# Political turmoil in the eurozone Enter the technocrats

As Italy becomes the 'atest and biggest country to find its sovereign debt in the danger zone, elected leaders are being forced to give way to crisis managers. But can stability be restored without a popular mandate? By Tony Barber

urope's debt crisis has been compared more than once to an earthquake – but never in such dramatic terms as the headline that appeared on Thursday on the website of Il Sole 24 Ore, the voice of Italian big business: Fate presto - "Act fast"

The same words were used 31 years ago by Il Mattino di Napoli, a Naples newspaper, when it urged Rome to stop dithering after an earthquake killed almost 3,000 and left another 300,000 homeless. Their reappearance was a sign that the euro emergency had wreaked a deeper shock than ever. World leaders and financial markets went on to red alert, and by the end of the week two democratically elected leaders - Greece's George Papandreou and Italy's Silvio Berlusconi – found themselves being eased out of office at Europe's behest and replaced by unelected technocrats.

Like a life-threatening disease, trouble spread this week from the eurozone's fingers and toes into its beating heart. The nation in peril was no longer a small, outlying state such as Cyprus, Greece, Ireland or Portugal, but Italy - the world's eighth largest economy, a founder member of the European Union and a country so deeply in debt that the funds required to save it would be far beyond anything yet amassed by Europe's crisis

"It's hard to see that Europe would have the resources to take a country the size of Italy into the bail-out programme," observed Jyrki Katainen, Finland's prime minister.

According to private sector economists, Europe – with or without the help of other governments and the International Monetary Fund - would have to supply up to €650bn (\$895bn) in order to spare Italy the need to access sovereign debt markets over the next three years. Another €50bn might be required to support its banks. The sums are so colossal that Europe is finally confronted with a question to which it has seemed never to want to give a precise answer. When they say they will do whatever it takes to save the euro, what will Europe's leaders actually do?

One first stab at an answer China to make a contribution from its \$3,200bn foreign exchange reserves is apparently going nowhere fast. Jin Liqun, supervisory board chairman of China Investment Corporation, a sovereign wealth fund with \$410bn in assets under management, bluntly told Al Jazeera television: "If you look at the troubles which have happened in European societies, this is purely because of the accumulated troubles of the worn-out welfare society. The labour laws induce sloth and indo-lence rather than hard work."

Another response involves the surgical removal of elected leaders in Greece and Italy and their replacement with technocratic experts, trusted within the EU to pass economic reforms deemed appropriate by policymakers in Berlin, the bloc's top paymaster, and at EU headquarters in Brussels. Europe this week prised open the lid of the dustbin of history accommodate Mr Papandreou, Greece's Socialist prime minister since October 2009, and Mr Berlusconi, the billionaire who has dominated Italian politics since 1994.

The sidelining of elected politicians in the continent that exported democracy to the world was, in its way, as momentous a development as this week's debt market turmoil. In effect, eurozone policymakers have decided to suspend politics as normal in two countries because they judge it to be a mortal threat to Europe's monetary union. They have ruled that European unity, a project more than 50 years in the making, is of such overriding importance that politicians accountable to the people must give way to unelected experts who can keep the show on the road.

If so far there is little public outrage in Athens and Rome, it is surely

because millions of Greeks and Italians hold their political classes in such contempt. In Italy, people recall that a technocratic government formed in 1993 by Carlo Azeglio Ciampi, a former Bank of Italy governor, did a good job of extracting the nation from economic crisis. But in Greece there may well be street unrest next Thursday when anarchists and other radicals demonstrate on the 38th anniversary of the day when the then military junta crushed a student sit-in at Athens Polytechnic.

Lucas Papademos, a former European Central Bank vice-president, until a national election pencilled in for February 19. He will therefore lead a Roosevelt in his famous first 100 days

Papademos accepted his nomination with the less than inspirational words: "I am confident that the country's participation in the eurozone is a guarantee of monetary stability.

n a parallel track with Mr Papademos's ascent to power was the emergence in Rome of Mario Monti, a former European commissioner, as the likely successor to Mr Berlusconi. A clutch of rebellious centre-right

legislators caused Italy's prime minis ter to lose his parliamentary majority on Tuesday in a vote that prompted him to scribble on his notepad: "Eight traitors." One day later, Giorgio Napolitano, Italy's president, made Mr Monti a senator for life in a step that grants him a parliamentary seat and potential platform to serve as premier.

