

Expect adventures in euroland until leaders craft a plan

Tony Barber

“Would you tell me, please, which way I ought to go from here?” – Alice
“That depends on a good deal on where you want to get to.” – The Cheshire Cat
‘Alice in Wonderland’, Lewis Carroll

With the approach of Christmas, the topsyturvy world of the European Union is on full, sparkling display. In Brussels the EU’s 27 national leaders decided at a summit on Thursday night to set up a permanent financial safety net for eurozone governments from 2013 onwards. They also vowed to do “whatever is required to ensure the stability of the euro area as a whole” – a message that, no matter how vaguely worded, confirms that even more far-reaching measures are likely after the new year to address Europe’s unfolding debt crisis.

Yet on Friday came the news that Germany’s Ifo index, a keenly followed measure of national business

confidence, had risen this month to its highest level since – wait for it – January 1991. Indisputably, the German economy is powering ahead at full steam. One can almost hear the manufacturing magnates of Bavaria and Baden-Württemberg ordering their *glühwein* at a snowy Christmas market stall and saying: “Crisis? What crisis?”

Germany, which accounts for about 30 per cent of the eurozone economy, is assuredly not in crisis. Its flourishing, ultra-competitive companies are not directly affected by the turmoil engulfing much of Europe’s so-called “periphery”. Exports to Greece, Ireland and Portugal, the eurozone’s three weakest links, account for less than 2 per cent of total German sales abroad. Infinitely more damaging to Germany’s economic prospects would be a slump in Chinese or US demand for German products.

Equally, the frequently heard argument that Germany is contributing to the eurozone’s troubles by robotically accumulating trade surpluses and refusing to boost domestic consumption is likely to lose much of its force

in 2011. Unlike Americans or Britons, Germans are savers by nature. But there is every reason to expect that the nation’s investment-led economic recovery is going to encourage them to open their wallets next year. True, they will probably not buy a great many Greek, Irish or Portuguese goods. But whose fault is that? The bottom line is that Germany is going from strength to strength, helped by the euro’s relative weakness on foreign exchange markets and by the extraordinarily low interest rates set by the European Central Bank.

In peripheral Europe, by contrast, a dark picture is getting darker – something underlined by the Brussels summit. In the spirit of seasonal goodwill, let us recognise that EU leaders deserve some credit. By agreeing to establish the permanent anti-crisis facility, they threw their weight behind a device that will not only permit multibillion-euro rescues of eurozone countries but, at long last, will include the possibility of losses for holders of sovereign debt that cannot be paid back in full. This important step illustrates three points,

two heart-warming and one chilling.

First, it shows how far the EU has come conceptually since the eruption of the Greek public finances debacle 15 months ago – and since the design of European monetary union in the mid-1990s. It seems incredible in retrospect, but it is a fact that the euro’s creators simply never imagined that a pan-European rescue facility or a debt

Governments still cannot answer the question of what they will do when the crisis moves into its next dangerous phase

restructuring mechanism would be necessary. Second, the EU’s action demonstrates that European leaders will indeed do whatever is necessary to save the euro. More proof that this is so was provided on Thursday by the ECB, which announced that national central banks would fund a €5bn increase in its subscribed capital

from the present €5.76bn. As Dominique Strauss-Kahn, the International Monetary Fund’s managing director, put it this week, Europe’s leaders understand that “any solution other than the euro would be worse for the eurozone members”.

Alas, the third lesson from the EU summit is that European governments still lack a convincing answer to the question of what they intend to do when the crisis moves, as it undoubtedly will do, into its next dangerous phase. It is hard to find anyone in the financial markets who thinks Portugal will be able to escape the fate of Greece and Ireland, and avoid appealing for an EU-IMF financial rescue early next year. This will amount to at least €60bn – compared with €110bn for Greece and €85bn for Ireland – and, fairly or not, will put Spain under ever more severe pressure in the bond markets. At this point the EU will have to draw a line in the sand. Spain cannot be allowed to fall because of the apocalyptic implications for Italy and the entire edifice of European monetary union.

What might the EU’s leaders do?

They could throw more money at the problem by expanding the €440bn rescue fund set up last May. They could urge the ECB to engage in a massive government bond purchase programme. They could launch common eurozone bonds. They could ask non-European investors – how about China? – to help out. They could also bite the bullet and start the twin processes of restructuring the debts of Greece, Ireland and Portugal, and cleaning up and recapitalising the rotten parts of Europe’s banking sector. The inadequacy of Europe’s response to the crisis so far is explained in large part by the failure to confront the truth about some of its banks.

