister from 1916 to 1922, at what cost? He lamented later that the British economy had been “sacrificed in large measure to the maintenance of integrity and good faith to all her creditors at home and abroad.”

The people of Greece, Spain, Portugal and Ireland might feel now much as Mr. George did back then.

Landon Thomas Jr. reported from London, and David Jolly from Paris. Niki Kitsantonis contributed reporting from Athens.

## Smaller deficits but more debt

A recent report from the International Monetary Fund highlights the risk behind austerity measures in countries like Greece. Even as Greece has cut its budget deficit, a shrinking economy means its debt burden continues to rise.



Source: International Monetary Fund

NYT October 23, 2012 By [DAVID JOLLY](#)

## France to Back Peugeot With 7 Billion Euros in Credit Guarantees

PARIS — The French government is preparing to announce that it will provide PSA Peugeot Citroën with credit guarantees worth as much as €7 billion in exchange for sparing some of the 8,000 jobs it was planning to cut, a person with direct knowledge of the matter said Tuesday.

President François Hollande's government will also seek changes in the company's governance, including the addition of a government representative to the board, according to the person, who asked not to be identified because the matter is not yet official and some details remain to be arranged.

Peugeot's cost for the funds it uses to help consumers finance car purchases has risen since Moody's cut its credit rating on Oct. 12. Fitch Ratings downgraded the company in September. That makes it harder to compete with carmakers that can offer better terms.

A government guarantee of future bond offerings by the finance unit should give investors greater security that they will be repaid and hold down the interest rate the company must pay to borrow. Peugeot's rivals on the Continent may nonetheless challenge state aid at the European Commission, arguing that the guarantees would give the company an unfair advantage.

Peugeot has presented Mr. Hollande, a Socialist in his first year in office, with a serious test. The company has been burning through its cash and plans to shutter a major production facility at Aulnay-sous-Bois, near Paris. Peugeot ranks second among European automakers, after Volkswagen, but has suffered badly since the onset of the global financial crisis. At the root of the automaker's problems is its heavy dependence on relatively low-margin models in the moribund European car market.

European car sales fell 10.8 percent in September from a year earlier, according to the European Automobile Manufacturers' Association.

The company "faces significant challenges in its efforts to turn around its loss-making automotive business and to reduce the currently high cash burn within its operations by implementing announced initiatives to reduce fixed costs and adjust capacities," Moody's said in its downgrade report this month. Moody's said the outlook for the company's credit rating was negative.

Pierre-Olivier Salmon, a spokesman for the French company, declined to comment.

The company's stock, which was down slightly in late afternoon trading in Paris on Tuesday, has fallen more than 60 percent over the last year.

Arnaud Montebourg, the French industry minister, has been meeting with Peugeot officials to arrange a rescue for the finance unit, Banque PSA Finance. An announcement on the funding guarantee could be made as early as Tuesday night, the person said.

Peugeot's weakness drove it in February to announce that General Motors would acquire a 7 percent stake. That deal made G.M. second only to the Peugeot family among the car company's shareholders.

The French company also said in September that it was negotiating to sell 75 percent of its Gefco logistics business to J.S.C. Russian Railways, a deal that would bring Peugeot more than \$1 billion and help it to rebuild its cash buffer.

Both Peugeot and its smaller rival, Renault, received bailouts of about €1 billion in February 2009.



## Pourquoi la survie de l'euro reste problématique

Institut Turgot par Henri Lepage le lundi 10 septembre 2012, 16:31 - [Note de synthèse](#) - [Lien permanent](#)



*Mario Draghi a oublié de préciser qu'"illimité" ne veut pas nécessairement dire sans limite.*

Le problème n'est plus de savoir s'il faut ou non sauver l'euro, s'il faut ou non sortir de l'euro, pourquoi, pour quoi faire. Les coûts ne peuvent en être que colossaux. Mais le coût de conserver l'euro à tout prix serait non moins colossal. Quoi qu'il se passe, quelle que soit l'issue qui se dessine, la note sera très salée, tant économiquement que politiquement.

La vraie question est de savoir si finalement l'euro - dans sa forme actuelle (zone euro) - arrivera à tenir et à survivre, ou si au contraire il est condamné à éclater. D'un côté il y a la volonté déterminée des hommes politiques de sauvegarder l'euro à tout prix. Mais de l'autre, il faut admettre que l'euro est assis sur un édifice, le système européen de paiement, totalement pervers, mal connu, et qui, pour l'instant, dans le cadre des réponses actuelles à la crise (notamment la politique de la BCE), ne fait que reproduire et entretenir des déséquilibres qui, à force de grandir et de s'accumuler, conduisent inéluctablement à l'éclatement.

### *La stratégie de « la soudure » par la BCE*

Ces dysfonctionnements, inscrits au cœur même du mode de fonctionnement de l'Union monétaire, ont été abondamment décrit par un auteur allemand, Hans Werner Sinn, l'économiste – et président – de l'IFO à Munich. Ses analyses (1) sont violemment contestées par les autorités de la BCE. On ne saurait trop s'en étonner car en admettre le bien-fondé reviendrait à reconnaître qu'elles ont commis dès le départ une faute grave, une erreur gravissime. Il en va de même des hommes politiques qui ont fondé leur carrière sur une vision "à la Monnet" de la construction européenne.. Il est normal que tous ces gens ne voient de solution que dans un nouveau "saut fédéral", en continuité avec les étapes précédentes de l'aventure européenne. Tout autre projet reviendrait pour eux à se renier, et donc à perdre la face.

Il est possible que cela marche, et que l'émergence d'une Europe ressemblant davantage à une véritable fédération sauve définitivement l'euro. Ce n'est pas impossible. Cependant cette réponse néglige la dimension "temps" et les contraintes que celle-ci nous impose. On ne change pas les traités européens du jour au lendemain, même en période d'urgence. Les procédures de révision demandent du temps, beaucoup de temps. Tout ce qui est prévu, même les "Eurobonds", ne peut être mis en place en quelques mois. Avant que les mécanismes de solidarité et de contrôle deviennent opérationnels, il faut pouvoir tenir - et c'est la BCE qui est, de facto, chargée d'assurer la soudure.

Comment ? Par sa politique de monétisation des dettes nationales (dont Mario Draghi vient d'affirmer qu'il s'agira désormais d'un soutien « illimité »). Celle-ci revient à faire jouer la solidarité financière intra-européenne sans le dire, et surtout sans mandat ni contrôle politique explicite, en attendant que les mécanismes institutionnels prévus à cet effet se mettent en place, qu'ils prennent le relais et redonnent, au moins officiellement, la parole aux responsables politiques. Tout se passe comme si la BCE se substituait temporairement au pouvoir politique fédéral qui n'existe pas encore, en anticipant en quelque sorte sur les politiques que celui-ci devrait mettre en oeuvre.

La grande interrogation est de savoir pendant combien de temps la BCE peut effectivement continuer cette politique. Peut-elle réussir la soudure ? Le dispositif actuellement en place peut-il tenir jusqu'au moment où les effets attendus des réformes structurelles, de la mise en place des nouvelles institutions budgétaires et

financières fédérales, et enfin du retour d'une certaine croissance, permettront enfin d'entrevoir la fin du tunnel avec le retour d'un cycle vertueux de désendettement ?

Il y a malheureusement de fortes chances que "ça ne passe pas".

### *Monétisation et stérilisation*

La BCE dément que sa politique de refinancement de la dette des pays méditerranéens revienne à faire véritablement de la "monétisation". Elle s'oppose à tous ceux qui annoncent que son action actuelle se paiera par le retour de l'inflation, et même d'une véritable "hyper inflation" dont on sait que ce fut toujours le lot de tous les pays qui se sont livrés à ce genre de pratique.

En un sens, la BCE a raison. La politique de rachat quasiment à guichet ouvert des dettes grecques, espagnoles, portugaises ne s'accompagne d'aucune croissance immodérée de la masse monétaire européenne. Au contraire même, la croissance de la masse monétaire de l'eurozone depuis l'accident de 2007 reste insuffisante par rapport à son trend de longue période, comme le souligne l'économiste américain Steve Hanke – ce qui s'accompagne d'un effet déflationniste sur la conjoncture européenne. L'excès de rigueur de la réponse monétaire européenne depuis le grand choc de la crise financière serait ainsi responsable de la langueur de la reprise économique qui a suivi la récession de 2009, et notamment de l'ampleur de la « dépression » - n'ayons pas peur du mot - qui s'installe dans les pays les plus touchés par la crise de la dette.

Ce paradoxe est lié aux particularités institutionnelles du système de paiements intraeuropéens (Target) mis en place dès le début de l'Union monétaire. Il ne faut pas oublier que la BCE est une structure fédérale. Les décisions concernant l'évolution monétaire pour l'ensemble de l'Eurozone sont prises à Francfort mais, concrètement, tout passe par les banques centrales nationales qui n'ont pas cessé d'exister. C'est à leur niveau que se font toutes les transactions. Elles ne sont pas de simples succursales, elles conservent certaines libertés d'initiatives, en principe très encadrées, mais néanmoins non négligeables, avec une aire d'autonomie qui, actuellement, tend plutôt à s'élargir du fait des difficultés (par exemple pour la définition des "collatéraux", ou encore pour déclencher le mécanisme des interventions d'urgence dont ont clairement abusé l'Irlande, puis la Grèce).

Lorsque la BCE élargit sa politique de rachat de titres espagnols, en fait c'est la banque centrale espagnole qui intervient. Elle rachète du papier dont la contrepartie en monnaie banque centrale est créditée sur les comptes des banques commerciales nationales qui les lui ont apporté. Cette création d'argent liquide vient gonfler la masse monétaire en circulation en Espagne. Cependant, dans les circonstances présentes cet argent a toutes chances de ne pas rester dans le pays. Par exemple, s'il sert au rachat de titres de la dette publique espagnole détenus par des étrangers, qui vont immédiatement en rapatrier le montant. Ou s'il est utilisé par des entreprises ibériques pour assurer le paiement d'importations, et donc le réglé du déficit commercial du pays. Quelle que soit la nature des transactions en cause, il y a fort à parier que la plus grande part de cet argent va se retrouver dans des comptes bancaires situés en Allemagne (ou dans les autres pays du nord de la zone euro, comme par exemple les Pays-Bas). Arrivé Outre-Rhin, cet argent s'ajoute à l'énorme flux de liquidités qui, depuis l'an dernier, quitte la péninsule ibérique et l'Italie (rapatriement par exemple des énormes capitaux investis en Espagne lors de la première période de l'histoire de la zone euro). Gavées de liquidités – au point qu'elles en laissent une bonne part en dépôt à la banque centrale - les banques allemandes n'ont plus besoin de recourir aux facilités de refinancement de crédits que leur offre la Bundesbank pour satisfaire les demandes de crédit qui leur sont adressées par les entreprises du pays.

Résultat de l'opération : la part des prêts à l'économie allemande dans le bilan de la Bundesbank diminue, et cet afflux d'argent créé à l'origine en Espagne, par la banque centrale espagnole, pour répondre aux besoins de l'économie et de l'Etat espagnol et leur éviter une crise de liquidités, déclenche un processus de réduction de l'alimentation de l'économie allemande en monnaie banque centrale émise par la Bundesbank. Au final, l'accroissement de la création monétaire obtenue en Espagne par le recours aux opérations de rachats de titres de la dette publique désormais autorisées par les instances dirigeants de la BCE se trouve compensé par une destruction de monnaie de base équivalente en Allemagne (pas nécessairement à l'euro près, mais la compensation sur plusieurs années, depuis 2007, est presque parfaite).

Au total, la BCE répond aux appels au secours des pays du Sud, sans pour autant porter atteinte à ses objectifs monétaires globaux au niveau de la zone euro. Le seul changement est dans l'origine géographique de la croissance monétaire européenne : aujourd'hui plus de 90 % de la création monétaire provient des pays membres méditerranéens, chiffre qui n'a rien à voir avec leur part dans l'activité économique de l'ensemble. La BCE peut être contente. C'est presque miraculeux : elle "monétise" la dette des pays endettés, mais cette création monétaire supplémentaire se trouve "stérilisée" par la destruction de monnaie de base qui intervient de manière concomitante en Allemagne. Alors, pourquoi ne pas continuer ? C'est ce qui vient d'être décidé.

### *Une course contre le temps*

La BCE a donc raison : sa politique n'est pas "inflationniste". Elle peut même se féliciter de ce que ces mouvements de liquidités - qui, rappelons-le, tiennent à la règle de liberté absolue des mouvements de capitaux au sein de la zone - entretiennent une pression déflationniste dans les pays du sud (où l'écart déficitaire entre le trend et l'évolution monétaire actuelle est particulièrement important) et, au contraire, génèrent des pressions plutôt inflationnistes en Allemagne (où l'augmentation de la masse monétaire est aujourd'hui un peu plus rapide que le trend) ; ce qui permet d'espérer un rééquilibrage progressif des prix et salaires relatifs entre les deux zones, et donc une atténuation de l'intensité de la crise de compétitivité et de balances des paiements interne à l'euroland. Il suffit donc, semble-t-il, d'attendre, que les mesures d'ajustement structurel imposées aux pays en crise redonnent de la croissance en réinsufflant de la flexibilité là où il n'y en avait quasiment plus. Mais l'Europe aura-t-elle la possibilité d'attendre le temps que cette politique produise ses effets (à la louche 3 à 5 ans) ? Le mécanisme actuellement en place peut-il continuer à fonctionner aussi longtemps que l'Euroland en aura besoin ?

Il est permis d'en douter pour les raisons suivantes, de nature à la fois technique et politique.

La politique de monétisation de la dette du sud, stérilisée par les pays du nord, fonctionne apparemment fort bien, mais elle se heurte à des limites "physiques". Le mécanisme n'est pas inflationniste pour autant que l'Allemagne peut compenser en jouant sur son stock de crédits à l'économie refinançables. La destruction de monnaie est la contrepartie d'une réduction du stock de crédits à l'économie apparaissant au bilan de sa banque centrale, ce qui implique qu'elle ne peut continuer que pour autant que ce stock reste positif. Mais si ce stock diminue du fait que de moins en moins de crédits aux entreprises allemandes sont financés par appel au refinancement de la Bundesbank, et s'il diminue d'autant plus vite que les transferts en provenance du Sud augmentent à une vitesse de plus en plus vertigineuse d'une année sur l'autre (comme depuis le déclenchement de la crise d'août 2011), un problème va rapidement apparaître : que se passera-t-il lorsque ce stock sera épuisé ?

Jusqu'ici le processus de "stérilisation" a fonctionné ainsi de façon quasiment automatique. C'est la demande de monnaie banque centrale qui diminue au fur et à mesure de l'arrivée des liquidités en provenance des pays en crise de la dette. Pas besoin d'intervention consciente et planifiée des autorités monétaires. Mais si le stock de crédits refinançable est épuisé, le mécanisme s'arrête. Or c'est ce qui se passe depuis le début de cette année. Dans la première version de son étude sur les « balances Target », qui date d'avril 2011, Hans Werner Sinn, avait annoncé qu'au rythme des mouvements monétaires enregistrés à l'époque, ce point limite serait atteint quelque part aux alentours de la fin de l'année 2013. Mais c'était sans compter avec la tornade qui s'est déclenchée au début de l'été 2011 et qui a emporté aussi bien l'Italie que l'Espagne. Les transferts de monnaie en provenance des pays du Sud ont atteint une telle ampleur que non seulement le volume des balances Target accumulées par la Bundesbank dans la comptabilité de la BCE ont plus que doublé en moins d'un an, mais le stock de prêts refinançables est devenu négatif – avec près de deux ans d'avance sur l'échéance initialement calculée (2).

### *2014, date butoir ?*

Cela ne veut pas pour autant dire que le processus de stérilisation soit arrêté. Celui-ci peut se poursuivre, mais par d'autres moyens. Une solution serait par exemple que la Bundesbank vende une partie de ses réserves d'or et de devises déposées à la BCE (environ 200 milliards d'euros). Mais il est douteux que les autorités choisissent d'emblée une solution aussi radicale. L'autre voie consiste pour la banque centrale à s'endetter vis à vis du système bancaire, en vendant aux banques des titres de son portefeuille d'actifs dont le règlement, via le

compte de réserves entretenu par chaque établissement bancaire à la banque centrale, se traduit in fine par une opération de destruction de monnaie centrale. Mais là encore la capacité de stérilisation n'est pas illimitée. La manœuvre ne peut se poursuivre que pour autant que la banque centrale dispose d'un volume suffisant de titres en stock, et pas n'importe quels titres, de vrais et bons actifs, pas de ceux représentatifs d'une dette contractée par des institutions financières des pays méditerranéens en crise, ni même de pays dont les finances sont dans un « état limite », comme la France ou la Belgique. Personne n'en voudrait.

A la BCE, il n'existe aucun chiffre officiel qui permette facilement de faire le tri entre ces différentes catégories d'actifs. On ne peut que se livrer à des évaluations indirectes. Malgré la difficulté, c'est l'exercice auquel s'est livré le Professeur Larry White (le grand avocat de la « banque libre » aux cotés de Georges Selgin et Kelvin Dowd) . Résultat de ses calculs : la valeur globale des munitions détenues par la Banque centrale européenne serait de l'ordre de 450 milliards d'euros (3). Tel est le montant maximal des opérations de « monétisation » de dettes que la BCE peut entreprendre et qu'elle pourrait pleinement « stériliser ». Autrement dit, un an de monétisation, au rythme des douze derniers mois. Au-delà, si la fuite des capitaux (ce que les gens de la BCE appellent « la spéculation ») continue, les opérations de monétisation menées dans le cadre du système européen de banques centrales deviendront purement et simplement « inflationnistes ». Et si l'on se fie aux évaluations de Larry White, cela pourrait bien se produire avant la fin de l'année 2013. Peut-être un peu plus tard, compte tenu de la marge d'erreur de tels calculs. Mais dans tous les cas, c'est l'horizon 2013-2014 qui est en cause. C'est à dire presque demain.

Il est à craindre que plus on se rapprochera de cette période butoir - que ce soit en 2013, ou un peu plus tard importe relativement peu -, plus les marchés commenceront à se poser des questions sur les conséquences inflationnistes des opérations de monétisation. Dès lors on court le risque d'un retournement brutal des marchés internationaux qui se traduise par l'apparition d'une défiance générale vis à vis de l'euro, des retraits massifs de capitaux placés en Europe par le reste du monde, un effondrement de la valeur de la monnaie européenne, et le déclenchement de processus pervers susceptibles de mener rapidement à des phénomènes d'hyperinflation au sein même de l'Euroland. C'est alors que les prévisions les plus pessimistes des Cassandre de l'inflation pourraient bien se réaliser.

On n'en est pas encore là. Le contexte européen actuel est plutôt de type "déflationnaire" se manifestant, comme aux Etats-Unis, par des phénomènes de "trappe à liquidité" qui favorisent une forme de stérilisation volontaire via le gonflement des réserves excédentaires entretenues par les établissements financiers à la banque centrale, ou encore le placement auprès des banques commerciales de billets de trésorerie payés en euros qui sont alors détruits dès qu'ils rejoignent le bilan de la BCE. Mais de telles situations sont par essence fragiles et aléatoires car elles peuvent se retourner du jour au lendemain suite à des changements d'anticipations déclenchés par la prise en compte de faits nouveaux, du genre précisément de ce qui risque de se passer le jour où les marchés commenceront à prendre concrètement conscience des limites auxquelles le système européen de banques centrales finira nécessairement par se heurter. Il se peut que ce soit précisément la conscience croissante d'une telle échéance qui, actuellement, explique outre-Rhin la médiatisation accrue de l'hypothèse d'une possible sortie unilatérale de l'Allemagne de la zone euro.

### *La polémique des « balances Target »*

Ceci étant dit, la principale caractéristique du processus de "stérilisation" est qu'il ne freine pas l'accumulation au sein du système de paiements intraeuropéen (Target), et donc auprès de la BCE, d'énormes comptes déficitaires pour les banques centrales des pays en déficit des paiements avec le reste de la zone euro, et créditeurs pour les banques centrales des pays qui bénéficient des flux de liquidités qui quittent les pays en crise du Sud. C'est ce que l'on appelle les « balances Target » qui font depuis l'an dernier l'objet d'une vive polémique parmi les économistes.

Ces « balances Target » sont des écritures comptables qui assurent une compensation centrale de l'ensemble des mouvements monétaires débiteurs et créditeurs intervenant entre toutes les banques de la zone euro. Pour les dirigeants de la BCE ce ne sont que des "écritures comptables" qui n'ont pas d'implication économique réelle, et qui n'expriment en aucune manière un risque financier qui serait reporté sur les épaules des contribuables des pays dont les banques centrales ont des comptes Target créditeurs, et dont le montant a explosé avec l'intensification des mouvements monétaires en provenance des pays en crise (le compte target créditeur de

l'Allemagne, par exemple, est passé en moins d'un an de quelques 350 milliards d'euros à plus de 700 milliards !).

Tant que l'on vit dans un univers où la pérennité de l'euro n'est pas contestée, où l'idée que celui-ci pourrait un jour éclater, voire disparaître, n'est même pas envisagée - comme c'était le cas il y a encore relativement peu de temps - il n'y a en effet pas de "problème Target", comme l'affirment les autorités de la BCE. Les balances Target ne sont que des commodités comptables dont l'objet est de faciliter le fonctionnement des paiements interbancaires au sein de la zone euro, et de les rendre plus rapides par des procédures de compensation quotidienne. Rien que de très technique, rien de politique.

Mais tout change dès lors que l'on entre dans un nouvel environnement où le doute s'instille sur la possibilité de maintenir indéfiniment la zone euro dans son état actuel. Dès lors que l'inquiétude s'installe quant à la sortie possible d'un ou de plusieurs pays, tout change. Il est normal que certains commencent à se demander ce qui se passerait en cas d'un tel événement, et qu'ils s'interrogent sur ce que seraient alors les implications résultant de l'accumulation tout à fait inédite et imprévue, dans les comptes de la BCE, de balances Target aussi déséquilibrées et grossissant aussi rapidement au point d'atteindre des chiffres qui donnent le vertige. C'est ce qu'ont fait, avec raison, certains économistes allemands. Le problème devient alors politique.