Mr Monti is revered in Brussels as one of the most effective commissionmarket that the EU has known. But the task facing the next Rome government will be more daunting than anything Italy has experienced since the collapse of fascism in 1945. "We need a strong national unity government for one to one and a half years to do what the politicians haven't had the courage to do," says a prominent Italian banker.

Interest rates on 10-year Italian government debt soared on Wednesday to almost 7.5 per cent, a level regarded as unsustainable in the long term. Even more ominous was the appearance of a phenomenon known in bond markets as an inverted yield curve.

In normal times the yield, or interest rate, on long-term debt is higher than that on short-term paper, reflecting the bigger risk of holding a bond over a long period of time. If a coun-

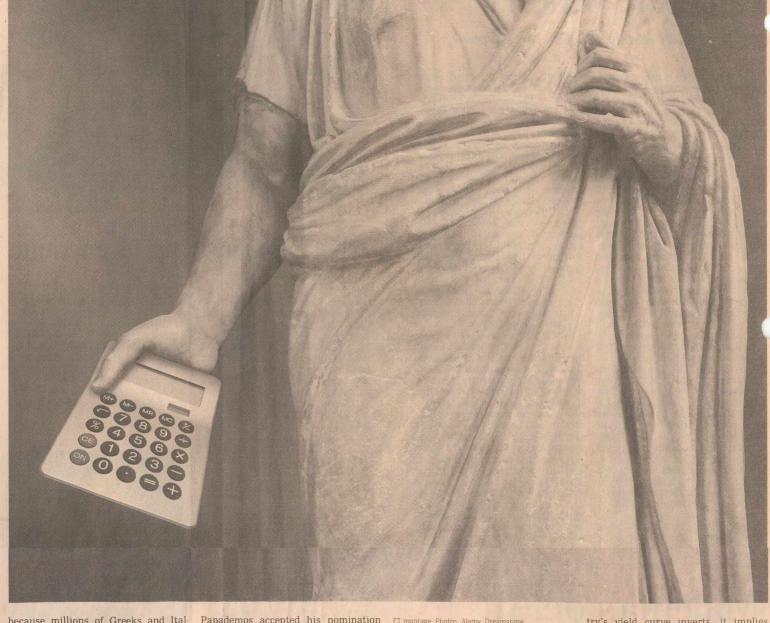
try's yield curve inverts, it implies that markets expect it to suffer a severe financial crisis in the near future. This is what happened over the past 18 months to Greece, Ireland and Portugal, each of which now languishes in Europe's financial intensive care unit, and this week it happened to Italy.

or months, meanwhile, the French government has made the struggle to retain its triple A rating a centrepiece of its anti-crisis strategy, not to mention Mr Sarkozy's bid for re-election next year. This explains why François Fillon prime minister, on Monday unveiled another €7bn in budget cuts for 2012, on top of €11bn announced in August.

Paris was furious on Thursday when an alert appeared on the web site of Standard & Poor's, the rating agency, suggesting it had downgraded France. S&P called it a mistake. But in a sign that France's top-notch rat ing is indeed under strain, the pre mium investors demand to hold French rather than German debt stood on Friday at 167 basis points, up from just 40 basis points in June.

Small wonder that Tim Geithner, the US Treasury secretary, concluded an Asia-Pacific economic conference in Honolulu this week with a plea to European policymakers on the other side of the globe - whom ever they might these days be. "The crisis in Europe remains the central challenge to global growth. It is cry cial that Europe move quickly to pu in place a strong plan to restore financial stability," he said.

It is not the first time that US leaders have delivered such an appeal But this week it sounded more urgent



ed read

an burden With debt markets Italy needs an estimated to survive the next three years, banks perhaps another €50bn

t of office In effect, eurozone ymakers have ruled that European is of such importance that icians accountable to the people t give way to unelected experts can keep the show on the road

icey for Paris The premium that stors now demand to hold triple A ch rather than German debt is 167 points - up from just 40 basis in June

#### the web

Greece and Italy have exposed euro's flaws, but are these fatal? .ft.com/eurozone

Mr Papandreou's fate was sealed on October 31 when he announced a referendum on Greece's European future, only to abandon the idea three days later. An outraged Angela Merkel, Germany's chancellor, and Nicolas Sarkozy, French president. threatened for the first time to let Greece drop out of the eurozone. They also pressed for a government of national unity that would unhesitat ingly approve the austerity measures and structural reforms attached to a €130bn international rescue plan set up for the country last month.

