

World News

EUROPE

Greece and Italy scramble to push through reforms

ATHENS

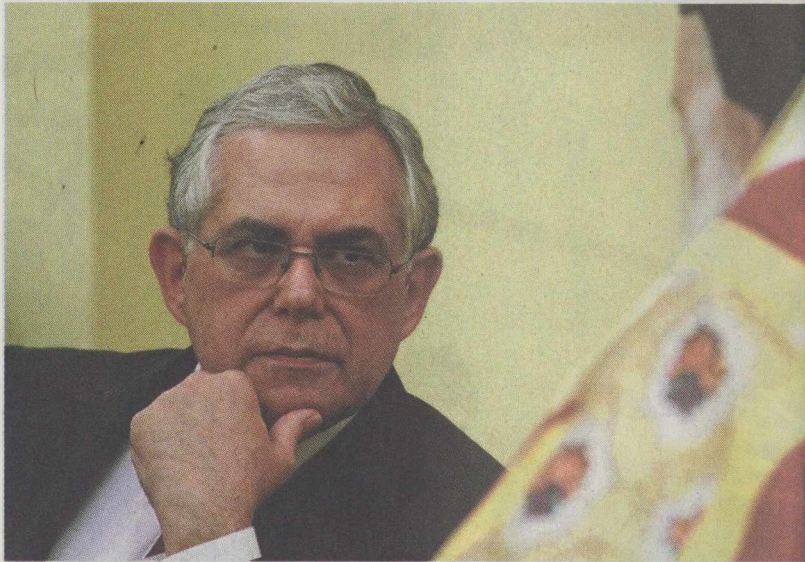
BY NIKI KITSANTONIS
AND GAIA PIANIGIANI

With Europe under growing pressure to act quickly to tackle its debt crisis, the leaders of Greece and Italy moved forcefully on Friday to reinvigorate their governments and show their sincerity about economic austerity. Financial markets rallied on the news.

In Athens, Lucas Papademos, the prime minister-designate chosen by the three parties in a new coalition, introduced his cabinet choices, who were sworn in by midafternoon. Finance Minister Evangelos Venizelos — the public face of the country's austerity effort — will remain in his post, as will other important ministers of the outgoing government of George A. Papandreou, the former prime minister. Mr. Papademos also brought in several members of opposition parties.

"With the unity of all people, we will succeed," Mr. Papademos, a prominent economist and former vice president of the European Central Bank, told Mr. Papandreou.

In Rome, the Italian Senate approved a package of austerity measures, a first step toward easing Prime Minister



KOSTAS TSIRONIS/BLOOMBERG NEWS

Lucas Papademos, the new prime minister of Greece, at his swearing-in ceremony on Friday in Athens. "With the unity of all people, we will succeed," Mr. Papademos said.

Silvio Berlusconi from office. To speed the process in the Italian Senate, opposition lawmakers refrained from voting, allowing the legislation to pass by a margin of 156 to 12.

The uncommon burst of activity will

enable Italy's lower house to complete parliamentary approval of the package on Saturday.

Mr. Berlusconi promised this week to resign once the measures were approved, permitting a new leader to be

appointed as the head of a technocratic government. He is expected to step down either Saturday or Sunday.

Mario Monti, a former European commissioner, has been widely mentioned as a likely front-runner, and he could take over as early as Monday.

Days of political turmoil spurred bond markets this week, pushing the cost of borrowing in Italy to levels that economists regard as unsustainable. Those rising costs pressured politicians. The yield on Italy's 10-year bond, which had gone above 7 percent at the height of the crisis, eased back to about 6.6 percent Friday.

By other measures, the promised changes in Greece and Italy heartened investors as well: The leading stock market indexes in Britain, France and Germany all gained on Friday, and the rally extended to Wall Street. In foreign exchange trading, the value of the euro rose to nearly \$1.37 from \$1.35 the day before.

The new Greek government is charged with securing crucial rescue funding for the country and restoring the confidence of the Greek public and the country's foreign creditors. It includes members of the center-right New Democracy party and the right-wing Popular Orthodox Rally party, or Laos. A number of key financial posts,

however, remain under the control of the Socialist PASOK party.

A ceremony to swear in Mr. Papademos and his new cabinet was delayed two hours as members of the three parties negotiated their course of action, with the goal of ensuring the stability of efforts to put the country's financial house in order while at the same time creating a consensus to impose new austerity on a public weary of endless cutbacks and tax hikes.