Les balances Target ne sont pas qu'un concept comptable. Elles ont une contrepartie économique, financière et politique réelle. Si un pays membre fait défaut et sort de l'euro-zone il y a fort à parier qu'il ne prendra jamais la peine de régler au système européen de paiement (c'est à dire à la BCE) le solde débiteur accumulé par sa banque centrale nationale. Dans cette hypothèse, il est prévu que le coût qui en résultera pour le système européen sera partagé entre les autres membres au prorata de leur part dans le capital social de la BCE (c'est à dire autour de 30 % pour la Bundesbank, et de 25 % pour la Banque de France) - l'ensemble de ces contributions permettant de rétablir l'équilibre du bilan de la banque de Francfort en maintenant le niveau global de son passif. Si cela concerne seulement la Grèce, ou même le Portugal, ce n'est pas très grave. Mais le problème prend une toute autre ampleur si s'y ajoutent l'Espagne et l'Italie, et - pourquoi pas ? - la France. Car en effet, si tous ces pays sortent, non seulement le trou s'accroît dans des dimensions exponentielles, mais, qui plus est, le nombre de pays qui auront à se partager la note, et à la faire avaler par leurs contribuables, se réduit comme peau de chagrin. Ces chiffres comptables révèlent donc la présence, pour les allemands, d'un risque financier - évalué, au jour d'aujourd'hui, à environ 10 000 euros par habitant, soit un total d'à peu près 30 % du PIB - qui n'est absolument plus virtuel dès lors qu'on prend au sérieux les menaces possibles d'éclatement de la zone, et - surtout - dont l'enjeu croît à une vitesse vertigineuse tant que les déséquilibres de compétitivité économique entre le nord et le sud ne sont pas substantiellement résorbés, et qu'ils restent même entretenus par la généreuse politique de "monétisation" menée par les banques centrales nationales au nom de la BCE.

### *L'hypothèque allemande*

Si la position de la BCE dans cette affaire est très compréhensible (attachée au dogme de l'insubmersibilité de l'euro, elle nie la matérialité de ce risque), celle des allemands ne l'est pas moins. Chacun est dans son rôle. On ne peut pas dire que l'un a raison, et l'autre tort. Tous les deux ont à la fois tort et raison, selon la perspective dans laquelle on se place. Mais l'affrontement des deux attitudes pose un réel problème politique. Plus les mois passent, plus il est inévitable que l'opinion publique et politique allemande se montre de plus en plus nerveuse face aux possibles implications de la politique de la Banque centrale européenne. Plus on se rapprochera de l'échéance indiquée, plus cette nervosité risque de déboucher sur des initiatives politiques qui prendront tout le monde de court; et cela sans qu'on ait besoin de discuter si, sur le fond, il est bon ou mauvais de maintenir la zone euro. L'Europe a d'ores et déjà largement dépassé ce stade. Ce qui est en cause aujourd'hui ne sont plus des calculs de coûts/avantages, mais des processus d'entraînement et d'engrenages politiques qui risquent de devenir d'autant plus intenses et irréversibles qu'on se rapprochera du moment où le dilemme inflationniste deviendra de plus en plus apparent.

Autrement dit il est de plus en plus vraisemblable que, malheureusement, quels qu'en soient les mérites, la stratégie qui, aujourd'hui, inspire les dirigeants européens pour assurer la survie de la zone euro ne se fracasse sur l'arrivée inopinée, dans les 2/3 ans, d'une gravissime crise monétaire de l'euro qui pourrait bien être précédée de décisions politiques unilatérales à caractère radical, elles-mêmes motivées par la prise en compte de l'anticipation d'une telle fracture. Si la véritable nature des problèmes en jeu au sein de la zone euro avait été

prise en compte beaucoup plus tôt, nous n'en serions sans doute pas là. Mais voilà maintenant cinq ans que cela dure, cinq années que, par exemple, le produit national grec diminue chaque année donnant lieu à l'émergence d'une situation qui d'ores et déjà se compare très directement avec les chiffres de la Grande Dépression des années trente. Et l'Espagne est très clairement en train de suivre le même chemin. La vision d'une solution au problème des dettes européennes par la fuite en avant dans le fédéralisme accompagnée d'une solution tampon de monétisation temporaire par la banque centrale pouvait peut-être passer si les décisions avaient été prises très tôt. Aujourd'hui cela paraît de plus en plus problématique.

*Henri Lepage*

## Parallel Universes in Paris and Berlin

### Is the Franco-German Axis Kaput?

By SPIEGEL Staff

**The most recent European Union summit exposed deep differences between German Chancellor Angela Merkel and French President François Hollande. Berlin wants Brussels to be bestowed with greater power over national budgets and Paris is calling for an end to austerity. The dispute threatens to intensify the euro crisis.**

One of the age-old exercises in European politics is to transform even the most wonderful news into messages of discord. What is new is that the governments in Paris and Berlin are proving to be especially adept at this strange discipline.

It was last Thursday evening in the somber government building in Brussels. The leaders of the 27 European Union countries had just convened for a crisis summit when German Chancellor Angela Merkel surprised them with a novel proposal. What if everyone at the summit would fly to Oslo together in December to jointly accept the Nobel Peace Prize, as a sign of European unity?

The other European leaders' reactions were reserved. Italian Prime Minister Mario Monti said that it ought to be sufficient for the heads of the European Commission, European Council and European Parliament to make the trip. British Prime Minister David Cameron proposed sending a child from every member state to Oslo. Finally, though, the issue was decided when French President François Hollande rejected the idea of a joint trip altogether, when he said caustically: "I'm not an extra."

Europe's most powerful political team is unable to find a common denominator, from the question of who should be picking up prizes or, more tellingly, to the much broader issue of rescuing the euro. At the Brussels summit last week, Merkel and Hollande, after arguing for hours, agreed on a slim formulaic compromise on the banking union, while all other contentious issues remained unresolved.

Since the days of former German Chancellor Konrad Adenauer and former French President Charles de Gaulle, Germany and France have generally been run by politicians who placed more value on unity than their differences. The axis between former German Chancellor Helmut Schmidt and former French President Valéry d'Estaing axis proved to be just as resilient as the partnership between their successors, Helmut Kohl and François Mitterand.

#### Frosty Relations

Under Merkel and Hollande, however, the German-French partnership threatens to deteriorate into nothing but a façade. The two politicians, who hold the fate of the continent in their hands, greet each other politely with kisses on the cheek, and their respective public relations staffs extol their "professional" and "trusting" cooperation.

In truth, however, the relationship began on a cool note and has since slipped below the freezing point. Hollande doesn't want to forgive Merkel for having campaigned for his conservative opponent, former President Nicolas Sarkozy. Now the Chancellery suspects that Hollande is secretly planning a campaign for Merkel's challenger from the center-left Social Democratic Party (SPD), former Finance Minister Peer Steinbrück.

Mistrust shapes the relationship between Paris and Berlin, on issues ranging from future European bank regulation to the joint aerospace and defense group EADS and the future architecture of Europe. Hollande suspects that Berlin is using budget consolidation as an excuse to gain European dominance. Merkel notes with unease that Hollande is joining forces with Rome and Madrid to form a joint axis against Germany.

Last Monday, a joint interview with the French president at the Elysée Palace given to six European newspapers offered a sense of how deep the divide is. In the one-hour meeting, Hollande not only criticized German policies more sharply than he ever has before since taking office, but he also rebuffed Merkel's austerity course. "It is France's task to tirelessly tell our partners that there are alternatives to a policy of austerity," Hollande said.

His predecessor Sarkozy also had differences of opinion with Merkel. Nevertheless, the two leaders always managed to agree on a joint position prior to a summit. This has changed, with the two sides now intensifying rather than smoothing over their conflicts prior to meetings.

### **A Sour Note**

When Hollande emerged from his car in front of the European Council building in Brussels on Thursday, he said venomously that Merkel is dragging her feet on European issues because, as everyone knows, she "has her own deadline, in September 2013," referring to the next federal election in Germany. Merkel had previously renewed her call in the German parliament, the Bundestag, for the EU's right to intervene in national budgets, an idea Paris decidedly rejects.

Then the two leaders met privately, hoping to find some common ground despite their differences. But it was clear to everyone who saw Merkel and Hollande marching from their conference room to the Council chamber that the meeting had ended on a sour note. The two politicians looked tense as they spoke with each other, talking so quickly that the interpreters could hardly keep up, with Merkel energetically shaking her head here and there. Only when they had reached the Council chamber did they suddenly put on smiles.

It's been going this way for months. They feign harmony in public, but in reality Merkel and Hollande are living in parallel universes. Their views of the world couldn't be more different.

### **Open Displeasure in Paris**

In recent months, impatience with Germany has grown to open displeasure at the Elysée Palace. Hollande believes that the crisis can only be solved if Europe introduces shared liability for debts. His staff is constantly introducing new proposals that tend to differ in name only: euro bonds, euro bills, a debt repayment fund.

The French are also annoyed that Berlin is incessantly calling for strict budget controls while the continent slips into recession. Paris is critical of what it calls Germany's obsession with austerity, and it believes that cutting spending in a sagging economy is the wrong approach. "A fundamental discussion of this austerity policy is in the air throughout Europe," say officials at the Elysée.

Hollande accuses the Germans of having double standards. He argues that they are demanding a lot of other Europeans while unilaterally pursuing [national interests](#), as was the case with aircraft maker EADS. The German-French group wanted to merge with the British defense contractor BAE, which would have created the world's largest aerospace company, but it would also have jeopardized jobs in Bavaria.

Hollande's supporters complain that Merkel vetoed the deal without explanation and without agreeing to new negotiations. They argue that by intervening, Merkel, who is always calling for more competitiveness and less government, is actually preventing the European defense industry from becoming more competitive.

Officials at Elysée Palace don't seem to understand their counterparts in the Chancellery and, conversely, Berlin is at odds with the new administration in Paris. The Germans had already lowered their expectations before Hollande came into office, and the relationship has steadily deteriorated since then.



## **Is Hollande Accelerating French Decline?**

The journalistic broadside that Hollande fired at the Germans before the EU summit was a "remarkable move," sources within Merkel's administration say diplomatically. Translation: It was "incredibly impudent."

Merkel apparently sees the interview as evidence of the Frenchman's political inexperience. Hollande is a novice in the business of governing, Berlin officials say disparagingly. Unlike his predecessor Sarkozy, he had not held any government posts before becoming president. This is why, from Germany's perspective, he is making mistakes that would never have happened to his predecessors, especially in European policy.

The Germans are particularly dismayed over Hollande's attempt to paint himself as the spokesman of the southern EU countries. It upsets them that the Frenchman is reviving old plans for a Mediterranean union on Europe's southern edge. In early October, Hollande met with the leaders of four other Southern European and five North African countries at a conference in Malta. Officials in Berlin complain that after having painstakingly disabused Sarkozy of the notion of a new southern axis, they now have to start all over again.

Merkel's confidants fear that Hollande is accelerating France's economic decline, to the detriment of all of Europe. Although the president pushed through the fiscal pact, they argue, he hasn't done much else to modernize his country.

"You don't get France's problems under control by raising taxes and lowering the retirement age," scoffs a German government official.

## **An Open Quarrel**

Whether the issue is reform, spending money, solidarity or integration, there have been many crises in the German-French relationship before, but the rift has never been this wide. The two sides have accused each other of playing with marked cards ever since the unsuccessful June summit in Brussels.

At the time, the Germans and the French had agreed to develop a joint European financial regulatory agency, which was to bail out ailing banks if necessary. The French interpreted the agreement to mean that the so-called banking union was to commence on Jan. 1, 2013, but that apparently didn't coincide with the German view. In Berlin, officials fear that if the launch date is too early, Germany will be stuck with large liabilities for struggling Southern European banks.

The disagreement led to an open quarrel. In mid-September, German Finance Minister Wolfgang Schäuble said publicly that the launch date was not to be. His French counterpart, Pierre Moscovici, was furious. "No, I don't agree with Mr. Schäuble," he said after a meeting in Cyprus, noting that there was no reason to delay.

The conflict was postponed at last week's summit. Germany managed to convince EU leaders that joint funds could only be paid to banks once the new regulatory agencies are fully operational. But France continues to push for creating the necessary conditions in the coming year.

The situation is no less muddled at EADS. Now that the proposed merger with BAE has fallen apart, the German government wants to sell some EADS shares to automaker Daimler in the coming weeks. It urgently needs Paris, because Hollande has to approve the deal so that the Germans will be included in a shareholder package that would guarantee them an important voice in the company.

But Berlin isn't doing much to mollify the Hollande administration. On the contrary, the German government is currently refusing to provide financial support for the development of the new Airbus A350 wide-body jet. The German Economics Ministry is holding back €600 million (\$780 million), whereas Paris paid its share long ago.

## **Europe's Engine Is Becoming Its Brakes**

With the number of German-French conflicts on the rise, the erstwhile engine of European unification has now become a braking factor instead. The entire EU is waiting for Germany and France to finally reach a compromise over the future architecture of the euro, but Berlin's and Paris's ideas on the issue are still far apart.

Chancellor Merkel insists that Brussels should be able to monitor national budgets in the future. "We should give Europe real rights of intervention in national budgets," she said in the Bundestag last week.

Hollande opposes the idea. In addition, a transfer of sovereignty rights would require amending European treaties, which could be discussed at an EU convention, the results of which would have to be approved by the people in France. Hollande, however, fears that the majority of Frenchmen could say "*non*" to a referendum, as they did in a 2005 referendum on the European constitution. The French president envisions things basically remaining unchanged in Europe, with the heads of state and government continuing to have the last word.

If an amendment to the treaties is to be discussed at all, it will have to include the so-called communitization of debt, says Hollande, in reply to German thoughts on the issue. But this would be "out of the question" as long as "there are individual national budgets," the chancellor said after the summit.

The fronts are hardened, and time is running out. Under the agreement reached by the European leaders, the EU reforms should be approved by December, if possible.

Much is at stake. If the quarreling partners don't find a convincing solution, the euro crisis could intensify even further, with unforeseeable consequences for all of Europe. The fear of a crash is the one sentiment Paris and Berlin still share wholeheartedly, and it's what Europeans are relying on.

"Germany and France will come to terms in the end," says a senior EU official, "as they must."

REPORTED BY RALF NEUKIRCH, MATHIEU VON ROHR, MICHAEL SAUGA, CHRISTOPH SCHULT AND GERALD TRAUFFETTER

*Translated from the German by Christopher Sultan*

## Compétitivité: la gauche a peur du choc



Louis Gallois au côté de Pierre Moscovici photo AFP

Il n'y a pas de place dans le quinquennat pour deux chocs : l'un fiscal, l'autre de compétitivité. C'est la conclusion très politique à laquelle sont parvenus François Hollande et ses ministres qui torpillent à qui mieux mieux le rapport de Louis Gallois avant même qu'il ne soit publié.

L'ex-président d'EADS avait été mandaté par le chef de l'Etat, pour savoir si l'industrie française souffrait réellement d'une perte de compétitivité liée au coût du travail. La réponse est oui.

Selon Le Figaro, Louis Gallois préconiserait un choc de compétitivité de 30 milliards d'euros essentiellement sous la forme d'une réduction des cotisations sociales patronales couplée à une baisse moins importante des cotisations salariales.

Pour ne pas creuser le déficit de la sécurité sociale, seraient préconisés en contrepartie une hausse modérée de la CSG et/ ou de la TVA, un peu de fiscalité écologique et de sérieuses économies budgétaires.

Depuis qu'il a eu connaissance du pré-rapport, le gouvernement multiplie les déclarations pour dire qu'il ne se sent pas engagé. Il ne prévoit pas d'annonces immédiates et renvoie d'éventuelles décisions à février prochain, une fois publié un autre rapport, celui du Haut conseil sur le financement de la protection sociale.

Il a les deux pieds sur le frein pour deux raisons essentielles. D'abord personne n'est d'accord au sein du gouvernement : il y a ceux qui contestent le diagnostic en affirmant qu'il y a pas de problème de coût du travail, ceux qui refusent d'augmenter la CSG de peur de toucher aux retraités, ceux qui récusent la hausse de la TVA par crainte de l'inflation et parce que ce serait moins juste que la CSG, ceux enfin qui réclament du donnant-donnant c'est-à-dire des allègements de charges à condition que l'entreprise investisse.

Cette cacophonie résulte du fait que l'allègement du coût du travail ne figurait pas dans les propositions du candidat Hollande et n'avait donc pas été tranché avant l'élection ni par l'élection ce qui est une grosse faiblesse.

S'ajoute à cela la très mauvaise conjoncture qui réconcilie la plupart des ministres sur une position de prudence : il serait, à leurs yeux, très risqué, du point de vue économique mais aussi électoral, de provoquer un nouveau choc sur le pouvoir d'achat après le choc fiscal de 20 milliards d'euros provoqué par le projet de budget pour 2013.

Autrement dit, les impôts nouveaux que vient de décider le gouvernement pour partie sur les entreprises, pour partie sur les ménages afin de réduire les déficits publics sont en train de bloquer toute idée de réforme structurelle.

Cela revient à dire que le pays s'enfonce dans la crise sans se donner les moyens de réagir. C'est plutôt inquiétant pour la suite.

## Protectionnisme : Bruxelles s'en prend à Montebourg

Par [Jean-Jacques Mevel](#) Mis à jour le 22/10/2012 à 20:00 | publié le 22/10/2012 à 19:26 [Réactions](#) (58)



Karel de Gucht, commissaire européen en charge du Commerce. Crédits photo : © Francois Lenoir / Reuters/REUTERS

**INTERVIEW - Le commissaire européen au Commerce, Karel de Gucht, critique le protectionnisme prôné par le ministre français Arnaud Montebourg, et rejette la surveillance des exportations sud-coréennes réclamée par Paris.**

*Propos recueillis à Bruxelles*

**LE FIGARO. - Pour Arnaud Montebourg, l'Europe devrait renoncer au libre-échange car la mondialisation est devenue «déloyale». Qu'en dites-vous?**

**Karel De Gucht.** - Monsieur [Montebourg](#) s'affiche contre la mondialisation, il est protectionniste, c'est un choix. Mais son raisonnement ne tient pas la route. La France ne peut pas, seule, redistribuer les cartes du commerce mondial. Elle n'est pourtant pas la plus mal lotie: dans l'[UE](#), c'est elle qui a sans doute le plus de firmes industrielles parmi les 500 premières sociétés mondiales. Pourtant ses entreprises réussissent mieux à l'étranger que sur le marché français. D'où ma question: comment réindustrialiser la [France](#) avec les 35 heures et sans résoudre le problème des coûts salariaux? Je n'ai pas l'impression que M. Montebourg s'intéresse vraiment au long terme...

**Le ministre français voudrait aussi subventionner les industries européennes «sans avoir Bruxelles sur le dos»...**

S'il tente de le faire, il va trouver Bruxelles et le commissaire à la Concurrence Joaquin Almunia sur sa route! L'absence de subventions nationales est l'une des clefs du marché unique européen. Ce n'est pas moi qui l'ai édicté, ce sont les États membres eux-mêmes. M. Montebourg plaide contre les règles de l'UE.

**Allez-vous donner suite, quand la France veut mettre sous surveillance les importations de voitures coréennes?**

Nous avons mené l'enquête et conclu que cette requête n'est pas fondée. La Commission vient donc de refuser la demande de Paris. Les conditions juridiques ne sont pas remplies. Bien plus, les chiffres montrent que l'accord de libre-échange signé avec Séoul en 2011 est largement favorable à l'UE. Notre déficit commercial bilatéral est tombé au plus bas.

Pour l'automobile, il est vrai que les exportations coréennes ont augmenté de 41% de juillet 2011 à juin 2012. Mais la France est moins touchée que la moyenne (+24%) et la part des petites voitures coréennes en France n'a augmenté que de 7,4 à 7,6% du marché. Au niveau européen, on reste très loin des records atteints avant 2008.

Il n'y a donc aucune raison de lancer la procédure de surveillance souhaitée par Paris. Pire, ce serait dangereux quand les autres exportations européennes vers la [Corée du Sud](#) augmentent aussi vite. Mon premier souci est de réussir cet accord de libre-échange, pas de le torpiller. Sinon, quelle sera la crédibilité l'UE lorsque nous négocierons l'ouverture d'autres marchés?

**Vendre le libre-échange quand les usines ferment et le chômage augmente n'est pas facile. Quels sont vos arguments?**

L'idée que l'Europe aurait des résultats commerciaux désastreux est contredite par les faits. Nous avons un excédent de 300 milliards d'euros pour les biens et les services, agriculture comprise. La part de l'UE dans le commerce mondial reste à peu près stable, alors qu'elle se réduit pour les États-Unis et le Japon. L'excédent est essentiel, sans lui nous ne pourrions régler ni l'énergie, ni les matières premières. L'Europe n'a donc aucun intérêt à dresser des barrières aux échanges.

Deuxièmement, les lignes d'approvisionnement industriel sont devenues planétaires. Hors d'elles rien n'est possible. Il n'y a plus de produit strictement européen ou américain. La Chine ne peut pas plus prospérer si ça va mal en Europe, et inversement. Fermer les frontières serait un retour au Moyen Âge.

**L'UE va-t-elle négocier d'autres accords de libre-échange?**

Avec le Japon, nous allons commencer mais nous nous arrêterons s'il n'y a pas assez de progrès sur l'ouverture du marché nippon dans un délai de douze mois. L'accord n'est pas pour demain. Avec les États-Unis, je présenterai décembre un rapport de faisabilité aux Vingt-sept, en cosignataire avec mon homologue américain Ron Kirk. Les augures sont bons, la négociation ne sera pas facile. Cela pourrait créer quelques problèmes avec la France et son agriculture...

**Et avec la Chine?**

Il s'agit d'accès au marché et de protection des investissements, pas d'un accord de libre-échange. Le mandat se prépare, il reste encore dans les cartons. Nous suivons de très près la question des subventions aux deux grands groupes chinois de télécommunication, [Huawei](#) et [ZTE](#). L'enquête continue et ce dossier est tout sauf classé.

## Trotz Rekordeinnahmen Warum Deutschland noch immer Schulden macht

FAZ 22.10.2012 · Der deutsche Staat nimmt so viel ein wie niemals zuvor – und macht trotzdem weiter Schulden. Spätestens 2013 wäre eigentlich ein Überschuss im Bundeshaushalt möglich. Doch in Berlin denkt niemand ans Sparen.