This government is to be led by 100-day administration that few imagine will emulate the feats of Franklin as US president in 1933.

Mr Papademos is a soft-spoken, thoughtful individual but some bankers in Athens fear that he is neither a seasoned bruiser capable of imposing his will on Greek politicians nor a public presence commanding enough to extract more sacrifices from the hard-pressed masses. Betraying his central banker's background, Mr

'We need a strong government of national unity to do what the politicians haven't had the courage to do'

)bituary

# The haute bohémienne with an innate approach to fashion

#### slou de la Falaise

ser, jewellery designer and e' to Yves Saint Laurent

end recalled this week w she met Loulou de la Falaise one day in the 1970s when London was swinging. so long ago and she was just out in fashion," she said. ill vividly remember this using woman dressed a bit y. She simply had natural

> a Lucia Henriette Le alaise – better known d as the muse of the designer Yves Saint last Saturday aged 63 Boury-en-Vexin, a Picardy, after a long acteristically did not o speak or fuss vas always a bundle ate and intuitive ion helped inspire ent and some of his

most revolutionary creations, such as the black tuxedo for women - "Le Smoking" as the French call it.

She was far more than a muse for the couturier, however. She said so herself. "A muse is someone who looks glamorous but is quite passive

and I certainly wasn't passive.' Pierre Berge, Yves Saint Laurent's business partner, also put it aptly in the newspaper Le Monde this week. She was for Yves Saint Laurent what Mitzah Bricard – also immensely captivating and chic - was for Christian Dior, becoming Dior's muse, adviser and collaborator.

Loulou was different because she

was a born rebel. She developed her own vision of life - what Mr Berge calls "an art de vivre at the same time exquisite, poetic and of great originality". In short, this daughter of an Anglo-Irish fashion model and a French aristocrat was a great eccentric who lived a most eccentric life. Her mother modelled for Elsa Schiaparelli and legend has it that she was baptised not with holy water but with "Shocking", Schiaparelli's famous perfume.



Legend has it that she was baptised not with holy water but with Schiaparelli's famous perfume, 'Shocking'

She was born in Sussex in May 1948, and Cecil Beaton, the society photographer, described her as "the only English woman I know who manages to be really chic in hideous clothes". In Paris, when she first met Saint Laurent in the late 1960s, she was wearing tunics and bandannas around her hair while most other Parisian girls still wore pleated skirts below the knee. The New Yorker called her "the quintessential Rive Gauche haute bohémienne' Indeed, she helped Saint Laurent develop his Rive Gauche prêt-a-porter business, gave him the idea of dressing women in see-through blouses and later developed her own line of chunky, avant-garde jewellery and accessories.

Her upbringing was also eccentric and her relatives make up an interesting portrait gallery. Her maternal grandfather was the painter Sir Oswald Birley. One of her uncles was the late Mark Birley, who founded Annabel's, the London night spot. Another uncle, on her French side, was the third husband of Gloria Swanson, the Hollywood diva.

Another was a French Olympic gold medallist in fencing.

Her parents divorced un-amicably when she was two. A French court considered her mother Maxime de la Falaise's behaviour and extramarital affairs so unsuitable that she and her brother Alexis were placed in foster care. She went to boarding schools in England and Switzerland and then the French Lycée in New York. She was expelled from all these establishments as a result of her pranks and rebellious nature.

Bored in New York, she moved to London when she was 18, went to work for society magazine Queen and married an Irish aristocrat and art historian, Desmond FitzGerald, Knight of Glin. She went to live in his castle in Limerick, separated a year later and then divorced. In 1977 she married again. This time, the marriage, to Thadée Klossowski de Rola, a writer and the younger son of the painter Balthus, was joyful and lasting. She wore a harem and turban ensemble from Yves Saint Laurent at the wedding and the couple had a daughter, Anna.

But it was the meeting of minds with Saint Laurent that changed her life and allowed her creative talents to thrive. She became omnipresent at his couture and pret-a-porter houses and you always catch a glimpse of her in photographs of the great couturier - in the shadow of her master but with her radiant allure.

She also used to say that the important thing in life was to keep inventing yourself. So when Saint Laurent decided in 2002 to retire, she launched her own line of jewellery and collaborated with many other fashion designers including creating costume jewellery for Oscar de la Renta.

