Μορφίνη

JMN

Ημερήνοιοι

protecting Tepco was almost three times as expensive. Japan's faith in nuclear energy has been badly shaken. The value of that implicit state guarantee is collapsing.

Eurozone

The oldest trick in the conjuror's manual is pulling a rabbit out of a hat. That is what eurozone leaders did at the weekend, unveiling a package of measures to help each other survive the sovereign debt crisis just when investors had lowered their expectations. The package buys the troubled bloc more time (not an unworthy aim), but it does not resolve the eurozone's central issue: solvency.

Given the difficulty of reaching agreement in a divided bloc, and the missed opportunities up to now, the announcement represents progress. The European financial stability facility, the main vehicle for funding countries in difficulty, will have its lending capacity raised from about €250bn to €440bn, and the interest rate on new loans from the facility will be up to 1 percentage point lower. Greece will benefit, but no arrangement has been agreed for Ireland, and the package makes no mention of the difficulties facing Portugal, which will almost certainly have to seek external funding.

The measures, which are supposed to be finalised in time for a European Union summit this month, should see the eurozone through to mid-2013, when the EFSF will be replaced by a slightly larger funding mechanism. But any suggestion that this is the "grand bargain" required to end the eurozone's crisis is wishful thinking.

First, the measures reduce the political cost in some capitals (principally Berlin) of bailing-out countries in trouble (thanks to some smart brinkmanship by chancellor Angela Merkel), but they raise it in those countries that have been, or need to be, bailed out. (That is particularly true in Dublin.) Second, they fail to address the issue of debt. Greece's burden is unsustainable; Ireland's is not far off. Something more substantial than a timid white rabbit will be required.

World news

EU agrees 'grand bargain' package

New bail-out fund remains incomplete

Assent 'just in time' to help Lisbon

By Peter Spiegel in Brussels

European Union leaders wrapped up a two-day summit by approving a "grand bargain" of measures they argued would make them better able to tackle the eurozone debt crisis – and just in the nick of time.

Several leaders argued that with the Portuguese government on the brink of collapse after failing to pass its austerity programme, the EU now has the tools it needs to manage an assault by the sovereign bond markets and any fallout from the political crisis in Lisbon. "I think it's fortunate for Portugal we have put together all the resources that we now have," said Fredrik Reinfeldt, Sweden's prime minister.

But after months of negotiations, the deal struck by European leaders leaves the bloc with much the same powers to deal with Portugal – and any other debt-laden eurozone member caught up in the contagion – that it did a year ago.

"It is abundantly clear now that EU leaders have missed the biggest opportunity they have had to get ahead of the crisis," said Sony Kapoor, an economist who has advised the European Commission.

EU leaders did agree to give the eurozone's €440bn ($619bn) bail-out fund more firepower, promising to increase its lending capacity to its full €440bn. Currently, because of the need to hold cash back when a rescue is initiated, it can only lend about €250bn.

But leaders failed to agree on exactly how they will increase those levels and may not do so for months, a halfway house that even Angela Merkel, German chancellor, acknowledged left the reforms incomplete. "There are certain technical details to be worked out until June, but the political course has been charted," she said.

Moreover, the newly reinforced bail-out fund is still just that: a bail-out fund, which only allows the EU to help Portugal if it requests the same kind of multibillion-euro rescue package that Ireland and Greece received.

Portugal looks as if it is in for a rocky three months. Standard & Poor's on Friday downgraded its debt, a move that could make it even harder for Lisbon to refinance the €10bn debt due in April and June.

If the other rating agencies were to downgrade Portugal to ratings in the B category, Portuguese banks could face difficulties in raising liquidity from the European Central Bank.

There were still signs that the financial markets were beginning to take notice of some of the longer-term measures that EU leaders had been pushing on Europe's peripheral economies, particularly Spain, which has long been the point of real nervousness for EU officials.

Even as Portuguese bond yields continued to rise, Spanish debt was unaffected, a sign that financial markets are taking seriously efforts by José Luis Rodríguez Zapatero, prime minister, to shore up the Spanish banking sector. Mr Zapatero used the summit's last day to announce yet more measures, including tax reforms aimed at curbing Spain's black economy.