Von [Christoph Schäfer](#)

Auch in den kälter werdenden Monaten findet der Adler noch reichlich Nahrung: Die Steuereinnahmen sind so hoch wie niemals zuvor. Im September nahm der deutsche Fiskus satte 50,8 Milliarden Euro ein, teilte das Bundesfinanzministerium am Montag in Berlin mit. Das waren 4,2 Prozent mehr als vor einem Jahr.

### 600 Milliarden Euro für den Fiskus

Noch besser sehen die Zahlen aus, wenn man sich die ersten neun Monate des laufenden Jahres betrachtet. In diesem Zeitraum hat der deutsche Staat sogar 5,6 Prozent mehr kassiert als ein Jahr zuvor. Inzwischen gehen Fachleute davon aus, dass Bund, Länder und Gemeinden in diesem Jahr erstmals mehr als 600 Milliarden Euro einnehmen werden.

Doch Schulden macht der Staat trotzdem. „Reich wird man nicht von dem, was man einnimmt, sondern von dem, was man nicht ausgibt“, sagt die schwäbische Hausfrau. Das Sprichwort gilt auch für die staatlichen Kassenhüter. Spätestens 2020 müssen sie laut Schuldenbremse ausgeglichene Haushalte vorlegen – aktuell aber wollen sie nicht so richtig. Allein die Bundesregierung plant, im kommenden Jahr zusätzliche Schulden in Höhe von 19 Milliarden Euro aufzunehmen, in diesem Jahr sollen es sogar 32 Milliarden Euro sein – trotz Rekordeinnahmen.

### Deutsche Wirtschaft fordert Umdenken

Wirklich neu ist der Hinweis darauf freilich nicht: [Bereits im April verlangte die deutsche Wirtschaft von Angela Merkel, härter zu sparen](#). Gerade vor dem Hintergrund der europäischen Schuldenkrise sei es notwendig, „auf eine Politik praktisch ohne Neuverschuldung umzuschwenken“, hieß es in einem Brief des Präsidenten des Deutschen Industrie- und Handelskammertages (DIHK), Heinrich Driftmann, an die Bundeskanzlerin.

Passiert ist seitdem wenig. Die Bundesregierung denkt vielmehr an neue Ausgaben: Sie diskutiert über die Einführung des Betreuungsgeldes und um eine mögliche Zuschussrente. Die Opposition wiederum plädiert für höhere Steuern und hat bislang keine nennenswerten Sparvorschläge vorgelegt.

Die Einnahmesituation würde es eigentlich ermöglichen, dass der Bund im nächsten Jahr anfängt, seine Schulden abzutragen. [Das rechnete die FDP-Fraktion vor rund sechs Wochen vor](#). An sich wäre es möglich, so die Liberalen, im kommenden Jahr einen Überschuss von rund 400 Millionen Euro zu erwirtschaften. Verhindert wird das vor allem dadurch, dass Deutschland 8,7 Milliarden Euro an den dauerhaften Euro-Rettungsfonds zahlen muss. Auch diverse Zusagen an die Bundesländer schlagen 2013 mit mehr als 10 Milliarden Euro negativ zu Buche. Noch nicht berechenbar – aber in jedem Fall teuer – werden auch weitere Hilfen für Griechenland. Egal ob ein weiterer Schuldenschnitt kommt oder Athen „lediglich“ mehr Zeit erhält, um sein Haushaltsdefizit zu verringern: Deutschland wäre in jedem Fall mit vielen Milliarden Euro dabei.

United Kingdom

## Tories are playing with the Brussels bomb

22 October 2012

[The Daily Telegraph](#) London



The British Prime minister David Cameron (photomontage)

H. Armstrong Roberts / PE Sánchez

**Euroscepticism has gone mainstream in the British Conservative party, making a referendum on Britain's continued membership of the Union increasingly likely. But do PM David Cameron and his EU-hostile ministers really know where they want to go? asks a Daily Telegraph columnist.**

[Peter Osborne](#)

When David Cameron became Tory leader seven years ago, William Hague is said to have delivered a stern warning on the subject of Europe. Stay well away, advised Mr Hague, who knew from brutal personal experience as Conservative leader the damage it was capable of doing. Mr Hague added that Europe should be regarded as a bomb that could never be defused, yet might well go off at any moment. The wisest course was to leave well alone and hope for the best.

Mr Cameron took careful note. In opposition he did his best to avert trouble, and was almost excessively careful during the early period of government. Europe was the easiest part of the Coalition Agreement to negotiate, Mr Cameron having already abandoned his “cast-iron” guarantee of a referendum on the Lisbon Treaty. With only one admittedly very dramatic exception – last December’s treaty veto – his Government has concentrated on less perilous subjects.

It has suddenly become very clear that, seven years after the Foreign Secretary delivered his warning, the Hague doctrine has been abandoned. Over the past few days, though, without the knowledge, let alone assent of a bemused Mr Hague, a series of Cabinet ministers have articulated anti-European sentiments. First to do so was Theresa May, now being talked of as a potential Conservative leader. Last week, at party conference, the Home Secretary took on one of the most fundamental pieties of the European Union, when she promised to challenge the free movement of people between member states. Exactly how she proposed to do this was never explained.

Then on Tuesday, [Mrs May was bashing Brussels again](#), this time raising doubts about the European Arrest Warrant. She has found an ally in Philip Hammond, the Defence Secretary, who called on Sunday for a “reset” of the relationship between Britain and Europe.

But the most meaningful contribution to the debate thus far has come from Michael Gove. The Education Secretary revealed at the weekend that, were a referendum to be held on the European Union tomorrow, he would vote for British withdrawal.

The importance of these remarks cannot be overstated. Although many people have criticised Europe, no senior British politician has actually dared to advocate a severance of relations since Michael Foot more than a quarter of a century ago. Ever since Mr Foot's humiliation in the 1983 general election, there has been a consensus among all senior politicians in all three main parties that Britain's membership of the EU, however irritating in practice, is a good thing in principle.

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European Opinion

## If Britain wants to go, here's the door

If the British government is pondering a "Brexit" – some form of a British exit from the European Union – then its partners might well wish to speed the parting guest, [suggests the \*Financial Times\*' chief political commentator Philip Stephens](#) –

Europe has tired of London's demands for exemptions and opt-outs from the rules of the Union. Other leaders have serious business to transact to rescue the euro. If Britain wants out, continental politicians are now heard to say, it should get out.

[...] Mr Cameron has ignored overtures from Mario Monti, the Italian prime minister, for closer co-operation in single market policy. Mariano Rajoy, the centre-right Spanish leader, looks to Berlin rather than London. François Hollande, France's Socialist president, was never going to be a close chum. Britain's point-blank refusal to contribute to any of the support mechanisms for the euro has baffled even close allies such as Sweden. Others confess they are tired of British lectures about how they should order their affairs."



## “Europhorics”, our most dangerous friends

22 October 2012

[Die Zeit](#) Hamburg



Zudin

**There are the “Eurosceptics”, and there are “Eurohaters”. And then there are the “Europhorics”, who are to be found among both intellectuals and politicians and who at least as dangerous as the former. To them the EU is not a union, but a worldview – and they are abusing it.**

[Bernd Ulrich](#)

Europe is the last permissible ideology. Specifically, it has been made into an ideology by some of its most vocal propagandists. The continent does not deserve this, and it must be protected from its most ardent proponents.

First and foremost, after all, old Europe is a creation of great delicacy, dignified with age and at the same time so fragile – and this right in the middle of the crisis. In the second Europe, the European Union, the continent has found a framework for its history and its future, and that framework is being continuously revamped. The crisis has transformed it too, and a little more than usual, not least following the Brussels crisis summit. And now it's time to replace the provisional scaffolding with a solid frame. How exactly that new frame should look is – as is usual in Europe – much disputed. So far, so good.

The European Union, though, is another thing. For many it serves as a bogeyman – for those who fear globalisation, for those who have no desire to give money away to other countries and regions, and for those with a perennial inner rage who have chosen to hate the EU.

Finally, there is a third Europe: the Europe of the Europhorics. Those are the people who constantly want more of Europe, and as fast as they can. For them the EU is a way of looking at the world. The idea of a unified Europe they are abusing as an ideology.

Unlike anti-European populists such as Umberto Bossi in Italy, Geert Wilders in the Netherlands, and the True Finns, the Euro-ideologues are in no way marginalised. They are pivotal in shaping the debate, and many government politicians, like Euro Group President Jean-Claude Juncker or [German Finance] Minister Wolfgang Schäuble echo their arguments in somewhat milder form. Their ideological paradigms often corrupt the discussion, and at worst they provide the populists of the political right with ammunition.

### Great leap forward

The leaders of these Europhorics are high-profile intellectuals such as [Ulrich Beck](#), Austrian writer Robert Menasse and Daniel Cohn-Bendit. In their attempt to escape from the demons of the past by the full integration

of a Europe of nation states sapped of their meaning, they have ended up right back in the past – in ideology and in the pomposity of the Wilhelmine era.

In their manifesto for Europe they are busy painting the continent in the darkest colours and whispering that things will get far, far worse if total European integration is not begun on immediately. Hovering over us all is the threat that “the ascendancy of our two thousand years of culture” will be swept away in the flicker of an eye.

It’s not only Europe that is threatened with destruction. The world itself is in the gravest danger, facing as it is “large-scale trade conflicts and new world wars.”

Why do such thoughtful people get these notions? The Europhorics are at the moment trying out something rather paradoxical: they want to make, at the most depressive and difficult point of the EU, the greatest leap forward. Precisely because it is so difficult, they argue, we must proceed all the more quickly. This is, of course, extremely

counter-intuitive, since every normal person would say that, if something is not working out too brilliantly, we ought to move forward with a little caution. Which is exactly where Cohn-Bendit and Verhofstadt are pumping up the apocalyptic mood music.

Karl Popper, the great philosopher of sobriety, has described it as a mark of ideologies that they are not falsifiable, and so cannot be refuted. That’s how it is with the Europhorics as well.

To any break-down in the EU, to any reasonable doubt whether we’re on the right track, they reply: weaknesses in the EU can only be fought by having a lot more of the EU! Obviously, people follow such thinking only if they know no other way out.

And precisely this hopelessness is what we are to be won over to. To be or not to be, either/or, now or never, who if not we? That’s the language all the ideological leaders of the last century have spoken. The two hotbed-up European politicians Cohn-Bendit and Verhofstadt are taking it to an almost quaintly revolutionary pitch. With fiery gestures, they call their imaginary European comrades onwards: “Only the cowardly, lazy and short-sighted heads of state and national governments cannot grasp this. Shake them awake. Let them pass not a day unchallenged!”

Interestingly, the word “cowardly” is meant to imply that Angela Merkel and French President François Hollande are hesitating to make the great leap forward solely because they are afraid of losing an election. If this is true, it is true only because in Europe there is simply no majority behind this great leap forward, because the people are not yet sufficiently fearful and also because they do not want to be pushed into it.

Robert Menasse, who has lost his temper and wants to make a clean sweep, also gives us an insight into his theatrical flourishes of rage: “In the medium term, one can do away with national parliaments. In such a Europe we would not have to deal with such irrational phenomena as Mr Cameron being able to block a common European fiscal policy in order to protect his City of London, his financial speculation market, despite his country not even being inside the European Monetary Union.” That’s the idea, then: Menasse believes he can silence interests and people merely by taking their away their opportunity to express themselves in a parliament.

### **Inferiority complex**

Even the Anti-reformism is creeping back into this European ideology. As in the days of the Weimar Republic, when the Social Democrats stood accused of reformism by the communists, Cohn-Bendit and Verhofstadt are urging the revolutionary European masses never to let the System lull them to sleep: “We need radical change. A real revolution.” “Reject the all-too slow reforms!”

The argument that only a united Europe can assert itself in an altered world where the centres of power lie in the U.S., India, Brazil, Russia and China, of course, has something to it. Europe’s self-assertion is a coldly

realistic political criterion, with a somewhat Wilhelmine aftertaste. Europe can certainly desire to secure its place in the sun, but it needn't make such a fuss about it. Moreover, the countries that Europe will have to deal with in future are predominantly nation states.

It's not really a question, therefore, of being or not being a nation state, but far more a matter of size and standing. The European nation-state, it seems, almost embarrasses the Europhorics – although in other places they admire it. Along with this inferiority complex comes – again, unfortunately, reminiscent of Wilhelm II – a touch of megalomania.

If Europe does not unite, there apparently threaten, as we have already seen, world wars. Without a European Union superstate, as well, claim the Greens, catastrophic climate change cannot be staved off. Can one not simply say that Europe is searching for its own path and the others their own, and then we'll see?

How strange it is that people who consider themselves sensible should start spouting ideologies once again, and about Europe of all things – our poor old continent that has, after far too much damage it brought on itself, become reasonably prudent.

In Europe one can really talk about anything, even about the most far-reaching reform. No problem with that, honestly. But not in this tone. Desist!

## Expanding Europe

### Germany Doubts Whether Croatia Is Ready for EU

Croatia is set to join the European Union next summer, but after a recent progress report exposed problem areas, several leading German conservatives have placed the timeline in doubt. The EU, they argue, does not need another Romania.

Romania's political soap opera has been painful to watch. A prime minister and a president who are barely on speaking terms, democratic deficits severe enough to warrant a warning from Brussels and a currency in freefall as investors avoid the country like the plague. The situation has been nothing less than an embarrassment for the European Union.

Romania's problems, though, are also turning out to be a hindrance for other countries as well. Croatia is eager to join the EU and is currently scheduled to do so on July 1, 2013. But with the EU having outlined a number of areas where Croatia must make progress ahead of accession, skepticism in Germany as to whether the country will be ready seems to be growing.

"The examples of Romania and Bulgaria show that the expectation that problems are easier to solve once accession to the EU has been completed does not work in practice," Norbert Lammert, president of German parliament and a member of Chancellor Angela Merkel's Christian Democratic Union (CDU) party, told SPIEGEL. "We can't make the same mistake twice."

Lammert hasn't been shy about voicing his concerns about Croatia since the most recent EU monitoring report was released on Oct. 10. But he has been joined recently by other senior German politicians. When it comes to Croatia, said Ruprecht Polenz, who chairs the Foreign Affairs Committee in German parliament, the country's accession cannot be based on hopes for future improvement.

#### 'A Political Example'

Voices from the other side of the political aisle have likewise been critical. "We have to set a political example with Croatia," said Social Democrat member of European Parliament Michael Roth. Zagreb must make improvements quickly "or the Bundestag should not ratify the accession treaty," he told SPIEGEL.

The Oct. 10 progress report was generally positive about Croatian steps taken to prepare for entry into the EU. But Brussels also pointed out 10 areas where improvements still had to be made, including accelerating privatization and speeding up and improving the judiciary. It reflects a concern growing in Brussels, Berlin and elsewhere that the Croatian government of [Prime Minister Zoran Milanovic](#) is dragging its feet on reforms necessary for EU accession.

Even Doris Pack, a German member of European Parliament and a member of the CDU, has warned Zagreb. Long a supporter of [Croatian accession](#), she told the Croatian daily *Jutarnji List* earlier this month that the EU's enlargement report "is a clear message that should not surprise the Croatian government. You have to work harder to meet the conditions, and not waste time."

Still, despite the pressure being piled on Zagreb from German politicians, it seems unlikely that Croatian accession will be held up. The country has made huge strides in recent years and most expect that ratification of the accession treaty will go as planned next summer.

## 'No Reason for Panic'

But there is still one more progress report to go, which will be released next spring. And even Croatian politicians appear to be getting nervous. Miroslav Kovacic, a member of the country's negotiating team, told the *Financial Times* recently that criticism from Berlin "is a rather serious signal for the Croatian government." He said that it often fell to Germany to fire shots over Zagreb's bow when improvements needed to be made.

"Judging from the accession process so far," he added, "the government is well positioned to do what is needed by July 1 next year. But they would have to focus more than they have done so far. In short, there is no reason for panic, but German criticism is no joke either."

Lammert, for his part, seems to be wary of EU enlargement in general and hinted to SPIEGEL that he might be in favor of a moratorium on further expansion. "It is worth thinking about whether an annual progress report on the internal state of the EU would make sense," he said. "That might open some eyes as to the problems that have gone unresolved for years."

10/22/2012 11:46 AM

## Lost in Translation

### Berlin Sends Contradictory Messages on Greece

German Finance Minister Wolfgang Schäuble has been inconsistent in his statements about Greece recently, and is now having to explain himself. But even as he has tried to clarify, yet another contradiction has appeared.

Wolfgang Schäuble is guided by two maxims in the euro crisis: He knows what is going on, and if something goes wrong, it's probably someone else's fault.

For example, the German finance minister tends to get upset when his European colleagues, the heads of government and representatives of the European Commission, once again forget about joint resolutions they've already reached, and everyone talks over each other at the same time.

[Schäuble](#) has determined the reason for this cacophony. He believes that, unlike himself, and perhaps Chancellor Angela Merkel, many decision-makers in Europe are overwhelmed by the crisis. He is convinced that they often fail to understand the details of bailout policy, and that this frequently turns communication in the euro zone into a "disaster."

But now Schäuble has followed their example. Unlike his European colleagues, though, he was man enough to create an unparalleled chaos of communication all on his own.

On a tour through Asia in mid-October, the fateful question facing the monetary union was raised once again: Will [Greece](#) remain a member or not?

#### Disagreement in Tokyo

The drama began at a panel discussion hosted by the BBC in Tokyo, when Schäuble appeared with his confidante Christine Lagarde, head of the International Monetary Fund (IMF). Schäuble usually enjoys his meetings with Lagarde, but this time the two friends tangled with one another.

Schäuble repeated what the government in Berlin had been preaching for months, namely that a decision could only be made after the troika -- made up of the IMF, the European Commission and the European Central Bank (ECB) -- had issued its report. Lagarde disagreed, arguing that the stricken country needs more time to satisfy the requirements of its creditors.

Lagarde was merely expressing what everyone already knows, and what Merkel has already decided, namely that Greece should be rescued. But because the current restructuring program is unrealistic, the operation will be more expensive than planned.

Her response could have been an opportunity for Schäuble to explain his own view. But instead he perceived it as an affront, and stated that such speculations were not helpful. It was his way of retaliating.

#### Sidestepping in Singapore

But on the next stop of the trip in Singapore, Schäuble had apparently changed his mind. At an event hosted by the Singaporean-German Chamber of Industry and Commerce, he said, in an inimitable mixture of German and English: "It will not happen that there will be a *Staatsbankrott* in Greece." A *Staatsbankrott* is a national bankruptcy.

[The news](#) attracted attention, especially in Europe. But by then Schäuble was already in Bangkok, and was irritated because he felt misunderstood. He said that it was impossible that he could have said anything in Singapore that contradicted what he had been saying all along.

Schäuble spent half an hour trying to justify what he had said in front of the journalists traveling with him. A speech to Asian investors, he said, simply had to be clearer than one he would give at home. Besides, he added, he finds it difficult to express himself as precisely in English as he can in German. In other words, it was clearly a case of "lost in translation."

But Schäuble knows that both arguments are unconvincing. News spreads within seconds from any place in the world, especially when two dozen German journalists are along for the ride. Besides, Schäuble's English had been good enough for his appearance on the BBC with Lagarde just two days earlier.

### **Another Change of Position**

The truth is that Schäuble is torn between taking responsibility for European policy and taking domestic political factors into account. He knows that saving the euro is going to cost more money, but he also fears resistance within the center-right coalition government in Berlin and among the German people. This explains why he sometimes takes one position or another.

This was also the case when Jörg Asmussen, the German representative on the ECB Executive Board, revived the plan to create a repurchase program for Greek sovereign debt while in Tokyo. Under the plan, the Greek government would borrow money from the euro bailout fund, the European Stability Mechanism (ESM), money it could then use to repurchase old bonds at the current rate. Greek government bonds are currently valued at about 25 percent of face value. In other words, with every euro it borrowed Athens could take €4 of old debt off the market.

The idea had hardly been floated before Schäuble was behaving as though he were hearing about the proposal for the first time. He should have known better, because his people have been working on the same type of program for some time and have already developed concrete ideas. They've calculated that with a commitment of €10 billion (\$13 billion), Greece's debt burden could, in an optimal scenario, be reduced by €40 billion.

But to achieve this outcome, talks would first have to be held with the biggest investors to ensure that they would truly settle for receiving only a quarter of their claims. Experts at the German Finance Ministry hope that once the operation is over, Greece will almost be in a position to borrow money on the markets again. But that would require Schäuble to explain yet another change of position.

*Translated from the German by Christopher Sultan*

## Les mafias à l'assaut de la France

Par [Jean-Marc Leclerc](#) Mis à jour le 21/10/2012 à 22:06 | publié le 21/10/2012 à 18:02 [Réagir](#)



Crédits photo : STEPHAN AGOSTINI/AFP

Des enquêteurs de la police judiciaire relèvent des indices, le 18 février 2011 à Corscia dans le centre de la Corse, autour d'un véhicule dans lequel deux individus ont été tués par balles dans un guet-apens

**Un rapport confidentiel de la PJ note la montée des bandes des cités sensibles et l'implantation de groupes criminels étrangers. La drogue seule rapporte 2 milliards par an aux trafiquants.**

Alors que le premier ministre doit présider ce lundi une réunion interministérielle à Paris, pour relever le défi des fusillades à répétition en Corse, *Le Figaro* publie les meilleurs extraits du dernier rapport confidentiel de la cellule antimafia de la PJ. Un document rare, publié par le Service de renseignement et d'analyse sur la criminalité organisée ([Sirasco](#)) du commissaire [Dimitri Zoulas](#). Il dresse, en 93 pages, le portrait saisissant des familles du crime qui menacent des pans entiers de l'économie et de la sécurité nationale et ce, bien au-delà du western permanent sur l'île de Beauté.

