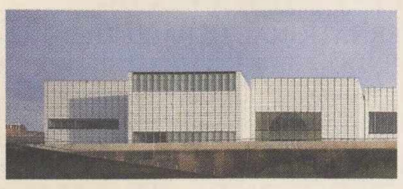


MUSEUM MANIA
THE ART BOOM ACROSS BRITAIN
PAGE 11 | CULTURE

KATHIMERINI
INSIDE: Greece's leading newspaper | English Edition

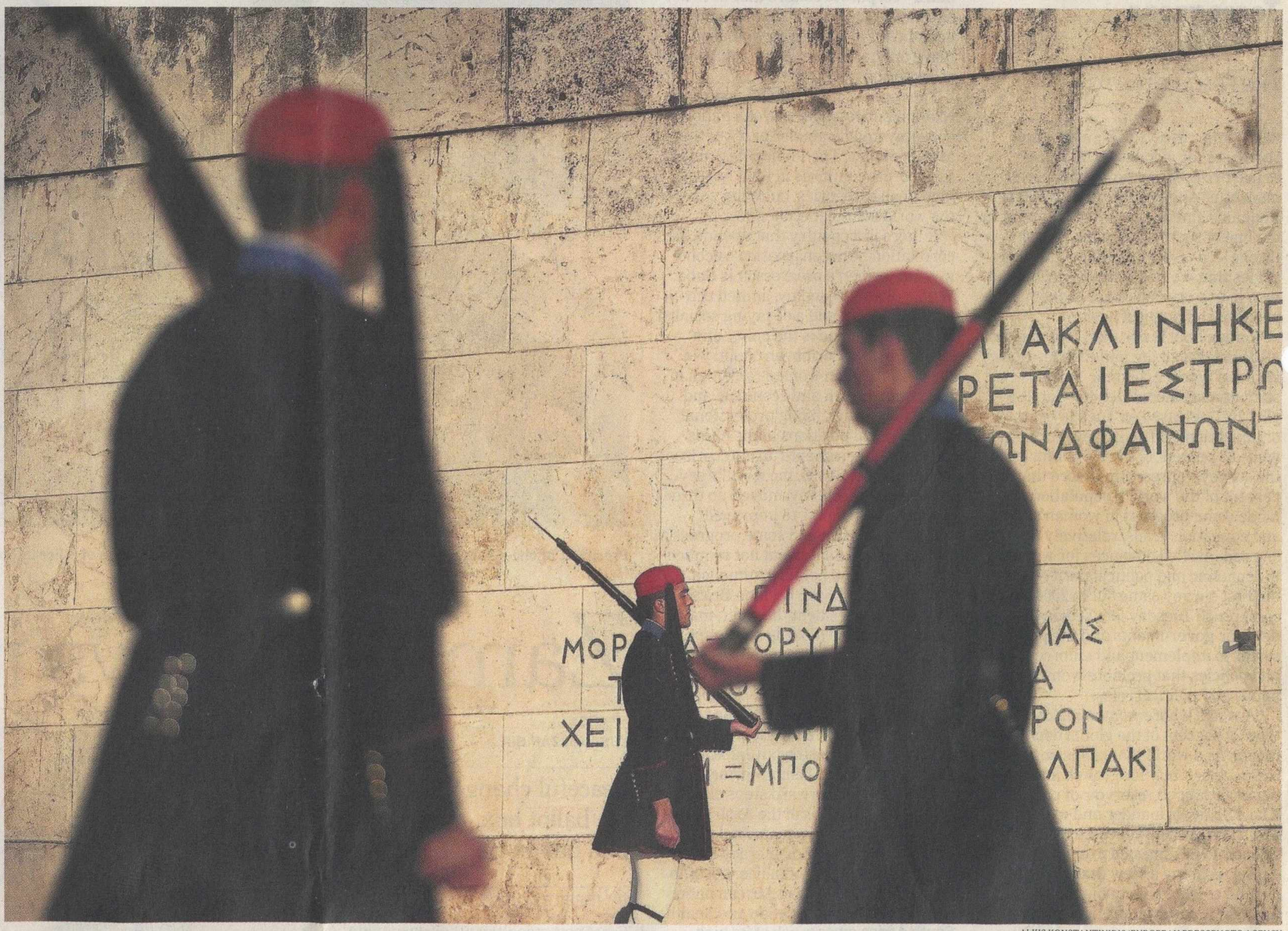
ALEX FERGUSON
STILL THE FIRE BEHIND UNITED
PAGE 13 | SPORTS

5

International Herald Tribune

WEDNESDAY, NOVEMBER 2, 2011 | THE GLOBAL EDITION OF THE NEW YORK TIMES | GLOBAL.NYTIMES.COM

Greek tumult ripples across globe



ALKIS KONSTANTINIDIS/EUROPEAN PRESSPHOTO AGENCY

Greek presidential guards stuck to ceremony Tuesday at the Tomb of the Unknown Soldier in Athens. Greek politics, meanwhile, threw European leaders into disarray.

Local militias in Libya balk at giving up their arms

TRIPOLI, LIBYA

Instead, they're posing a political challenge to provisional government

BY DAVID D. KIRKPATRICK

After pledging for months that they would lay down their arms or submit to a central army after the overthrow of Col. Muammar el-Qaddafi, many local military leaders are now saying they intend to hold onto their weapons and their autonomy in a new political role as "guardians of the revolution."

Scores of freewheeling brigades of armed volunteers sprang up around the country during the revolt against Colonel Qaddafi, often under the oversight of local military councils that became the de facto governments of cities like Misurata and Zintan as well as the capital, Tripoli. Controlling and disarming those militias has emerged as the most urgent challenge facing Libya's new provisional government, the Transitional National Council.

Many civilian leaders, along with some fighters, say the militias' shift from merely dragging their feet about surrendering weapons to asserting a political role poses a stark challenge to the council's fragile authority.

"This could lead to a mess, to conflict between the councils," said Ramadan Zarmoh, 63, a leader of the Misurata military council who is among those who argued that it should dissolve itself almost immediately after the Transitional National Council sets up a new defense ministry. "If we want to have democracy, we can't have this."

With no history of democracy in Libya, the provisional authorities have promised elections this year, but before that happens, they must draw electoral districts and devise a voting system, decisions with inevitable winners and losers, politically and geographically.

During the uprising, officials of the Transitional National Council vowed to give equal voice to all Libyans, regardless of their location or political position. But leaders in Misurata — a commercial center in western Libya that withstood a long siege to emerge as the arsenal of the revolt — say they are advocating four criteria for representation that would increase their say at the expense of smaller towns or those who stayed loyal to Colonel Qaddafi: population, size, economic output and "priority in liberation."

Some in the eastern areas around Benghazi, neglected under Colonel Qaddafi in favor of the west, are now arguing for Libya to return to a loose federal structure that could protect them from domination by Tripoli and Misurata.

The jockeying was made clear Monday night in the decision to replace Mahmoud Jibril as prime minister. Leaders in Misurata said they had threatened that if the national council failed to agree on a satisfactory choice, a group of local military councils from western Libyan cities might intercede to decide the question. The Misurata leaders spoke on condition of anonymity to avoid an open fight with the national council.

LIBYA, PAGE 7

U.S., out of money, moves out of the limelight

WASHINGTON

Obama administration at ease in lesser role as summit looks to China

BY HELENE COOPER

President Hu Jintao of China will arrive in Cannes this week pondering a plea from Europe for tens of billions of dollars to help the Continent get out of its debt crisis. And President Barack Obama will arrive with a smile, some

NEWS ANALYSIS

hearty handshakes and his own plea: that Greece get its act together and Europe fix its economic ills, which he has called one of the biggest drags on America's own ailing economy.

The two contrasting appearances at the Group of 20 economic summit meeting look like the perfect example of weakening American influence, a stark portrait of an empire in decline as Mr. Obama struggles to cajole allies into taking the steps necessary to help bolster an anemic recovery.

"He's going into battle without very much ammunition," said Eswar S. Prasad, a former economist with the International Monetary Fund who now teaches trade policy at Cornell University. "The cold reality is the U.S. cannot contribute anyway to funding to help Europe."

But at the end of the day, is that such a bad thing? As the economic chaos in Greece on Tuesday deepened the possibility that Athens could end up leaving the European monetary union — a prospect which could further jeopardize the entire euro zone — the disorder strengthened a growing consensus on the other side of the Atlantic posited around one startling thought: So what?

"Why would the United States want to have influence over a train wreck?" said George Friedman, the chief executive of Stratfor, a geopolitical risk analysis company. "If the Chinese want to provide $150 billion bailing out European banks, more power to them."