'EU leaders have missed the biggest opportunity they have had to get ahead of the crisis'

But markets have shown that sentiment can change quickly on eurozone debtors. It remains unclear whether, with a nuclear crisis in Japan and a war in Libya, investors have focused on the just-completed "grand bargain".

In some respects, the deal underperforms even analysts' lowered expectations. An expected deal to lower the interest rates on Ireland's bail-out loans was never reached. And even on the summit's main accomplishment – the creation of a €500bn replacement bail-out fund that will be put in place in 2013 – the details were incomplete.

Last-minute opposition in Germany to the new fund's structure, which called on countries to put €40bn in cash into the system when it opens for business in two years, led to a deal that allows payments to be spread out over five years.

But leaders, recognising the smaller cash infusions might leave the fund short of firepower if a large economy such as Italy needed rescuing, could not agree how to speed up payments to meet a shortfall in an emergency.

"We left it a little bit open," said Ms Merkel. "I cannot give you a definitive answer on this."

It may be left to the financial market to decide whether the rest of the "grand bargain" has the definitive answers to the eurozone crisis.

Additional reporting by Peter Wise in Lisbon

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Lex, Page 26

Source: FT research

Portugal grows weary of 'insults, slogans and blackmail'

Popular mood

The standing of politicians is at an all-time low as voter frustration reaches new highs, writes Peter Wise

To judge by the acerbic exchanges between politicians to be witnessed on Portuguese television, campaigning has already begun for an early election, which party leaders see as the only way of resolving the political crisis.

"Insults, slogans and blackmail" are currently the chief characteristics of political debate in Portugal, according to Vasco Pulido Valente, a noted historian and a leading columnist.

Few voters, concerned above all about austerity measures, high unemployment and the threat of a deep recession, are relishing the prospect of at least two months of campaigning in the same style.

"People are fed up with the bickering and point-scoring," said Maria João Simões, a Lisbon laboratory technician, aged 35. "We want our politicians to get on with sorting this mess out."

Similar sentiments are being expressed across the country – often in much more abrasive language – in radio phone-ins, internet blogs and television debates, where the standing of politicians from all parties appears to have fallen to an all-time low.

The "mess" politicians are being asked to clear up includes the political void left by the collapse of the Socialist government, after its defeat on Wednesday in a vote on a European Commission-backed austerity package, and the increasing likelihood Portugal will need a financial rescue.

No one, however, is expecting a prompt resolution of the crisis. Consultations on Friday between party leaders and Aníbal Cavaco Silva, the president, pointed to May 29 or June 5 as the earliest possible dates for an election. Under Portugal's constitution, the new government could not take office until 80 days after the election day is set.

According to Boaventura de Sousa Santos, a leading sociologist, a credibility gap has opened up between voters and the two main parties over tough austerity measures and how they were imposed over the past year in an effort to convince financial markets and European Union partners that Portugal would not need a bail-out. The measures, introduced by the outgoing Socialist government, was supported by the centre-right Social Democrats (PSD), the main opposition party, until Pedro Passos Coelho, the PSD leader, decided this month that he could not back a fourth package. The decision plunged the country into a crisis from which there is no clear exit route.

'I cannot see how we are going to survive . . . without outside financial assistance'

"I cannot see how we are going to survive for the next three months without outside financial assistance," said José da Silva Lopes, an economist. Many Portuguese attribute the final standoff between the Socialists and the PSD that brought down the government to party political tactics rather than questions of principle or economic policy. Some accuse an embattled Mr Sócrates of provoking the crisis as his best option in electoral terms.

The European Union and fiscally conservative eurozone governments, felt to be pushing Portugal inexorably towards a bail-out, fare little better than local politicians when the Portuguese vent their frustrations.

In a recent commentary, Mr Sousa Santos wrote that voters "are shocked by the fact that national decision-making has been supplanted by a Europe that believes poor countries are to blame for their own poverty".

US presidential hopeful's record sparks debate

By Stephanie Kirchgaessner in Washington

Tim Pawlenty, former Republican governor of Minnesota, this week launched his campaign to win the Republican nomination and defeat President Barack Obama on a promise he knows how to shrink the size of government.