Les groupes criminels concernés sont spécialisés dans le trafic de stupéfiants, le faux monnayage, les règlements de comptes, les vols à main armée, les extorsions violentes. La PJ leur attribue 28.770 infractions au total en 2011. Mais d'autres infractions, «moins graves commises par ou pour le compte d'organisations criminelles ne sont pas comptabilisées», prévient le Sirasco. Certes, concèdent ses analystes, il n'existe pas de «mafia française» proprement dite, mais cela «n'exclut pas, bien au contraire, le développement de multiples organisations criminelles plus réduites, plus locales, plus spécialisées, moins pérennes, mais dont la détermination et la dangerosité sont très élevées».

La police judiciaire insiste sur le «fort impact du trafic international de stupéfiants». Selon elle, «l'activisme et les capacités d'adaptation des organisations criminelles issues des cités sensibles, responsables des importations massives de cannabis marocain et le déploiement continu des flux de stupéfiants, demeurent la principale source d'irrigation de l'économie souterraine en France». «Chiffre d'affaires» estimé par la PJ: «plus d'un milliard d'euros pour environ 250 tonnes de résine de cannabis consommées annuellement. L'ensemble des autres drogues rapportent également un milliard d'euros». «Ce pactole équivaut à l'ensemble des salaires versés chaque année aux agents en tenue de la police nationale!», déclare, sidéré, un officier de police spécialisé dans le renseignement.

À côté des «organisations criminelles françaises traditionnelles (corse, marseillaise, gens du voyage)» dont la PJ note la «permanence», les analystes du Sirasco évoquent «la montée en puissance d'une jeune génération issue des cités sensibles». Ils relèvent également la «présence dans la plupart des agglomérations françaises d'organisations criminelles étrangères», constatant le «maintien de l'implantation des grandes mafias (russophones, italiennes, chinoises), notamment en région parisienne ainsi que sur la Côte d'Azur».



## Décentralisation du crime

Les directions régionales de la PJ ont fait remonter nombre d'informations pour alimenter ce rapport. La DIPJ de Strasbourg, par exemple, déplore «la mainmise des groupes criminels turcophones sur le trafic d'héroïne dans le grand Nord-Est du territoire français, s'appuyant sur une forte diaspora. Ils collaborent avec les trafiquants des cités sensibles, pour transporter la marchandise importée de Belgique, des Pays-Bas et d'Allemagne (secteur de Kehl), ou pour assurer la distribution».

La PJ de Bordeaux rapporte que «l'année 2011 a été également marquée par plusieurs saisies importantes de cocaïne avec un recours accentué aux aéroports de province par les trafiquants». La PJ de Lyon a traité, quant à elle, près d'un tiers de l'ensemble des quelque 500 affaires de proxénétisme recensées en France l'an dernier. Elle constate l'implication des «groupes criminels d'Europe de l'Est (notamment bulgares) et d'Afrique subsaharienne (groupes criminels nigériens à Grenoble notamment)».

En région parisienne, selon le Sirasco, «nombre de malfaiteurs se sont éloignés de Paris, s'implantant dans des villes périphériques telles que Creil». Mais, écrivent-ils, «un milieu affairiste prospère néanmoins dans la capitale: composé de plusieurs dizaines d'escrocs professionnels, cette mouvance criminelle s'est spécialisée dans les infractions financières, notamment les escroqueries à la taxe carbone, ayant généré plus d'un milliard d'euros de préjudice pour l'État, ou plus récemment les escroqueries aux faux ordres de virement visant plusieurs dizaines de grandes entreprises françaises et leurs filiales». La PJ ajoute que «plusieurs enquêtes ont démontré que ces escrocs s'étaient associés à des organisations criminelles du grand banditisme traditionnel, mais également à des groupes criminels israéliens».

Rennes, Dijon, Orléans, Lille, toutes les grandes DIPJ, mais aussi la gendarmerie, ont contribué à ce rapport choc qui pointe des «facteurs aggravant les risques liés à la criminalité organisée». Et les «antimafia» de citer, pêle-mêle: «La sophistication des circuits de blanchiment et la libéralisation de l'économie, l'utilisation frauduleuse des nouvelles technologies, la suppression des contrôles aux frontières dans un ensemble de plus en plus vaste, les exemptions de visa au bénéfice de certains États, les disparités législatives et réglementaires entre États membres de l'UE et la dispersion des informations au sein de multiples administrations». Il y a bien une «mafia» en Corse, comme le dit [Manuel Valls](#). Mais la police voit plus large. L'enjeu pour la PJ est international.

## Le nucléaire, une énergie sûre

Le Monde.fr | 18.10.2012 à 09h26 • Mis à jour le 18.10.2012 à 09h50

Par Francis Sorin, directeur du pôle Information de la Société française d'énergie nucléaire (SFEN)

L'accident de Fukushima a ravivé dans l'opinion française une inquiétude légitime : nos centrales nucléaires sont-elles sûres ? Les avantages de cette énergie ne sont-ils pas annulés par les risques qu'elle comporte ? Dans une tribune publiée le 8 septembre, J.J. Delfour tranche la question en stigmatisant l' "incompétence des ingénieurs du [nucléaire](#)", dépeints comme de "prétentieux ignorants qui prétendent [savoir](#) alors qu'ils ne savent pas" et qui "nous exposent sans recours à des risques extrêmes". Le bilan établi après 50 ans d'exploitation mondiale de ces énergies n'est pas contesté : il montre que de tous les grands moyens électrogènes – charbon, pétrole, gaz et hydraulique – c'est de très loin le nucléaire qui entraîne le moins de dommages aux personnes. ! Ces invectives sont pour nous l'occasion d'[essayer de clarifier](#), à l'encontre des [idées](#) reçues, ce qu'est vraiment la démarche de la sûreté nucléaire, ses objectifs, ses résultats et le niveau de risque aujourd'hui encouru.

Contrairement à ce que croient encore beaucoup de nos concitoyens, le danger contre lequel il faut, en l'occurrence, se prémunir n'est pas celui d'une explosion atomique: une centrale nucléaire ne peut pas [exploser](#) comme une bombe ; c'est physiquement impossible. L'enjeu de la sûreté nucléaire est autre : il est d'empêcher que les produits radioactifs enfermés à l'intérieur des installations se répandent hors de leur confinement en quantités excessives.

Dans ce but, la tâche d'un ingénieur de sûreté renvoie d'abord à un exercice d'imagination : il s'agit de [pressentir](#) tous les scénarios possibles de défaillance des matériels ou des hommes et de prévoir les dispositifs de sauvegarde pour y [faire](#) face. Contrairement au reproche absurde selon lequel les "nucléaristes" nieraient partout et toujours toute possibilité d'accident, il faut [souligner](#) au contraire que l'hypothèse de l'accident grave est le cœur même de la démarche de sûreté nucléaire. S'y ajoutent deux présupposés essentiels : tout dispositif de sûreté doit être considéré comme vulnérable et donc être doublé ou triplé ; la défaillance de tous les systèmes de sauvegarde doit être envisagée, conduisant à la situation d'accident grave pouvant entraîner une fusion du cœur.

Les deux grands accidents survenus sur des centrales nucléaires à Tchernobyl (1986) et à Fukushima (2011) ne remettent pas en cause cette démarche mais témoignent plutôt du fait qu'elle n'a pas été suivie avec la rigueur requise. La situation est autre en France où les centrales sont équipées de réacteurs dits "à eau sous pression-REP" de technologie très différente des installations russe ou japonaise. L'accident majeur ayant affecté un REP est survenu en 1979 sur la centrale américaine de [Three Mile Island](#) (Pennsylvanie). Les dispositifs de protection ont joué leur rôle, confinant les produits radioactifs du cœur en fusion à l'intérieur de l'enceinte et cet accident – le plus grave susceptible d'[affecter](#) un réacteur nucléaire – n'a entraîné aucun dommage sur les personnes ou sur l'environnement.

### De rares accidents

Il reste qu'aucune technologie nucléaire ne peut écarter l'hypothèse d'un accident majeur plus ou moins bien maîtrisé. Mais de la somme des travaux et réflexions menés sur ce thème par la Société française d'énergie nucléaire (SFEN) depuis 30 ans se dégagent deux conclusions essentielles : un tel accident est très improbable ; au cas où il surviendrait, tout indique que les dispositifs de sauvegarde et de confinement ainsi que les mesures de gestion de crise pourraient en [restreindre](#) efficacement les conséquences.

Ces conclusions s'appuient sur 50 ans de fonctionnement du nucléaire en France. Les rares accidents à déplorer sont intervenus dans une installation d'essai, dans une mine d'uranium et dans un atelier de conditionnement de déchets. Quant aux centrales nucléaires et autres usines, elles n'ont pas fait de victime. Ce bilan, qui mériterait d'être mieux connu de nos compatriotes, traduit un bon niveau de sûreté que l'on s'emploie à [renforcer](#) en permanence. La plupart des innovations techniques et notamment celles dont l'EPR est porteur, sont introduites dans les réacteurs déjà en service qui voient ainsi leur sûreté renforcée au fil du temps. D'autres dispositifs sont étudiés à la lumière des enseignements de Fukushima et progressivement mis en place. L'enjeu est d'[annihiler](#) le détriment majeur susceptible d'être provoqué par un accident nucléaire sévère – et qui a donné sa dimension

dramatique à l'accident japonais- à [savoir](#) la contamination à long terme d'un territoire. Les concepteurs de l'EPR s'assignaient déjà cet objectif. C'est plus que jamais pour [rendre](#) effective l'impossibilité d'une telle pollution de long terme que travaillent les responsables de sûreté.

Evaluer la sûreté d'une énergie, c'est aussi la [comparer](#) aux autres... et répondre à une question fondamentale : pour le même but, en l'occurrence l'obtention d'électricité, quelle est l'énergie la moins pénalisante pour la vie et la santé des individus ? Le bilan établi après 50 ans d'exploitation mondiale de ces énergies n'est pas contesté : il montre que de tous les grands moyens électrogènes, charbon, pétrole, gaz et hydraulique, c'est de très loin le nucléaire qui entraîne le moins de dommages aux personnes. Ces conclusions tiennent compte des conséquences de l'accident de Tchernobyl et celles de l'accident de Fukushima ne changeront pas le résultat des comparaisons.

Rappelons que le charbon coûte chaque année environ 10 000 morts par accidents miniers et des milliers de victimes de la silicose. Les accidents dus au gaz et au pétrole augmentent lourdement ce bilan. Au total, on constate que le nucléaire a fait moins de morts en 50 années d'exploitation que ces autres sources électrogènes n'en font en une seule année ! On peut [dire](#) ainsi que le développement mondial du nucléaire, se substituant partiellement, durant les 50 ans écoulés, aux énergies fossiles, a constitué un réel progrès pour la sécurité et la santé des individus. Cet enseignement tiré d'un demi-siècle d'expérience doit être lui aussi pris en compte si l'on veut évaluer équitablement les contraintes et les performances de la sûreté nucléaire.

Francis Sorin, directeur du pôle Information de la Société française d'énergie nucléaire (SFEN)

## America as the EU

### Blue-state Germans, red-state Greeks

The Economist Oct 19th 2012, 19:53 by M.S.

THE other night I was out drinking with a development economist currently working on a paper about the relationship between religiosity and modernisation, and he mentioned a familiar problem. "Somebody," he said, "has got to explain the United States." Compared to other countries, America is [much more religious](#) than one might expect, based on wealth, educational levels, political systems and so forth. This is one of a number of metrics on which America is a weird outlier among nations. One way people often describe the American chimera is to call it a cross between northern Europe and Latin America.

That's the framework Jonathan Cohn used in his piece in the *New Republic* earlier this month, "[Blue States are from Scandinavia, Red States are from Guatemala](#)". As Mr Cohn writes, the "blue states" in America's Northeast and West Coast, which tend to vote Democratic, also tend to be wealthier and to have more extensive social insurance, public health and education systems. The "red states" of the South, lower Midwest and mountain West, which mainly vote Republican, are generally poorer and spend less on social insurance, public health and education. In fact, Mr Cohn writes, it's not really clear why voters in blue states want to maintain strong *national* (as opposed to state-level) social spending programs that disproportionately benefit red states:

If Rick Perry wants to strip the Texas welfare state bare, why should voters in Maine or Oregon care? If anything, the blue states would probably benefit from such a move. Since red states have more poor people, and since their state governments spend less money on the safety net, they receive a larger share of federal funds...Looked at this way, the red states are the moochers and the blue states are the makers.

[Matthew Yglesias](#) takes this point to the next level by comparing America to the EU. Unlike the EU, the United States can maintain political support for permanent large transfers of funds from rich states to poor states because we have a "*nationwide ideological vision*". People who favor transfer payments and social programs for the poor don't care that this disproportionately entails sending money out of San Francisco and to Kentucky. This gives the country a resilience in the face of external shocks that Europe lacks. The agenda of the Dutch Labor Party is that there should be a strong welfare state *for Dutch people*, not that the relatively affluent Dutch should be taxed for the benefit of relatively poor Portugal."

This is all quite true, but the comparison to the EU also underlines Mr Cohn's point that America really is quite mysterious. After all, the poorer states in Europe (Greece, Spain) that are receiving transfer payments from richer ones generally share a European-style commitment to generous social safety nets—too generous for their income levels, the Germans and Dutch would say. Indeed, what Germany and the Netherlands are trying to do by forcing Greece to balance its budget and slash public salaries, pensions and social spending is essentially to force Greece to become Alabama. But the poor American states that receive transfer payments tend to oppose generous safety nets in the first place. There's no need to force Alabama to become Alabama; it already wants to be Alabama, however misguided people in Massachusetts may believe that to be.

This seems like a happy ideological coincidence. One would think that the easy solution to the American argument over levels of social spending would be for Massachusetts to go ahead and be Scandinavia, spending a lot on anti-poverty income support, public health, and schools, while letting Alabama go ahead and be Guatemala, with substandard schools, deep pockets of poverty, terrible public-health statistics and so forth. The risk would be that generous social welfare policies would induce lots of poor people to leave Alabama and move to Massachusetts, but in fact Massachusetts has had the country's only universal health insurance system for six years now, courtesy of Mitt Romney, and it doesn't seem to have led to a budget-busting influx of poor immigrants. On the other hand, RomneyCare depends on federal Medicaid funding to handle poor residents, and turning that funding into stingy block-grants, as Mr Romney currently proposes, might destroy the system. So maybe this level of devolution would create a downward spiral of adverse selection, and

wouldn't ultimately work. As the country's political and regional polarisation continues, though, it seems more and more likely that some version of a Scandinavia-Guatemala federalist split is what it will get.

21. Oktober 2012, 18:05 Uhr

## Beteiligung am Rettungsfonds

# Euro-Zone rettet sich selbst

Verdienen an der Euro-Rettung: Unter diesem Motto sucht der Rettungsfonds ESM Käufer für seine Anleihen. Doch außerhalb Europas ist das Interesse laut einem Bericht bislang gering. Vor allem in den USA scheint die Skepsis zu überwiegen.

Berlin - 700 Milliarden Euro - diese Zahl soll das Vertrauen in die Euro-Zone zurückbringen. Es ist das Stammkapital des dauerhaften Rettungsfonds ESM, der kriselnde Euro-Staaten mit Krediten und Bürgschaften unterstützen kann. Doch außerhalb von Europa hält sich das Vertrauen in den ESM laut einem Bericht der "Bild"-Zeitung in Grenze. Demnach stammen die Käufer der vom Rettungsfonds aufgelegten Anleihen bislang überwiegend aus den Euro-Staaten.

Investoren aus der Euro-Zone hätten bisher exakt die Hälfte der Papiere gekauft, schreibt "Bild" unter Berufung auf interne Berechnungen des Rettungsfonds EFSF, des Vorläufers des ESM. An zweiter Stelle folgen Asiaten, die immerhin ein Viertel der Anleihen erwarben. US-Amerikaner zählten dagegen zu einer Gruppe sonstiger Käufer, die zusammen lediglich sechs Prozent der Investitionen ausmachten. Selbst im Euro-Skeptiker-Land Großbritannien (13 Prozent) war das Interesse deutlich größer. Experten werten die Zurückhaltung der US-Anleger laut "Bild" als Beleg für Zweifel daran, ob der Euro Bestand hat.

Der ESM trat vor zwei Wochen in Kraft. Wie schon der EFSF verkauft er Anleihen, für welche die Euro-Staaten bürgen. Das eingenommene Geld verleiht der Fonds zu etwas höheren Zinsen weiter an Krisenländer, die Hilfsanträge gestellt haben. Für die Länder ist dies günstiger, da sie auf dem freien Markt derzeit deutlich höhere Zinssätze zahlen müssten. Von Januar 2011 bis Mitte Oktober 2012 hat der EFSF laut "Bild" insgesamt 50 Milliarden Euro eingesammelt und an Euro-Krisenstaaten weitergereicht.

Die EU-Länder hatten zunächst deutlich größere Hoffnungen auf Investoren außerhalb Europas gesetzt. So versuchte Rettungsfondschef [Klaus Regling](#) vergeblich, [Schwellenländer](#) für eine sogenannte Hebelung zu gewinnen: Durch die Beteiligung privater Anleger sollte die Schlagkraft des EFSF auf eine Billion Euro erhöht werden. Der Plan scheiterte jedoch am mangelnden Interesse. Dennoch [gibt es für den Nachfolger ESM ähnliche Pläne](#), die bis zu zwei Billionen mobilisieren sollen.

Besonders China wird immer wieder als möglicher Retter kriselnder Euro-Länder gehandelt. Erst im August wollte Bundeskanzlerin Angela Merkel (CDU) bei einem Besuch in Peking [für den Kauf südeuropäischer Staatsanleihen werben](#). Die chinesische Regierung hatte solche Käufe in der Vergangenheit selbst gegenüber Ländern [wie Griechenland](#) und [Spanien](#) angekündigt. Wie viele Anleihen das Land tatsächlich erwarb, ist allerdings unbekannt.

dab/AFP

## EU Summit

### The kiss of life, or of death?

Oct 19th 2012, 15:57 by Charlemagne | BRUSSELS



SOME in the Irish opposition are already [calling](#) it the “Judas Kiss”. Angela Merkel, the German chancellor, greeted the Irish prime minister, Enda Kenny, with a kiss at the start of the European summit that ended today. But then she betrayed his hope that the euro zone would lift at least some of the burden of saving Ireland’s banks from the shoulders of the Irish sovereign.

At the end of the summit, the French and European officials had claimed a points victory over the Germans by getting them to agree more firmly to a target date of January 1<sup>st</sup> next year to entrust the European Central Bank (ECB) with the ultimate authority to supervise the euro zone’s 6,000-odd banks.

The importance of this “Single Supervisory Mechanism” (SSM) is that, once up and running, and deemed “effective” in the course of 2013, the euro zone’s rescue funds could start directly recapitalising troubled banks. When the deal was first agreed in June, Spain hoped this would save it from taking on more debt to salvage its banks, and Ireland had been led to believe it could benefit retroactively.

The Taoiseach, or prime minister, Enda Kenny, left Brussels in upbeat mood, insisting that EU leaders had given a clear reaffirmation of the June promise. And the Spanish prime minister, Mariano Rajoy, declared himself to be “very satisfied”.

But down the corridor, Mrs Merkel was quickly disabusing them. “There will not be any retroactive direct recapitalisation,” she said, “If recapitalisation is possible, it will only be possible for the future.” In the case of Spain, she said, the timetable is such that “when the banking supervisor is in place we won’t have any more problems with the Spanish banks, at least I hope not.” The problem of Spain’s banks would be dealt with by euro-zone loans already approved earlier this year. By implication, Ireland would also have to lump it.

Her comments inverted the familiar cycle of European summits: leaders arrive in a climate of crisis, and leave after having decided action that, they hope, will control the fire. This time they gathered in Brussels with markets relative calm, but left in disarray.

One senior eurozone source claimed, improbably, that the issue of recapitalising Spanish and Irish banks had, in fact, not been discussed directly. Instead the leaders debated the preliminary steps needed to get to the stage of direct recapitalisation. Many issues remain open and were left for finance ministers to settle in the coming months, not least how to deal with “legacy assets”. But the source added: “Mrs Merkel’s declaration is a surprise for me. She is prejudging decisions that ministers of finance will take.”

Germany often worries that easing market pressure on troubled countries will dent their zeal for budgetary and economic reforms. But this week the feeling is that the reduction in bond yields in recent weeks had blunted

Mrs Merkel's readiness to fix the flaws of the euro zone – not least because she is entering her campaign for re-election in autumn next year.

Some diplomatic sources think Germany's stance is a negotiating position, and that direct recapitalisation of Spanish and Irish banks will eventually take place – though perhaps not before the German election. If such measures did not apply to Spain and Ireland, say Eurocrats, to whom are leaders referring in their communiqué restating that “it is imperative to break the vicious circle between banks and sovereigns”?

The Spanish prime minister at least had the foresight to sense the obstacle: he said that having to take on another €40 billion worth of bank recapitalisation on to its books, or about 4% of GDP, was “not the biggest worry”. Instead he welcomed the evidence that the euro zone was moving towards banking union.

A more immediate question is whether Mr Rajoy will formally seek a wider bailout from the rescue fund, the European Stability Mechanism. This would come with strings attached (how onerous remains unclear) but would activate the commitment by the ECB to intervene in bond markets to bring down Spain's borrowing costs. Mr Rajoy must calculate whether the relief is worth the political humiliation and, more importantly, be sure that it would not be blocked by sceptical German leaders. Both sides may be still hoping that the gradual but steady narrowing of bond spreads in recent weeks (see the charts in my earlier post [here](#)) will obviate the need to ask the restive Bundestag for more money.

Though ostensibly “independent”, the ECB president, Mario Draghi, participates in European summits and proved instrumental on setting out a clearer timetable. “He is the only expert in the room,” says one source.

Another thorny problem is how to reconcile the ECB-linked supervisor with the interests of the ten EU members who do not use the euro.

Most want to take part in the system, but fear they will be left without a voice as the treaties give decision-making power to the ECB's governing board, from which they are legally excluded. The strategy will be to create a supervisory arm where euro-outs will enjoy “equitable treatment and representation”, as the conclusions put it.

But Britain is principally concerned with not being over-ruled by a giant euro-zone supervisor, carrying the weight of 17-plus EU members, in the European Banking Authority, which co-ordinates supervisors' work and sets rules.

