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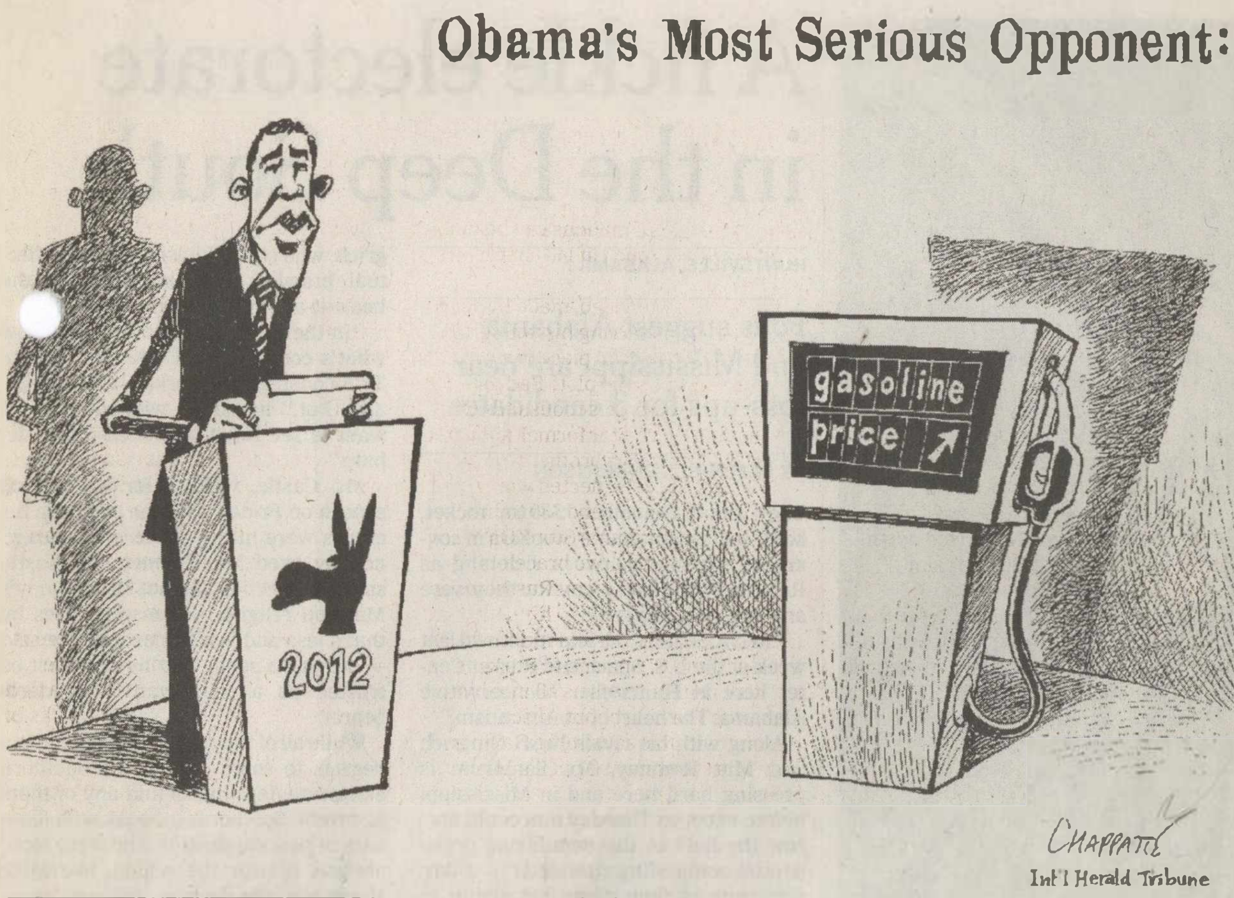


What Greece means

Paul Krugman

So Greece has officially defaulted on its debt to private lenders. It was an "orderly" default, negotiated rather than simply announced, which I guess is a good thing. Still, the story is far from over. Even with this debt relief, Greece — like other European nations forced to impose austerity in a depressed economy — seems doomed to many more years of suffering.