But his record tells a more complicated story.

Apart from allowing an increase in the state's cigarette tax Mr Pawlenty firmly opposed any tax increases during his eight years as governor, something that will undoubtedly be cheered by conservatives as he runs for president.

His critics, however, point to the $5bn projected deficit the state is confronting just months after he left office, arguing that it is a result of his refusal to compromise with a Democratic legislature and his reliance on short-term fixes to "kick the can down the road".

Mr Pawlenty's tenure in Minnesota raises all the questions being fiercely debated between Democrats and Republicans in Washington and across the country: are tax increases a necessary measure to tackle budget deficits? Are deep cuts in government spending reasonable?

"He was absolutely implacable about taking on Democrats and some Republicans who thought some spending increases were necessary," says Larry Jacobs, chair of political studies at the University of Minnesota. "He essentially locked in a structural budget deficit because he was unwilling to raise revenues at all and played all sorts of games with the budget, delaying spending and pushing things off to the next cycle."

The sharp decreases in state aid to local governments led to some steep increases in property taxes, after local officials tried to make up the shortfalls to pay for schools, police and other services. Tuition costs at state colleges also nearly doubled from 2003 to 2011.

Mr Pawlenty is easy to discount as a breakthrough candidate. He lacks the name recognition, star power, fundraising muscle and charisma of almost all his likely competitors. Even fellow Minnesotan Michele Bachmann, a firebrand congresswoman who is considering a run for president, enjoys more intense loyalty from supporters.

However, says nonpartisan pollster Charlie Cook, he is also not bedeviled by their significant liabilities. He is not as polarising to independent voters as Sarah Palin, former Alaska governor, or Newt Gingrich, former Republican Speaker of the House. His toughest opponent, Mitt Romney, is unpopular among many Republican activists for his support of healthcare reform as governor of Massachusetts.

"I think there is a very plausible scenario that you could see a lot of Republicans flowing to the guy who seems pretty sharp, reasonably attractive, and was an extremely competent governor," says Mr Cook. "If I had to put money on two finalists, I'd say it would be Pawlenty and Romney, and I'm not sure Pawlenty will lose that match-up."

Mr Pawlenty's credentials on fiscal discipline are likely to be heavily scrutinised in the run-up to the Republican primaries, which start early next year.

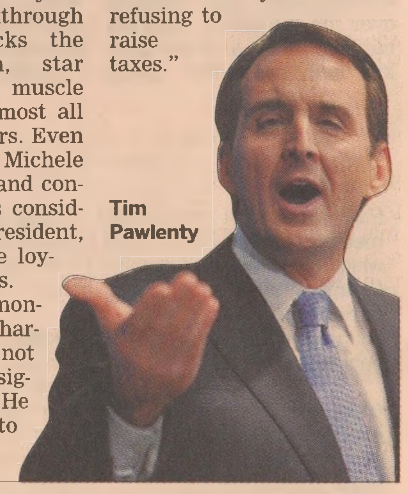
His boldest measure as governor came in 2009 when he found a procedural way around the Democratic legislature's opposition and independently cut $2.7bn out of the state's budget, though the state's Supreme Court later found the move violated the law.

Alex Conant, spokesman for Mr Pawlenty, says the former governor vigorously disagreed with the Court's decision and questions the projected deficit, which he said was based on "unreasonable assumptions".

"We suspect they wanted to show a big deficit this year so they could argue for tax increases, which they wanted for a long time," he says. "Governor Pawlenty's policies balanced every budget while he was governor and he would [have] balanced this one too."

The decision by local politicians to raise taxes, which in some cases passed through voter referendums, was out of Mr Pawlenty's control, though he attempted to pass legislation to curb such measures, Mr Conant adds.

"If you look at his record, he dramatically reformed government and cut spending for the first time in the state's history all while refusing to raise taxes."


Tim Pawlenty

Consumers see cloudy forecast

By James Politi in Washington

The US economy was in a stronger position than previously thought at the end of last year, but American consumers are showing signs of renewed pessimism, clouding the outlook for the US recovery.