Part of the summit was taken up in a row about the impact of a proposed new budget for the eurozone on current negotiations for the EU's regular seven-year budget. It had been sparked off by comments in recent days by the British prime minister, David Cameron, who appeared to argue that the proposed “fiscal capacity” for the euro zone reduced the need for an increase in the EU's budget, to be fought over at a special summit next month (Mr Cameron said he was ready to veto a budget deal he did not like). The communiqué insisted any “fiscal capacity” for the euro zone would be “unrelated” to the EU budget.

The “fiscal capacity” will be part of a final report to be submitted by Herman Van Rompuy, who presided over the summit, setting out a “specific and time-bound roadmap” to fix the euro zone's flaws. But nobody expects it to be the final report on reforming the euro zone, and there is a growing belief that the EU will have to start renegotiate its treaties some time in 2014.

David Cameron, the British prime minister, seized on these momentous changes to argue that Britain's relationship with the EU would also change, though he insisted that membership of the EU was in Britain's national interest:

Am I happy with the status quo in Europe? No I am not, I think there are changes that we need. There are opportunities opening for what I have said should be a new settlement between Britain and Europe and there will be opportunities to seek that new settlement.



It is a state of mind that is worrying liberal-minded allies of Britain. Finland's Europe minister, Alexander Stubb\*, told Reuters:

I think Britain is right now, voluntarily, by its own will, putting itself in the margins. We see it in foreign policy, we see it in economic policy, we see it linked to the single currency. And I, as someone who advocates the single market and free trade, find that very unfortunate, very unfortunate.

\* In an earlier version of this post I had mistakenly spelled Alexander Stubb's name as Studd. Sorry

« [The EU summit: The red-eyed walk to banking union](#)

## La supervision bancaire, une réalité repoussée à fin 2013

Le Monde.fr | 19.10.2012 à 17h23 • Mis à jour le 19.10.2012 à 18h08

Malgré des divergences étalées au grand jour, les dirigeants européens sont parvenus à un accord, jeudi 18 octobre, pour une mise en œuvre "graduelle" de la supervision bancaire dans la zone euro. A terme, la BCE sera chargée de [superviser](#) les quelque six mille établissements bancaires de la zone euro, à [commencer](#) par ceux des pays aidés par l'[Union européenne](#). "La BCE délèguera aux superviseurs nationaux le contrôle quotidien de certaines banques, mais elle aura la possibilité d'[intervenir](#) à tout moment sur tel ou tel établissement si elle le juge utile", a expliqué une "source gouvernementale" à l'Agence France Presse.

### Un préalable à l'[aide](#) de l'UE aux banques

C'était une des conditions nécessaires à l'aide directe de l'UE aux banques, notamment espagnoles. Lors du sommet européen du 28 juin, les chefs d'Etat et de gouvernement s'étaient engagés à bâtir un dispositif centralisé de supervision avant la fin 2012.

"Lorsqu'un mécanisme de surveillance unique, auquel sera associée la BCE, aura été créé pour les banques de la zone euro, le MES [mécanisme européen de stabilité] pourrait, à la suite d'une décision ordinaire, [avoir](#) la possibilité de recapitaliser directement les banques", écrivaient alors les dirigeants dans leur [communiqué commun](#).

### Différend franco-allemand sur le calendrier

Comme l'a remarqué [François Hollande](#) quelques heures avant le sommet – en évoquant les "calendriers électoraux" –, Angela Merkel joue également en [Allemagne](#) une partie serrée sur le plan intérieur, puisque des élections législatives sont prévues en septembre 2013 et que la chancelière pourrait [froisser](#) des électeurs de plus en plus rétifs à l'idée d'[aider](#) les banques et les pays en difficulté.

M<sup>me</sup> Merkel souhaitait que le dispositif soit effectif fin 2013, après les élections. François Hollande a fait [pencher](#) la balance pour qu'il le soit le plus tôt possible.

Le [compromis](#) arraché jeudi soir prévoit un "accord sur le cadre [politique](#) fin 2012 et une mise en œuvre graduelle en 2013". "Sur le calendrier, il n'y a pas eu de compromis, nous nous sommes retrouvés sur la même démarche, la même position", a estimé M. Hollande, se félicitant d'un "parfait accord avec nos amis allemands qui ont compris que l'union bancaire devait [avoir](#) des étapes, et nous aussi".

"A [partir](#) du 1<sup>er</sup> janvier, il reviendra à la Banque centrale de créer les organismes et les personnels qui seront dédiés à la supervision", a ajouté le chef de l'Etat. "Cela ne veut pas [dire](#) que le mécanisme lui-même pourra [entrer](#) en vigueur dès le 1<sup>er</sup> janvier. Ça, ça sera au cours de l'année 2013, a-t-il concédé. Mais le cadre législatif, lui, sera en place au 1<sup>er</sup> janvier."

### Quand les banques espagnoles pourront-elles être aidées ?

L'[Espagne](#), elle, "a déjà pris en compte le fait qu'elle ne bénéficiera pas d'une recapitalisation directe de ses banques", a réagi un diplomate espagnol dont les propos sont rapportés par l'AFP. Selon un diplomate européen cité, jeudi, par la même agence, "les banques espagnoles ne seront pas recapitalisées avant fin 2013, probablement 2014".

Mario Draghi, le président de la BCE, reconnaissait lui-même en septembre qu'il ne fallait pas [compter](#) sur un dispositif opérationnel avant les premiers jours de 2014.

**6 000 banques concernées**

Le compromis de jeudi soir stipule que ce sont bien la totalité des banques de la zone euro qui seront concernées. Sur ce point, Paris a eu gain de cause sur Berlin.

M<sup>me</sup> Merkel souhaitait que la supervision ne concerne que les plus grands établissements bancaires de la zone euro, ceux présentant un risque systémique. Elle plaidait notamment pour que les Landesbanken, les banques régionales, et les caisses d'épargne allemandes restent en dehors du champ d'action du futur superviseur unique. La chancelière allemande n'a donc pas eu gain de cause

## L'augmentation des impôts est «un non sens économique»

Par [Ghislain de Montalembert 1](#) Mis à jour le 19/10/2012 à 13:14



Patrick Artus, directeur des études économiques de Natixis. Crédits photo : FRANCK PRIGNET/Le Figaro Magazine

**INTERVIEW - En augmentant les impôts pour réduire le déficit public, le gouvernement a opté pour la solution la plus coûteuse pour la croissance et l'emploi, explique Patrick Artus, directeur des études économiques de Natixis.**

**Le Figaro Magazine - Augmenter les impôts de façon massive comme le prévoit le gouvernement pour 2013 , est-ce la bonne solution?**

**Patrick Artus** - C'est un non-sens économique. D'autant que sur les [24 milliards de hausses d'impôts annoncées](#) (en tenant compte du projet de loi sur le financement de la Sécurité sociale), la moitié concerne les entreprises. Or leur rentabilité et leurs marges bénéficiaires sont devenues dramatiquement faibles ces dernières années, comme le souligne le rapport sur la compétitivité que Louis Gallois remettra au gouvernement le 5 novembre. Les entreprises françaises supportent des coûts de production plus élevés qu'ailleurs et doivent en même temps, face à la concurrence des pays émergents, baisser leurs prix pour parvenir à vendre leurs produits. Dans cette configuration, la dernière chose à faire était d'augmenter leurs impôts! On ne peut pas s'alarmer de la désindustrialisation de la France d'un côté, et entraver le redressement de leur rentabilité de l'autre. La première décision qu'elles prendront, c'est de diminuer leurs investissements. Tous les pays qui ont tenté de réduire leur déficit public par un alourdissement de la fiscalité ont été confrontés au même problème.

**Que fallait-il faire, alors?**

Baisser les dépenses publiques. D'innombrables études universitaires, au niveau mondial, ont démontré que les pays qui avaient entrepris de réduire leur déficit en diminuant les dépenses publiques y étaient parvenus de façon spectaculaire, dans les années 90, sans casser la croissance et sans pénaliser l'emploi. C'est le cas du Canada, de la Suède, de la Finlande, de l'Italie, du Danemark. Pas un de ces pays n'a misé sur les hausses d'impôts pour redresser ses comptes publics. C'est ainsi que la Suède, par exemple, est passée d'un déficit public équivalent à 12 points de PIB à un excédent budgétaire à la fin des années 90.

**Mais la France va réduire ses dépenses de 10 milliards d'euros...**

La baisse des dépenses annoncée repose sur un calcul totalement théorique. En termes réels, les dépenses des administrations publiques vont augmenter de zéro en volume l'an prochain, mais cela ne réduira le déficit public que si la hausse du PIB est positive. Or personne n'y croit. Dans l'hypothèse retenue par le gouvernement d'une croissance de + 0,8 % l'an prochain, effectivement on gagnerait à peu près 10 milliards d'euros. Mais si le PIB stagne en 2013, la contribution des dépenses à la réduction du déficit sera nulle et la politique budgétaire reposera à 100 % sur les hausses d'impôts.

**Quel sera l'impact de l'alourdissement de la fiscalité sur la croissance de l'économie française?**

On en a une idée grâce au multiplicateur budgétaire qui évalue le ralentissement de la croissance résultant d'une réduction de 1% du déficit public. Ce multiplicateur varie grandement selon la stratégie budgétaire adoptée: de 0,6 dans le cas d'une politique de réduction des dépenses publiques, il passe à 1,5 dans le cas d'une politique de hausse des impôts. Cela signifie que l'on perd 1,5 point de PIB si on essaye de réduire le déficit de 1%. Le gouvernement a choisi la solution la plus coûteuse en termes de production et d'emploi!

### **Les recettes fiscales attendues en 2013 seront-elles au rendez-vous?**

Il y a tout lieu d'en douter. C'est automatique: si vous perdez un point de PIB, vous perdez un demi-point de recettes fiscales, notamment sur l'impôt sur les sociétés et la TVA. Imaginons que la croissance de l'économie française ne soit pas l'an prochain de + 0,8%, mais de - 0,5 % comme nous l'anticipons chez [Natixis](#), avec un déficit de 3,6%: il manquera alors 12 milliards d'euros par rapport aux prévisions du gouvernement. Et si on est à - 1% de croissance du PIB en 2013, ce qui n'est pas une hypothèse fantaisiste, il manquera 20 milliards d'euros.

### **Les hausses d'impôts n'auront servi strictement à rien, alors?**

Pire encore. Regardez ce qui se passe en Espagne. Cette année, les Espagnols s'étaient fixé pour objectif de réduire de 40 milliards d'euros leur déficit public mais du fait de la chute de leur croissance (- 2,5%), générée en partie par les hausses des impôts, leur déficit public est finalement plus élevé que l'an dernier! L'exemple espagnol mais aussi les exemples grecs et portugais invitent à la plus extrême prudence.

## La fronde fiscale gagne du terrain

Mots clés : [Fronde fiscale](#), [Gouvernement](#), [Les Pigeons](#)

Par [Yann Le Galès](#) Mis à jour le 19/10/2012 à 12:20 | publié le 18/10/2012 à 17:08 [Réactions](#) (84)



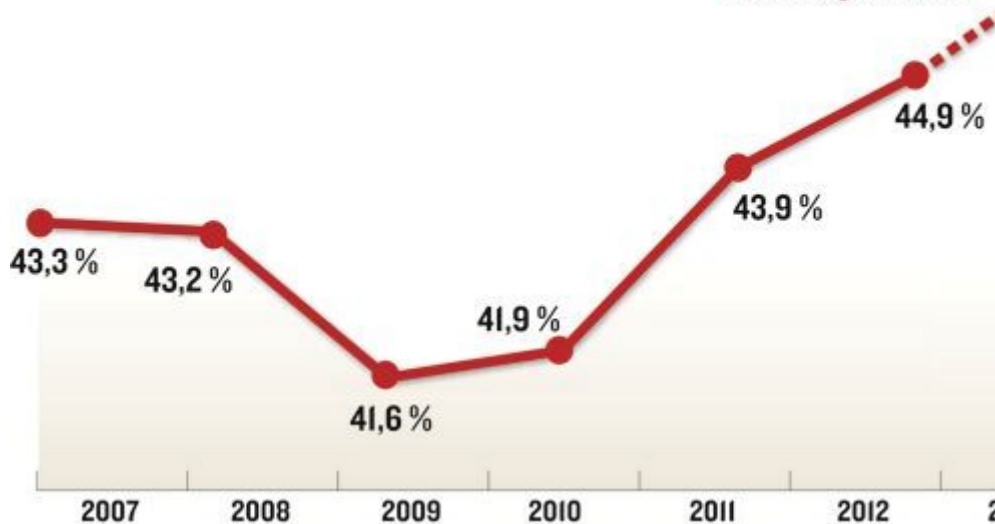
Vingt-neuf entrepreneurs réunis mardi par *Le Figaro magazine*. Objectif: convaincre le gouvernement. Crédits photo : jean-erick Pasquier

**La fièvre anti-impôts grimpe. Ils sont nombreux à vouloir faire revenir le gouvernement sur les hausses d'impôts et de charges annoncées et réclament des économies sérieuses dans les dépenses publiques.**

Créateurs de start-up, patrons à la tête d'une entreprise familiale, entrepreneurs à succès du net, PDG des plus grands groupes, hussards décidés à inventer l'avenir. La France qui crée des emplois et de la croissance est en colère. Elle se révolte contre le projet de budget. Elle estime que le compte n'y est pas. Décidé à aligner la fiscalité du capital sur celle des revenus, le gouvernement a déclenché la fronde en annonçant qu'il allait taxer à plus de 60% les plus-values qu'un créateur d'entreprise réalise quand il vend sa société. Indignés, les jeunes entrepreneurs du web ont été les premiers à protester. Utilisant les armes de leur génération, ils ont créé une page sur Facebook et envoyé des messages de moins de 140 signes sur Twitter. Pratiquant l'humour potache, ils se sont baptisés «le mouvement des pigeons».

En quelques jours, ces jeunes iconoclastes ont catalysé les mécontentements provoqués par des mesures prises dans le secret des cabinets ministériels. «Le gouvernement a suscité un profond sentiment d'injustice. Ses projets sont la goutte d'eau qui fait déborder le vase», s'emporte Marie Ekeland, coprésidente de l'association [France Digitale](#), regroupant plus de 100 jeunes entreprises numériques qui rêvent de devenir les Google tricolores. Car en taxant le risque, le gouvernement a brisé les rêves d'une génération d'entrepreneurs. Il a mis sur le même plan la réussite et l'échec. «Taxer la prise de risque de l'investissement à long terme aux côtés des entrepreneurs, de manière aussi confiscatoire, va provoquer un choc économique et culturel aux conséquences encore plus graves, en termes d'innovation et de création d'emplois, que l'impact de la mise en place des 35 heures sur la compétitivité de l'économie française, il y a dix ans», souligne Grégoire Sentilhes, patron du fonds Nextstage et président des Journées de l'entrepreneur et du G20 Yes, qui organisent chaque année des manifestations dans toute la France et dans le monde, pour donner aux jeunes et aux moins jeunes l'envie d'entreprendre et de faire grandir leur boîte.

**46,3 %**  
Prévision du gouvernement



Un taux record de prélèvements obligatoires. (en pourcentage du PIB)

### Le gouvernement a vascillé en moins de 48 heures

Le président François Hollande, qui promettait un avenir radieux aux jeunes sociétés innovantes pendant la campagne présidentielle, a oublié ses promesses. «Je ne me suis pas payé pendant trois ans quand j'ai créé mon entreprise. Aujourd'hui, je défends les couleurs de la France en Inde, en Afrique du Sud, aux Etats-Unis. Il faut arrêter de mitrailler les entrepreneurs», témoigne Thierry Lepercq, président fondateur de Solairedirect. Les philippiques d'[Arnaud Montebourg, ministre du Redressement productif](#), ont laissé des traces. «Certains propos sont révoltants. Nous créons des emplois. Nous ne sommes pas des voyous», observe Patricia Chapelotte, présidente d'Albera Conseil et du Club Génération Femmes d'influence. En moins de quarante-huit heures, les révoltés de l'internet ont fait vaciller le gouvernement de Jean-Marc Ayrault. Le ministre de l'Economie, Pierre Moscovici, et le ministre du Budget Jérôme Cahuzac, ont revu leur copie. Mais leur mea culpa n'a pas suffi, tant la défiance est grande.

Vingt associations patronales et professionnelles ont signé un communiqué demandant au gouvernement de retirer son texte sur les plus-values. Du jamais-vu. Les très discrets grands patrons de l'Afep, qui regroupe les entreprises les plus puissantes, ont apposé leur signature à côté de celles des «pigeons», du Medef, de CroissancePlus, des fonds d'investissement, des business angels. Plus de 17.000 patrons ont aussi signé la pétition de la CGPME, qui fait bande à part. «Les chefs d'entreprise vivent un profond désarroi face à une situation confuse», résume Pierre-Antoine Gailly, président de la chambre de commerce et d'industrie de Paris. Car la confiance est brisée. Le sentiment d'avoir été dupé habite les entrepreneurs. «Quand j'ai pris ma retraite, mon conseiller financier m'a proposé de m'installer en Belgique. Si je devais prendre ma décision aujourd'hui, je suivrais ses conseils», lâche un ancien dirigeant d'entreprise qui investit dans de jeunes sociétés.



Jean-David Chamboredon, le «père des pigeons». Ce polytechnicien préside le fond ISAI, qui investit dans des jeunes pousses prometteuses, avant de les céder. Crédits photo : jean-erick Pasquier

Les entrepreneurs se sentent pris en étau. «Ils ont légitimement l'impression de porter quasi seuls le lourd fardeau fiscal, car le gouvernement ne pratique pas de coupes claires dans les dépenses publiques», résume un avocat fiscaliste. Les artisans et les commerçants ont également le moral au plus bas. Selon un sondage Fiducial, près d'un petit patron sur quatre a connu des problèmes de santé. [L'UPA](#), l'organisation professionnelle qui représente 1,2 million d'entreprises, mobilise ses adhérents contre l'augmentation des cotisations sociales au régime social des indépendants et les divers prélèvements supplémentaires, qui s'élèvent à 1,1 milliard d'euros. Elle lance une pétition.

### **Les professions libérales sont sur le qui-vive**

Mais certains bons connaisseurs du monde des artisans redoutent que les organisations professionnelles n'arrivent pas à canaliser leurs mécontentements. Les retraités manifestent eux aussi. La grogne monte chez les dentistes et les médecins. Philippe Letertre, un médecin plasticien de Nice, a ouvert dimanche dernier dans la soirée une page sur Facebook, qui est devenue en quelques jours le forum de plus de 15.000 médecins et professionnels de la santé. «Nous allons réaliser des cahiers de doléances», explique-t-il.

Toutes les professions libérales sont sur le qui-vive. «Nos charges de fonctionnement, notre fiscalité, nos cotisations sociales augmentent alors que nous nous serrons la ceinture. Pour la première fois, plusieurs centaines d'avocats ont été mis en redressement judiciaire cette année. Nous ne sommes pas des vaches à lait. Nous réfléchissons à lancer un mouvement d'ampleur nationale aux côtés d'autres entrepreneurs et des artisans», affirme David Gordon-Krief, le président de l'[Union nationale des professions libérales](#), qui regroupe 65 syndicats et organisations professionnelles allant des avocats aux infirmières en passant par les commissaires-priseurs. Car la France qui prend des risques en a assez d'un Etat prêt à justifier toujours plus d'impôts et de dépenses qui hypothèquent l'avenir.



## Maschinen machen Deutschland krisenfest

### Die Industrie ist wieder da

FAS 20.10.2012 · Deutschland erlebt eine Reindustrialisierung - und ist damit gut durch die Krise gekommen. Der Anteil der Industrie an der Wertschöpfung konnte gehalten und zuletzt sogar gesteigert werden, so eine Studie des Bundeswirtschaftsministeriums.



© dapd „Wir haben weiter, wie wir das gut können, Waschmaschinen, Schrauben, Dübel, Maschinen und Autos gebaut - mit großem Erfolg.“

Deutschlands Industrie erlebt ein Comeback. Das geht aus einer Studie für das Bundeswirtschaftsministerium hervor, die am Montag in Berlin vorgestellt wird. Demnach hat Deutschland den Anteil der Industrie an der Wertschöpfung in den vergangenen 15 Jahren gehalten und zuletzt sogar gesteigert. Deutschland erlebt also eine Reindustrialisierung - auf hohem Niveau. Im Jahr 2011 lag der Industrieanteil bei rund 23 Prozent. Andere EU-Staaten hatten weniger: Italien zuletzt 16 Prozent, Spanien 13 Prozent, Frankreich und Großbritannien nur etwa 10 Prozent.

Die starke Industrie hat dazu geführt, dass Deutschland besonders gut durch die Krise gekommen ist. Davon sind die Studienverfasser vom Institut der deutschen Wirtschaft (IW) in Köln überzeugt. Getragen worden sei die Erholung besonders vom Export. „Zudem sind die Standortbedingungen für die Industrie hierzulande als gut bis sehr gut zu beurteilen“, sagte Karl Lichtblau vom IW Köln der F.A.S. Unter 45 untersuchten Ländern steht Deutschland auf dem fünften Rang.

Vor diesem Hintergrund plädieren SPD und Gewerkschaften für einen Richtungswechsel in der Wirtschaftspolitik der Europäischen Union. Notwendig sei ein Wachstum, das wieder auf reale Werte statt auf fiktive Finanzvermögen setze, heißt es in einem am Samstag in Berlin vorgestellten Memorandum. SPD-Kanzlerkandidat Peer Steinbrück forderte zudem: „Wir brauchen in der Industriepolitik eine stärkere Koordinierung in Europa.“ Davon hänge der künftige Wohlstand des ganzen Kontinents ab.