Officials from the Obama administration said as much this week. On Tuesday, Jay Carney, the White House press secretary, all but shrugged when reporters asked him what the United States planned to do about Prime Minister George Papandreou's surprise call for a popular referendum on a new debt

G-20, PAGE 5

JIM WATSON/AFP

Barack Obama, in contrast with George W. Bush, has always stressed multilateralism.

Europe faces the realities: Sovereignty and consent

PARIS

BY STEVEN ERLANGER

The crisis of the euro zone has finally hit the potholed road of real politics, with the Greek government of George A. Papandreou hanging by a thread in the face of a seemingly endless and increasingly unpopular prescription of economic austerity.

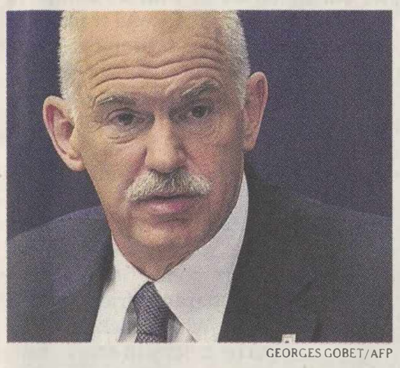
So far, in two years of crisis, there has

NEWS ANALYSIS

been a belief that the need and the desire to remain inside the euro zone and a part of the European Union would trump popular unhappiness in countries like Greece, Ireland, Portugal and Spain.

Now, the political challenge to the pursuit of austerity also threatens European Union pressure on Italy and Spain, especially in a period of flat growth. For two years, the Germany-driven prescription has been steep budget cuts and tax increases in return for loans and aid, even if governments like Greece were pushed into recession.

But if Greece says enough, Europe may have to choose between a smaller euro zone or a softer, longer-term rescue policy that emphasizes growth, which would put new pressure on the European Central Bank to prop up heavily indebted nations.



GEORGES GOBET/AFP

Prime Minister George A. Papandreou has lost credibility with his party and voters.

The dilemma of Mr. Papandreou, who can only promise his people even more cuts in budget, jobs and services at the orders of outsiders, also raises the questions of democratic consent and loss of sovereignty. These have hovered over the crisis like an unpleasant odor. By putting his own government at risk, and by raising the prospect of Greece's first popular referendum since 1974, Mr.

EUROPE, PAGE 4

Chaos in Athens over plan for debt deal referendum

ATHENS

BY NIKI KITSANTONIS AND RACHEL DONADIO

The Greek government was plunged into chaos on Tuesday as lawmakers rebelled against Prime Minister George A. Papandreou's surprise call for a popular referendum on the new debt deal with Greece's foreign lenders.

The lawmakers' revolt and a no-confidence vote planned for Friday raised the prospect of a government collapse that would not only render the referendum plan moot but also probably would scuttle — or at least delay — the deal that European leaders agreed on after marathon negotiations in Brussels last week. That, in turn, could put Greece on a fast track to default and even raises the prospect of the country's exit from the monetary pact of 17 European Union countries sharing the euro.

The political instability in Greece has long dismayed European officials, who fear that it could touch off a financial market panic that could cause a damaging run on other shaky European economies, particularly Italy, which is much larger and is mired in its own political crisis.

European markets plunged on Tuesday after the news from Greece. The euro fell, but stocks in the United States, after an initial sharp loss, leveled off at about 2.5 percent below the opening.

The referendum announcement, which was made on Monday by Mr. Papandreou, took officials and colleagues by surprise.

"The Greeks didn't tell the European institutions, the European Central Bank, the French or the Germans," said a European official speaking on the condition of anonymity because of the sensitivity of the issue, "It's not even clear they told each other."

In an effort to limit the damage, Chancellor Angela Merkel of Germany and President Nicolas Sarkozy of France

GREECE, PAGE 4

COULD ATHENS RETURN TO THE DRACHMA?
It's time to ponder the once unthinkable: that Greece might ditch the euro and return to the drachma. *PAGE 15*

HOPES AND FEARS MIX IN BRITAIN
Britons want an end to the euro crisis, but they worry changes will diminish London's role as a financial hub. *PAGE 16*

REUTERS BREAKINGVIEWS
A collapse of the Greek government and early elections would not be as suicidal as a referendum. *PAGE 19*

ONLINE

IHT Global Opinion, expanded and redesigned

We proudly invite you to visit our newly redesigned and expanded Global Opinion section at **global.nytimes.com/opinion**. In addition to the rich offering of columns, commentaries, articles, political cartoons and editorials from the opinion pages of the International Herald Tribune and The New York Times, the section will be offering a variety of online-only blogs and features giving a global perspective on the main issues of the day. Chief among these is Latitude, on which a team of writers from around the world will be telling their stories and giving their views. Yesterday, it was about the copycat culture in China; today it's on the many micro-revolutions popping up in Cairo; tomorrow it's a visit to Muammar el-Qaddafi's devastated hometown. So take a look, share your comments, and join the global conversation.

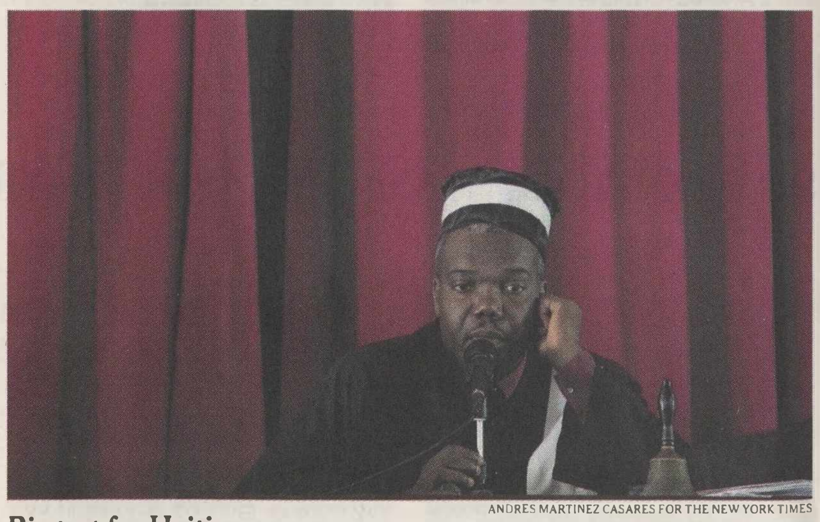
WORLD NEWS

Threat to Afghan supply hub

Kyrgyzstan's new president says he wants to close a U.S. base that has supplied the war in Afghanistan. *PAGE 3*

Homeless join Occupy protests

Food and safety are drawing homeless people to the camps, but divisions have arisen about embracing them. *PAGE 5*



ANDRES MARTINEZ CASARES FOR THE NEW YORK TIMES

Big test for Haiti A trial of 13 police officers on charges including murder will be decided by Judge Ezekiel Vaval, above. He uses a bell instead of a gavel. *PAGE 5*

BUSINESS

Customers' millions missing

U.S. regulators have discovered that hundreds of millions of dollars in clients' money is missing from MF Global, prompting an inquiry into the brokerage firm, which is run by Jon S. Corzine, the former New Jersey governor, people briefed on the matter have said. The recognition that money was missing scuttled a deal for the firm, which has filed for bankruptcy. *PAGE 15*

Time Warner to start pruning

Jeffrey L. Bewkes, the Time Warner chief executive, plans to sell large chunks of the company's prime New York real estate and make other cuts to save $500 million annually, while investing more in programming. *PAGE 15*

Betting firm seeks U.S. return

Bwin.Party, a leading European Internet gambling company, has struck a deal to re-enter the lucrative U.S. market in the event that the United States reverses course and legalizes online betting. *PAGE 15*

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IN THIS ISSUE
No. 40,012

Business 15
Crossword 14
Culture 11
Science 10
Sports 13
Views 8

CURRENCIES NEW YORK, TUESDAY 2:30PM

			PREVIOUS
▼ Euro	€1=	$1.3730	$1.3860
▼ Pound	£1=	$1.5970	$1.6090
▼ Yen	$1=	¥78.250	¥78.200
▼ S. Franc	$1=	SF0.8850	SF0.8770

Full currency rates Page 18

STOCK INDEXES TUESDAY

▼ The Dow 2:30pm	11,711.84	-2.03%
▼ FTSE 100 close	5,421.57	-2.21%
▼ Nikkei 225 close	8,835.52	-1.70%

OIL NEW YORK, TUESDAY 2:30PM

▼ Light sweet crude	$90.67	-$1.98

Chaos in Athens over plan for debt deal referendum

GREECE, FROM PAGE 1

said they would hold emergency talks on Greece on Wednesday with the International Monetary Fund and euro zone leaders. They said they also planned to meet with representatives of the Greek government before a critical meeting of the Group of 20 on Thursday in Cannes.