Whether European leaders will take any or all of the above steps remains to be seen. But if they do nothing, they cannot complain if they receive the message that the Cheshire Cat gave to Alice: “In *that* direction lives a Hatter; and in *that* direction lives a March Hare. Visit either you like: they’re both mad.”

The writer is a former FT Brussels bureau chief

Why Italy still has Berlusconi



Christopher Caldwell

Italians passed up a chance to be rid of their long-serving premier Silvio Berlusconi this week, when he survived a no-confidence vote in both chambers of parliament. The international press can hardly believe it. For the past 18 months, Mr Berlusconi has appeared less a wily old operator than a dirty old man. Since his wife left him, alleging that he consorted with minors (which he denies), the scandals have not stopped. He had trouble explaining how he came to know an 18-year-old girl whose birthday party he attended. A Bari entrepreneur with business before the government claimed to have brought call girls several at a time to Mr Berlusconi’s Roman residence. One Moroccan exotic dancer piqued the public’s curiosity when she said such visits tended to degenerate, in the wee hours, into “bungabunga”. Mr Berlusconi seated his criminal defence lawyers in the chamber of deputies. He placed starlets in the European parliament. He explained that having an eye for pretty young women was “better than being gay”.

Yet, for all his foibles, Mr Berlusconi is by far the longest-serving Italian prime minister since the second world war. For long stretches he has been the most popular. He was last returned to office two years ago with 60 per cent of the vote. No opposition has presented an ideological alternative that voters prefer over the long haul. Nor does the opposition have one now. The case against Mr Berlusconi is more social than political. Italians in the elite professions – journalists and lawyers, politicians and professors – are simply embarrassed by him.

Mr Berlusconi’s opponents tend to see his ouster as a matter of democracy and the rule of law. If so, it is in a much less exalted way than they imagine. In the early 1990s, Mr Berlusconi strode into an Italian political system that had been systematically dismantled by a crusading judiciary. Voters who had tolerated corruption and bribery decided, when the Berlin Wall fell, there was no excuse for it. The “Clean Hands” investigations, after 1992, left Italy, in theory, with a political system purged of its worst faults. In practice, it left Italy with no political system at all. The resulting chaos was of the sort that US forces, with equally noble intentions, caused in Iraq by dismantling the Baath party and Iraqi army.

When organised political power is destroyed, what remains? Fear, for one thing. Protests have a way of turning into riots in Italy, as deadly demonstrations at the 2001 Group of Eight meeting in Genoa showed. Such unrest always reminds Italians of the 1970s, which they spent chasing kidnappers, bombers and other terrorists.

Another thing that remains when partisan politics dies is media power. Mr Berlusconi has more of this than anyone, owning Italy’s three private television stations, publishing houses and its biggest advertising group.

Mr Berlusconi ousted the Catholic church from its role as arbiter of Italian values, and replaced it with the culture of titillation and cheap sloganeering on which his electoral majorities were built. As a businessman, he had a sense of the Italian public’s low urges that was accurate enough to make him a billionaire many times over.

As a politician, Mr Berlusconi planted himself like a boulder just a bit to the right of the country’s ideological centre. Once he did that, Italy’s politics ceased to make sense without him. There are not enough votes to his right for a challenge, and the left is too small to form an enduring coalition. The last time Mr Berlusconi was out of power, during the Prodi government of 2006-08, it required the entirety of the left, from European Union-loving technocrats to rock-throwing anti-globalists – nine parties in all – to maintain a one-seat majority in the Senate. That government proved a failure. Politicians in the Democratic party, the coalition’s mainstay, were never radical enough for their electoral base. The broad centre of the country grew

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anxious and turned back to Mr Berlusconi with relief. The much-videotaped riots that surrounded the confidence vote in Rome this week, leaving dozens of police injured, will benefit Mr Berlusconi. So will the gathering speculative storm around Italy’s budget deficits.

Italy’s political system has diverged in an unhealthy way from that of other western countries. Magistrates, rather than legislators, constitute the opposition. The immediate result of the Clean Hands investigations, naturally, was a kind of judicial agency over Italian political life. The judges, just as naturally, have been unable to see why they should ever give it up. Mr Berlusconi came to power as a symbol of the new, clean politics, but he did so thanks to a fortune earned in the days of the old, dirty politics – when businessmen and politicians were thick as thieves. There has been plenty to keep the judges busy. Mr Berlusconi’s crusade against the “red magistrates” is often self-serving. But he has legitimate civil libertarian grounds for opposing overzealous wiretapping and decades-long statutes of limitations for non-violent crimes. The almost constant stream of revelations from leaked government wiretaps is one of the astonishing things about reading the news in Italy. If the Stasi ran MTV, it would produce something like an Italian newspaper.