According to Women's Wear Daily, the so-called bible of fashion, Loulou de la Falaise was diagnosed with cancer last June "but implored intimates to keep her health a private matter". To the very end, she embodied a joie de vivre, a creative talent that was both sophisticated and frivolous and that rarest of all qualities: natural chic.

**Paul Betts** 



"Without fear and without favour"

Saturday November 12 2011

# Papademos must defy the omens

New Greek leader needs to face down party politics

to enter battle would ask a seer to read the omens. If they were not favourable, the seer would be told to try again – and perhaps again. Lucas Papademos, Greece's new technocrat prime minister, has no such luxury as he takes up arms in the fight to keep his country from crumbling under the weight of its debts and its political stasis. But even he must have known as he took the oath of office that the initial omens were not auspicious.

Mr Papademos has just 100 days before an election to finish tasks that would challenge Heracles, never mind a relatively obscure central banker. In that time he must convince the old crows of Greece's political élite to begin implementing radical reforms such as suspending 30,000 civil servants or confronting the vested interests that have sucked competitiveness out of the Greek economy.

So far, he has not made an encouraging start. Rather than imposing clear conditions for taking the job, he posed some tentative "suggestions". These included proposal that his mandate should last longer than three months, which would have given more time to ensure passage of certain tough measures. But this was blatantly shrugged off by Pasok and rival New Democracy.

His plea to choose his own cabinet was also ignored. The announcement of the new team was even postponed while the dis-

In ancient Greece, a general about credited parties haggled over posts. Both parties have their eyes firmly on the election set for February 19. While it is right to set an election date, such a short calendar gives little incentive to the parties to commit wholeheartedly to the interim government. After all, it will have to launch the highly painful austerity programme necessary to unlock Europe's €130bn (\$179bn) bail-out.

Mr Papademos is a respected economist and obviously well-placed to negotiate the finer details of the private bondholder writedown that underpins the eurozone rescue. He will also be a solid ally for the troika of Greek lenders providing the package – the European Union, the International Memorary Fund and the tional Monetary Fund and the

European Central Bank.
But he will have to develop some new skills if he is to succeed in the bare-knuckle arena of Greek politics. Mr Papademos will have to cast aside his low-key style and be prepared to knock heads together if the going gets tough. He will also need the courage to appeal directly to a bruised Greek population if he finds that domestic politics interferes with effective government. This may not be easy for a man who has deliberately steered clear of partisan politics during his civil service career. As in ancient Greece, Mr Papademos will have to overcome the omens if he is to succeed. Greece's future, and Europe's; may depend on it.

## Malema's defeat

Zuma must address root causes of firebrand's popularity

The latest round of the power struggle gripping South Africa's ruling coalition has gone to the president, Jacob Zuma. On Thursday the African National Congress suspended his rival, Julius Malema, the firebrand leader of its youth wing, for five years for bringing the party into disrepute. However, unless Mr Zuma tackles the causes of the simmering dis-content on which Mr Malema feeds, he will have won nothing more than a Pyrrhic victory.

Mr Malema's suspension is good news, for both the ANC and South Africa. His manoeuvring has destabilised the party; and his pet nationalising the country's mining industry, and expropriating the land of white farmers - are terrible ideas. Nationalising the mines at fair value would bankrupt the state, and the signal would deter foreign investment; land seizures would inflame racial tensions. To have such a divisive figure at the head of the ANC's youth wing sent a worrying signal

about South Africa's direction.
Yet while Mr Malema's fall from grace is welcome, his popularity raises issues which Mr Zuma can ill-afford to ignore. Seventeen years after the end of apartheid, the rainbow nation is still scarred by inequality. Seven in 10 black children grow up in poverty, compared with less than 5 per cent of whites; less than 40 per cent of blacks finish secondary school, compared with 80 per cent of

whites. Black unemployment is six times higher than among whites.