The swearing-in ceremony triggered the start of a debate in the Greek Parliament that is scheduled to conclude with a confidence vote on the new government on Tuesday.

Mr. Venizelos was kept in place, as were Education Minister Anna Diamantopoulou, Health Minister Andreas Loverdos, Environment and Energy Minister George Papaconstantinou, Development Minister Michalis Chrysochoidis and several others. Tasos Yiannitsis, a PASOK member, was named interior minister.

The center-right New Democracy contributed a total of six party members to the new cabinet, notably Stavros Dimas and Dimitris Avramopoulos who assume the posts of foreign and defense minister respectively.

Just as the swearing-in was taking

place in Greece, a similar reshuffling was taking shape in Italy.

In Rome, to prolonged applause from other lawmakers, Mr. Monti took a seat in the upper house for the first time on Friday after he was appointed a senator for life.

Mr. Monti has already held talks with President Giorgio Napolitano and the speaker of the Senate, strengthening speculation that he is the leading candidate to succeed Mr. Berlusconi.

The legislation approved by the Senate on Friday is aimed at reducing Italy's €1.9 trillion, or \$2.6 trillion, public debt and boosting growth, but the European Union has already said that Italy will need to take further measures.

During a scheduled official visit to Italy on Friday, the European Council president, Herman Van Rompuy, said near Florence that the crisis that affects the euro, "the material and symbolic heart" of the European Union, is an "existential" threat that needs to be overcome.

Speaking about Italy's political crisis, he added that "the country needs reforms, not elections."

Gaia Pianigiani reported from Rome. Alan Cowell contributed reporting from London.

COMMENTARY LETTERS



Legends of the fail



Paul Krugman

This is the way the euro ends — not with a bang but with bunga bunga. Not long ago, European leaders were insisting that Greece could and should stay on the euro while paying its debts in full. Now, with Italy falling off a cliff, it's hard to see how the euro can survive at all. But what's the meaning of the euro debacle? As always happens when disaster strikes, there's a rush by ideologues to claim that the disaster vindicates their views. So it's time to start debunking. First things first: The attempt to create a common European currency was one of those ideas that cut across the usual ideological lines. It was cheered on by American right-wingers, who saw it as the next best thing to a revived gold standard, and by Britain's left, which saw it as a big step toward a social-democratic Europe. But it was opposed by British conservatives, who also saw it as a step toward a social-democratic Europe. And it was questioned by American liberals, who worried — rightly, I'd say (but then I would, wouldn't I?) — about what would happen if countries couldn't use monetary and fiscal policy to fight recessions. So now that the euro project is on the rocks, what lessons should we draw? I've been hearing two claims, both false: that Europe's woes reflect the failure of welfare states in general, and that Europe's crisis makes the case for

immediate fiscal austerity in the United States. The assertion that Europe's crisis proves that the welfare state doesn't work comes from many Republicans. For example, Mitt Romney has accused President Obama of taking his inspiration from European "socialist democrats" and asserted that "Europe isn't working in Europe." The idea, presumably, is that the crisis countries are in trouble because they're groaning under the burden of high government spending. But the facts say otherwise. It's true that all European countries have more generous social benefits — including universal health care — and higher government spending than America does. But the nations now in crisis don't have bigger welfare states than the nations doing well — if anything, the correlation runs the other way. Sweden, with its famously high benefits, is a star performer, one of the few countries whose G.D.P. is now higher than it was before the crisis. Meanwhile, before the crisis, "social expenditure" — spending on welfare-state programs — was lower, as a percentage of national income, in all of the nations now in trouble than in Germany, let alone Sweden. Oh, and Canada, which has universal health care and much more generous aid to the poor than the United States, has weathered the crisis better than we Americans have. The euro crisis, then, says nothing about the sustainability of the welfare state. But does it make the case for belt-tightening in a depressed economy? You hear that claim all the time. America, we're told, had better slash spending right away or we'll end up