One can hope this unnatural battle will end whenever Mr Berlusconi’s rule does. But one should not mistake it, as many of his foes do, for a battle over democracy. Mr Berlusconi is not a threat to democracy. He is an embarrassing symbol that, since the cold war, Italian democracy, whether run by him or his detractors, has not put down deep roots in the first place.

The writer is a senior editor at The Weekly Standard



The Svengali factor

Few would bet against the pop impresario’s new push for world domination, writes Peter Aspden

Man in the News
SIMON COWELL

This Christmas, for the second year in succession, there is a concerted campaign to pre-empt a pop star nurtured by Simon Cowell reaching Britain’s cherished end-of-year number one slot. Last week the final round of *The X Factor*, a television programme on which Mr Cowell appears as a judge, drew about 20m viewers, the most for a non-sporting event in the UK for more than 10 years. But buoyed by their success last year stopping *The X Factor* winner by catapulting rock band Rage Against the Machine into the yuletide top slot, this year’s guerrilla campaign urges music lovers to buy (or download) John Cage’s pioneering *4’33”*, a piece that famously consists of nothing but silence – their aim being again to foil Mr Cowell, and in passing this year’s *X Factor* victor, Matt Cardle.

It is an inspired strategy, for there is nothing Mr Cowell dislikes more than the sound of silence. The clamorous entertainment franchises that he has helped to create, and on which he himself stars with no little bravura, have swallowed prime-time television schedules on both sides of the Atlantic. They have also made him the second most highly paid TV star in the world, after Oprah Winfrey. With a fortune estimated at £165m, Mr Cowell has become a pop impresario like no other.

We have to look back to the days of Colonel Tom Parker and Brian Epstein, respective managers of Elvis and The Beatles, to find cultural entrepreneurs with similar clout. Yet their

achievements rode on the coattails of musical genius. They were nothing without their acts. That relationship has been flipped in the past decade – for Mr Cowell is in the unprecedented position of being more charismatic, more creative and more entertaining than the personalities he promotes.

Remarkably, he has also made the business of popular music more compelling to watch than its sickly output. Today, it is the “star-maker machinery behind the popular song”, as Joni Mitchell disparaged in the hippy-inflected 1970s, that attracts record television audiences; the judges’ comments on the acts are prized more highly than the performances that precede them.

Since launching *Pop Idol* with his one-time friend Simon Fuller in 2001, Mr Cowell’s rise to power has been relentless. He became a judge on *American Idol* a year later, formed his own company, Syco, in 2002, and then launched *The X Factor*, which features aspirant pop stars drawn from regular back-grounds, in 2004. That franchise, currently produced or licensed by FremantleMedia Enterprises in more than 20 territories, is one of the most successful in global entertainment today.

Next year promises to be eventful, even by Mr Cowell’s frenetic standards. He has now left *American Idol* – “I got bored,” he says of the end of his eight-year rise to transatlantic superstardom – and plans to take on Mr Fuller with his own US version of *The X Factor*. Both programmes will appear in the US on the Fox Channel. And if there is one thing Mr Cowell enjoys more than delivering polished barbs admonishing poorly performing pop acts in front

of millions, it is competition.

As a child he used to flip the Monopoly board over in a rage when he was losing, he told journalist Piers Morgan earlier this year; either that or “be the banker and nick all the money”. His relationship with Mr Fuller, who took legal action when *The X Factor* was launched, claiming it copied the *Pop Idol* format, is complex and opaque. But the stakes for the forthcoming battle of the talent shows are high: *American Idol* is estimated to contribute \$200m-\$300m to News Corp’s bottom line every year.

Already there is frenzied speculation as to the identities of Mr Cowell’s fellow judges in the US version. Will pop starlet Cheryl Cole make the trip with him? Will George Michael get a crack at some much-needed career rehabilitation? Certainly the formula will be as delicately calibrated as for any boy band. Mr Cowell, who will almost certainly feature in the show, has signed powerful allies for the next stage of his entertainment world domination: last year he formed a company with friend and confidant Sir Philip Green, the Topshop magnate, and Sony which will hold the rights to all of Mr Cowell’s shows, including *The X Factor* in the US.