SPD-Fraktionschef Frank-Walter Steinmeier sagte: „Deutschland steht im Augenblick aus mehreren Gründen wie Alice im Wunderland da.“ Einer der Gründe sei, dass die Deutschen einen hohen Anteil von Industrieunternehmen gehalten hätten. Deutschland sei den Ratschlägen, eine Dienstleistungsgesellschaft zu werden, ausdrücklich nicht gefolgt, sagte Steinmeier. „Wir haben weiter, wie wir das gut können, Waschmaschinen, Schrauben, Dübel, Maschinen und Autos gebaut - mit großem Erfolg.“

### Gewerkschaften fordern mehr Geld

Für Arbeitgeber wie Gewerkschaften kommt dieses Lob der Industrie zur rechten Zeit. Denn sie fordern Unterstützung vom Staat wegen der schwächelnden Auftragslage in Teilen der Branche. Den Spitzen der

Tarifparteien geht es insbesondere darum, die Krisenregelung für Kurzarbeit, eingeführt nach dem Lehman-Kollaps, wiederzubeleben. Rainer Dulger, seit September Präsident des Arbeitgeberverbands Gesamtmetall, schlägt eine sofortige Ausweitung des Kurzarbeitergelds auf bis zu zwei Jahre vor. Auf diese Weise könnten Arbeitsplätze gesichert und Deutschland krisenfester gemacht werden, sagte Dulger am Samstag. IG-Metall-Chef Berthold Huber forderte, dass auch Leiharbeiter besser mit Kurzarbeitergeld versorgt werden sollten.

Noch ist die gemeldete Kurzarbeit weit entfernt von den Werten auf dem Höhepunkt der Finanzkrise. Erste Anzeichen einer konjunkturellen Abschwächung kommen vor allem aus der Automobilindustrie und ihren Zulieferern.

Eine Abwrackprämie, wie von der Großen Koalition einst beschlossen, steht nicht im Forderungskatalog der Tarifpartner. „Eine erneute Abwrackprämie würde ins Leere laufen“, sagte Gesamtmetall-Präsident Dulger. Außerdem sei fraglich, wie dies finanziert werden sollte. IG-Metall-Chef Huber empfiehlt vielmehr staatliche Programme zur energieeffizienten Sanierung von Häusern und Anreize für den Kauf fortschrittlicher Haushaltsgeräte. Dies liefe in Richtung einer Abwrackprämie für Kühlschränke, wie sie von Vertretern der einschlägigen Industrie in der Finanzkrise ins Spiel gebracht worden war.

## "The Clock Is Running, The Cash Is Almost Gone And Make-Believe Will No Longer Suffice"

Submitted by [Tyler Durden](#) on 10/20/2012 10:56 -0400

*From Mark Grant, author of Out Of The Box*

This is the piece I wrote on Friday afternoon.

"I would say that we have entered the crisis stage of Europe now. We have a stand-off between France and the southern nations, the troubled countries, in one corner and Germany, Austria, Finland and the Netherlands in the other. The last summit yielded nothing and worse than nothing because the two camps are worlds apart and sharply divided. They couldn't agree on the banking supervision issue. They have no agreed upon path for Spain, for Greece, for Cyprus, for Ireland or for Portugal. Germany has drawn a line in the concrete concerning legacy sovereign issues, legacy bank issues and Ms. Merkel has stated quite dramatically that Germany will not allow the new ESM to be used for old problems and that the individual nations will have to foot the bill for them. The "Muddle" is over in my opinion and the "Crisis" has now begun. The long, long road of "put it off" has reached its conclusion and there is no agreement and no compromise on how to proceed. We have finally reached the "Danger Zone" and I advise you to note the change!"

Having had any number of questions since I wrote this I thought that it might be helpful to provide some further explanation. It is really a question of translation and some definition of "political-speak" because all of the wrangling in Europe now can get quite confusing and literal translations can lead you to incorrect conclusions. In Europe the old adage is firmly in play; "appearances can be deceiving."

### Grant's Dictionary

Let's start with the bank supervisor. Germany said no money for the banks without a European supervisor for the banks. France, Spain and the rest responded by saying fine then let's have a bank supervisor in place and functioning by January 2013. The German response was not so fast and maybe by 2014 and maybe the ECB is not the right instrument and maybe not for all of the banks. On the surface you might think that these points are all distinct and separate but if you do; you are incorrect. The translation here is that Germany does not want to fund the European banks and so has set up a road block, a diversion, to stand in between "we will not fund the banks directly" and the desires of France and the rest who want a harmonized Europe where every country pays for everything for all of them; a socialized Europe. You see, the diversion is the bank supervisor and it allows Germany to thwart the desires of the needy countries without having to address the problem directly. It is a head fake and an effective one and it is just one of the instances where we are getting a quite clear Northern European response; "We will not fund."

Did you think that Germany, Austria and the rest were going to just come right out and say, "We will not fund?" This is not the Simpsons you know and the politicians in Europe, think of them what you like, are not quite that stupid. As a matter of fact the only time the Germans have come right out and said "Nein" was concerning Eurobonds and that is because the stigma attached to them in Germany is so great that any German allowance of them would probably topple the government. Consequently, as in the case of the ECB and the "limitless" speech of Mr. Draghi; it is only limitless if the condition of EU approval is met and so if the condition never happens then there is no ECB bond buying at all. In each case there is a condition and Germany can manipulate the condition at will which prevents or stops the ECB bond purchasing or the direct funding of the European banks.

Please note that on the opposite side of the fence that the same type of strategy is in place. France, Spain, Italy, Cyprus and Greece are not going to come out and say, "We want the Germans to pick up the check for the financial difficulties of our countries" so that ask for Eurobonds, direct bank recapitalization, lines of credit

from the ECB, bond buying by the ECB of their sovereign debt and all manner of things which are structured and presented to get Germany, the Netherlands, Finland et al to pay for their shortcomings. “More Europe” in the troubled countries means that Germany and her amigos should foot the bill for the Continent while “More Europe” in the fiscally sound countries means control and oversight and domination if you will as exemplified by Ms. Merkel’s proposal that there be one central European approval office for all of the national budgets in Europe. A concept quickly rejected by France, Britain and a host of other countries. Think of a very expensive mid-day meal; lunch is over and everyone wants everyone else to pick up the check and so they sit there and politely banter and try to contrive schemes so that it will be anyone but them. The actuality is that the numbers have grown so large, the meal has become so expensive, that no one can pick up the bill without quite severe consequences.

Let’s focus on Greece for a moment. In two or three weeks Greece will run out of money. We have already done the “Public Sector Involvement” trick and the last bit of magic was the ECB handing money to the Greek banks who then bought private sovereign debt issued by Greece, got the bonds, then pledged the bonds back to the ECB and got their money back. This is how they did the short term funding of Greece while everyone winked and blinked and went on about their business. The actual truth is; a form of Eurobonds was used, just under the letterhead of the European Central Bank. Now however, the IMF has said they will not fund as Greece couldn’t pay the money she owes unless the goddess Hera shows up with some loot. The IMF has shorted the fuse box and they want the EU or the ECB to take an “Official Sector Involvement” hit which you may translate into “Debt Forgiveness” which would probably be the end of the governments in more than one Northern European nation. Europe then is faced with writing off the debt of Greece, never mind the fancy words, or having the ECB take the hit which would mean a recapitalization of the ECB as they only have \$18 billion of paid-in capital or the IMF refusing to fund the next tranche of Greek aid which means that the European Stabilization Funds would have to pick up the bill and that local politics may collapse without the IMF’s participation.

In the case of Spain it is not Mr. Rajoy “assessing the situation” but a very concentrated effort to get “Euros for Nothing and Conchitas for Free.” Not only does Spain have several of its integral regions calling for succession but it has a regional debt problem exceeding \$50 billion in my estimation and a bank problem that is several multiples of that. The Oliver Wyman bank stress tests had all of the validity of a three toed sloth residing in your living room as there was no verification, no audits and nothing but garbage pressed into the shredding machine and so “garbage in is garbage out” and let’s not deceive ourselves that it was anything else. Once again, one more time, we have an example of a country trying to get anyone else, everyone else, to pick up the bill because they cannot afford it. Germany, in the meantime, says that Spain does not need the money and so the bills go unpaid and the crisis worsens.

“As long as there are individual national budgets, I regard the assumption of joint liability as inappropriate and from our point of view this isn’t up for debate...The Spanish government will be liable for paying back the loans to recapitalize its banks. Plans to give the Euro rescue fund the power to inject cash directly into banks won’t be made retroactive.” German Chancellor Merkel

Here is the issue of legacy liabilities. Here Germany has been fairly clear. The new ESM fund will not pick up the check and it is up to each country to pay for their own past problems. You may translate this piece of jargon into a “No” to Ireland that the ESM will not pick up the bill for the Irish banks and the same response for Spain. This new German definition puts Portugal, Greece, Spain and Ireland back at square one and effectively closes the door on any further negotiations. While all of this wrangling continues the tone at the summit was no longer the nicey-nice repartee of past meetings. Cyprus needs money, Spain needs money, Portugal probably needs more money and Greece is just about out of money. The summit was held, the meeting is over and the worth of any accomplishments is about at Zero as the only agreement was a plan to have a plan to deal with bank supervision. This is not an inch forward, this is not a millimeter forward; this is quicksand where they are all stuck as both money and time run out as the Socialists scream for alms while the landed gentry, utilizing head fakes and other polite deceptions, refuse to provide it. The clock is running, the cash is almost gone and make-believe will no longer suffice. The crisis phase, in my opinion, has been entered.

“Heh, heh, heh! Lisa! Vampires are make-believe... like elves, gremlins and Eskimos.”

-Homer Simpson

NYT October 20, 2012

## **Amid the Echoes of an Economic Crash, the Sounds of Greek Society Being Torn**

By [RACHEL DONADIO](#)

ATHENS — The cafes are full, the night life vibrant and the tourists still visiting in droves, but beneath the veneer of normalcy here [Greece](#) is unraveling. In good times, money papered over some of the problems. As the economic crisis grinds along, austerity is fraying the bonds of civility, forcing long-submerged divisions to the surface.

Members of the neo-Nazi Golden Dawn party, who are widely seen to have the support of the police, clash violently with leftists and immigrants, raising fears of the precariousness of the rule of law. But the discord is not confined to them.

Lawmakers, increasingly mired in corruption scandals that alienate the public, curse one another in Parliament. Friends fall out, disagreeing over how deep the country's troubles run and who is to blame.

The divisions are not only political. With unemployment at 25 percent, and exceeding 50 percent for young people, tensions are rising between generations, public- and private-sector workers, haves and have-nots.

“In Greece today, there are people with nothing to lose, and they're dangerous,” said a popular blogger, Pitsirikos, as he sat in a cafe here. “If something happened, it would be like pouring gasoline on a fire. From moment to moment, things change completely. It's not stable.”

The introduction of the euro in 2002 helped raise living standards after lean years. Today, those gains are slipping. Every day, it seems, the unthinkable becomes commonplace.

The government just passed a law allowing supermarkets to sell expired food at discounted prices. The price of home [heating oil](#) has tripled since 2009, and many apartment blocks are voting not to buy any since too many tenants can't afford it.

As he stood outside a supermarket in a middle-class neighborhood here, a man who gave his name only as Stefanos, 70, said that his biggest fear was that Greece would reach a point “where for every five people unemployed, only one is working.”

“When that one person comes out of the supermarket, the other five are waiting for him outside to grab his groceries,” he said.

As the talks drag on between the government of Prime Minister Antonis Samaras and Greece's foreign lenders over politically toxic new austerity measures in exchange for more aid, the news media are filled every day with leaks about possible cuts to salaries and pensions, leading to a state of constant, low-grade panic.

The leader of Golden Dawn last week threatened that his 18 members of Parliament would resign en masse in the vote on austerity measures. The move would probably not jeopardize the foreign aid but would force destabilizing new elections in key areas in which the neo-Nazis would likely gain even more seats.

“What scares me most is that we continue to be suspended in this permanent state of uncertainty, which creates a political vacuum in and of itself,” said Nick Malkoutzis, a journalist and blogger in Athens.

Mr. Samaras recently provoked public outrage when in an interview with a German newspaper he likened Greece today to Weimar Germany, referring to the fragile democratic republic in which fascists and Communists fought for power while the political center eroded before Hitler came to power. “You have both

depression and aggression — thefts, crimes of all sorts, have increased very much during the last months,” said Nicos Mouzelis, an emeritus professor of sociology at the London School of Economics, who was recently mugged in an upscale neighborhood here.

Adding to the anxiety, a newspaper recently reported that the government of Prime Minister George Papandreou fired several high-ranking army officers in October 2011 to thwart a coup attempt several weeks before he left office.

Mr. Papandreou’s office denied the claim, and in a country that had a military dictatorship from 1967 until 1974 and where democracy is still young, the unsourced article was widely dismissed as groundless. But to many Greeks, the report deepened an already profound mistrust of the news media, which in Greece are largely in the hands of the political parties and business elite.

Critics warn of a climate of intimidation against journalists. Those who are seen as representing the business elite often need security details to protect them from angry citizens. Investigative reporters for Reuters looking into the Greek banking system said they were followed, [Reuters reported](#).

On the streets of Athens, clashes between Golden Dawn members and leftists are rising. A group of leftists arrested last month after one such clash said they had been hit, bruised and burned in custody and that the police threatened to reveal their names and addresses to Golden Dawn, [The Guardian newspaper reported](#) and a lawyer for one of the 15 detainees confirmed.

The police have denied any wrongdoing, and the public order minister has said he would sue the paper for defamation. But a Golden Dawn lawmaker did them no favors when he recently [told the BBC](#) he believed the group had the support of 50 to 60 percent of the Greek police.

As she shopped for vegetables at an outdoor market recently, Angeliki Christaki, 58, said she was growing more worried. “We’re heading toward a scenario of civil war,” she said. “But that’s only natural when the rich are against the poor, when the extreme right wing fights the extreme left wing.” (Greece ended [World War II](#) with a civil war that inflicted still lingering scars.)

“I was personally crushed when I saw young kids in a Golden Dawn protest,” she said. “I could not believe my eyes.”

While that party is best known for its violent clashes with immigrants, some of its members teamed up this month with religious protesters and scuffled with theatergoers and actors to protest a production of Terrence McNally’s 1997 play “Corpus Christi,” which depicts Jesus and the Twelve Apostles as gay.

“The neo-Nazis are widening their range of targets,” a columnist, Nikos Xydakis, wrote in the Greek daily Kathimerini. “First it was foreigners; now it’s women, homosexuals, artists, leftists, Greeks, anyone who is not deemed to be 100 percent Aryan, super-masculine, a total Greek.”

Some see humor as the best revenge. On a recent night, a man outside a bar joked that he was a Golden Dawn member and invited passers-by in for a drink. “Are you three generations’ Greek?” he asked. “We might have to give you a DNA test.”

Dimitris Bounias contributed reporting.

Debate

## Europe's future lies in much-maligned South

18 October 2012

[Financial Times Deutschland](#) Hamburg



Vasquez

Ever since the euro crisis broke out, the Mediterranean has been portrayed as nothing but a hotbed of problems. That's a monumental error, writes German political scientist Claus Leggewie, who shows the way towards a new federal Europe oriented towards its southern shores.

[Claus Leggewie](#)

“When we dream of human accomplishment, of the pride and joy in being man, our gaze turns to the Mediterranean,” wrote French historian Georges Duby long ago. Well, that era is over. Today, many in the north of Europe would prefer to be rid of the PIGS, as Portugal, Italy, Greece and Spain (Spain) have been mockingly labelled, as soon as possible. In the South, where a similar mood reigns, they want to “cut ties with Brussels.”

The periphery of Europe, from Portugal to Greece and passing through North Africa, is considered a focus of threats almost as worrisome as the Eastern bloc was during the Cold War. Today it is in the South – a cardinal map point that once upon a time had positive associations – where politicians and public opinion perceive the gravest security risks, from Islamist terrorism, the crash of the euro and waves of refugees.

To bring meaning back to the term “Mare Nostrum”, or “Our Sea”, the South should regain its place at the historic heart of Europe – but freed from imperialist attitudes and the desire to exploit that is the hallmark of short-term thinking. And there, in the South, we can build a project of peace and development that will be both contemporary and sustainable.

Four areas of action and competence seem, to me, to take priority, and they can be coordinated with each other. They would start with a “energy union” that would take in the north-west of Europe, the Mediterranean basin and sub-Saharan Africa – a “European Coal and Steel Community” for a new era, which would also help integrate the entire region in the way that the ECSC helped core Europe come together in the 1950s. The energy oligopolies of the North would become as obsolete as the pension regimes in the South.

### **An alternative development path**

For this to happen, the economic division of labour and migration between the North and the South should be revised. For many decades, trade has been dominated by the flow of agricultural commodities and minerals from the South to the North, in return for consumer durables and capital goods with high added value. At the same time, transnational migration streams have carried Southern “immigrant workers” in search of work and refugees in search of protection into the North, where they cross paths with Northerners – tourists, early retirees and businessmen – heading to the South for a little sunshine.

Fair trade, decent work for all and social justice that does not stop at national borders should replace this insidious dispossession of the South, from which, ultimately, very few have benefited. To begin with, it the inhumane refugee policy implemented by Frontex [the European Union Agency that monitors the external borders of the Union] for purposes of deterrence, and to which hundreds of boat people and illegal immigrants fall victim each year, should be overhauled from top to bottom. Northern Europe needs immigrants and should be greeting them with open arms. The Berlin Wall did not fall in 1989 to be rebuilt in the Mediterranean.

The transition to a mass tourism that is economically viable, socially acceptable and that does not despoil the natural environment can finally be made, while oblivious sun-worshipping vacations in a deckchair can be transformed into respectful intercultural exchanges.

European public opinion has so far largely ignored prospects of this kind and has drawn up no scenarios beyond Grexit – the ejection of Greece and the other PIGS states from the eurozone. The caricature that we paint of the Mediterranean basin – a bad learner, hotbed of threats and candidate for expulsion from the Union – is deep-rooted. The North neither desired nor actively supported the “Arab Spring” of 2011. As Islamist governments came to power in Tunisia, Libya and Egypt, the idea was reinforced in fortress Europe, as it was in Israel, that the “Arab Winter” is a threat to our security. Stability still handily trumps freedom.

The areas mentioned above by way of example – the energy union, fair trade, eco-tourism and mutual intercultural learning (others may be contemplated) – can be joined up to give birth to an alternative development path that the North could profit from as well.

This “Herculean project” must be accompanied by the constitutional evolution of the entire EU. The “problem countries” would lose some of their national sovereignty, but they would not be alone: Germany will also in the future be just one province of a “United Europe”. Germany can no longer, with or without the complicity of France, enjoy hegemony over the Union.

### **A political alternative to Chinese imperialism**

Such contemplations would no doubt be hard to swallow in Paris and Berlin, as in London and Warsaw, were the nation states and their popular sovereignty to be weakened without creating a new kind of space for them at the same time in a flexible and original form of federalism and subsidiarity. The United Europe must be built of its strong core countries and vital peripheries, bound to one another via subregional federal cooperation.

The Baltic Union – an informal grouping of the Baltic States and Scandinavia, Poland and Germany – the Alps-Adria-Union (joining Austria, Italy, and Slovenia), the union of the Balkans, and even the privileged partnership between the EU and Russia and Turkey are the beginnings of such regional groupings – like the Mediterranean Union, which, recast, can serve as a model for a federal and trans-boundary order within Europe and even beyond the borders of the current European Union.

Today, the “Europe of regions”, till now an expression of the linguistic and cultural diversity of the continent and the defense of the rights of ethnic minorities in the various nation-states, must leave behind its provincialism and take the form of a loosely bound association for “cross-border cooperation” which, alongside the parliaments and civil society organisations, will be able to stand up to the “super-state” rooted in Brussels and confer democratic legitimacy on supranational decisions.

Only on these new roads opening up in the tumult of the crisis can there emerge a diverse European society and public opinion, a European citizenship worthy of the name, and supranational democracy. Only by taking these new roads can Europe once more be a player on the international scene. A Europe that offers a political alternative to Chinese imperialism in the commodity trade, to the ideological self-destruction of superpowers in decline – the United States and Russia – to the disastrous domination of out-of-control global financiers, and to the growing threat of political violence exported from failed states.



European Council

## Spectre of Spanish bailout

19 October 2012

[El Periódico de Catalunya](#) Barcelona

**The banking union agreed by European leaders on 18 October is just one of a set of measures that also includes supervision of national budgets and a greater role for the ECB. And the goal of these manoeuvres is to determine if, and how, Spain will ask for help.**

[Antón Costas](#)

Will President Mariano Rajoy decide to ask for the second bailout of the Spanish economy at the new European summit that started yesterday in Brussels? That's the million-dollar question. At the risk of having to correct myself tomorrow, my feeling is that he will not.

The reason is not, in my opinion, as is often said, that Mariano Rajoy is indecisive, constantly plucking petals off a daisy. The most plausible reason is that he has grasped that the bailout has a lot in common with a poker game, which is a game where you have to learn how to hide your cards and play them well and force other players to show theirs. And, at this summit, he is surely not going to learn what hands they are holding.

### Spanish debt and the Franco-Prussian tiff

Many people in Spain, notably the financial elites, believe that there is no card to play and the best thing to do is ask, once and for all, for the bail-out. Leaving aside the fact that many of them are backing the bailout because they are faring very well in their businesses and know that they will not be paying for the terms of a bailout, the fact is that Spain does indeed have a card to play.

Although there are reasons to criticize the government for the way it is handling the crisis, let me raise a voice in its favor. Mariano Rajoy has grasped that the bailout card does give him some wriggle room, but before showing his hand he has to force the other players to reveal their own: the European banking union, the new rescue fund, intervention by the ECB, or supervisory power over national budgets.

Germany does not want to play the banking union card (possibly because its banks are like Swiss cheese) and prefers to play the card of Europe-wide supervision of national budgets by a European Union super-minister. France opposes that, as it has no desire for German hegemony and is demanding that the banking union be in place first. In this new Franco-Prussian war, the kicks the combatants are meting out to each other are falling on Spain's behind.

**In fact, the high premium on Spanish debt, i.e. the additional costs that the Spanish Treasury has to pay to finance itself, are not down solely to the Spanish disease, but to the Franco-Prussian tiff that is threatening the euro. Part of this excessive cost is caused by the fears of investors that the euro will end up collapsing.** As we have seen, ever since Mario Draghi declared that the ECB would do everything it took to save the euro the Spanish premium has been going down, which is a clear sign of the contagion effect of the euro.

### Game of poker

Although the ECB says it is willing to intervene, however, that requires being requested to intervene by the interested parties. It's as if a public hospital, whose function is to act on its own initiative in cases of contagious infection, were to demand that it be asked to do so by those infected. It's senseless. **On the other hand, we do not even know how the new European rescue fund will take action and what kind of firepower it can muster.**

That said, we're looking at a complex game of poker. Spain should not show its card until the others have flourished theirs. This won't happen, though, not even at this summit.