like Greece or Italy. Again, however, the facts tell a different story. First, if you look around the world you see that the big determining factor for interest rates isn't the level of government debt but whether a government borrows in its own currency. Japan is much more deeply in debt than Italy, but the interest rate on long-term Japanese bonds is only about 1 percent to Italy's 7 percent. Britain's fiscal prospects look worse than Spain's, but Britain can borrow at just a bit over 2 percent, while Spain is paying almost 6 percent. What has happened, it turns out, is that by going on the euro, Spain and Italy in effect reduced themselves to the status of third-world countries that have to borrow in someone else's currency, with all the loss of flexibility that implies. In particular, since euro-area countries can't print money even in an emergency, they're subject to funding disruptions in a way that nations that kept their own currencies aren't — and the result is what you see right now. America, which borrows in dollars, doesn't have that problem. The other thing you need to know is that in the face of the current crisis, austerity has been a failure everywhere it has been tried: no country with significant debts has managed to slash its way back into the good graces of the financial markets. For example, Ireland is the good boy of Europe, having responded to its debt problems with savage austerity that has driven its unemployment rate to 14 percent. Yet the interest rate on Irish bonds is still above 8 percent — worse than Italy. The moral of the story, then, is to beware of ideologues who are trying to hijack the European crisis on behalf of their agendas. If we listen to those ideologues, all we'll end up doing is making our own problems — which are different from Europe's, but arguably just as severe — even worse.

Beyond Berlusconi

Maurizio Viroli

PRINCETON, NEW JERSEY Silvio Berlusconi's government may not be long for this world, but the prime minister is far from losing his grip on Italy. The political crisis there is to a large degree the depressing story of a country where a majority of its political class has forgotten that to be a representative in a democratic republic means to serve the common good, not to serve one man. Even as it faces down a mounting economic crisis, Italy has a long way to go before it can be considered a reliably democratic country once again. In the aftermath of a budget vote on Tuesday that made clear he no longer had a majority behind him, Mr. Berlusconi declared that he would resign as soon as Parliament passed a slate of economic reforms demanded by the European Union. That does not mean, however, that Mr. Berlusconi won't retain a considerable part of his power and continue to affect Italian political life. After the unity government under Mario Monti, a former European commissioner, arranges for new elections, Mr. Berlusconi could maneuver behind the scenes to place one of his most loyal servants, Angelino Alfano, the secretary of Mr. Berlusconi's party and the Dmitri A. Medvedev to his Vladimir V. Putin, as the next prime minister. It's a realistic possibility because, though Mr. Berlusconi has fallen in popularity, his opponents are still quite divided: The Union of Christian and Center Democrats party, the center-left Democratic Party and the radical left are unlikely to form a working coalition. And there can be little doubt that, to

defeat his enemies, Mr. Berlusconi would fall back on an argument that he has successfully exploited in the past, namely that he, the people's choice as prime minister, would have succeeded if it weren't for a few malignant and ungrateful traitors. Indeed, he has already labeled as traitors the members of his own party who voted against him on Tuesday. But this is more than a rhetorical tactic: Mr. Berlusconi's behavior and his own words eloquently reveal how his government is based on gaining loyalty through private favors. He truly feels betrayed that elected politicians would put the voters' interests over their loyalty to him. He can be forgiven for feeling this way. Because of his enormous personal power — built on an immense fortune, the proprietorship of a media empire, the rhetorical skills of a demagogue and the control of a political party that he created — Mr. Berlusconi has been able to attain the loyalty of many people. The system he has built has the features of a lordly court: A signore sits at the center, surrounded by a large number of courtisans and servants who owe him their power, their wealth and their fame. Many of the people Mr. Berlusconi has surrounded himself with are corrupt and servile, all the easier for him to dominate them. People with principles are regarded as dangerous enemies. So why has he finally fallen from office? Such a system can work only as long as the courtisans and servants have faith that the signore will remain in power. Mr. Berlusconi long ago showed that he was unlikely to fall for domestic reasons. But now pressure from international markets and the European Union has convinced some of

his courtisans that he can no longer guarantee their re-election and their privileges. As a result, some of them are looking elsewhere for more concrete opportunities for political survival. This provides Italy with a chance to begin a process of civic and political regeneration. To do so it must liberate itself not only from Mr. Berlusconi, but also from his system of power, and from the political and moral bad habits that he has reinforced and relied on in the political elite and in large sectors of public opinion. The first step should be to abandon the belief, promoted by Mr. Berlusconi's elite, that to be a free citizen means to be free from the law and civic duties. Italians must also reject the other fundamental dogma of Mr. Berlusconi's doctrine, namely that the people are not only the sovereign but the judge, and that politicians must therefore be responsible to the people, and not merely to the magistrates. And finally, Italians must rediscover a healthy republican and liberal wariness of any sort of enormous power. This means going beyond a few necessary reforms. It must be a serious process of moral renewal inspired by the true principles of citizenship. For this to be possible, it takes a political leader capable of uniting, inspiring and rekindling the passion for active citizenship. I may be wrong, but I fail to see a leader with those qualities in the country's political landscape. Until one emerges, it is premature to proclaim the end of Mr. Berlusconi's Italy.