Mr. Papandreou is to travel to Cannes to attend the meeting, his office said Tuesday. He spoke to Mrs. Merkel by telephone earlier in the day, the statement added, and explained that a decision emerging from the G-20 meeting and the E.U. debt deal for Greece ''should be adopted by the Greek people'' if Greece's austerity program was to be carried out effectively.

Jean-Claude Juncker, the chairman of the euro zone finance ministers, warned that the uncertainty in Athens endangered an €8 billion, or $11 billion, loan that Greece was to receive under the bailout deal and which it urgently needs simply to pay its bills. Mr. Juncker, who is also the prime minister of Luxembourg, added that Greece could face bankruptcy if its citizens voted to reject the bailout deal.

Without that loan payment, salaries of Greek civil servants might dry up within weeks.

In a statement, José Manuel Barroso, the president of the European Commission, and Herman Van Rompuy, the president of the European Council, stood by the debt deal. They said Europe's plans to protect other vulnerable members were ''more necessary than ever, without delay.''

More than any world leader, Mr. Papandreou has been at the forefront of a clash between the limits of democratic government and the fury of world financial markets.

Political analysts and several advisers to Mr. Papandreou said he had sought a referendum as his last best hope to shore up his eroded political capital. They said he wanted to put Greece's fate back in the hands of the Greek people and to force his many opponents — those in his government and in the opposition — to coalesce around the idea that what is at stake is their membership in the euro zone.

"We need to reclaim our country, whatever that entails."

But Mr. Papandreou, who battled in the negotiations over the debt deal to keep as much control over Greece's finances as possible in Athens, may have reached the end of the line.

After weeks of mounting pressure, one lawmaker quit the Socialist Party to become an independent, reducing Mr. Papandreou's majority to 152 seats out of 300 in Parliament. Six other Socialists, who are not lawmakers but are on the governing party's political council, wrote a letter calling on Mr. Papandreou to resign and schedule early elections for a new government with greater political legitimacy.

Together, the developments made it doubtful whether his government would survive a confidence vote planned for Friday.

Meanwhile, the center-right opposition party New Democracy on Tuesday stepped up its calls for early elections. Its leader, Antonis Samaras, has opposed most of the austerity measures that the government accepted in exchange for foreign financial aid. Mr. Samaras has said that if he were in power, he would try to renegotiate the terms of Greece's arrangement with its principal foreign lenders: the European Union, the European Central Bank and the International Monetary Fund.

''Mr. Papandreou, in his effort to save himself, has presented a divisive and extortionate dilemma,'' Mr. Samaras said Tuesday. ''New Democracy is determined to avert, at all costs, such reckless adventurism.''

Mr. Samaras declined to say whether he would ask his 85 members of Parliament to resign, a move that would lead to the dissolution of Parliament and an early election. The next general election was not due until 2013, when the Socialists' four-year term expires. Mr. Samaras is expected to clarify his stance at a meeting of his party's parliamentary group on Wednesday.

European leaders have repeatedly dismissed Mr. Samaras's notion of renegotiating Greece's deal with its lenders, saying that trying to do so would be damaging and would throw away months of work on a plan to keep Greece from defaulting.

In Athens, Mr. Papandreou's political capital has dried up, and he faces intense anger from voters who have been squeezed to the breaking point by the austerity measures demanded by Greece's foreign lenders.

''Papandreou could not take more political punishment,'' said George Kirtsos, a political analyst. ''We have a strange situation: Everyone's cursing the government, and everyone expects the government to do the job by itself — to reorganize the economy, to cut the deficit, to make a deal with the Germans — but at the same time, nobody helps him.''

Many Greek voters say they are tired of hearing about decisions made in foreign capitals and political initiatives that do not represent ordinary Greeks.

''The government is no longer in control — others are calling the shots,'' said Akis Tsirogiannis, 42, who is the father of two and recently lost his job at a furniture workshop in Athens

But Mr. Tsirogiannis said he shared the doubts of many other Greeks that an early election would solve anything.

''The opposition parties are even worse than the government,'' he said. ''They don't have a clue about what needs to be done. They just want to grasp the chance to get into power.''

Mr. Tsirogiannis said he would vote against the debt deal in a referendum, should the government survive to hold such a vote early next year.

''This deal, like all the others, is a life sentence of austerity for Greeks,'' he said. ''The country is being run from the outside — by bankers and the European Union government. We need to reclaim our country, whatever that entails.''

Elsewhere in Athens on Tuesday, frustration ran high.

''It's ridiculous, the minute our E.U. partners decide to help us, our politicians give up,'' said Manos Aspridis, 27, a student of economics at Athens University. ''Why don't they just get on with trying to get the country back on its feet?''

Charged by Europe with dismantling the welfare state they helped create, many of Mr. Papandreou's Socialist members of Parliament say they have also reached their breaking point.

Vasso Papandreou, a prominent member of Parliament and a former minister who is not related to the prime minister, called on the Greek president, Karolos Papoulias, to order the formation of a unity government ahead of early general elections.

''Bankruptcy is imminent,'' she said.

If Mr. Papandreou's government falls, it would not be the first one in Europe to be toppled by the austerity demanded by European debt relief. Governments in Ireland and Portugal collapsed after accepting bailouts from the European Union and the International Monetary Fund. This month, Spain is holding early elections that are expected to remove Prime Minister José Luis Rodríguez Zapatero.

In European stock markets, the Euro Stoxx 50 closed 5.3 percent lower Tuesday; in Germany, the DAX fell 5 percent and in France, the CAC 40 slumped 5.4 percent. In Britain, which is not a member of the euro zone but trades heavily with its Continental neighbors, the FTSE 100 ended down 2.2 percent.

The negative sentiment was exported to Wall Street, where at midday the Standard & Poor's 500 was down around 2.8 percent and the Dow Jones industrial average was down 2.5 percent. The Nasdaq composite index was down more than 2.9 percent, with the early declines pushing the Nasdaq back down for the year and the S.&P. further into negative territory.

The euro was 1.6 percent lower at $1.3637, while yields on 10-year Italian bonds climbed further above 6 percent, an unsustainable level that prompted the European Central Bank to intervene last summer.

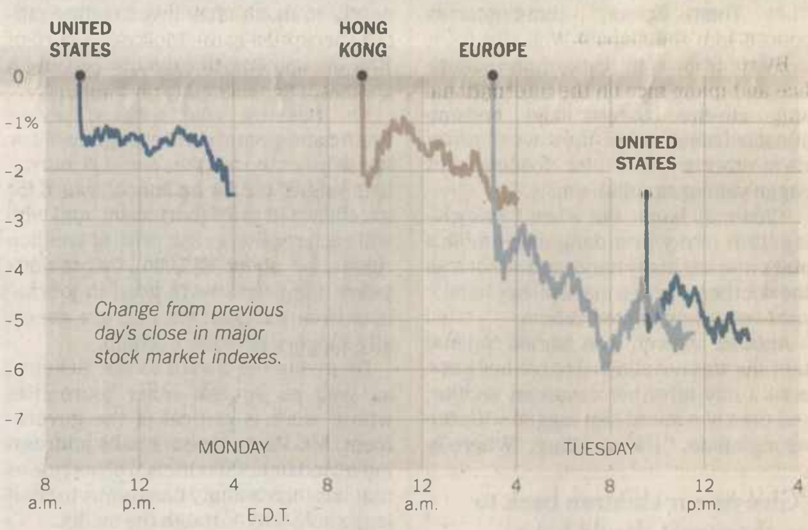
Rachel Donadio reported from Rome. Stephen Castle contributed reporting from Brussels and Christine Hauser from New York.

ALKIS KONSTANTINIDIS/EUROPEAN PRESSPHOTO AGENCY

The Athens Stock Exchange on Tuesday. European markets plunged after the news from Greece. The euro also fell, but stocks in the United States recovered after an initial sharp loss.

Greek drama

The surprise announcement on Monday from Greek Prime Minister George Papandreou seeking a public referendum on its rescue package incited a sell-off in stocks as investors feared a possible default on Greek sovereign debt.



Source: Bloomberg

Euro zone grapples with real politics

EUROPE, FROM PAGE 1

Papandreou is asking Greeks whether their commitment to Europe and its single currency still matters more to them than control over their future.

''This is clearly the return of politics,'' said Jean Pisani-Ferry, director of Bruegel, a Brussels economic research institution. ''The management of all this by the Europeans has been fairly technocratic. But now we see the gamble of a politician, which creates uncertainty again, but in a different form. But it was bound to come at some point.''