US gross domestic product grew at an annualised rate of 3.1 per cent in the fourth quarter of 2010, a more rapid clip than the earlier estimate of 2.8 per cent growth, the commerce department said on Friday. This offers confidence that the economy was better placed to withstand the threat of external factors to its momentum – from upheaval and war in the Middle East to the earthquake in Japan.

But the upward revision on America's economic output was tempered by a sharp drop in the widely followed Thomson Reuters/University of Michigan consumer sentiment index, which fell this month to its lowest reading since November of 2009.

"The increased level of pessimism is due to rising gasoline and food prices, volatility in the oil and stock markets, turmoil in the Middle East, military involvement in Libya and Japan's triple calamity: earthquake, tsunami and nuclear disaster," said Chris Christopher, an economist at IHS Global Insight.

The consumer sentiment index fell from 77.5 in February to 67.5 in March – a 10-point drop.

Meanwhile, rising inflationary pressures are being felt increasingly by consumers. Expectations of inflation one year from now are up to 4.6 per cent, from 3.4 per cent last month.

Concerns that US consumers may retrench again overshadowed a report on US GDP in the final three months of last year, which slightly exceeded expectations. The improvement was the result of better readings on inventories and non-residential structures, offsetting a downward revision to exports, which were still a large contributor to growth, the commerce department said. Consumer spending advanced at a relatively fast pace of 4 per cent.

Last week, Federal Reserve officials said the US recovery was on a "firmer footing" amid signs that job creation is beginning to occur at a faster pace. However, the housing market still remains "depressed", central bank officials said, amid a series of weaker than expected data on the health of the US property sector.

FINANCIAL TIMES

"Without fear and without favour"

Saturday March 26 2011

The complaints come marching in

There are alternatives to UK austerity, just not good ones

Restoring Britain's finances to health was never going to win the country's Conservative-Liberal Democrat coalition any short-term popularity prizes. Sure enough, in the wake of Wednesday's Budget, most Britons think the spending cuts it plans are both unfair and too fast; and 46 per cent believe the cuts will hurt the economy, against 39 per cent who think they will help. This weekend, a loose coalition of opposition groups will seek to exploit this popular concern by marching in protest at the government's economic plans.

The March for the Alternative's main charge is that the government's two key decisions – to eliminate the structural deficit during this parliament, and to do the bulk of this via spending cuts – are not necessities, but political choices.

That much is true. George Osborne, the chancellor, has indeed taken a gamble by prioritising fiscal retrenchment over economic stimulus. But it is not enough for his critics to show that there is an alternative to his path. The opposition – both in and outside parliament – must show that the gamble they are advocating is more likely to pay off than the government's. They have not done so.

That is partly because it is too early to gauge the impact of the government's plans on economic growth. Last year, the government took a nibble out of the deficit. The deeper cuts will bite with increasing severity over the coming years.

But it is also because the government's approach has already had one important success: it has reassured the bond market. As Mr Osborne pointed out in his Budget speech, the UK can borrow more cheaply than some countries with lower deficits. That is no small feat. True, things could still go awry, and Mr Osborne must be ready to adjust his tactics if they do. But until conditions dictate otherwise, Mr Osborne is right to stick to his austerity programme.

The danger for Labour and the two Eds – Miliband and Balls – who lead it is that they have staked everything on Mr Osborne's gamble failing. Mr Balls has already seized on figures from the end of last year showing a drop in economic activity to argue that the government has choked off a recovery. Such claims are premature. And if the coalition's austerity plan has put the country on a surer economic footing by 2015, Labour's reflexive opposition to every cut the coalition makes will lay it open to the charge of economic incontinence.

As a happy economic ending is far from certain, the government would do well to set out how it would respond to a period of sustained economic weakness. By spelling out a contingency plan and the conditions in which it would be used, Mr Osborne could deny the marchers the claim that the only alternative is theirs.

Not so grand deal

What was agreed will not help; what helps was not agreed

This week's European Council summit was once hoped to produce a "grand bargain" that would decisively address the sovereign debt crisis in the eurozone. Cynics will conclude from the meeting that the only concrete contribution Europe's heads of government could muster was to rename the Franco-German pact for competitiveness the "Euro Plus Pact".