Indeed, Mr Cowell has now achieved that state of grace in which it is almost impossible to imagine him failing. Those who take culture, and particularly popular culture, seriously lament his influence. But many of them miss the point. His expertise does not primarily lie in the spotting of talent, and he is far from an arbiter of good taste. The acts that helped make his name included pink puppets Zig and Zag, and TV actors Robson and Jerome. He is also stubbornly traditional in his own

musical tastes – he loves Marvin Gaye, Frank Sinatra, Stevie Wonder – and by his own admission technologically inept, claiming he does not know how to work an iPod. But few have ever possessed such an intuitive understanding of the business of entertainment.

He himself attributes his success to hard work – he sleeps erratically – and having a low boredom threshold. A notorious control freak, even he has his limits: he says he came close to giving it all up one day in the summer of 2009 when he looked at his future schedule and saw that it was fully accounted for until the end of 2010. But perhaps he realised that 2011 was going to be pretty special, too.

Like any resonant cultural figure, Mr Cowell holds up a mirror to the society that produced him. He lives in a world that is less expectant of its pop stars to say anything original, but finds ever more creative ways of making money from them. At this, he excels like no other. It is not as if he has exercised his talents in the darkness: no one has done more in helping to illuminate the manufacturing component in pop stardom: the makeover, the diets, the marketing strategies. That should have made us more cynical and wary. But instead we have fallen in love with a process upon which we were meant to frown.

In *The X Factor*, both judges and contestants hit the stage to the grandiloquent strains of Carl Orff’s *Carmina Burana*, a testament to our infatuation with the sheer bombast of 21st-century entertainment. Cage Against the Machine may well achieve its four minutes and 33 seconds of revenge against Mr Cowell this Christmas. But no victory would be more futile.

An actor’s good opinion is easily lost

Outside Edge
JUREK MARTIN

Surprisingly few successful actors become politicians, for all they have in common. The Philippines has tons of them, for peculiar reasons, India a few and there was always Eva Peron. But in Angloworld, beyond Ronald Reagan, Arnold Schwarzenegger, two former US senators and Glenda Jackson, only the last distinguished on stage or screen, the list is short – though Clint Eastwood served as mayor of Carmel, California, in his “Dirty Harry” period.

This doesn’t prevent actors, who are citizens, after all, trying to influence politicians. Colin Firth was at it this week in upbraiding Nick Clegg, the UK’s deputy prime minister and Liberal Democrat leader, for breaking a pre-election pledge and accepting increased university tuition fees. He stands in a long line of actor/activists (Sarandon, Penn, Redford, McKellan etc) lending their names to the progressive causes so popular in Hollywood, with Jon Voigt the Midnight Cowboy of the hard right. Often it is the parts with which actors are associated (Mr Firth as Darcy for example) which gives their political participation weight.

Acting, though, is part of any good politician’s bag of tricks, perhaps in the hope it will make them more likely to win actor endorsements, fickle though these may prove. The ubiquitous teleprompter has removed the need actually to learn lines, but this did not prevent Bill Clinton, from whom even Olivier could have taken lessons, ad-libbing much of his first state of the union address without missing a beat when his machine went gaga.

Actors particularly need to learn how to cry, but it used to be considered generally bad for politicians. Tears in New Hampshire (possibly snow on his cheeks) cost Ed Muskie the Democratic nomination in 1972. Hillary Clinton tried the crying game in the same state in 2008 but it availed her not.

But it is now commonplace – even in an era when politicians are supposed to “man up”, like the permanently dry-eyed Sarah Palin. The improbable prime example is John Boehner, who has been crying all over the place in the necessary round of interviews before becoming Speaker, now Weeper, of the House.

Apparently he does it a lot, according to friends, and not just over rates of taxation he thinks a crying shame or schoolchildren whose future he thinks more bleak than when he was young (when taxes were higher, but that’s another story). Whether or not he carries an onion is unknown, but he has infected others – Mitch McConnell, of the Puritan stiff upper lip, was blubbing on the Senate floor this week while bidding farewell to a colleague.

But this commingling of actors and politicians can be risky to the ham, which explains why most follow the Michael Jordan rule, after the basketball star, of speaking no evil and letting endorsements (and parts) flow. Mel Gibson stands as a warning to those tempted to do otherwise.

The wife of the author, an FT columnist, was an extra in Love Story