And that's a tale that needs telling. For the past two years, the Greek story has, as one recent paper on economic policy put it, been "interpreted as a parable of the risks of fiscal profligacy." Not a day goes by without some politician or pundit intoning, with the air of a man conveying great wisdom, that we must slash government spending right away or find ourselves turning into Greece, Greece I tell you.

Just to take one recent example, when Mitch Daniels, the governor of Indiana, delivered the Republican reply to the State of the Union address, he insisted that "we're only a short distance behind Greece, Spain and other European countries now facing economic catastrophe." By the way, apparently nobody told him that Spain had low government debt and a budget surplus on the eve of the crisis; it's in trouble thanks to private-sector, not public-sector, excess.

But what Greek experience actually shows is that while running deficits in good times can get you in trouble — which is indeed the story for Greece, although not for Spain — trying to eliminate deficits once you're already in trouble is a recipe for depression.

These days, austerity-induced depressions are visible all around Europe's periphery. Greece is the worst case, with unemployment soaring to 21 percent even as public services, including health care, collapse. But Ireland, which has done everything the austerity crowd wanted, is in terrible shape too, with unemployment near 15 percent and real G.D.P. down by double digits. Portugal and Spain are in similarly dire straits.

And austerity in a slump doesn't just inflict vast suffering. There is growing evidence that it is self-defeating even in purely fiscal terms, as the combination of falling revenues due to a depressed economy and worsened long-term prospects actually reduces market confidence and makes the future debt burden harder to handle. You have to wonder how countries that are systematically denying a future to their young people — youth unemployment in Ireland, which used to be lower than in the United States, is now almost 30 percent, while it's near 50 percent in Greece — are supposed to achieve enough growth to service their debt.

This was not what was supposed to happen. Two years ago, as many policy makers and pundits began calling for a pivot from stimulus to austerity, they promised big gains in return for the pain. "The idea that austerity measures could trigger stagnation is incorrect," Jean-Claude Trichet, then the president of the European Central Bank, declared in June 2010. Instead, he insisted, fiscal discipline would inspire confidence, and this would lead to economic growth.

And every slight uptick in an austerity economy has been hailed as proof that the policy works. Irish austerity has been proclaimed a success story not once but twice, first in the summer of 2010, then again last fall; each time the supposed good news quickly evaporated.

You may ask what alternative countries like Greece and Ireland had, and the answer is that they had and have no good alternatives short of leaving the euro, an extreme step that, realistically, their leaders cannot take until all other options have failed — a state of affairs that, if you ask me, Greece is rapidly approaching.

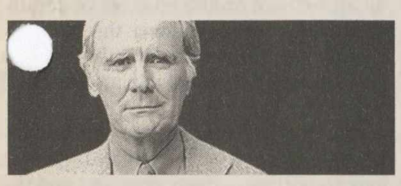
Trying to eliminate deficits once you're already in trouble is a recipe for depression.

Germany and the European Central Bank could take action to make that extreme step less necessary, both by demanding less austerity and doing more to boost the European economy as a whole. But the main point is that America does have an alternative: We have our own currency, and we can borrow long-term at historically low interest rates, so we don't need to enter a downward spiral of austerity and economic contraction.

So it is time to stop invoking Greece as a cautionary tale about the dangers of deficits; from an American point of view, Greece should instead be seen as a cautionary tale about the dangers of trying to reduce deficits too quickly, while the economy is still deeply depressed. (And yes, despite some better news lately, our economy is still deeply depressed.)

The truth is that if you want to know who is really trying to turn America into Greece, it's not those urging more stimulus for our still-depressed economy; it's the people demanding that we emulate Greek-style austerity even though we don't face Greek-style borrowing constraints, and thereby plunge ourselves into a Greek-style depression.