Throughout the financial crisis, Europe's elected leaders have rarely missed an opportunity to disappoint. True, some substantial agreements were made in advance of this latest meeting, ready to be rubber-stamped by the council. One was the pact, under which eurozone nations – and six mostly east European non-euro members – commit themselves to reforms aiming at long-term fiscal consolidation and competitiveness. But this does nothing whatsoever to solve the current crisis. The eurozone also agreed on a sovereign debt restructuring mechanism. A good idea, but it will only come into effect in 2013 and, again, does not help with present problems. In fact, it could make them worse: the official nod to a procedure that explicitly allows for haircuts on sovereign debt *in extremis* sent yields on troubled bonds higher.

Changes that had been prepared to improve Europe's only serious tool to contain panicky bond markets – the European financial stability facility – were left in limbo. Agreement "in principle" had been reached to equip the EFSF with the full €440bn of firepower it nominally enjoys. But principle only goes so far: with German and Finnish elections looming, the decision on how to raise the EFSF's lending capacity was put off till June.

But the biggest flaw in the grand bargain that wasn't was the parties' utter lack of attention to the most insidious problem: a banking system where the stench of the living dead keeps contaminating the prospects of healthy institutions. European leaders show no attempt to grasp that states and economies – not senior bondholders – must be kept safe from teetering banks, nor to forge a political consensus on how to achieve this. Instead they are strong-arming the periphery into bailing out savers in the core and the reckless banks they entrusted their savings to.

To make good on their promises to do "whatever it takes", Europe's politicians should be debating pan-European policies for letting banks fail safely and forcing losses on creditors rather than taxpayers. (The Commission is, to its credit, exploring this – but only for after the crisis.) This they cannot do while clinging to their worship of creditor sanctity. At the very least, they could tell regulators preparing bank stress tests not to shy away from politically sensitive scenarios such as a sovereign default.

These would be grand bargains more worthy of the name than the petty fudges we continue to get.

In gold they trust

Utah's plans for bullion would lead to very small coins

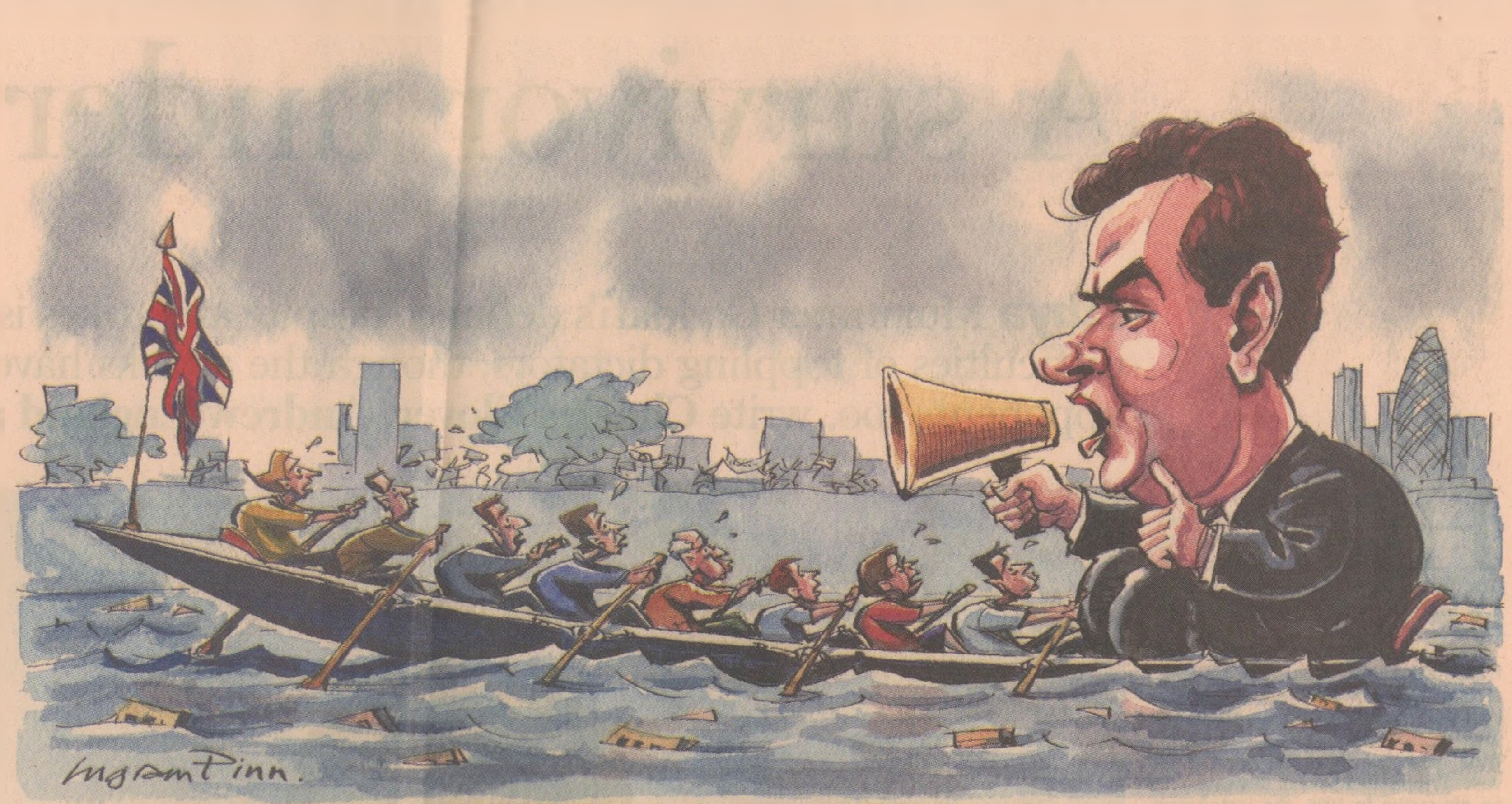
Utah is no stranger to eccentric laws. This is, after all, the state whose citizens have, at various points, felt the need to outlaw both fishing from horseback and dispensing gunpowder as a headache cure. Now it has another legislative feat to match these illustrious forebears. The state's legislature has passed a bill that paves the way for gold and silver to become legal tender. All that remains is for Governor Gary Herbert to sign on the dotted line.