European Council

## Banking union project fudged

19 October 2012

[The Daily Telegraph](#) London

**EU leaders have decided to move forward with a banking union, but much more slowly than they had agreed last June. German procrastination and collective timidity are to blame, laments the Daily Telegraph's Brussels correspondent.**

[Bruno Waterfield](#)

Angela Merkel wanted to postpone a new European Central Bank banking supervisor because that in turn delays decision on using the euro's bail-out fund to recapitalise banks until after German elections.

To see the tricky, evasive, responsibility-doging fudge – a tortuous linguistic exercise that went into the early hours of today – it is necessary to contrast before and after.

**Before:** Here is the original draft that the leaders began discussing yesterday: “We need to move towards an integrated financial framework, open to the extent possible to all Member States wishing to participate. In this context, the European Council invites the legislators to proceed with work on the legislative proposals on the Single Supervisory Mechanism (SSM) as a matter of priority, with the objective of completing it by the end of the year.”

**After:** Here is the agreed summit text: “We need to move towards an integrated financial framework... In this context, the European Council invites the legislators to proceed with work on the legislative proposals on the Single Supervisory Mechanism (SSM) as a matter of priority, with the objective of agreeing on the legislative framework by 1 January 2013. Work on the operational implementation will take place in the course of 2013.”

This is no triumph. The EU has gone from a deadline to “complete” from one to “agree” with the schedule slipping from December 2012 to anytime next year. This will mean that Chancellor has deferred the issue of using the ESM to directly recapitalise banks until after elections in September 2013, significantly reversing a June summit decision.

Yes, she has dodged a difficult Bundestag vote. Yes, the EU has rowed back on a decision that when taken four months ago was hailed as a vital positive step, to break the link between banks and sovereigns.

EU leaders had a breathing space – bought by Mario Draghi – to get things done, they ducked the responsibility because the market pressure was off. It is in Marie Antoinette “let them cake” territory: as Spain's agonies threaten to tear the country apart and 1000 Greeks are losing their jobs every day, EU leaders spent a long night deliberating to change the word “completing” to “agreeing” in order to dodge their responsibilities.

## **Euroland's debt strategy is an economic and moral disgrace**

**The International Monetary Fund has demolished the intellectual foundations of Europe's debt crisis strategy.**



A demonstration against austerity measures near the Spanish Parliament. Photo: AP

By [Ambrose Evans-Pritchard](#)

4:52PM BST 14 Oct 2012

Drastic fiscal tightening in a string of interlinked countries does two to three times more damage than assumed, especially if there is no offsetting monetary stimulus.

Pushed beyond the therapeutic dose, it is self-defeating. At a certain point it becomes pain for pain's sake.

The error has long been obvious in Greece. The EU-IMF Troika originally said the economy would rebound quickly, growing 1.1pc in 2011, and 2.1pc in 2012, and on from there to sunlit uplands.

In fact, Greek GDP contracted by 4.5pc in 2010, 6.9pc in 2011, and is expected to shrink a further 6pc this year, and 4pc next year. If the Troika were a doctor, it would face manslaughter charges.

The IMF now admits -- or rather those in the IMF who always feared this outcome are at last able to say -- that this misjudgement goes far beyond Greece. Tightening by 1pc of GDP in rich countries does not lead to a 0.5pc loss of output over two years as thought.

The "fiscal multiplier" is not the hallowed 0.5 assumed by every finance ministry in Europe. The awful evidence since the global bubble burst in 2008-2009 is that the multiplier is between 0.9 and 1.7, or even higher for EMU's crucifixion belt.

The model constructed over the long boom years -- and largely drawn from isolated cases, each able to export its way out of trouble -- is dangerously wrong in a 1930s-style excess savings crisis with much of the world in slump.

Steen Jakobsen from Saxo Bank says the IMF's mea culpa is the "biggest financial story of the year". Indeed it is. The authorities have repeated the blunders of the Great Depression, but with fewer excuses.

The IMF has now called for a change of course. The Greco-Latins should be given more time to cut their deficits. The AAA creditor bloc should stop cutting altogether until the eurozone is off the reefs.

"Reducing public debt is incredibly difficult without growth," said the IMF's Christine Lagarde. "Instead of frontloading heavily, it is sometimes better to have a bit more time."

One might expect a flicker of recognition from Germany's Wolfgang Schauble that something must change. But no, with half Europe sliding into a second and more menacing leg of depression, and with unemployment already at 25.1pc in Greece and Spain, and 15.9pc in Portugal, he refuses to brook deviation.

"Increasing public debt doesn't create growth, it destroys growth," he snapped back. There is "no alternative" to debt reduction. Always the same pedantry.

He reminds us of the immortal Pfuhl in Tolstoy's War and Peace: "disposed at all times to be irritable", and unshaken in his military certainties even after the defeats of Jena and Auerstadt.

"Failure did not cause him to see the slightest evidence of weakness in his theory. On the contrary, failure was entirely due to the departures made from his theory."

So there will be no change in policy. "Europe is on the way to solving its problems," insists Mr Schauble.

The Latins will have to bear the full burden of adjustment. They alone must continue closing the North-South chasm in competitiveness through an "internal devaluation", a posh term for a policy that works chiefly by throwing enough people onto the dole to break labour resistance to pay cuts. It redoubles the contractionary bias of the whole EMU system in the process.

Whether or not the Schauble plan shatters on the barricades of civic revolt is the great unknown. Growth forecasts are all over the place.

Is the Spanish government right to pencil in a fall just 0.5pc next year, with recovery starting by the summer, or is the the Spanish employers group right at -1.6pc, or Citigroup at -3.2pc (and -5.7pc in Portugal), or Nomura at -3pc and -1.5pc again in 2014?

Madhur Jha from HSBC fears that a further 1.5m people in Spain could lose their jobs by the end on 2013, pushing unemployment to over 31pc. His optimistic scenario is 28pc.

The Spanish private sector has born the brunt of cuts so far. The axe must now fall on state employees as well, and that will almost certainly be a condition for a sovereign bail-out. "Cutting jobs in the public sector is politically explosive. The flashpoint for the Spanish economy could be approaching," he said.

The EMU doctrine -- expounded by bail-out chief Klaus Regling as he tours world capitals with his charts -- is that carping "Anglo-Saxons" will have to eat their words about the perils of internal devaluations.

We are told that Ireland has largely closed the gap already, showing what is possible. Indeed it has, but Ireland has one of the most open economies in the world. Its exports are 127pc of GDP. It has a fat trade surplus.

It has never been seriously uncompetitive in the euro. It does not have a misaligned currency. Ireland tells us nothing about Spain, Italy, Portugal, or indeed France.

Spain clearly faces a much tougher task. It has a closed economy. Exports are less than 30pc of GDP. The current account deficit has narrowed from 10pc of GDP to 2pc -- nudging into surplus in July on the reviving tourists trade -- but the low-hanging fruit has been picked and the gains are flattening.

I do not wish to belittle the feat of Spain's formidable companies. They have almost matched the export growth rates of German peers since 2009. Commerce secretary Jaime García Legaz said last week that Spain's economy would be crashing at a 4pc rate without them.

Yet they cannot work miracles. If EMU policy settings had been more expansionary -- if the eurozone had not been forced back into recession by the incompetence of the EU authorities -- then perhaps they could have pulled off an export-led recovery. But the handicap imposed upon them is too great.

The credit crunch across Club Med has left Spanish firms facing a borrowing premium of 2pc or more compared to Northern rivals. The North-South gap is becoming hard-wired into the EMU system.

The reality is that even after a collapse in imports, Spain is still in deficit and has net external debts of 92pc of GDP. Trade equilibrium will be attained only with the economy in depression and only with unemployment at levels that no democracy can tolerate.

Mr Schauble thinks Spain has no choice. It must take its medicine. "There is no European country that would waste the smallest thought on giving up the common European currency," he said last week

This is not quite true. The head of the ruling party in Cyprus has openly discussed exit from the euro if Troika rescue terms are unacceptable.

It is also a misjudgement. Every sovereign nation has a choice, and the IMF's mea culpa changes the landscape. The issue is no longer whether Spain should adhere to the Schauble plan, but whether the plan can work at all.

In fairness, the German government has shifted ground. It is letting the European Central Bank engage in stealth mutualisation of EMU debt by ramping up its balance sheet. This makes it easier for Chancellor Angela Merkel to avoid a bruising showdown in the Bundestag.

Yet such a policy falls between two stalls. It is too fitful, hesitant, and cribbed about with conditions to halt the crisis: but is enough to provoke a backlash from the German people as they realise their country is being smuggled into fiscal union without democratic assent.

The Latin bloc and like-minded allies could of course marshal their voting power in the EU Council and the ECB to ram through a reflation policy.

The effect would be to drive Germany and the AAA-periphery out of EMU by pushing domestic inflation in those countries to unbearable levels. You could argue that this process is already underway, though France is not yet feeling enough pain to force the issue.

Besides, to do that you need a Churchillian figure -- or indeed a Juan Pérez Villamil, the hero of the Levantamiento -- to raise the flag of defiance. No such leader has yet appeared.

## Compromis franco-allemand sur la supervision bancaire

Par [Jean-Jacques Mevel](#) Mis à jour le 19/10/2012 à 10:10 | publié le 19/10/2012 à 04:56 [Réactions](#) (48)



Angela Merkel et François Hollande lors du sommet européen qui s'est achevé tard dans la nuit. Crédits photo : CHRISTIAN HARTMANN/REUTERS

**François Hollande et Angela Merkel ont arraché un accord européen sur la surveillance centralisée des 6.000 banques européennes. La BCE devrait les superviser début 2014.**

[François Hollande](#) et [Angela Merkel](#) ont arraché au petit matin un accord qui permet à chacun de clamer victoire, tout en repoussant à plus tard les choix cruciaux sur l'enjeu du sommet européen: [la surveillance centralisée de 6.000 banques européennes](#), clef de voûte d'une architecture resserrée de l'euro. En pratique, le compromis franco-allemand retarde de plusieurs mois - et [peut-être jusqu'à l'élection d'un nouveau Bundestag, en septembre 2013](#) - la mise en œuvre effective de cette «supervision» décidée en juin par le sommet précédent. La chancelière récolte ainsi les fruits de la guerre à retardement lancée depuis la rentrée. Angela Merkel parle d'une «montée en puissance de la supervision au cours de l'année prochaine» avant d'ajouter que «cela prendra du temps».

Formellement pourtant, le calendrier arrêté en juin par les dix-sept pays de l'euro est respecté. François Hollande décrivait dans la nuit un «bon accord» qui «confirme et précise ce que nous avons décidé en juin». Le président obtient en particulier satisfaction sur la date-butoir qu'il avait fixée au sommet: le cadre politique et légal de la supervision sera établi d'ici le 31 décembre, même si la chancelière continue d'y voir un objectif «ambitieux». Un an plus tard comme prévu, au 1er janvier 2014, que la BCE devrait avoir sous sa responsabilité la totalité des banques européennes, allemandes comprises, malgré les réticences de Berlin et de la Bundesbank.

Mais entre ces deux dates, le dérapage est implicite. [L'Espagne](#) devrait attendre plusieurs mois de plus pour demander la recapitalisation directe de ses banques, promise au début de l'été par les pays de l'euro. Le préalable à cette démarche est une supervision «qui fonctionne», insiste Angela Merkel. Les délais qui s'allongent pourraient même amener Madrid à y renoncer complètement, si l'on en croit un diplomate espagnol cité par l'AFP. La question d'un renflouement en bonne et due forme de l'État espagnol risquerait alors de se poser plus crûment.

En marge du sommet, les dirigeants de la zone euro ont salué les progrès de la [Grèce](#) et du gouvernement Samaras pour «remettre sur les rails» le programme de redressement. Sans se prononcer sur le fond, les dix-sept annoncent que l'Eurogroupe «prendra les mesures nécessaires». Athènes attend le déblocage urgent d'une tranche d'aide de 31,5 milliards d'euros.

10/19/2012 09:18 AM

**EU Summit Strife**

## **Berlin and Paris Compromise on Bank Oversight**

By [Carsten Volkery](#) in Brussels

Ahead of this week's European Union summit in Brussels, Chancellor Merkel and French President Hollande staged a public battle over euro-zone reform. On Thursday night, however, the two quickly reached a compromise on the introduction of banking oversight. But difficult questions remain.

European leaders have reached agreement on the roadmap to a banking oversight regime in the euro zone. Following a [public back-and-forth](#) between German Chancellor Angela Merkel and French President François Hollande, the 27 European Union heads of state and government on Thursday night found a compromise at their two-day summit in Brussels.

The agreement calls for the legal framework for [financial sector oversight](#) to be completed by the end of the year, but actual implementation won't come until later. The oversight regime will be introduced "in the course of 2013," the summit's closing statement reads.

In a brief press conference following the summit's first night of meetings, Merkel said that an oversight agency takes longer than just two months to develop. She declined, however, to pinpoint a concrete date by which the agency would be operational. "We don't want to disappoint the markets by continuing to make short-term declarations," she said.

The compromise is a victory for Merkel. Both France and Spain had been emphatic that bank oversight begin on Jan. 1, 2013. Berlin, however, insisted that any such regime be thoroughly planned and resisted efforts to move quickly, receiving support from such non-euro-zone countries as Sweden and the Czech Republic. Over a dinner of roast veal and spinach, Hollande and his allies backed down.

After Thursday night negotiations concluded, the French president was eager to stress the New Year's Day deadline for the completion of the legal framework and said it would only take several additional weeks before the agency could begin operations. Merkel, though, emphasized that there would be no direct aid paid out to European financial institutions from the European Stability Mechanism, the permanent euro bailout fund, before the bank oversight system was fully functional.

### **Tense Atmosphere**

Hollande told journalists that the compromise agreement had been reached quickly, belying the tense atmosphere between Paris and Berlin on the eve of the summit. Indeed, as the week progressed, it seemed as though the conflict between Europe's most important protagonists had escalated.

The French president in particular seemed to be on the war path. He gave a joint interview to several European dailies which included what seemed to be a direct attack on the chancellor. "Those who speak most passionately about political union are often the ones who hesitate the most when it comes to making pressing decisions," he said. His feistiness did not abate immediately upon his arrival in Brussels. Before meetings began, he insisted that the summit would be focusing on the planned banking union and not on fiscal union, Merkel's preferred project. He also accused Merkel of dragging her feet on bank oversight due to the approaching 2013 general elections in Germany.

Merkel didn't shy away from confrontation either. During her speech to German parliament on Thursday prior to her departure for Brussels, she threw her support behind [Finance Minister Wolfgang Schäuble's proposal](#), made earlier in the week, for a super commissioner to monitor, and even veto, national budgets of euro-zone member states. Hollande sees the proposal as nothing more than a diversionary tactic. Still, Merkel did send a signal that she was not intent on remaining confrontational by arguing in favor of a euro-zone "solidarity fund" that could be used to support the currency union's weaker members. The word "solidarity" was deliberately chosen: It is one of Hollande's favorite terms when discussing the euro crisis.

Hollande, however, was not to be distracted. A last minute bilateral meeting between the two leaders proved initially unsuccessful in finding a compromise, according to EU diplomats. The French leader continued to insist on a Jan. 1 start date for financial sector oversight.

### **Difficult Questions**

Merkel, for her part, remained stubborn in her view that such a powerful agency could not simply be created from scratch in just a few months. "We are of course working as quickly as we can on the project, but do not believe that the agency will be able to begin its work on Jan. 1, 2013," a German government official told the press during the working dinner in Brussels. Before that can happen, the official said, a number of difficult questions must be answered, including how European Union countries not belonging to the currency union should be treated and how to deal with banks that do business both inside and outside of the euro zone.

Swedish Prime Minister Fredrik Reinfeldt and his Czech counterpart Petr Necas likewise warned against moving too quickly. Reinfeldt said that he wouldn't agree to a bank oversight regime until all of the details had been ironed out. The agency is to operate under the auspices of the European Central Bank and will be responsible for overseeing all 6,000 euro-zone banks. All 27 European Union members, however, must agree to the creation of the agency. Germany had been fighting for a more limited oversight architecture monitoring just the largest of euro-zone banks.

France and Spain are pushing for the quick establishment of a bank oversight system because it is a prerequisite for banks to be able to draw direct aid from the ESM. Spain and Ireland, in particular, had been hoping for a quick resolution so their banks could access such aid.

The roadmap that has now been agreed upon is an advantageous one for Merkel. It gives her the possibility to potentially push back the introduction of the oversight agency -- and thus the controversial provision of direct ESM aid to banks -- until after German elections next September. The delay, however, might create some turbulence on the financial markets. According to analysts, ESM aid for Spanish and Irish banks had already been priced in.

In addition to the tense standoff, the first evening of the two-day summit also had its light moments. European Commission President Herman Van Rompuy told the gathered leaders that he hoped they would all join him in Oslo in December to accept the Nobel Peace Prize. Merkel immediately accepted the invitation and asked her colleagues to do the same. But British Prime Minister David Cameron, an [EU skeptic](#), quickly declined. Instead, he said, one should send 27 children from the EU to accept the prize.



## L'austérité en Europe contestée par des économistes

Par [Anne Cheyvialle](#) Mis à jour le 19/10/2012 à 06:50 | publié le 19/10/2012 à 06:48 [Réagir](#)

**L'OFCE s'alarme de l'effet récessif des plans d'économie généralisés en Europe, qui freine d'autant la baisse des déficits.**

Le message est on ne peut plus clair: l'Observatoire français des conjonctures économiques ([OFCE](#)) intitule sa dernière note de perspectives économiques «la débâcle de l'austérité». Ces experts, traditionnellement jugés keynésiens, se défendent de toute idéologie. «Notre analyse s'appuie sur les faits», insiste Xavier Timbeau, le directeur des prévisions, qui dresse un sombre panorama sur 2012 et 2013.

Selon l'OFCE, la [zone euro](#) va enchaîner deux années de récession, à 0,5% et 0,1% du PIB. Les pays du Sud seront les plus touchés: l'Espagne, l'Italie, le Portugal et surtout la Grèce avec un recul de presque 10 points de PIB. «Il y a dans cette zone un vrai risque de désintégration politique et sociale», alerte Timbeau. L'Allemagne reste la locomotive européenne - 0,8% de croissance en 2012 et 0,6% sur 2013 - tandis que l'économie française sera en stagnation. Autre signal alarmant, le chômage touche un «niveau record sur les dix dernières années», et continuera de grimper à 12% en 2013.

«Si nous plongeons dans la récession à nouveau, après le choc de 2008, c'est parce que tous les pays ont procédé à des restrictions budgétaires», critique Xavier Timbeau. Tel est le schéma «de rigueur et de récession»: la réduction des dépenses publiques, conjuguée à la hausse des prélèvements, pèsent sur la confiance, la consommation des ménages et l'investissement des entreprises. Résultat, la croissance ralentit, il y a moins de recettes fiscales, ce qui du coup freine la baisse des déficits publics. L'impact s'avère d'autant plus récessif que les partenaires commerciaux suivent la même voie. «Plusieurs pays, l'Italie, le Royaume-Uni, l'Espagne, cumulent quatre années de restriction budgétaire», rappelle le directeur des analyses de l'Observatoire français.

### «Donnons-nous vingt ans»

Le [FMI](#) et la Commission européenne reconnaissent qu'ils ont sous-estimé l'effet récessif des politiques d'austérité. C'est ce que l'on appelle l'effet des multiplicateurs, plus élevés en période de crise, en raison du chômage prolongé. L'OFCE comme le FMI l'ont revu en hausse. Lorsqu'un pays réduit d'un point de PIB son déficit budgétaire, le recul de l'activité économique serait de 0,9 à 1,6%. Il atteindrait même 2% dans le cas de l'Espagne.

La seule solution, plaide l'OFCE, c'est d'assouplir la trajectoire d'assainissement. «Donnons-nous vingt ans pour rétablir la situation», plaide Xavier Timbeau, sans pour autant remettre en cause les règles européennes. Cela serait compatible avec le nouveau pacte budgétaire - le traité sur la stabilité, la coordination et la gouvernance (TSCG)- qui fixe un objectif de déficit structurel à 0,5%.

## Standpunkt

### Ein „Euro der Willigen“ als Ausweg

FAZ 17.10.2012 · Was ist zu tun in der Euro-Krise? Die Rückkehr zur D-Mark ist keine ernsthafte politische Option. Aber der Euro sollte auf die Länder begrenzt werden, die den Willen haben, die Spielregeln einzuhalten. Ein Standpunkt.

Von Hansjörg Häfele



© Foto Privat

Hansjörg Häfele war CDU-Bundestagsabgeordneter und Parlamentarischer Staatssekretär bei Finanzminister Stoltenberg.

Inzwischen gibt es nicht mehr viele, welche die Einführung und Gestaltung des Euro für eine gelungene Großtat halten. Um einen Ausweg aus der Sackgasse zu finden, müssen die Ursachen der unerfreulichen Geschichte festgehalten werden: Am Beginn stand die tollkühne Idee, verschiedene Währungen über einen Leisten zu spannen, ohne das Lehrbuch der Geschichte mit Währungszusammenschlüssen zu beachten. Eine Währung ist kein finanztechnisches Konstrukt, sondern die Widerspiegelung des Gesamtzustandes eines Gemeinwesens.