United by 'A Separation'



James Carroll

When the Iranian film "A Separation" won the Oscar for best foreign language film recently, the universally enthusiastic reaction was for its high artistic merit. But was there also, perhaps, a feeling of relief that the personal struggles of ordinary citizens of an enemy state had been rendered with such heart and vividness?

Having won acclaim around the world, the movie scored in America just as anti-Tehran war talk peaked, especially among the most hawkish backers of Israel. President Obama was himself making an ever stronger case for possible military action to stop Iran from obtaining the bomb, even while insisting against his Republican critics that no immediate justification for intervention exists. Loud or muted, the beat of war drums on.

"A Separation" moves to a different drummer. Directed by Asghar Farhadi, an Iranian, and set in Tehran, the domestic drama concerns the breakup of a marriage, and the crushing burden it lays on the couple's 11-year-old daughter, Termeh. The wife, Simin, desperately wants to emigrate for a better life outside of Iran, while the husband, Nader, can't possibly abandon his elderly father who suffers from Alzheimer's disease.

This dispute is complicated when Nader is rough with a pious woman, Razieh, who is caring for his father, apparently causing her to miscarry. Razieh's enraged husband, Hodjat, escalates the conflict. Criminal charges are filed against Nader, and the film unfolds as a kind of courtroom drama — with the transcendent verdict to be rendered by Termeh, who must choose between her parents.

The first Iranian film to win the Oscar, "A Separation" beat out an Israeli contender, and though Iranian establishment figures had criticized Farhadi for the unflattering portrait, Iranian state TV predictably described the Academy Award as a victory over Israel.

Yet nothing in the film justifies such political spin. Indeed, according to AP reports, tens of thousands of Israelis have recently been lining up to see it in Jerusalem and elsewhere in Israel.

War fever always blinds one party to the other's humanity. Enemies are perceived through distorting lenses.

"It's very well acted, exceptionally well written, and very moving," said Yair Raveh, a leading Israeli film critic. "Ultimately, you don't think about nuclear bombs or dictators threatening world peace. You see them driving cars and going to movies, and they look exactly like us."

War fever always blinds one party to the other's humanity. Enemies are perceived through distorting lenses.

Thus, during the Korean and Vietnam wars, Americans accepted the characterization of "Orientals" as caring less for human life than people in the West do. U.S. Cold War attitudes assumed that the Soviet people were morally corrupt, a conviction summed up by Ronald Reagan's "evil empire" rhetoric.

It was only when such broad characterizations were overturned by human interactions, including Ping-Pong players, chess players, and the cultural exchanges of filmmakers, that demonizing was replaced by détente.

Lo and behold, Americans found that supremely virtuous breakthroughs to peace could originate with the other side. Becoming personally attached to his Soviet counterpart, Reagan himself renounced the word "evil."

"A Separation" depicts the mundane struggle to live with decency in difficult circumstances — conditions of family stress, economic uncertainty, religious tension, and dubious governmental intrusions with which global audiences clearly identify.

Even in the thick of marital breakup, family members are shown here caring more for each other than for any ideology. Honor, truth-telling, the dignity of Islamic belief, commitment to the fate of children — these are the absolutes that define the lives of the movie's characters.

When the 11-year-old Termeh confronts her beloved father's moral failure, it seems she has crossed the threshold into the realm of human tragedy, but in fact that does not really occur until she chooses to protect her father by making his lie her own. And in this moment, all politics drops away. The moviegoer is as stripped of illusions of innocence as the child on the screen — both naked before the most heart-rending question of all: Can love require deceit?

A powerful exploration of failure and repentance, an unsentimental look at the harshest facts of family torment, a belief in the saving force of truth as the ultimate bond joining all people everywhere — these notes of "A Separation" are the opposite of war.

The film from Iran should be required viewing for anyone who wants a weapon.

BOSTON GLOBE

Four mao, or the price of hope

Latitude

ERIC ABRAHAMSEN

BEIJING Last Wednesday I tried to close my bank account. I won't pretend that the Bank of China is the most Orwellian institution in the world, but in terms of human suffering inflicted by bureaucracy, it has to make the long list.