By the standards of the most fanatical hard-money purists, the plan is quite modest. Ron Paul, the Republican congressman who is the high priest of currency privatisation, has just reintroduced a bill that would allow everyone to mint their own coins. Both this and Utah's law are meant as rebukes to the US Federal Reserve, whose boundless enthusiasm for printing dollars has not exactly boosted confidence in the greenback. But Utah's unilateral gold standard has problems of its own.

For one, it would mean very small coins. Under Utah's law, the value of the coins would reflect the gold (or silver) price. A troy ounce (roughly 31 grams) of gold is currently changing hands for more than $1,400. At that price, a gold coin worth a dollar would weigh all of 22 milligrams. That may be great news for microscope makers but it will be pretty fiddly for anyone hoping to buy a coffee in Salt Lake City. Of course, bigger coins could be used. But then even the change for a gunpowder-free headache pill would run to several suitcases of the worthless greenbacks Utah's goldbugs so despise.

If the gold price surged, those coins would have to become smaller still. A fall would not be much more helpful. Shopkeepers would presumably stop accepting coins worth less than their face value, bringing the economy to a juddering halt – unless, that is, Utah's state government stepped in and guaranteed the coin's nominal value. Which sounds rather similar to the arrangement critics of the Fed are so upset about.

Letters



PULLING TOGETHER

We Japanese are too fond of our creature comforts

From Mr Junichiro Taketani.

Sir, Regarding your editorial "The case for nuclear power" (March 19): while I think your argument is sound, discussion of electric supply is only half of the story. We need to look at the demand issue and I think we have become addicted to more and more electricity. This cannot go on over the long term.

I think Japan should consider at least some of the following, although it is impossible to design a system that would be fair to all, and it would not be immune to incompetence and corruption (but what human endeavour is?).

First, putting caps on electricity consumption. Second, making special incentives for energy-efficient machinery and penalties for less efficient ones. Third, re-pricing electricity to reflect the cost of environmental damage including nuclear clean-ups.