Schon in den Anfangsjahren kamen tragende Länder, auch Deutschland, überein, sich nicht mehr an die selbstbeschlossenen Mindestregeln für den öffentlichen Haushalt zu binden. Um das Euro-Europa denkbar groß zu machen, wurden möglichst viele Länder in den Kreis aufgenommen, ohne dass sie die beschlossenen fiskalischen Euroregeln erfüllten. Als dann vor rund drei Jahren in Griechenland die Krise ausbrach, wurde ein Grundpfeiler des Euro-Vertragswerks - keiner kommt für die Schulden des anderen auf - geschleift. Die Weisheit Goethes wurde missachtet: „Das erste steht uns frei, beim zweiten sind wir Knechte.“

### Jede Nation muss ihr Haus in Ordnung halten

Hätten Euro-Regierungen sofort diskret und freundschaftlich der griechischen Regierung den Rat gegeben, es wäre für alle, auch für Griechenland, hilfreich, trotz unvermeidlicher Nebenwirkungen aus dem Euroverbund auszutreten, abzuwerten und eine wettbewerbsfähige Wirtschaft aufzubauen - dieser diplomatische Kraftakt hätte nur einen Bruchteil der unendlichen Euro-Rettungskonferenzen in Anspruch genommen, und um Griechenland und den Euro stünde es heute wohl schon besser. Stattdessen bastelten die Euro-Retter wie Finanzjongleure und Zauberlehrlinge unentwegt „Rettungsschirme“ und „Brandmauern“, um die Finanzmärkte zu beeindrucken. Der verhängnisvollste Schirm ist der dauerhafte ESM.

Da dies alles wenig Erfolg hat, soll jetzt vollends ganz der Teufel mit Beelzebub ausgetrieben werden: „Mehr Europa“ - also Einschränkung oder Abschaffung der demokratisch begründeten Verantwortlichkeit und Souveränität verschiedenartiger Nationen. Auch dies wird nicht funktionieren. Europa ist gewachsene Vielfalt. Es gibt kein europäisches Volk, sondern nur Völker Europas. Der geschichtskundige Franzose de Gaulle hat die richtige Vision geboten: „Europa der Vaterländer“. Der Wille, neben den Vereinigten Staaten, Russland und China als Weltmacht zu bestehen, ist ebenso Wunschtraum, wie es die Schaffung des Euro war. Die Nationen

Europas müssen kleinere Brötchen backen. Im Rahmen der EU muss jede Nation ihr Haus in Ordnung halten und im Wettbewerb erfolgreich sein, um den Wohlstand und die Zukunft zu sichern. Das gelingt am besten, wenn innerhalb der Nation Unternehmer- und Erfindergeist und Schaffenskraft zusammenkommen.

Was ist zu tun? Die Rückkehr zur D-Mark ist keine ernsthafte politische Option. Sie wäre mit Spannungen, Missverständnissen und Verwerfungen verbunden, die nicht einmal uns Deutschen nützen. Erfolgreiche Politik muss von dem ausgehen, was nun mal ist. Der Euro sollte indes auf die Länder begrenzt werden, die den Willen und die Fähigkeit haben, die Spielregeln der gemeinsamen Währung einzuhalten. Euro-Europa hätte im Kern lediglich die Aufgabe, rigoroser Wächter der Spielregeln zu sein, so wie die EU verdienstvoll wirkt bei der Überwachung eines fairen Wettbewerbs. Wer die Regeln nicht einhält, entscheidet sich für den Austritt aus dem Euroverbund. Natürlich ist die Konzentrierung der Eurostaaten auf die wirklich Willigen eine gewaltige Aufgabe. Indes, ein Ausweg aus einer Misere ist nur selten einfach und gratis.

## **Die Vision sollte sein: Schluss mit der Schuldenmacherei**

Wenn schon eine „Vision“ gewünscht wird, hieße sie: Schluss mit der epochalen Verirrung der Schuldenmacherei, die uns schließlich in die Sackgasse geführt hat. Es wäre „alte“ Politik, wenn die Regierenden den Völkern weiterhin mehr versprechen würden, als sie haben oder können - dies gilt weltweit, auch für die Vereinigten Staaten. Um die fundamentale Wende einzuleiten, ist von den Lenkern der verschiedenen Eurostaaten hohe Staatskunst gefragt. Reine Technokraten können dies nicht leisten. Zur Führung gehört das demokratische Überzeugen der Völker. Diese haben mehrheitlich das Taktieren von Funktionären, Ideologen, Klassenkämpfern, Interessenvertretern und sich anbietenden Volksverführern ziemlich satt.

Auch die zahlreichen Vorschläge von Sachverständigen, teilweise von Interessen oder Ideologien (falsch verstandener Keynes) geleitet, übersehen häufig, dass solide Finanzen die Statik eines gesunden Gemeinwesens, die Grundlage für eine gedeihliche Wirtschaft und die Gegenprobe aller Politik sind. Wenn der Pfad für solide Finanzen dauerhaft begangen wird, stellt sich allmählich das verlorengegangene Vertrauen wieder ein. Es ist nicht verwunderlich, wenn verwirrende Vorschläge, wie etwa einer die Verantwortlichkeiten aufhebenden Schuldenunion, dazu beitragen, dass die Leute, besonders die inflationserfahrenen Deutschen, immer mehr Angst um ihr Geld bekommen.

Auch die Europäische Zentralbank sollte ihren Ehrgeiz nicht auf finanzakrobatische Hexenmeisterei lenken, sondern der Garant für dauerhafte Geldwertstabilität sein. Der „Euro der Willigen“ könnte das weitgehend verlorengegangene Kapital des Vertrauens wieder kräftigen.

Quelle: F.A.Z.

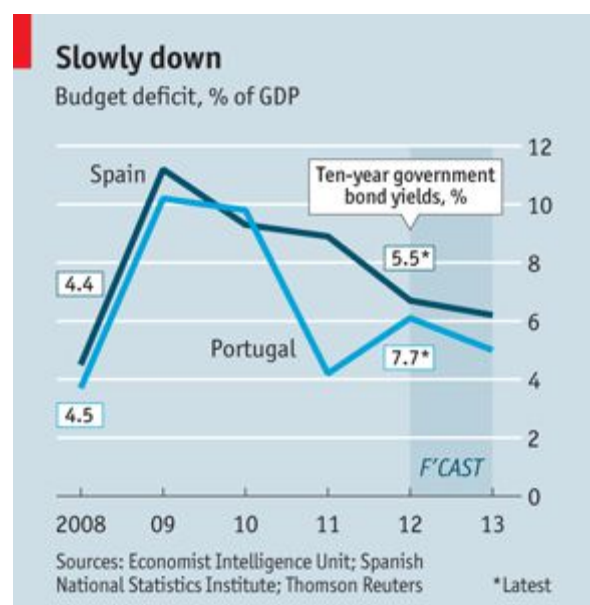
## Austerity in Spain

### Under pressure from all sides

#### More budget-cutting brings more protests against the government

The Economist Oct 20th 2012 | *MADRID* | from the print edition

IT IS a calm before the storm. As Mariano Rajoy, the prime minister, waits for regional elections in Galicia and the Basque country on October 21st, Spain is inching towards asking for a “soft” bail-out. But officials insist no formal request is imminent. Markets are calm, but watchful. Although Standard & Poor’s, a rating agency, has downgraded Spain to close to junk, yields on ten-year debt have fallen to a six-month low of under 5.5%. Some say a request for help that unleashes unlimited bond-buying by the European Central Bank (ECB) would cut another 1.5 percentage points, making Spain’s borrowing costs manageable. Indeed, they could fall so low that the bail-out credit line became redundant and the ECB would not even need to buy bonds: officials talk of a “virtual” rescue.



So why not put in a request now? One answer is nervousness about a possible German-led “no”. That, officials say, would destroy the euro overnight; better to wait for a green light from Berlin. But Spanish foot-dragging cannot all be blamed on northern Europeans. The thorniest problems are the deficits and bail-out terms. Last year’s deficit was 8.9% of GDP, way above the 6% target. This year’s target is 6.3% and next year’s is 4.5%, requiring more cuts in the teeth of recession. Yet unemployment is already 25%. Fierce austerity has provoked the first signs of social unrest and is fuelling nationalism in Catalonia, where an election on November 25th could produce a separatist landslide.

Deficit hawks in Germany, Finland and elsewhere will insist on Spain meeting its targets. But it is sure to miss this year’s. And officials admit that the 2013 budget is based on an optimistic assumption of a 0.5% fall in GDP. The IMF, more realistically, predicts GDP shrinkage of 1.3% in 2013.

If Spain’s deficit ends up even close to this year’s target, Madrid will claim to have produced a near miracle. Cutting a deficit that much during such a deep recession would be a rare achievement among big OECD countries, says a senior official. But although the tax take is on target, the social-security system, regional governments and a tax amnesty are all going off course. In mid-December Mr Rajoy must decide whether to index-link pensions, adding some €2.5 billion (\$3.3 billion) a year to spending. The deficit was running at an

annual rate of 8.4% of GDP in the second quarter, and Spanish deficits normally widen over the second half of the year, according to a study by Michele Boldrin and J. Ignacio Conde-Ruiz of the Fedea think-tank.

Moreover, the tide of opinion against excessive fiscal tightening is turning. The IMF now says that the fiscal multiplier, measuring the impact of deficit cuts on GDP, is higher than it previously thought. That explains why Spain is happy to see the IMF involved in setting conditions for an as yet untried ECB-backed soft bail-out. Madrid holds up Portugal as an example of how rescue programmes can fail by being too harsh (see [article](#)). It thinks structural reforms, to which it claims to be firmly committed, matter more than the deficit. Officials believe the message is getting through to Brussels and Frankfurt. Spain's own 2012 deficit target has shifted from 4.4% to 6.3% in the past 18 months.

Spaniards do not like the idea of being bossed about by outsiders, which explains why Mr Rajoy is keen to wait until after the Galician and Basque elections. There are other advantages to delay. The longer Spain waits, the more the IMF's view may win support, bringing softer terms. But there are dangers, too. Yields have come down from 7% mainly because markets expect a bail-out. They may tire of delay—and Mr Rajoy may find he is asking for help at a time of panic, not calm.

## Austerity in Portugal

### More pain, less gain

#### Yet another austerity budget raises concerns about future growth

The Economist Oct 20th 2012 | LISBON | from the print edition

IN HAPPIER days before the euro crisis, one government in Lisbon rebranded the Algarve as the Allgarve, hoping to appeal to English-speaking tourists. Now a Portuguese wit suggests rebranding the whole country as Poortugal.

Amid furious protests and thundering editorials, such mordant humour was a restrained response to the draft 2013 budget that Vítor Gaspar, the finance minister, presented on October 15th. To meet the targets agreed to by the “troika” of the European Union, European Central Bank and IMF, he wants “enormous” tax increases, including the raising of average income-tax rates by as much as a third.

Seldom have protesters, economists and politicians been so united in describing the plans: “brutal”, “a crime against the middle class”, a “fiscal atomic bomb”. Few agree with Mr Gaspar’s claim that “this is the only possible budget” and that to question it is to risk being subjected to a “dictatorship of debt” with Portugal condemned to depend on its official creditors indefinitely.

Yet most voters would agree with Mr Gaspar that to default on the country’s debt, as the radical left advocates, would be “catastrophic”. Even so, recent protests have been swelled by tens of thousands of mainstream voters who believe that squeezing working families is not just unnecessarily painful but is also choking off growth.

The critics have latched on to the latest outlook from the IMF in which the fund argues that, in today’s economic climate, fiscal consolidation is having a bigger negative impact on growth than usual. The opposition Socialists believe this perfectly describes Portugal’s predicament. They want more time to meet budget targets, on top of an extra year granted last month. More worrying for Pedro Passos Coelho, the prime minister, is that the IMF line is echoed by President Aníbal Cavaco Silva, also from the centre-right, who has written that it is wrong to pursue deficit goals “at any cost”.

Another concern is the rift in the coalition over the budget. The conservative People’s Party, junior partner to Mr Passos Coelho’s Social Democrats, wants more public-spending cuts (new revenues account for 80% of the 2013 fiscal adjustment). The two parties must vote together to get the budget through parliament. But Mr Gaspar insists there is “no room for manoeuvre”.

Some say that his intransigence is more for form than for fiscal doctrine. Unlike Greece, Portugal has gained much kudos in Brussels and Berlin for being a model pupil for the euro zone. That could help it if and when the Spanish government requests a bail-out—and starts to argue with the troika about whether ever more fiscal austerity is really sensible.

## The EU summit

### The red-eyed walk to banking union

The Economist Oct 19th 2012, 3:40 by Charlemagne | BRUSSELS

“TONIGHT I have confirmation that the worst is over.” President François Hollande’s bullish assessment came at the end of yet another long night of debate at a European summit. His lectern was marked "Jeudi 18 Octobre", though it was well into vendredi 19.

The main reason for his optimism was the pre-dawn compromise on banking union: the euro zone’s new banking supervisor was on course to be legally established by the end of the year, and would become operational “in the course of 2013”. So some time next year the euro-zone’s rescue fund, the European Stability Mechanism (ESM) could be used directly to recapitalise troubled banks.

As the French tell the story, European leaders were able to drag Germany back to last June’s promise to create a banking union in order to “break the vicious circle” between weak banks and weak sovereigns, after it had tried to backpedal from several aspects of the deal.

Indeed, the agreed timetable was faster than promised in June, noted Mr Hollande, and the ECB will have the power to supervise all 6,000-odd euro-zone banks.

There was other good news too: Greece seemed close to agreement with its creditors, thereby ensuring it would not be thrown out of the euro (a euro-zone statement paid tribute to Greece’s “remarkable effort”). And Spain’s borrowing costs were coming down, thanks to the (conditional) readiness of the European Central Bank to intervene in bond markets.

Even better for Mr Hollande was the fact that there had been no talk of the proposal by Angela Merkel, the German chancellor, to create a super-commissioner with the power to dictate budgetary policies to member-states. All such ideas were for the future, said the president, if and when the treaties were revised (eg, to create joint Eurobonds)

The Germans seemed more downbeat and defensive. There would be no direct recapitalisation before next year, noted Angela Merkel, the German chancellor. And bank supervisions would be done in a “differentiated way”, ie, day-to-day supervision of the many smaller German banks would be in the hands of German authorities.

Yet considerable uncertainty remains. The details of bank supervision has been left for finance ministers to work out, with plenty of potential for arguments with non-euro members of the EU concerned about the terms of the ECB’s supervisory powers. Moreover, the modalities of how banks could be recapitalised directly, and how to deal with legacy assets, is yet to be agreed.

When banking union was launched at a summit in June, it was clearly aimed at helping Spain cope with the burden of recapitalising its banks by shifting the additional debt to the ESM. But Mr Hollande, though sympathetic toward Spain’s plight, seemed clear that the new system would not apply to Spain. Madrid would make use of rescue funds previously committed, but would have to carry the debt on its books.

Nevertheless Mariano Rajoy, the Spanish prime minister, declared himself pleased with the summit. Perhaps he still hopes that he will eventually receive help. But tonight it seems more likely that Spain appears to have been sacrificed for the sake of the bargain: Germany would agree to the principle of direct bank recapitalisation in 2013, possibly before its general election in the autumn of 2013, on the understanding that Spain would not actually ask for the money. (...)

If so, this is probably bad news for Ireland, which hoped to benefit from a retroactive arrangement to shift its banking burden to the euro zone. Ireland had been mentioned explicitly in June. But its name has mysteriously vanished from the latest statement.

“The problem for Mrs Merkel is not direct recapitalisation as such, but having to go to the Bundestag to ask for more money,” explained a senior French source. He suggested that Spain could still benefit if confidence in the euro zone was restored and its borrowing costs continues to fall.

Leaders gave the nod to Herman Van Rompuy, president of the European Council, to draw up a “roadmap” for future reforms of the euro zone. This includes the idea of “an appropriate fiscal capacity”, in other words, some kind of euro-zone budget.

France would like this to act as an automatic economic stabiliser, which would provide money for countries in a downturn and collect from them in boom times. Germany prefers a discretionary arrangement in which countries undergoing reform can be offered more money—with strings attached. It could be linked to a second idea, of a “contract” between euro-zone members and Brussels on a plan of reforms.

Both Germany and France agree that, whatever its purpose, the euro-zone budget should be separate from the EU’s seven-year budget which will be fought over at a special summit next month. For Mr Hollande the euro-zone fiscal capacity “should not be subtracted” from the EU budget, but rather added to it. With what money? Probably, say French officials, with funds raised from a new Financial Transactions Tax that 11 euro-zone countries hope to launch as early as next year.



## Kommentar

# Das Phantom der echten Währungsunion

FAZ 18.10.2012 · An diesem Donnerstag beginnt in Brüssel das EU-Gipfeltreffen. Wolfgang Schäuble hat im Vorfeld mit markigen Worten mehr Durchgriffsrechte für den Währungskommissar gefordert. Damit betätigt er sich als Nebelwerfer. Denn derartige Grundsatzdiskussionen sind im Euroraum gar nicht erwünscht.

Von [Werner Mussler](#), Brüssel

Kaum einmal ist die Debatte über die Zukunft der europäischen Währungsunion so unehrlich geführt worden wie derzeit. Wenn es dafür noch eines Beweises bedurfte, dann hat ihn - zusammen mit seinen Kritikern - Wolfgang Schäuble geliefert. Mit seiner längst bekannten [Forderung, den EU-Währungskommissar mit Durchgriffsrechten auf die nationale Haushaltspolitik auszustatten](#), betätigt sich der Bundesfinanzminister unmittelbar vor dem EU-Gipfel als Nebelwerfer. Er tut so, als stünde seine Forderung im Zentrum der bevorstehenden Brüsseler Beratungen. Das Gegenteil ist der Fall.

Die Kritik an Schäubles Vorschlag ist indes genauso unehrlich. Ist es nicht weitgehender politischer Konsens in Deutschland, dass mehr Haushaltsdisziplin aller Staaten die wichtigste Voraussetzung für den Fortbestand des Euro ist? Und sagen nicht alle, die Währungsunion müsse um eine politische Union erweitert, die gemeinsame Geldpolitik um eine gemeinsame Fiskalpolitik ergänzt werden? Schäubles Vorschlag ist einer von mehreren, die solche Parolen konkretisieren. Natürlich wirft er ernste Fragen auf. Aber genauso natürlich trifft er den politischen Kern der Diskussion über die Eurozukunft, über den niemand gerne reden will: Erfordert die Einheitswährung wirklich eine erhebliche Vergemeinschaftung der nationalen Politik? Und wer ist bereit, dieser Logik zu folgen? Es ist dem Minister nicht vorzuwerfen, dass er diese Fragen auf den Tisch bringt.

## Alle Staaten versuchen eigene Interessen durchzusetzen

Eine solche Grundsatzdiskussion ist im Euroraum freilich gar nicht erwünscht. Zwar haben die Staats- und Regierungschefs im Juni eine Vierergruppe der Präsidenten des Europäischen Rates, der EU-Kommission, der Europäischen Zentralbank und der Eurogruppe beauftragt, den Weg zu einer „echten“ Währungsunion zu skizzieren. Der [Zwischenbericht, den Ratspräsident Herman Van Rompuy nun vorgelegt hat](#), macht aber mehr als deutlich, dass nicht einmal im Ansatz politischer Konsens über die Richtung erkennbar ist. Alle Staaten versuchen eigene, aus dem Euro-Krisenmanagement hinlänglich bekannte Interessen durchzusetzen. Den vier Präsidenten geht es (in mehr oder weniger großem Umfang) zudem darum, zusätzliche politische Kompetenzen in ihren Institutionen anzusiedeln. Aus dieser politischen Ausgangskonstellation kann kaum eine sinnvolle Lösung erwachsen.

Dass die Gestalt einer „echten“ Währungsunion weitgehend im Dunkeln liegt, liegt auch in der ökonomischen Natur der Sache. Die Geburtsfehler der Währungsunion lassen sich nicht politisch wegdefinieren. Der Euroraum ist weiterhin alles andere als ein optimaler Währungsraum, was auch die vier Präsidenten andeuten. Die lehrbuchmäßigen Anpassungsmechanismen an externe Nachfrageschocks funktionieren viel schlechter als in anderen Währungsräumen. Die grenzüberschreitende Mobilität von Arbeitskräften ist gering, die nationalen Güter- und Faktormärkte sind nicht flexibel genug.

## Frankreich sieht einen „Eurohaushalt“ als Umverteilungsinstrument

Theoretisch gibt es jenseits der unrealistischen Wiederzulassung freier Wechselkurse zwei Möglichkeiten, die Anpassung an externe Schocks zu verbessern. Die erste läuft auf eine Erhöhung der Arbeitskräftemobilität oder auf wirtschaftspolitische Reformen zur Stärkung der Wettbewerbsfähigkeit hinaus. Die zweite ist politisch bequemer und für Euro-Politiker attraktiver: Die Schocks können durch finanzielle Transfers an besonders betroffene Länder abgefedert werden. Die von den vier Präsidenten zur Debatte gestellte „fiskalische

Kapazität“ für den Euroraum (vulgo: der „Eurohaushalt“) ließe sich für beide Optionen nutzen. Die Bundesregierung will ihn vor allem als Anreizinstrument für die Durchführung schmerzhafter Reformen in einzelnen Ländern eingesetzt sehen. Frankreich sieht ihn als allgemeines europäisches Umverteilungsinstrument jenseits des permanenten Krisenfonds ESM.

Das Vierer-Papier lässt die Verwendung genauso offen wie andere naheliegende Fragen - etwa, in welchem Verhältnis der „Eurohaushalt“ zum allgemeinen EU-Haushalt stünde, woraus er sich finanzierte, welchen Umfang er hätte. Eine grundsätzlichere Frage scheint gar niemand stellen zu wollen: Wie sinnvoll ist die skizzierte Transferunion? Wer will sich angesichts einer sich immer weiter aufblähenden „Euro-Rettung“ auf den dafür nötigen Souveränitätsverzicht (und erst recht den nötigen Mittelaufwand) einlassen?

Die Bundesregierung pflegt zu antworten, die Transfers seien gar nicht nötig, weil die Wirtschaftsreformen in diversen Eurostaaten gut vorangekommen seien. Das ist bestenfalls die halbe Wahrheit. Dass der aktuelle Abbau der wirtschaftlichen Divergenzen von Dauer ist, darf bezweifelt werden. Und die neuen Instrumente, mit denen die EU die nationale Wirtschaftspolitik auf den rechten Pfad bringen soll, zeigen wenig Wirkung. Das liegt nicht nur an der mangelnden Durchsetzbarkeit von Sanktionen. Es liegt auch daran, dass eine Feinsteuerung diverser wirtschaftspolitischer Parameter durch „Brüssel“ schlicht nicht möglich ist. Von der „echten“ Währungsunion ist der Euroraum weiter entfernt denn je, und das ist nur logisch. Es stellt sich eher die Frage, wie viele faule Kompromisse er noch aushält.