I have learned to dread my constant visits to the local branch, where I wait in line behind 40 retirees, have my passport photocopied and learn from a preternaturally calm teller that whatever it is I would like to do, it can't be done today. The reasons change; the outcome is the same. Over the years fatalism has ripened through defeatism into despair.

I've dreamed of closing the account for years, all the while gripped by an irrational certainty that they simply wouldn't allow it: We regret to inform you, sir, that your transaction cannot be completed at this time.

Last Wednesday I nearly failed. Armed with most of the paperwork I've produced in my 34 years of life, I approached the window and stated my intent, searching the teller's face for the slight crease of the brow and shake of the head that would signal the inevitable. She stared intently at her screen, the minutes lengthening.

I couldn't help overhearing a British man next to me in the midst of a breakdown. For reasons he could not fathom they would only let him withdraw half the amount he wanted; he would have to wait until next week for the other half. But why? And why did they need yet another photocopy of his passport? And what exactly were they doing with his money?!

Mounting rage began to derail his otherwise fluent Chinese. I admired his principles, but wished I could whisper to him: Peace only comes to those who abandon hope.

My teller cleared her throat, and suddenly I was hurtling through an entire circus-full of hoops: entering my PIN eight times in five minutes; calling a number to cancel online banking that had never worked because it required Internet Explorer; signing 15 sheets of paper. Then it was done. I was released onto the street, relieved of the crushing weight of a single plastic card. I rejoiced.

The bank called me at 5:21 that evening. "Oh God," I thought. "They will never let me go." In settling the account the teller had inadvertently given me four mao, about seven cents, too much. Could I pop by the bank and drop it off? Summoning what dignity remained to me I suggested that, as it was her error, perhaps she could produce the four mao herself. She was dubious but hung up. Ten minutes later her supervisor called back saying they really did need that four mao or else the poor lady wouldn't be able to leave work for the day.

Accustomed to being at their mercy, I resigned myself to getting back on my bike. But then the revelation hit: I had them! I had stymied the great machine with nothing more than the change in my pocket. It was a heady feeling, charged with years of general resentment at bureaucrats everywhere, and in my elation I may have behaved with less than perfect grace.

When the supervisor promised that someone would come by my home to collect the four mao in person, I began to feel silly.

And I felt even sillier a half hour later, when I went out onto the street and found my bank teller standing there in her uniform, along with a colleague and a young man who appeared to be a boyfriend.

All three were full of giggling apology: "Such a stupid thing; we know! Sorry to cause you so much trouble! Thanks for your understanding!" Four bright coins changed hands, then the three hopped on their bikes and were gone.

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ONLINE: LATITUDE
Read more by Eric Abrahamsen and other Views bloggers on the IHT Latitude blog at nytimes.com/globalopinion

LETTERS TO THE EDITOR

Time to revisit Bretton Woods

Regarding "Greece nails down debt restructuring" (March 10-11): If the gold standard had not been revoked by Richard Nixon in 1971, would the United States have the trade account deficit it has now and would the Fed continue running the same monetary policy? The same question applies to the European Union, in particular Greece, Portugal and Italy. If the gold standard hadn't been abolished, the dollar would have retained its unequivocal strength. The excessive liquidity and sovereign debt crisis that plagues the world's economies would not have happened.

Would the troubled economies of Europe have shown more fiscal discipline in their spending and borrowing if the gold standard had remained in place? The answer may never be known, as borrowing has far exceeded the ability of central banks to repay their debts. Would it not be cheaper now to deliberately default on one's obligations and start anew?

Greece is a case in point. Under the existing austerity measures put in place by the European Central Bank and the International Monetary Fund, growth has been stifled for the last five years and will most likely remain stagnant for another decade or so unless Greece leaves the euro zone, devalues its currency and regains what is left of its dignity before it drags the rest of Europe down. Are the euro zone finance ministers, the E.C.B. and I.M.F. not making the same mistakes — unilaterally imposing austerity measures — that the I.M.F. made in Indonesia and Thailand in the aftermath of the 1997 financial crisis in Southeast Asia? Maybe the time is right after all to look at the Bretton Woods system again. What worked in the 1950s and the roaring 1960s might well work again.