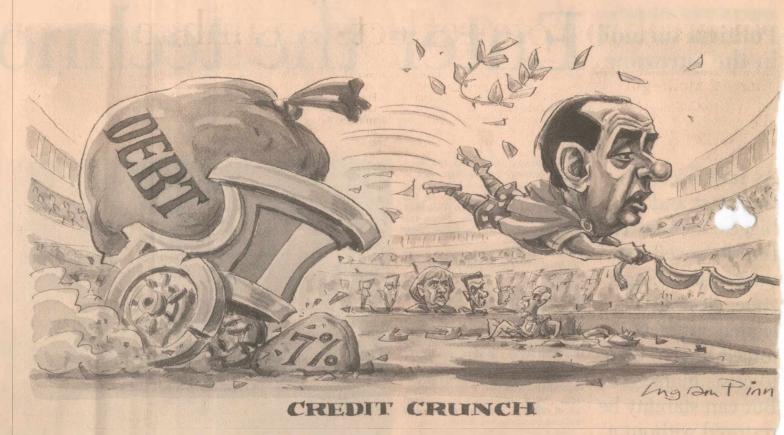
These problems have deep roots: the legacy of centuries of oppression cannot be erased in two decades. But by abjectly failing to address them, Mr Zuma and his colleagues have allowed the anger and resentment provoked by such inequality to flourish. Many black South Africans disapprove of Mr Malema; but even his detractors acknowledge that he has given a voice to a swath of the population that previously had none

In recent years, the ANC has drifted, and become increasingly mired in factionalism. The suspension of Mr Zuma's former protégé is an opportunity for the party to show that it can still improve the lot of South Africa's citizens.

The first thing Mr Zuma must do is convince investors that his country is open for business: the debate about nationalisation, and a spat over Walmart's acquisition of a local company, have been a drag on the investment needed to provide jobs for South Africa's unemployed masses. Beyond this, the country's creaking infrastructure is desperately in need of an over-haul, and the education system must be revamped.

Since ousting Thabo Mbeki three years ago, Mr Zuma has rarely shown the leadership needed to push through such an ambitious programme. Until he does, South African politics will remain ripe for populists such as Mr Malema

## Letters



### Tyler has clearly never encountered Irish charm | The Raj's most

From Mr Dara Harrington.
Sir, I doubt that I am the only

Irish person who takes offence at what Tyler Brûlê says in his Fast Lane column "When charm takes flight" (Life & Arts, November 5): "Back at my seat, I started thinking about how great brands fall from grace and whether there's a connection between Irish chief executives at large global airlines and an erosion of service and

I have generally enjoyed Tyler's musings about the strange world he travels through and the occasional irritants he encounters on the way. However, I am disappointed by this careless comment and, dare I say it, the prejudice that underlies it.

could be wrong but I don't recall ever reading a report from Tyler on a visit of any length to Ireland or on a sushi-and-spa-weekend spent with his wide circle of Irish acquaintances

I am curious therefore as to the basis upon which he could make any link between Irishness and the death of the service culture in international airlines. I hope that it is not just his casual observation of the manners of a few chief

One thing Ireland and its people have is charm. He should visit sometime.

Dara Harrington,

#### Understanding the German view

From Mr David Beffert.
Sir, Martin Wolf, in "Thinking

through the unthinkable" (November 9), notes that the German "nightmare" is the "hyperinflation of 1923", but he reminds us that "the brutal austerity of 1930-32 finally brought Hitler to power". I have often made the same point in puzzling over the German position during the ongoing eurozone crisis, and I largely agree. Still, a few things should be kept in mind if one wants to understand the German

While Weimar-era hyperinflation rests in the German conventional wisdom as having created the conditions for Hitler, the flip-side of this narrative is that the ordoliberalism of Ludwig Erhard is held to be responsible for the postwar Wirtschaftswunder. Additionally, while in the US the demand for wartime supplies is often credited with finally ending the Great Depression, a similar argument in the German case only further undermines a Keynesian argument. Moreover, as Mr Wolf probably knows, hyperinflation did help create



Erhard: 'economic miracle

revolutionary conditions in Germany by destroying the savings of the classes of the natural supporters of a liberal democratic republic

As Keynes noted in The Economic Consequences of the Peace: "Lenin is said to have declared that the best way to destroy the capitalist system was to debauch the currency. Germans firmly believe this is correct and, at least under hyperinflationary conditions, they are probably right. It is only a pity that this insight hampers a solution to the current crisis. David Beffert, Washington, DC, US

number of prosecutions, let alone

untruthful mortgage applicants, that

materially contributed to a global

similar in nature but incalculably

more severe.
With increasingly uncomfortable

doubts over the price and broad availability of bread, it seems to

priority to preserve the illusive

sanctity of the circuses

have become an ever more pressing

financial crisis that has had effects

incarcerations, arising from the

questionable actions of rating

commercial banks, as well as

agencies, investment and

Incarceration too harsh a punishment

#### Sack slackers in big business too

From Mr G.M. Halmagyi.
Sir, As a small business employer I share Luke Johnson's views (October 29) about the two-tier system in which tenured employees own their jobs - sack the slackers, I agree.