Mr. Papandreou, a Socialist, is considered to have been a brave leader, bringing his compatriots to face difficult truths about their society, lax attitude toward taxes and mountain of debt. But he has lost credibility with his base — the trade unions and his own party — and with voters.

''There has been escalating resistance to these austerity measures, which have weakened the government,'' said Costas Panayotakis, a sociology professor at the City University of New York. ''The fact that a second bailout has become necessary is a sign of the first bailout's failure, further fueling the feeling of the Greek public that its sacrifices are leading nowhere.

''The government said the path was hard, but necessary. But that is losing plausibility, because now even the less-bad scenarios look so bad.''

Mr. Papandreou's sudden announcement — which clearly took his annoyed European colleagues by surprise, not to mention his own finance minister — only added to skepticism about the euro deal done in Brussels early last Thursday.

While markets responded happily at first, they were skeptical by Friday and fell again on Monday, even before Mr. Papandreou spoke, said Jean-Paul Fitoussi, professor of economics at Paris's Institute of Political Studies.

The deal itself is not the convincing solution that European leaders had hoped, he said, and it is made even more questionable now by Athens.

The Papandreou dilemma, he added, was an inevitable result of Greece's loss of sovereignty to Brussels and the International Monetary Fund. German Chancellor Angela Merkel and French President Nicholas Sarkozy were acting as if they govern Greece, he said.

''But this is a democracy,'' Mr. Fitoussi said. ''In Greece and even in Italy, you cannot expect to rule without the support and consent of the people. And you can't impose an austerity program for a decade on a country, and even choose for them the austerity measures that country must implement.''

A change of government in Greece, with new elections or through an altered coalition, would not necessarily upend the Brussels deal of a 50 percent reduction in the face value of privately held Greek debt and another €100 million, or $137 million, of aid in return for continued austerity and privatization. There have been changes of government in Ireland and Portugal and, it seems likely, soon in Spain and even Italy without causing undue panic.

"In Greece and even in Italy, you cannot expect to rule without the support and consent of the people."

It would be more complicated if a new Greek government tried to renegotiate its deal with Brussels, the I.M.F. and the European Central Bank, the so-called troika. But even that would not have to mean Greek default.

In fact, Mr. Panayotakis suggested, a new government, given the chaos a Greek default would cause, might use its negotiating leverage better with Brussels to revise the program.

A referendum, of course, is a more dicey proposition and would depend on the question asked.

If it were limited to voting on a particular set of policies, that would be one thing. If it asks Greeks whether they wish to retain the euro, however unlikely, that would be another matter and could lead to a disorderly default and even exit from the European Union itself, since there is no procedure for leaving the euro zone.

Robert Zoellick, head of the World Bank, said in a conference call that the referendum is a ''roll of the dice'' that will heighten uncertainty in financial markets, which will carefully watch the summit meeting of the Group of 20 major economies on Thursday and Friday in Cannes and that a Greek rejection of the package would cause a ''mess.''

But in Germany, where there has been a rich debate over the euro, there was some sympathy for Mr. Papandreou's decision, as a tactical maneuver for a politician backed into a corner. More importantly, there was understanding that ultimately, in a democracy, the will of the people has to count.

''I can understand Papandreou, he needed and was seeking more support from the populace,'' said Norbert Barthle, a member of Parliament from Mrs. Merkel's conservative bloc and spokesman on budgetary issues. ''But it's a very risky approach.''

According to Mr. Barthle, the turmoil did not have to affect the Brussels deal. ''A new government changes nothing; the program stays as it is,'' Mr. Barthle said. If it comes to a referendum, Mr. Barthle said that he hoped ''that the Greeks are aware that their decisions have an effect not only on Greece but on the entire euro currency zone.''

Tanja Börzel, a professor of European Union politics at the Free University in Berlin, said that Europe's wait for the German Parliament to sign off on the agreement ''was democracy — and that also applies to Greece.'' Many believe that when presented with the options, the Greek people will choose austerity measures over the unknown, she said.

Mr. Fitoussi believes that Mr. Papandreou in the end had little choice. ''There are only two possibilities in a democracy: the government has to resign or consult the people,'' he said. ''Of course I don't know which is the worst for Europe.''

Nicholas Kulish contributed reporting from Berlin.

BRIEFLY

Europe

ISTANBUL

3 presidents back inquiry in peace council chief's death

The presidents of Afghanistan and Pakistan met Tuesday in advance of a regional conference on security and economic development in Afghanistan and agreed to a joint inquiry into the assassination of Burhanuddin Rabbani, head of the Afghan peace council.

Germany, France and other Western countries with troops deployed in Afghanistan are sending envoys to show support. Secretary of State Hillary Rodham Clinton had planned to attend, but canceled her trip to be at the side of her mother, Dorothy Rodham, who then died Tuesday in Washington.

President Hamid Karzai of Afghanistan said he, President Asif Ali Zardari of Pakistan and President Abdullah Gul of Turkey had agreed on a joint inquiry. (AP)

LONDON

Reprieve for Occupy London protests

The authorities suspended legal action Tuesday to evict Occupy London protesters camped outside St. Paul's Cathedral after church officials gave the tent city a reprieve. Officials of the City of London Corp. earlier had decided to demand that the protesters leave after the cathedral said Friday that eviction had ''regrettably become necessary.'' (AP)

KIEV

Ukrainian leader reaffirms Europe ties

President Viktor Yanukovich, who has denounced pressure from the European Union to release the jailed opposition leader Yulia Tymoshenko, said Tuesday that moving into the European mainstream remained a priority for his government. The trial of the former prime minister, who was sentenced to prison on charges of abuse of office, has soured ties with the European Union. (REUTERS)

Business
WITH REUTERS

Once unthinkable: The drachma's return

LONDON

Arguments are growing that dropping euro would be best course for Greece

BY LANDON THOMAS JR.

The political upheaval in Athens has suddenly made the once unspeakable — Greek debt default — a distinct possibility.

So now it's time to ponder the once unthinkable: that Greece might ditch its 10-year experiment with the euro and return to its own currency, the drachma.

Such a move is still officially anathema in Athens. But a growing body of economists argues that it would be the best course for Greece, whatever the near-term financial and economic implications. And now, a vocal minority within Greece who have long called for a return to the drachma might find themselves with a growing group of listeners.

"The real problem is that we are operating under a foreign currency," Vasilis Serafeimakis, a senior executive at Avinoil, one of the largest oil and natural gas distribution companies in Greece, said of the euro. In the past year he has been banging the bring-back-the-drachma drum.

"If we had our own currency we could at least print money," Mr. Serafeimakis said. "And what is the worst thing that happens if we do this? I don't get a Christmas gift from one of my bankers."

His voice is still a lonely one.

According to a recent poll in the Greek newspaper Kathimerini, 66 percent of Greeks believe that returning to the drachma would be a negative development for the country. But proponents of a euro exit claim that beneath the surface, more Greeks are beginning to ask questions about staying in the euro — though they are reluctant to do so publicly.

"The view that Greece should exit the euro is more widespread than you would think," said Costas Lapavitsas, a Greek economist at the University of London who has long been calling for a return to the drachma. "It is just that the opposing view is so dominant."

Until now, many Greeks have been wedded to a European identity forged by its embrace of the euro and the wealth that, for a time, came along with it. Talk of returning to the drachma had mainly been held up as an apocalyptic vision rather than a viable policy option.

Abandoning the euro could, at least in the short term, cause a collapse of Greece's banking system, high inflation and an inability to borrow on global financial markets any time soon.

But for a growing number of Greeks, the devastating collapse of the Greek economy is apocalypse enough. There is a growing sentiment, evident from waves of violent street protests, that the seemingly ceaseless pain of austerity that is the price of staying in the euro has become too much to bear.

Prime Minister George A. Papandreou threw down the gauntlet to the Greek people Monday when he surprised the world by announcing a referendum on the latest bailout plan. But it was his finance minister, Evangelos Venizelos, who that same day put the finer point on the question.

"We are operating under a foreign currency. If we had our own currency we could at least print money."

"Are we for Europe, the euro zone and the euro," he asked. Or, he continued, does Greece return to the drachma?

Under the latest bailout proposal from Europe, Greek debt held by private institutions would be written down by 50 percent. In return, as long as Greece stayed on track carrying out painful austerity measures through 2015, Athens would continue to receive more bailout money to finance its remaining debt.

When Mr. Panpandreou brought that tentative deal back with him from Brussels last week, the escalated protests and rioting on Greek streets made it clear that it was not something his people would stand for.