DIETMAR KIELNHOFER, *TOKYO*

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E-mail your comments and responses to letters@iht.com.

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Spotlight in Europe turns to Spain's debt

BRUSSELS

Leaders press Madrid for details on how it plans to repair finances

BY JAMES KANTER

European Union finance ministers warned Spain on Monday to take action to reduce the country's bulging budget deficit to alleviate the latest threat to the euro zone, now that Greece has agreed with a majority of its private creditors on terms that will release rescue funds.

The finance ministers, meeting in Brussels, signaled their readiness to give a final go-ahead to a €130 billion, or $170 billion, bailout for Athens, but diplomats indicated that nations would not give final approval until they had defined the exact level of participation by the International Monetary Fund in the rescue. That decision could come this week.

With the risk of an imminent collapse of Greece waning, the focus has quickly turned to Spain, following a warning by Prime Minister Mariano Rajoy this month that his country would not meet its deficit-reduction target for 2012 but instead aim for a more ambitious target next year.

Maria Fekter, the Austrian finance minister, was among those arriving at the two-day meeting who said the Spanish should be obliged to tighten their belts further to meet legally enforceable targets.

Asked whether special concessions could be made for Spain, Ms. Fekter, said, "No, Spain has to make an effort." She added, "We've got to be tough in the first round of monitoring so that everyone knows we're serious."

Jean-Claude Juncker, the prime minister of Luxembourg who also heads the group of euro zone finance chiefs, said the situation in Spain showed "we're all

"We've got to be tough in the first round of monitoring so that everyone knows we're serious."

still on a tough path." But he emphasized that "Spain has made great progress" and he made assurances that there would be no rerun of the agonizing difficulties in restoring the Greek economy to health.

Even so, the case of Spain has already amplified divisions in Europe between those who support tough austerity to fix public finances, and those concerned that citizens are suffering too much from spending cuts that hobble confidence and growth.

Mr. Rajoy's warning also has raised questions about whether, and how soon, the European Union should punish Spain for breaking new rules designed to prevent a rerun of the chronic overindebtedness in Europe that nearly wiped out the euro.

"The ball is in the Spanish court," said one E.U. diplomat, speaking on condition of anonymity ahead of the meeting. The diplomat, who was not authorized to speak publicly, said finance ministers would ask Luis de Guindos, the Spanish economy minister, what additional steps Spain was planning to achieve its deficit targets.

"They must be convincing," the diplomat added.

This month, Mr. Rajoy set a target for 2012 of a deficit equivalent to 5.8 percent of gross domestic product, arguing that this was more realistic than the original goal of 4.4 percent. Mr. Rajoy said he was acting within E.U. guidelines because Spain still intended to hit the European Union's public deficit goal of 3 percent of G.D.P. in 2013.

But amid mounting concerns that Spain may not be able to reach that goal, Mr. de Guindos said he would present a convincing plan to his colleagues on Monday night.

"Spain's commitment to the fiscal rules is absolute," he said.

Wolfgang Schäuble, the German finance minister, met Mr. de Guindos during the afternoon — apparently to hammer home the need for clarity on the issue of the country's deficit. "He's relatively new in office so we wanted to take some time today to have a more intensive exchange in private," Mr. Schäuble said.

Ministers were also expected to examine the progress made by the government in Lisbon to control debt levels in Portugal, where finances have been worsening. But they were also expected to highlight Belgium as a positive example. Over the weekend, the Belgian government said it was sticking to its deficit goals and it came up with nearly €2 billion of extra spending cuts to meet its deficit targets.

"Belgium should be one of the best students of the euro area and should be recognized as such by the market," François Cabau, an analyst at Barclays Capital, wrote in a note to clients Monday.