As an investor I also agree with ending free lunches for layabouts, and the other two-tier system whereby executives are awarded million-dollar bonuses for trashing companies while investors swallow the losses

Should not owners of a big business, in this case the shareholders, be able to sack nonperforming employees (and without bonus for bogus results) just as much as the owners of a small

G.M. Halmagyi, Sydney, NSW, Australia

#### I may be biased - but I like Cain

From Mr Alex Martelli. Sir, I'm far from a Republican, but I'll join the 70 per cent of Republicans of whom Christopher Caldwell reports "the more knew about Mr Cain, the better they liked him" ("People of America - put that in your pipe and smoke it" October 29)

I may be biased by being a smoker myself and, like Herman Cain, an engineer by training (he took his masters in computer science while serving in the US military). His bluntness is not surprising given this engineering background, and that he's not a lawyer like most American politicians; his campaign might be well advised to highlight

Rowley Leigh's delightful anchovy recipe (Life & Arts, October 15) made me realise, however, that I do disagree vehemently with Mr Cain on his anti-anchovy stance. Alex Martelli, Sunnyvale, CA, US

# important legacie

From Dr Gautam Pingle Sir, Neil Sen ("Not al" victims' of British emp October 29) is correct if a broad historical view is taken of the Raj. Such a view must take into accoun the terrible centuries that preceded British rule, the options for modernisation available then and comparative trajectory of China during that period. As our prime minister declared at Oxford

University in 2005: Today . . . it is possible for an Indian prime minister to assert th India's experience with Britain ha its beneficial consequences too . . . Our judiciary, our legal system, our bureaucracy and our police are all great institutions, derived from British-Indian administration and they have service the country well. Of all the legacies of the Raj, none is more important than the English language and the modern school system. That is, if

you leave out cricket!" However, only in cricket have v managed to keep pace with Engle Gautam Pingle,
Administrative Staff College of

India, Hyderabad, India

Nothing new in anthropology

From Mr José Cutileiro. Sir, Concerning Gillian Tett's article "Of anthropologists, aid programmes - and interrogations (November 5): when I was Edwa Evans-Pritchard's student at Oxf University he told me that Bror Malinowski used to say that anthropology teaches the administrator to take land from native according to native cus

Nothing new then, except pc

José Cutileiro, Brussels, Belgium

#### And nanny makes three

From Mr Graham Weiner. Sir, I was puzzled by the second paragraph of "Perfect weekend" Spend It, viz: "... if the nar there, we manage to slee wr 10am. All three of us hat together in bed."

I know "the rich are not like but is there a second nanny to lafter the three-year-old? Graham Weiner, London N10, UK

To contribute please e-mail: letters.editor@ft.com or fax: +44 (0) 20 7873 5938 Include daytime telephone number and full address For corrections e-mail: corrections@ft

Eric Lucas.

Chief Executive,

Tokyo, Japan

Spring Investment,

# Public liability

The economic consequences of Mr Berlusconi

Politicians' beliefs about markets are rarely reliable. Nor are ultravolatile markets' assessments of politicians very trustworthy. But in Italy the latter beat the former. The judgment of Silvio Berlusconi, still barely the country's prime minister, is surely less sound than that of even the most erratic markets. So in the spirit of transparent market functioning, we present the Financial Times' mark-to-market guide to Mr Berlusconi's value.

From the moment the prime minister's departure became a question of when rather than if, troves of data have been available to enterprising analysts centrally the sovereign bond yields that seem to have been his bane.

Bond market researchers suggest Mr Berlusconi's departure could lower Italy's cost of sovereign borrowing by a full percentage point. For a €1,900bn debt stock, this amounts to €19bn per year. If the same applies to Mr Berlusconi's many years in power, the total cost to Rome's Treasury could add up to hundreds of billions of euros.

Of course Mr Berlusconi's special take on public office does not affect only government finances. Il Cavaliere's antics matter for the private sector, too – and not just the part that he directly controls. If the cost of borrowing for Italy's corporations rises in step with sovereign yields, then the Berlusconi effect may have added €12bn a year to the annual cost of servicing the €1,200bn or so of loans owed by Italian businesses.