MAURIZIO VIROLI, a professor of political theory at Princeton and the University of Italian Switzerland, in Lugano, is the author of "The Liberty of Servants: Berlusconi's Italy."

VIEWS

O Pioneers!

Meanwhile

BENJAMIN ANASTAS

We moved to the suburbs with my lesbian moms in the summer of 1981. It was the end of Bohemian apartment living — the death knell of batik tapestries that doubled as bedspreads and room dividers and of the butterfly chair that scissored shut on anyone who sat in it. We were pioneers in a land of backyard patios and lawn care, staking our claim on a neat white three-bedroom starter with an attached garage underneath the sunroom. The word "partners" wasn't used to invoke a partnership in bed, not yet. The phrase "same-sex couple," if anyone had coined it, would have drawn blank stares. The only word we had to describe the relationship between my lesbian moms — "lovers" — made it sound as if they met at an all-female bathhouse instead of in a gerontology seminar at Brandeis. "You can't make me say 'lover'!" my older brother used to holler when they fought. "But that's what we are," our mother pleaded. "That's right," Jan would join in. "Your mother and I are lovers!" "I won't say it!" "We're lovers!" "Shut up!" My lesbian moms knew what it meant to occupy the vanguard of sexual preference on our new block. I can still hear my mother's "Whoop!" on the day we moved in. It was a whoop of relief, tinged

with the sadness of some bird calls. "We did it, Jeane." "I know. We did." "It's ours. It's really ours." "Whoop!" I was 12 that summer. So was my twin sister. My brother, who got his own teenage sanctum in the attic, was 16. We were pioneers, too, but only by proxy. We were not prepared for the savages behind the hedges and the front gates, their radar for what was different about our house. "Your mom's a lezzie?" asked a boy named Howard. It was the first week of school. I picked the wrong moment to practice the spirit of openness we were coached on. Howard hung out with the juries at a place in the woods behind my school called the Shoe. "Lezzies can be moms?" He chuckled. "They can," I said. "Yeah." The blood was rushing to my face. "You're supposed to say 'lesbian'!" "You're lucky I'm so stupid," Howard said. "I might forget your mom's a lezzie before I tell everyone." I've read about a recent study suggesting that adolescents from lesbian homes turn out happier, better-adjusted and higher-achieving than teenagers from traditional families. I have an easy time believing it. Lesbian moms can now be as attractive and nonthreatening as Annette Bening and Julianne Moore in "The Kids Are All Right." If having two moms makes you special, then it stands to reason that children brought up in lesbian households would be off the charts. Here's what I can tell you about having lesbian moms in the suburbs in 1981: It made me a liar. Afterschool was a time of evasion and dread, of postpon-

ing my friends' inevitable peek inside our house for as long as I could. But I always found myself, at some point in the trial period before the bond was sealed, standing in the doorway to our lesbian moms' bedroom, gazing at the lone queen bed, the pair of dressers with their matching jewelry boxes, rows of lotions and perfumes. "Where does Jan sleep?" my friends asked. It was a natural question. That didn't make it any easier to answer. I used to claim, improbably, that Jan slept on a rollaway bed and folded it up every morning to store in the closet. I even felt a note of triumph whenever I opened the closet door and pointed out the bed frame. "See?" My sister had more dignity. She let their bedroom speak for itself and spent her afternoons doing homework with her other straight-A-student friends. My older brother? He didn't last long in the suburbs. He shaved his head, joined a hard-core band and cut school to practice the bass and spend his days in record stores. Pioneering with our lesbian moms was not his choice. He still remembered what it was like to have a father in the house, and that was a hard imprint to give up. He was hardly ever home, but when he was, he fought with our moms so bitterly that I worried about the police showing up. I can still see my brother on the day he left for good, peeling down the driveway on his moped, bare head gleaming, the Tupperware breadbox that my mother's lover had just tossed at him sailing over his back and bouncing on the asphalt. We were down one pioneer.