But supporters of a return to the drachma note that the severe budget cuts of the past two years have had the result of almost closing that gap — as long as interest payments on its debt are not counted.

Stripping out interest payments, Greece is expected to register a surplus of 1.5 percent of gross domestic product (compared with a budget deficit of 8 percent of G.D.P., when interest is counted) — which, in effect, would give it the freedom to stop paying its debts.

It is an argument for defaulting on the debt and starting over, in other words. That sense of reborn autonomy is what lies behind the drachma movement that Mr. Serafeimakis is promoting. For more than a year, he has been educating himself about the euro. He has pestered economists and written passionate posts on obscure blogs, convinced that the benefits from a devaluation of Greek's currency, while no doubt painful, will result in a quicker return to growth than more wage cuts and firings.

And a stop-the-euro grass roots movement set up late this summer by an umbrella group of trade unions, academics and businessmen already has 1,000 members, according to Panos Mavroetis, an engineer in the private sector who is one of the group's organizers.

Outside the country, meantime, many prominent voices have argued for more than a year that it is impossible for Greece to regain competitiveness by staying within the euro currency zone.

They include prominent economists like Nouriel Roubini, Kenneth S. Rogoff and Martin Feldstein, as well as the investor George Soros. Various European politicians have also made that case — though, mostly, it should be said, in northern countries like Germany and the Netherlands where Greece's harshest critics tend to be found.

Now, a small but growing band of Greek economists, none of whom are very well known, are beginning to ask the same question: namely, whether the benefit of having a cheap currency under Greek control would outweigh the costs of defaulting on its debt and abandoning the euro.

In a recent paper, Stergios Skaperdas, a Greek economist at the University of California, Irvine, argues that a cheaper drachma will stem imports, bolster ex-

DRACHMA, PAGE 16

Money held for clients is missing at failed firm

NEW YORK

Regulators investigating whether MF Global diverted customer funds

BY BEN PROTESS, MICHAEL J. DE LA MERCED AND SUSANNE CRAIG

U.S. regulators have discovered that hundreds of millions of dollars in customers' money is missing from MF Global in recent days, prompting an investigation into the brokerage firm, which is run by Jon S. Corzine, the former New Jersey governor, several people briefed on the matter have said.

The recognition that money was missing scuttled at the 11th hour an agreement to sell a major part of MF Global to a rival brokerage firm. MF Global had staked its survival on completing the deal. Instead, the firm filed for bankruptcy Monday.

Regulators are examining whether MF Global, which is based in New York, diverted customer funds to support its own trades as the firm teetered on the brink of collapse, the people briefed on the matter said Monday.

On Tuesday, CME, the giant exchange where MF Global did business until Monday, said it was investigating the missing funds, joining U.S. government regulators like the Commodity Futures Trading Commission. Using special permission from regulators, CME was planning to take the unusual step of returning to MF Global's customers, or their brokers, whatever money remains in their account, without returning any of the collateral to MF Global.

"While we are unable to determine the precise scope of the firm's violation at this time, we are investigating the circumstances of the firm's failure," CME's chief executive, Craig S. Donohue, said Tuesday.

The discovery that money could not be located might simply reflect sloppy internal controls at MF Global. It is still unclear where the money went. At first, as much as $950 million was believed to be missing, but as the firm sorted through its bankruptcy, that figure fell to less than $700 million by late Monday, the people briefed on the matter said. Additional funds are expected to trickle in over the coming days.

One of the basic duties of any brokerage firm is to keep track of customers' accounts on a daily basis.

But the investigation, which is in its earliest stages, may uncover something more intentional and troubling.

In any case, the unaccounted-for cash could violate a fundamental tenet of Wall Street regulation: Customers' funds must be kept separate from company money. One of the basic duties of any brokerage firm is to keep track of customers' accounts on a daily basis.

Neither MF Global nor Mr. Corzine has been accused of wrongdoing. Lawyers for MF Global did not respond to requests for comment. The inquiry threatens to tarnish further the reputation of Mr. Corzine, the former Goldman Sachs executive who sought to revive his Wall Street career last year, a few months after being defeated for re-election as New Jersey governor.

When he arrived at MF Global — after more than a decade in politics, including a period spent serving as a Democratic U.S. senator from New Jersey — Mr. Corzine sought to bolster profit by increasing the number of bets the firm made using its own capital. It was a strategy born of his own experience at Goldman, where he rose through the ranks by building out the investment bank's formidable U.S. government bond trading arm.

One of his hallmark traits, according to the 1999 book "Goldman Sachs: The Culture of Success," by Lisa Endlich, was his willingness to tolerate losses if the theory behind the trades was well thought out.

He made a similar wager at MF Global in buying big holdings of debt from Spain, Italy, Portugal, Belgium and Ireland at a discount. Once Europe had solved its fiscal problems, those bonds would be very profitable.

But when that bet came to light in a regulatory filing, it set off alarms on Wall Street. While the bonds themselves have lost little value and mature in less than a year, MF Global was seen as having taken on an enormous amount of risk with little room for error, given its size.

The collapse of MF Global underscores

BROKER, PAGE 17

Moving into a gambling market that's not yet legal

PARIS

Bwin.Party strikes deal to re-enter U.S. market if Web betting authorized

BY ERIC PFANNER

A leading European Internet gambling company has struck a deal to re-enter the lucrative U.S. market in the event that the United States reverses course and legalizes online betting.

Bwin.Party Digital Entertainment, which bills itself as the world's largest publicly traded online gambling company, said late Monday that it had agreed to create a joint venture with two U.S. casino operators, MGM Resorts International and Boyd Gaming. Under the deal, the companies would create gambling sites under Bwin.Party brand names like PartyPoker and World Poker Tour.

The agreement is subject to the passage of legislation, at the national or state level, to authorize online gambling. The U.S. government moved to stamp out online gambling in 2006, enacting a law banning financial transactions related to Internet betting.

Before the ban, PartyGaming, which recently merged with Bwin Interactive Entertainment to form Bwin.Party, was the biggest online gambling provider in the United States. In 2006, PartyGaming pulled out of the country, leaving the market to a variety of unlicensed operators based offshore. In April, the U.S. Justice Department charged the founders of several of these sites, including PokerStars and Full Tilt Poker, with fraud, money laundering and other offenses.

Yet online gambling executives are optimistic that the United States will eventually move to legalize and regulate online gambling, which analysts say still generates billions of dollars' worth of bets, despite the official ban.

Meanwhile, a number of European countries have moved to legalize, license and regulate online gambling. That has given European operators like Bwin.Party, based in Gibraltar, an edge over U.S. casino companies in the development of online gambling technology. Under the agreement, Bwin.Party, whose shares are traded on the London Stock Exchange, would own 65 percent of the joint venture and would supply the gambling software. In addition to using the Bwin.Party names, MGM and Boyd would be permitted to set up sites using their own brands.

MGM and Boyd, which would own 25 percent and 10 percent, respectively, of the venture, would provide something else that analysts consider essential to the viability of any online gambling business in the United States: American addresses.

"The assets that MGM and Boyd are contributing to this venture, first and foremost, are their regulatory expertise," said Jim Ryan, co-chief executive of Bwin.Party, during a conference call with analysts. "U.S.-based operators are the ones that will secure licenses in the event of legalization."

While legislation to authorize Internet betting has been proposed several times in Congress, there has been no breakthrough. Lawmakers in several U.S. states, with an eye on the potential revenue from regulated and taxed online gambling, have also proposed legislation.

DANIEL ACKER/BLOOMBERG NEWS

Time Warner Center in New York, above, is an "indulgence" and a sign of past mistakes, said Jeffrey Bewkes, the Time Warner chief, who is eager to sell much of its office space.

Time Warner's chief takes out the shears

NEW YORK

Media firm plans to save $500 million yearly and invest in programming

BY AMY CHOZICK

The sprawling taupe-colored offices of Jeffrey L. Bewkes, Time Warner's chairman and chief executive, overlook Central Park from the 11th floor of one of New York's most plum pieces of commercial real estate. Mr. Bewkes cannot wait to move out.

To him, the company's corporate headquarters in the gleaming towers of the Time Warner Center are an "indulgence," a big reminder of mistakes made by the company, one of the largest media conglomerates in the world. "There was a burgeoning overhead reaching $500 million a year, including this edifice you're sitting in," Mr. Bewkes said.

Time Warner, one of the largest commercial tenants in New York City, is now studying how to consolidate most of its four million square feet, or 372,000 square meters, of office space. That will most likely mean finding new headquarters in a less expensive location and vacating the Time Warner Center, the Time & Life building at Rockefeller Center and many of its remaining 13 buildings in the New York area. The company estimates that cutting back on its real estate footprint could save as much as $150 million a year.