Then there is equity. Several times this week the Milan stock exchange jumped by more than 3 per cent on news indicating the prime minister's likely or imminent resignation. Considering Milan's market capitalisation of €345bn - and that of all Italy's nonfinancial equity (including unlisted stock), at nearly €1,500bn - this is

no trifling value to unlock.

Marking Mr Berlusconi's prem ierships to market, then, adds up to some half a trillion euros. If it could only be monetised and used to reduce Italy's sovereign debt, the eurozone crisis would be over.

# Comment

From Mr Eric Lucas.

Sir, The actions of Pakistani

cricketers in facilitating the illegal

reprehensible and surely deserving of long, if not permanent, bans from

delivery of illegal deliveries were

the sport. But incarceration? This

seems a severe outcome where the

enough to accept wagers on such

You reported (November 3) the

once a game but is now a business is

judge's admonishment that "the

image and integrity of what was

damaged in the eyes of all". As a

justification for prison time it sits

uneasily with the vanishingly low

bookmakers at once venal and naive

only direct "victims" were

inconsequential and easily

manipulable matters



#### **Gillian Tett**

#### Tumultuous times in America's Richistan

Four years ago Robert Frank wrote a fascinating account of America's elite entitled Richistan. In voyeuristic detail, it described the armies of staff, multiple jets, and 30,000 sq ft mansions that US billionaires enjoyed before 2007. "I don't carry a flag in the class wars," explained Frank, The Wall Street Journal's self-described "wealth reporter". "I'm not out to celebrate or castigate the rich . . . [but] to report on the world of wealth just as I covered foreign countries as an overseas correspondent, describing [it] to readers far away.

Last week, Frank produced a second "dispatch", The High-Beta Rich. This is doubly intriguing. For if Frank is correct, parts of

"Richistan" are in turmoil: as markets have gyrated since 2007, fortunes have been lost. Thus, we hear about the Siegel family, who were building a Florida mansion called Versailles, so vast they needed Segways to cross it, until, in 2008, their property business was hit by the credit crisis. Now their pools, bowling alleys and cinemas lie half built. Then there is the Blixseth family, who were one of America's richest families in 2006, but are now so bust that creditors have even seized the coral from the fishtanks.

More fascinating still, a new class of "repo" men is stalking the land, seizing jets, boats and other baubles from the wealthy who have defaulted. "Between 1995 and 2010 the number of private jets in the air more than doubled," Frank says. "With prices of private jets now falling by more than half, many jet owners who used borrowed money are now upside down. leading to rising loan defaults.

What should the non-jet-owning population make of this? Many may snort with derision. After all, for every billionaire who has lost a jet, many more have remained ultra rich. Moreover - and as statistics from the Congressional Budget Office underscored last month - inequality is rising: since 1979 the incomes of

the top one per cent have risen 275 per cent, while the bulk of Americans have seen incomes rise by just 40 per cent.

But what makes Frank's book fascinating is that it comes amid what could be a wider shift of attitudes towards wealth. During most of its history, American society has admired Richistan because there was a widespread belief that anybody

#### If the elite feel that their wealth is fragile, it is hard for them to display a generosity of spirit

could get rich, if they were smart enough. The dream of mobility was the glue that helped keep America together. But there are fears that mobility is in steep decline: some statistics suggest that poor Americans now have less chance of rising into that "one per cent" league than in parts of Europe. That loss of faith in this dream - or myth - is prompting rising unease.

In some senses, Frank's book should offer support for that American dream. If there has been downward mobility among

billionaires since 2007, it should create space for others to rise. However, statistically it is not clea that there has been enough downward mobility to create meaningful "space". Moreover, Frank's data suggest that swings wealth creation and destruction become more violent in recent decades. It would be nice if this due to meritocratic churn. In re it appears to reflect the fact that modern American wealth created through financia. assets, rather than manufact. say. Thus, as markets have sw so too has the wealth of Richi

This has had a pernicious on the wider economy. But been corrosive for the polit debate too. If an elite feels its position - or shamed of obligation into wider then it is easier for the engage in philanthropy elite feel that their wea it is harder for them to generosity of spirit or wonder there is so mu around. If there is one links Occupy Wall Str Richistan, it is anxiet future. Even for thos in private jets.

gillian.tett@ft.com