As it is, we are enjoying our creature comforts (fuelled by cheap electricity) such as heated toilet seats/warm douche, which accounts for 3.9 per cent of household electric consumption in Japan, at the expense of our children, who will suffer the consequences of our profligacy.

Junichiro Taketani,
Tokyo, Japan

Sacrificed to blandness

From Mr Ralph Traviati.

Sir, It was really touching to read that Howard Schultz, the founder of Starbucks, has a favourite Manhattan eatery that has been there since his youth and where he goes to reconnect with his roots ("Our challenge is the human condition", Lunch with the FT, March 19).

I am not from Manhattan but whenever there I would go to a café on Union Square where they had the coolest orange juicer from the 1950s. It was a big contraption and the oranges rolled around it on metal rods before disappearing into the juicer bit. It was a spectacle and beautiful because from another time. That café isn't there any more and guess what it has become?

I think this fellow needs his head examined if he thinks the way to recreate the experience of the familiar neighbourhood café is to systematically take them over and then turn them establishments where even the temperature of the sandwiches doesn't differ from state to state, let alone the atmosphere.

Don't get me wrong. He is a great businessman. I just wish he could be honest about how he makes money, which is by eliminating diversity and the possibility of the unexpected or cool or unique.

Ralph Traviati,
Milan, Italy

A juicer can be an *objet*

A Brooklynite at summer camp

From Emeritus Prof Jeremiah J. Sullivan.

Sir, Like Howard Schultz (Lunch with the FT, Life & Arts, March 19), I too am a Brooklyn native who ended up in Seattle. When I first arrived in the 1970s, someone said that Seattle for people like me is like summer camp, only your parents never come to take you home.

On my employment form I was asked to identify my race. I listed "Brooklynite". Since no one ever has questioned me about it, I presume that it is legit in the Emerald City.

One last thing about Brooklyn: my mother was from Brooklyn and my father from Manhattan. The family always referred to it as a mixed marriage.

Jeremiah J. Sullivan,
Emeritus Professor of International Business,
Foster School,
University of Washington,
Seattle, WA, US

Air travel's 'final frontier' is always just out of reach

From Mr Matt Andersson.

Sir, Julia Sattel (Letters, March 19) may be buying into a false vision of airports and overestimating their value. No one goes to an airport; you pass through them. They are merely intermodal transfer nodes. Certainly as private aviation becomes more of a mass travel option, smaller airports will be integrated into lifestyle assets, but that is decades away.

In the meantime, large public airports may benefit from improvements in technology and many are adding runways and terminals. Yet congestion, bottlenecks and delays continue. Why?

Aviation is a system made up of "4As": aircraft, airports, airspace and airlines. Each of these is still based fundamentally on 1950s technology. Moreover, competitive congestion is layered on top of them. Thousands of airline routes and schedules overlap. In addition, more efficient satellite-based "NextGen" air traffic technology is still only on paper; until it is implemented, and further airline consolidation occurs, pouring more concrete runways and adding "intelligence" is merely an exercise in building a bigger, smarter parking lot.

As regards the "final frontier" that Ms Sattel assigns to airports, that may instead belong to aircraft. The Concorde pointed the right direction, but was never updated. Advances in space-plane technology that allow for hypersonic suborbital travel, is the next frontier. As for the final one, that's fortunately always just exceeding our grasp.

Matt Andersson,
President,
Indigo Aerospace,
Chicago, IL, US

It's too expensive to read your erudite art critic each week

From Mr Peter Stamelman.

Sir, Once again Jackie Wullschlager, with her erudition and scholarly breadth, has made me amend travel plans.

As a result of her illuminating review of the Venice-Antwerp exhibition at the Palais des Beaux Arts ("A tale of two cities", Life & Arts, March 19) I am adding an extra day to my upcoming Brussels business trip.

Last month, as a result of reading her laudatory review of *The Hermitage: Birth of the Imperial Museum* at the Pinacothèque ("Tsar material", Life & Arts, February 5), I delayed my departure from Paris.

At this rate, I have either got to stop reading her columns or convince her to cover my expenses. Well done, Ms Wullschlager.

Peter Stamelman,
New York, NY, US

Suddenly subject to increased fees – for same service

From Mr Paul Van Driessche.