The real estate actions are part of a larger effort to slim down the company, which many investors say became bloated during the acquisition frenzy of the past decade, when media companies raced to acquire expensive Internet companies. The failure of the AOL-Time Warner merger in 2000, widely considered one of the worst corporate combinations of all time, and other debacles in the industry like News Corp.'s $545 million loss on MySpace, have motivated media companies to rebalance.

"For every action, there's an equal or opposite reaction," said Benjamin Swinburne, an analyst with Morgan Stanley. "The conglomerate-building of the 2000s, which peaked with AOL-Time Warner — well, this is the reaction."

Barry M. Meyer, chairman and chief executive of Warner Brothers, said the trend toward major corporate expansion had pushed companies "to tack on new businesses that were kind of adjacent." That strategy, he said, "diffused efforts rather than focusing them."

These lessons have taken hold under Mr. Bewkes at Time Warner, which owns Time Inc.; Home Box Office, or HBO; Turner Broadcasting stations like CNN, TNT and TBS; and Warner Brothers. The company also plans to consolidate shared services like human resources and information technology.

The cost-reduction measures are expected to save $500 million annually starting in the next several years, and are meant to help Time Warner afford a bigger investment in content — the television shows, movies, sports and news that drive revenue. Spending on content has risen 7 percent since 2008 as Time Warner has shed costs in other areas, the company said.

"The idea is to take money being spent on insignificant things out, and put it into significant things, which are programming, journalism and digital translations of our products," Mr. Bewkes said.

On Wednesday, Time Warner will release its third-quarter results. In the second quarter, which ended in August, the company reported its highest growth rate since 2007 and revised earnings up slightly for the year.

Efforts at big media companies to slim down are partly a matter of survival. In recent years, fast-growing Internet companies like Groupon, Facebook and Netflix, recent bumps notwithstanding, have made old media companies seem stodgy and oversize, and with sagging stock prices to prove it. Costly mistakes have compounded the problem and accelerated the desire to shed assets that are not core to their businesses.

Mr. Bewkes took over Time Warner in 2008 and the next year spun off Time Warner Cable. Also in 2009, he completed the spinoff of AOL and vowed to make Time Warner a purely content-driven company. He dissolved NewLine, a movie production company, into Warner Brothers, which resulted in about 600 layoffs. In 2003, as chairman of Time Warner's entertainment and networks group, Mr. Bewkes brokered the $2.6 billion sale of Warner Music Group.

Real estate consolidation represents a major initiative for Warner in the years ahead. Leases on several of its New York office buildings will expire in 2017; the company said it would be willing to break longer-term leases.

"The idea is to take money being spent on insignificant things out, and put it into significant things."

In September, Time Warner said it would open a 500-employee office next year in Tampa, Florida, mostly for human resources, payroll and information technology functions. Florida will provide $3.15 million in state and local tax incentives. Analysts say the reshuffling could result in hundreds of layoffs; the company declined to comment on the matter.

Last year, Time Warner and CBS reached a $10.8 billion, 14-year deal that allows Turner networks to show some games from the men's N.C.A.A. basketball tournament. The company also introduced a service called HBO Go that gives HBO subscribers access to the channel's shows via the Internet.

The budget for HBO programs, which drive subscriptions to the premium cable channel and sell internationally, has risen at least 13 percent since 2006. Next year, HBO will have 14 original series, its highest number ever, including expensive dramas like "Boardwalk Empire."

"That level of increase, which others might think aggressive, was against a tough economic backdrop," said Bill Nelson, chairman of the network.

Still, Mr. Bewkes has been criticized by investors for his slow embrace of digital streaming deals. He advocates making television and movies accessible over the Internet only to viewers who already pay for a monthly cable or satellite subscription, an idea he calls "TV Everywhere."

The caution in embracing digital deals is primarily meant to protect Time Warner's profitable advertising-supported cable channels, particularly TBS and TNT, but those assets have an uncertain future, analysts say. Ratings at TBS, TNT and CNN are down in recent years, according to Nielsen, the global analytics and information company.

Time Warner shares have gained 7.6 percent over the past year, to $34.99. They have outperformed Walt Disney, which dipped 3.5 percent for the year but lagged behind Viacom, which rose 13.5 percent.

In emphasizing content, Mr. Bewkes is drawing on his experience at HBO, where as chairman and its chief executive from 1995 to 2002 he oversaw the pay-cable network's push into original programming. Additional spending resulted in lucrative assets like "Sex and the City" and "The Sopranos."

"The success of the media business isn't going to be determined primarily by cost-cutting," Mr. Bewkes said. "The cost structure simply gives you the gasoline to invest."

Credit Suisse posts profit but cuts jobs

LONDON

BY MARK SCOTT

Credit Suisse, one of the two largest banks in Switzerland, said Tuesday that its net profit rose 12 percent in the third quarter even as it announced a further 1,500 job cuts as the result of a weak global economy and continued volatility in the financial markets.

The bank posted net earnings in the three months through September of 683 million Swiss francs, or $770 million. The announcement missed market expectations; analysts surveyed by Reuters had predicted a net profit of 1.1 billion francs.

Earnings were bolstered by a 1.4 billion franc accounting gain on Credit Suisse's own debt, which helped offset falling returns from its investment banking, asset management and private banking operations.

Credit Suisse had already announced 2,000 job reductions in July as part of a cost-cutting effort; the new layoffs were expected to contribute to a one-time cost saving of 2 billion francs by the end of 2013, the bank said.

"During the third quarter we experienced a challenging environment with a high degree of uncertainty, low levels of client activity across businesses and extreme market volatility," the Credit Suisse chief executive, Brady W. Dougan, said. "We believe subdued economic growth and the low-interest-rate environment and increased regulation that we are seeing may persist for an extended period."

Mr. Dougan said the 1,500 additional job cuts were the result of a reorganization of the bank's operations, including a reduction in its investment banking activities and an expansion of its wealth management business.

Credit Suisse is the latest European bank to report less-than-impressive earnings linked to the Continent's sovereign debt crisis. Last week, Banco Santander of Spain reported a 13 percent drop in nine-month net profit, and UBS said its earnings fell 39 percent in the third quarter from a year earlier, weighed down by a trading scandal that cost the bank $2.3 billion.

The bank also said it had set aside 478 million francs in its private banking division to offset legal costs related to tax evasion charges in the United States and Germany.

Like the rest of the European banking sector, Credit Suisse has been hit by volatility in the Continent's financial markets and ongoing uncertainty related to the sovereign debt crisis.