BENJAMIN ANASTAS is the author of two novels and is working on a memoir.

LETTERS TO THE EDITOR

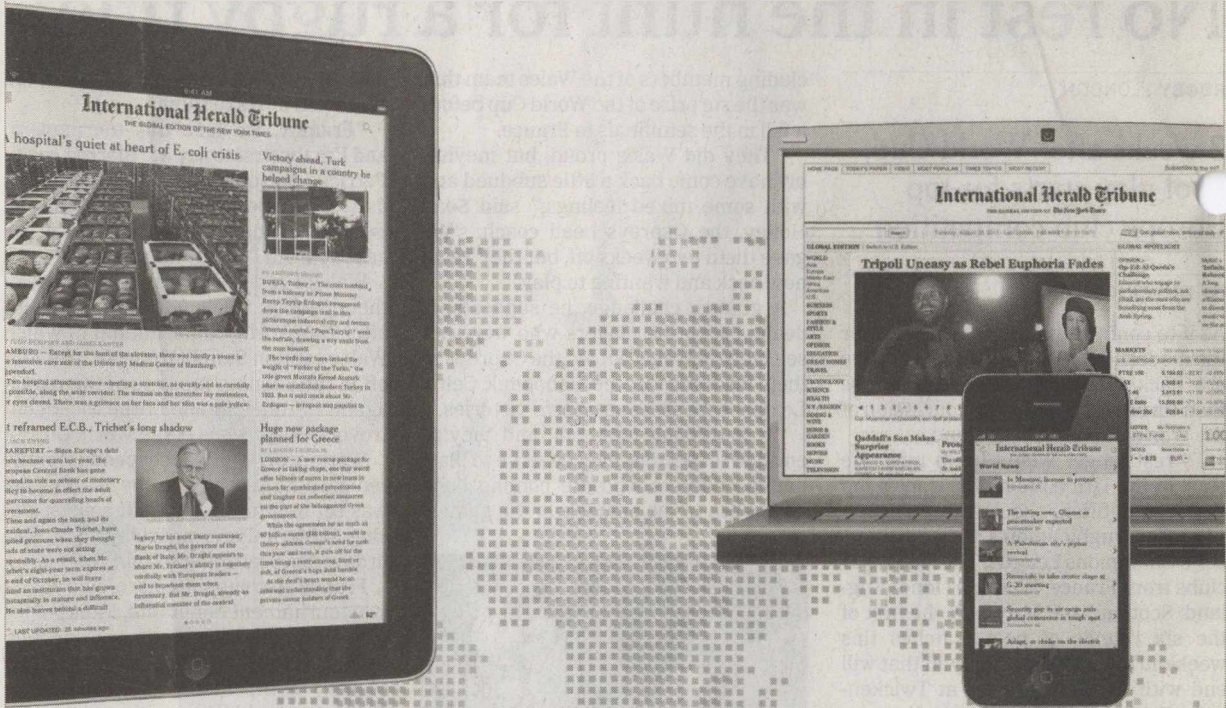
The euro-zone north needs the south Do the Germans and Dutch fully appreciate the extent to which their own recent good economic performance has been made possible by the inclusion in the euro zone of Greece and other less-competitive southern countries? Take away the south and the "new euro" would skyrocket, sinking the north's economies in the process. The German and Dutch economies are on steroids thanks to a cheap exchange rate. Consider Switzerland, whose econo-

my has been battered by an overvalued franc and is facing deflation as a result. To get the Swiss franc down against the euro, the Swiss National Bank intervened in exchange markets. In effect, Switzerland is using intervention to link its currency to the southern countries of the euro zone without having to join the euro. This is a very smart move. The Swiss are getting the trade benefits of euro membership without incurring the costs of transfer payments to the south.

Should Greece be forced from the euro, Germany and Holland are going to wind up like Switzerland before it decided to intervene in the currency markets. The northerners need the Greeks and Italians as much as the southerners need them. MELVYN KRAUSS, PORTOLA VALLEY, CALIFORNIA Professor emeritus of economics, New York University, and emeritus senior fellow at the Hoover Institution at Stanford University

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