Sir, As an account holder with Adam & Company, a private banking division of Royal Bank of Scotland, I have recently been informed of its proposed £40 monthly fee. This fee will apply to those customers with accounts or assets of less than £250,000 under Adam's management.

While adequate notice of the change in Adam & Company's terms and conditions has been provided, and its right to implement these changes is clearly within its terms and conditions, one ponders on the ethical nature of such an increase.

I now incur a £2 monthly fee for mortgage loans I hold at the bank. Under Adam's rules I am obliged to maintain a current account at the bank, into which funds are remitted to service the monthly mortgage repayments. All accounts are maintained meticulously with no other activity on the current account other than the service of mortgage repayments. Under the new rules, to be introduced on May 1 2011, the monthly fee rises from £2 to £40.

So what do I get for this increase? Nothing. I have little need for a personalised service (the mantra justifying private banking) as the transactions take place through a standing order once a month. I am not in a position to increase my deposits with the bank in order to exceed the £250,000 threshold so am, therefore, subject to the increase for the same level of service I received previously. Always courteous and helpful, as is my high street bank, the increase must be to assist the bankers in being more private client orientated.

Reaction to my reaction typifies the private banking ethos. This ranges from not really our usual sort of client and if you don't like it leave, to this is in line with other private banks' terms and conditions, etc. In response: true, I don't want to, but does this make it right?

Dear Mervyn King, do feel free to respond . . . in any way possible!

Paul Van Driessche,
Malé, Maldives

Let's be clear about costs

From Mr R. B. Saunders.

Sir, Matthew Vincent's Serious Money column "The battle against backhand fund charges goes on"(FT Money, March 19) states that the total expense ratio does not include administration costs, audit and legal fees – it does. As to dealing costs, to which he also draws attention, these are published in the fund's accounts, but are not included in the TER because they are different in character from other costs.

The costs incurred in running the fund essentially act as a drag on performance. In contrast, dealing costs arise because of investment decisions taken by the fund manager, decisions intended to increase returns for investors. The two are apples and pears.

When it comes to dealing costs, the manager's interests are completely aligned with investors: high costs mean lower returns, lower fees and ultimately fewer investors.

Mr Vincent estimates that fund managers pay some £5bn a year to fund platforms. The correct figure is about 5 per cent of this.

R.B. Saunders,
Chief Executive,
Investment Management Association

Sales, not the state's finances, give employers the confidence to invest

From Mr Ralph Musgrave.

Sir, Your Budget Special editorial "Osborne looks beyond austerity to prosperity" (March 24) repeats the myth, popular on both sides of the Atlantic, that "reining in the state's finances will bring the confidence needed for businesses to invest . . . ". I know of no evidence to support this.

In contrast I can cite three employer surveys which indicate that employers' main concern is far more mundane: lack of demand for their products. Employers invest (surprise, surprise) when they see sales that warrant new investment, not when their personal views on abstruse matters like "the state's finances" coincide with their government's.

Ralph Musgrave,
Durham, UK

Now doctors' wives get in on the act

From Mr John Teeling.

Sir, With reference to recent letters: at a German management institute some years ago my colleague Bob Doctor and his wife were always addressed as "Herr Doctor Doctor und Frau Doctor Doctor". Beat that!

John Teeling,
Chairman,
Cooley Distillery,
Dublin, Ireland

Fukushima folly

From Mr Andrew Warren.

Sir, There can be no better aphorism for Fukushima than this, by the Rev John Pomfret (1667-1702):

"And who would run, that's moderately wise,
A certain danger for a doubtful prize?"

Andrew Warren,
Director,
Association for the Conservation of Energy,
London N1, UK

It's the way we live now

From Mr Beric Davis.

Sir, My young son has recently launched his own website (*www.natureandecosystemassociation.org*), and it is fascinating to note how much it reflects the world we now live in.

The first thing of interest is that he had the skills to develop it completely on his own, despite being only 11 years old. The second is his choice of subject matter: nature and the environment.

The most disconcerting thing about it, though, is the prominence he felt it necessary to give to legal disclaimers. Truly a sign of the times.

Beric Davis,
Managing Director,
Reference Point,
Gerrards Cross, Bucks, UK

Your world is my world too