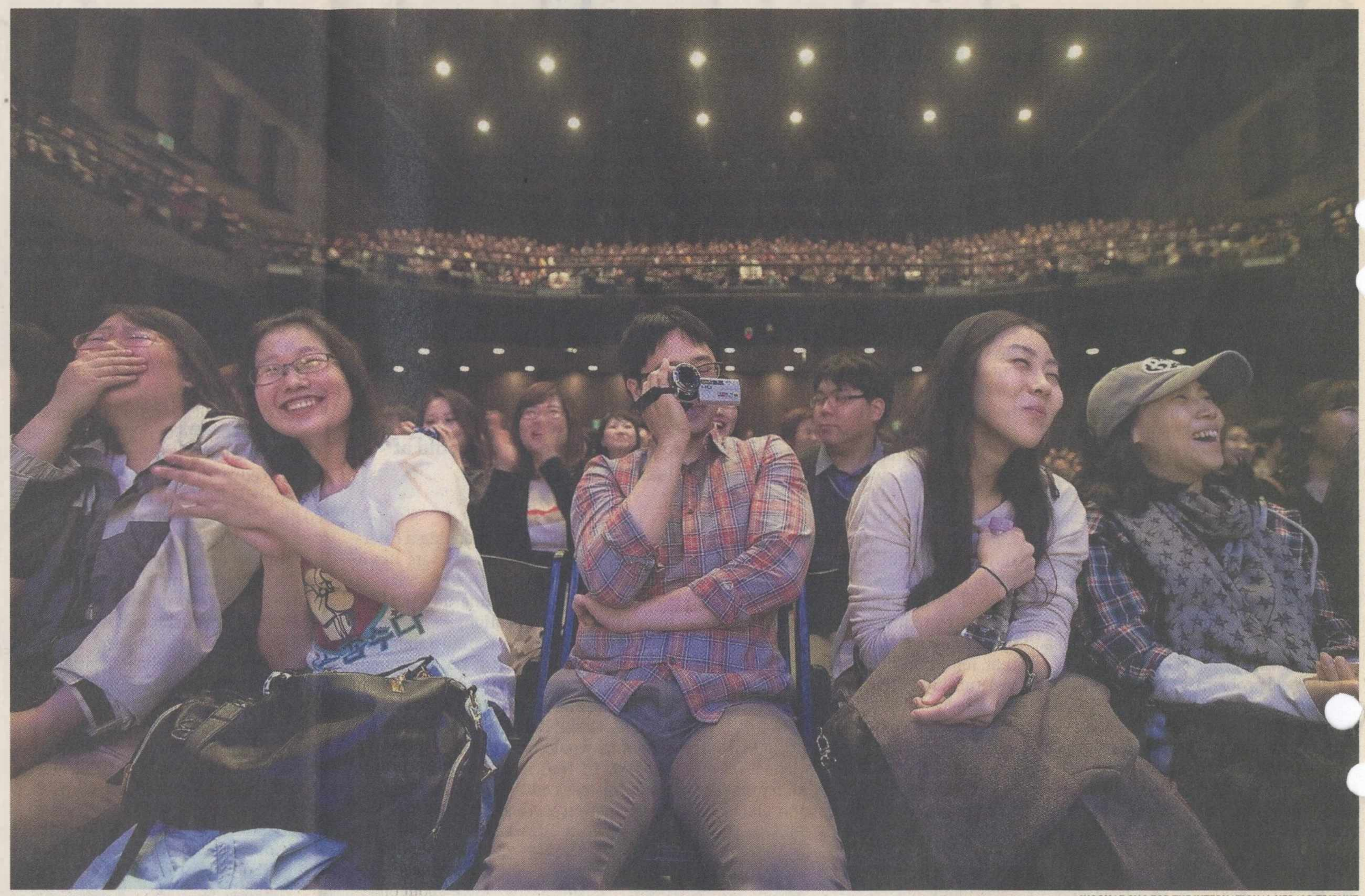
The bank's core Tier 1 ratio, a measure of its ability to withstand financial shocks, was 10 percent at the end of September. Banks in the euro zone are being required to raise their ratio to 9 percent to protect against exposure to the debt of countries at risk.

A lightning rod for South Korea's disenchanted

SEOUL

Podcast mocking leader is outlet for youth anger, and its hosts are heroes

BY CHOE SANG-HUN



WOOHAE CHO FOR THE INTERNATIONAL HERALD TRIBUNE

Fans of Naneun Ggomsuda, the satirical program, at an offline "concert" in Seoul last weekend. Devotees packed a 1,600-seat auditorium in Seoul to see the show's four hosts.

Once a week, the four men sit around in a rented studio, laughing, blurting occasional expletives and making fun of the South Korean leader, President Lee Myung-bak. Then they post a recording of their talk online.

Their podcast is the most popular in South Korea, with each session logging as many as two million downloads.

The four men "dedicate" their show to Mr. Lee, or "His Highness." But they call their talk show Naneun Ggomsuda, or "I'm a petty-minded creep," borrowing a nickname that Mr. Lee's most vociferous critics apply to the president.

"We try to entertain people by raising all kinds of allegations against His Highness. We offer data to support them, but what really matters is our attitude," said Kim Ou-joon, 43, the show's leader. "We believe that His Highness's conservative regime has intimidated people."

"So," Mr. Kim continued, "we tell our audience: 'Let's not be intimidated! Let's say whatever we want, even if we're thrown into jail tomorrow.'"

Holding signs that said, "Let's not be intimidated!" young people packed a 1,600-seat auditorium in Seoul last Saturday when Mr. Kim and his three colleagues held their first offline "concert." When the concert opened, the fans screamed, chanting their heroes' names.

The men's popularity provides the latest evidence of a political awakening among younger South Koreans amid a rising cost of living, shrinking job prospects and their distrust of Mr. Lee and the country's conservative mainstream news media. In the Oct. 26 mayoral election in Seoul, the independent opposition candidate, who won, took in nearly three times as many votes from people in their 20s, 30s and 40s as the government-backed candidate, exit polls showed.

"They channel our anger at the government; it's a catharsis," You Hae-young, a 34-year-old fan, said of the show.

With his unruly mustache and wild hair, Mr. Kim has commanded a cult following since 1998, when he began Ddanzi Ilbo, a political parody Web site. His latest podcast production, known by its Korean acronym, Na-ggom-su, has made his team a force every political party must reckon with.

Leaders of both governing and opposition parties have been guests on the show. When two opposition candidates in the Seoul mayoral race came under pressure to consolidate their campaigns behind a single candidate, they fought it out on Na-ggom-su.

For their latest recording, the team invited Kim Yong-ok, a philosopher who called Mr. Lee "a tragedy for our nation" and South Korea "an effective colony of the United States." The show replayed an audio clip in which the philosopher said he was "not convinced even 0.0001 percent" when the government announced last year that the sinking of a South Korean warship that killed 46 sailors was caused by a North Korean torpedo attack.

> "We tell our audience: 'Let's not be intimidated! Let's say whatever we want, even if we're thrown into jail.'"

Mr. Kim started Na-ggom-su in April.

The most talkative of his three partners is Chung Bong-ju, 51, a former lawmaker. He cuts off the others in midsentence and punctuates almost every statement with a laugh he himself calls "silly." He confesses to having "the intelligence of an orangutan" and spending hours each day searching for his name on the Internet. He promotes himself as "a great politician with a beautiful soul and fatally attractive." He mentions his soon-to-be-released book every chance he gets.

"I'm a clown," he said during one of his rare serious comments. "I speak and act on people's behalf."

Often begging Mr. Chung to "shut up" is Choo Chin-woo, 38, an investigative journalist with the newsweekly SisaIN. His muckraking has driven his pet enemy, the country's leading Protestant churches, to call him "Satan's reporter."

"These days, I am going after one man and one man only: His Highness," he said during an interview.

Often caught dozing during the show is Kim Yong-min, 37, a former radio commentator. Schooled in a Christian seminary and nicknamed "the preacher's fat son" — his father is a preacher — Mr. Kim sways his girth and belts out songs mocking Mr. Lee to the tunes of church hymns. The president is an elder at one of the major Protestant churches in Seoul.

Recently, the four men began acknowledging another regular: the aging air-conditioner in their studio that often kicks in with a loud wheezing noise, prompting Mr. Chung to shout: "Shut up, I'm talking!" The machine has its own fan Web site, as do the human hosts.

The four men meet about 10 minutes before their recording starts and proceed without a script. They raise sensational allegations against Mr. Lee and his aides but couch them in phrases like "It is possible to conjecture. ...," "There is enough circumstantial evidence to suggest. ..." and their favorite: "Of course, we don't believe that His Highness would have committed such a nefarious deed."

But they pull no punches once they lock onto a target.

Mr. Choo reported that Na Kyung-won, the governing party's candidate in the Seoul mayoral race, frequented a luxury skin care clinic with an annual membership fee of 100 million won, or $90,000. Ms. Na acknowledged using the clinic but denied membership. Still, in an election in which the gap between rich and poor was an issue, Mr. Choo's report proved explosive. Ms. Na has sued the program for libel, and the police are investigating.

Mr. Choo was also the first to report recently that Mr. Lee had bought an expensive piece of real estate in Seoul under his son's name to build his retirement residence. During the concert, he also played what he said was a recording of a female Korean-American lawyer describing an extramarital affair with the president before his 2007 election.

Mr. Lee's office confirmed the property purchase but denied it had involved any wrongdoing. Otherwise it declined to comment on Na-ggom-su or Mr. Choo's reports. Hong Joon-pyo, chairman of Mr. Lee's Grand National Party, who recently attended the show as a guest, said: "This is a necessary outlet for young people's anger."

Its popularity follows renewed efforts by the government to prosecute people for posting pro-North Korean and potentially libelous items on the Internet, a crackdown government critics say is aimed at intimidating them. A series of television and radio talk show hosts who have recently lost their jobs indicated that they were forced to resign under political pressure because of their criticism of the government.

"Na-ggom-su scratches people's back where it itches, talking about things they are curious about but can't find in the mainstream media," Professor Kim said.

Shin Chang-shik, a university student, said he liked Na-ggom-su because it addressed issues young people cared about, like tuition fees rising faster than inflation and the difficulty of finding a job.

But Kim Jin-kook, the lead editorial writer at JoongAng Ilbo, one of the three conservative dailies that Na-ggom-su criticizes, said the show "blurs the lines between fiction and nonfiction, commentary and comedy."

Mr. Kim, the Na-ggom-su host, admitted that much of what his program said was "in a conjecture stage."

"And yes, we are biased," he added, with an expletive followed by a ringing laugh. "But there are so many things that the mainstream media think they have the power not to report, and I want to circulate them."

Crisis holds both hopes and fears for Britain

LONDON

London wants solution but worries about losing its role as financial hub

BY JULIA WERDIGIER

YVES HERMAN/REUTERS

David Cameron, center, with Donald Tusk of Poland and Angela Merkel of Germany. Mr. Cameron was not invited to a dinner of euro zone leaders in Brussels last week.

Even as Britain hopes for an end to the debt crisis plaguing the euro zone, it also fears an outcome that might threaten its influence in the European Union and London's role as a financial center.

And the broad market sell-off Tuesday on news from Greece only makes that outcome more uncertain.

Before this latest jolt to the euro zone, the British prime minister, David Cameron, was already in a delicate dance, trying to defend his relevance in the European Union while trying to sidestep politicians and policy makers in London who would just as soon pull out of the Union altogether.

Notably, Mr. Cameron, as prime minister of one of the 10 E.U. member states that do not share the euro as a currency, was not invited to dine with government leaders of euro nations in Brussels last week. And he was excluded from the talks on how to save the single currency. Those were significant snubs.

But Britain's concerns go far beyond dinners missed and meetings not attended.

There is a growing fear in London that a closer fiscal union among the 17 countries that share the euro, if such a consolidation is an eventual outcome of the crisis, would curb Britain's influence on decisions that could affect the British economy.

The outline of a rescue plan that the euro zone leaders agreed to last week would result in "more meetings alone," Mr. Cameron said Friday during a trip to Australia. The 17 nations that share the euro, he said, could possibly create a united voting block vis-à-vis the remaining 10 members of the Union.

"It is very important that the institutions of the 27 are properly looked after and that the commission does its job as the guardian of the 27," Mr. Cameron said. The "crisis means that greater fiscal integration in the euro zone is inevitable, but this must not be at the expense of Britain's national interest."

In some ways, analysts say, Britain has more at stake in the crisis than the other nine E.U. members that do not share the euro — a group that includes Denmark, Poland and Sweden. Britain, after all, is home to Europe's largest financial center, a crucial part of Britain domestic economy.

At the same time, the British economy is tightly linked with the Continent. As a bloc, the euro zone nations, led by France, Germany and Italy, are by far Britain's largest trading partner.

"The fear is that a strong caucus of euro zone members would say, Here's what we want and we'll push it through," said Iain Begg, a professor at the London School of Economics.

But some economists argue that such concerns are overblown, saying Britain's voice would continue to be an important one in E.U. decision making. Fanning such fears to the contrary, they say, mainly serves the ambitions of the British politicians and policy makers who would prefer that Britain leave the Union.

It only further stoked Britain's anti-E.U. contingent when word emerged that Mr. Cameron had been chided by the French president, Nicolas Sarkozy, at the Brussels meetings for trying to get too involved. "You've lost a good opportunity to shut up," Mr. Sarkozy told Mr. Cameron according to an exchange leaked by British officials and not denied by France. "We're sick of you criticizing us and telling us what to do. You say you hate the euro, and now you want to interfere in our meetings."

Mr. Cameron, who wants Britain to remain in the Union, but under better terms, faced a rebellion in his own Conservative Party last week. Several members ignored his orders and voted in favor of calling a referendum on Britain's E.U. membership. The referendum plan was eventually rejected in Parliament, but Mr. Cameron was criticized by some of his own party members for not pushing Britain's interests enough in Brussels.

Mr. Cameron also faces pressure from his more pro-E.U. coalition partner, the Liberal Democrats. Nick Clegg, the Liberal Democrat who is deputy prime minister, warned that any attempt by Britain to leave the Union would be "economic suicide" and that Britain's interests are best served by a "united and liberal Europe."

"Euroskeptics tend to gaze longingly across the Atlantic, but the Americans are interested in us, in large part, because of our sway with our neighbors," Mr. Clegg wrote in an article in the British Sunday newspaper The Observer last week. "We stand tall in Washington because we stand tall in Brussels, Paris and Berlin."

The E.U. president, Herman Van Rompuy, said in the run-up to the meetings in Brussels last week that he was fully aware of the concerns and "all the sensitivities of the relationship between the 27 and the 17 member states, so my intention is to have this exchange of views if possible each time before the euro summit meetings."

Much of the British anxiety focuses on the City, London's financial center and a hub for Europe's hedge funds, derivatives trading and other investment banking activities. About 70 percent of global euro bond trading occurs in London, which is also a major global center for foreign exchange transactions and derivatives trading.

"In London, E.U. legislation is increasingly seen as a threat to the City," said Philip Whyte, a senior research fellow at the Center for European Reform in London. But the Continent does not always hold London traders in high regard. "There is a perception in Europe that the City was too big and responsible for some of the financial crisis," Mr. Whyte said.

Some euro zone members have started to push for an E.U.-wide tax on financial transactions to limit speculation and raise additional funds, an idea Britain strongly opposes — unless it were a worldwide mandate — for fear of hurting London's competitiveness in global finance. The tax proposal is to be presented to E.U. finance ministers on Nov. 8.

Wolfgang Schäuble, Germany's finance minister, said in an interview with The Financial Times on Monday that even if Britain blocked the agreement on such a tax in the full Union, the euro zone should press ahead on its own. Mr. Schäuble said he was aware of Britain's opposition "but it would be wrong to say it is hopeless before we have even discussed it."

Talk of drachma's return begins to gain traction

DRACHMA, FROM PAGE 15

ports and crucially, give Greece the flexibility to control its own monetary policy and ease the contractionary effects of fiscal retrenchment.

Mr. Skaperdas concedes that getting this view across remains a difficult one as many Greeks find it difficult to accept that their euro dream might be over.

"For most Greeks, including economists, adopting the euro was like marrying a dream spouse — beautiful, intelligent, caring, even rich," he said. "And then, rather suddenly, the marriage turned into a nightmare."

To be sure, a euro divorce would carry substantial costs, most profoundly an immediate run on Greek banks. That is why mainstream Greek economists insist that there will be no such outcome.

"There is no way that Greece leaves the euro — this will take us back many years," said Yannis Stournaras, an influential Athens-based economist who has advised past governments. "We would have a disorderly default, the debt would double, it is out of the question."

Drachma opponents also point out that a quick-fix devaluation would harm the large number of Greek exporters that rely on imported machinery to produce their goods.

> **At stake is a default on Greek debt and starting over.**

But in a recent study, Theodore Mariolis, an economist at Panteion University in Athens, argues that the No.1 problem for Greece under the current currency system — beyond debt sustainability, unemployment and the problems of a mismanaged public sector — is its international competitiveness, which he says has declined 30 percent since the country embraced the euro.

Mr. Mariolis estimates that the 50 percent devaluation of the new drachma would soon restore this competitiveness gap.

The views of Mr. Mariolis and Mr. Skaperdas have remained within the narrow confine of academia.

Other economists, like Theodore Katsanevas, a divorced brother-in-law of Mr. Papandreou, the prime minister, have taken a more aggressive approach by pushing their drachma solution on Greek television.

"A Greek hotel room is two times as expensive as one in Turkey," he said, ridiculing the notion that the steep wage cuts and public-sector firings that are being demanded by Europe and the International Monetary Funds will restore competitiveness. "We are almost dead now — what we need is a resurrection."

That the drachma might be the key to such a rebirth for Greeks is by no means a given. But Mr. Katsanevas insists that his message is sinking in. And during a half-hour interview at a popular Athens cafe last month, Mr. Katsanevas was interrupted on three separate occasions by people who had seen him on TV and urged him to keep up his pro-drachma crusade.

In many ways the drachma's most passionate and well-known local proponent is also its most controversial.

For the past two years, the Greek media magnate George Kouris has used his flagship tabloid, Avriani, to run a relentless campaign that argues Greece is best off leaving the euro for the drachma.

Owner of the country's leading evening news channel, Mr. Kouris is a diehard opponent of Mr. Papandreou and has been accused of pushing for the drachma as a means to wipe out his group's significant euro debts, a charge he denies. Seventy-four years old, with an impish grin, he is in every way a maverick. One of his ideas is to try to find a way to use Greece's ever-present sunshine as a form of collateral to back new borrowing.

But he is insistent that the only way forward is for Greece to return to an earlier time. "The people who now support the euro are the people that put us into it, made us a sick country," he said. "Before the euro a bottle of water was 50 drachmas, now its €1.70. It is a tragedy." At that price, it would be nearly 580 drachmas.

Eleni Varvitsiotí contributed reporting from Athens.