

Romney's chance to prove he is no John Kerry

Stanley B. Greenberg

As the first presidential debate begins tomorrow night, the candidates will walk out under the television lights in Denver and I will think back to my work with Bill Clinton 20 years ago when, in the final debate, he and George H.W. Bush perched on stools, as did Ross Perot.

While Mr Clinton used his ability to move round the studio to walk over to an anguished woman asking about the economy, President Bush stood up and impatiently glanced down at his watch as she spoke. The contrast between the two men was spelt out and we sealed the deal.

Eight years later, we came out of Al Gore's debate camp feeling optimistic against the supposedly out-of-his-depth George W. Bush. But as we watched Mr Gore interrupt the moderator and sigh repeatedly during his opponent's answers, our assumptions evaporated. Immediately before the debates, Mr Gore was five points ahead. After the debates he was five points behind and Mr Bush went on to become president.

Four years later Mr Kerry won all three debates against Mr Bush, and it made no difference. I wouldn't want to be overheard saying this in the debate camps, but I think this is like 2004, and the debates will not matter.

I am confident Barack Obama has watched those 2000 debates and will restrain his own penchant for long, smart answers. Right now, it is Mitt Romney who needs to change the race. The Republican challenger is in trouble because he has not settled on what's at issue in this election and why voters should replace Mr Obama with him. Is this election about the past or the future? Is it about the economy or the welfare state?

These unanswered questions have produced three Romney campaigns. He should choose one tomorrow and surprise people when he shows up in Denver ready to present a clear vision of the future and of the policies to get there.

His first campaign began when he selected Paul Ryan as his running mate and adopted the conservative congressman's budget plan. Yes, it cuts taxes for the rich and corporations but its goal is the

demolition of the welfare state - what Newt Gingrich called "conservative social engineering". It proposes radical cuts to federal healthcare spending. It takes away the "hammock" of food stamps and child tax credits that created "dependency".

Mr Romney's embrace of Mr Ryan might have signalled a brave assault on government - but for the failure of the Republican convention to mention any of these bold plans.

That agenda might have died had Mr Romney's musings about those 47 per cent who pay no taxes not become public. We probably will not see that Mr Romney in Denver, though for many conservatives it is an opposition to government that fuels their desire to deny Mr Obama a second term.

The Republican contender has one option: lay off the welfare state and lay out bold policies to boost businesses and jobs

The Republican candidate unveiled his second, more focused campaign at his party's convention, saying that the president had failed on the economy and that his disappointed supporters ought to fire him. That attack failed because the president made an important turn last year, no longer speaking about his success in getting "the car out of the ditch". The election, he declared, was about the "future of the middle class" and "a choice between two fundamentally different visions for the future".

With Mr Romney focused on the past and the president on the future, Mr Obama has moved to parity on the economy and got his poll bounce. If Mr Obama faces any risk in this debate it is taking the bait - slipping back and trying to persuade voters that his first term was successful and the US is on the right track.

The failure of the convention led Mr Romney reluctantly to launch his third campaign, focused on the low-tax, low-regulation business policies he would advance. These advertisements were overshadowed by the 47-per-cent firestorm.

Mr Romney has only one option tomorrow: lay off the welfare state

and lay out bold conservative policies to boost businesses and jobs. Holding up big charts, as Mr Perot did, Mr Romney should warn of the consequences of Mr Obama's growing spending and debt and join the battle for America's economic future.

I am sceptical it will work, because Mr Romney faces hurdles that look a lot like 2004. Mr Kerry bested his opponent in the debates but Mr Bush was running for re-election after the US homeland was attacked for the first time since Pearl Harbor. I was there and people were figuring out how to vote for the president.

Today's voters know this financial crash and great recession have wiped away 40 per cent of the median family's wealth, with new jobs paying 20 per cent less after three decades of income stagnation. They still believe that Mr Bush is more responsible for this than Mr Obama. I think voters this year are also working out in their heads how to vote for Mr Obama.

The writer is chairman of Greenberg Quinlan Rosner and author, with James Carville, of 'It's the Middle Class, Stupid!'

A mandate to tackle the deep-rooted failures of our banks

Andrew Tyrie

Standards in banking have lapsed. Banks are not serving the real economy as they should and trust in them has plummeted. There has been a culture of recklessness, and often wrongdoing, which has done great damage. This is the well understood backdrop against which the UK Parliamentary Commission on Banking Standards was created in July. All three main parties are agreed that restoring standards in banking is a priority.

The commission, which I chair, has been asked to conduct pre-legislative scrutiny on the Banking Reform bill by December 18 and we expect to make recommendations early next year - drawing on the lessons of recent financial scandals and on other reports on banking standards. However, our aim is forward-looking; not to launch a retrospective attack on banks or governments.

This is a global industry with longstanding, global problems, many of which will be familiar to students of banking history. It is also one of the UK's most important industries and if banks are to be at the heart of our economy, they must be allowed to remain internationally competitive. The former chairman of the Federal Reserve, Paul Volcker, will appear before the commission on October 17 to talk about how behaviour and practices in the UK, and the regulatory responses, compare with those in America.

The problems lie deep, some in the unique features of banking that give it a measure of protection from the full disciplines of the market.

The implicit government bailout guarantee, a de-facto subsidy of banks held to be too big to fail, protects incumbent banks from competition. Consumers' reluctance

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to switch accounts, the lack of price transparency and barriers to new entrants have further compromised competition. The commission will look at what more can be done to empower the consumer.

Information asymmetries - the gap in knowledge and understanding between banks and their customers - have allowed banks to sell inappropriate products, both in retail and in wholesale markets. Recent scandals have amply illustrated the consequences; a failure of banks, and the culture within banks, to meet acceptable standards.

When structural and other impediments cause competition to falter, more must usually be done to protect the consumer in other ways, in law, through regulation and by improving corporate governance.

Gaps in the law that have allowed banking malpractice to occur require attention. The common perception is that the law has done little to deter practices that often seemed criminal, to victims and observers alike.

Regulation has been shown to be equally defective. A box-ticking culture and pointless data collection are no substitute for effective oversight in both prudential and conduct of business regulation. The claim of the Bank of England's Andrew Haldane, that more detailed and burdensome regulation has come in inverse proportion to its effectiveness, merits consideration.

It is widely held that shareholders have also been absent without leave and that corporate governance requires an overhaul. The formal structures of corporate governance have looked elegant enough in bank company reports but, in a number of cases, we now know that form was a substitute for substance. Appearing before the commission recently, Sir David Walker, soon to take over as Barclays' chairman, confessed to being struck by how little his 2009 report on bank corporate governance considered culture or reputation - a gap the commission will try to fill.

Such failings have come at a huge cost to the banks, which have paid compensation to customers totalling billions of pounds and fines of hundreds of millions. Short-term gains of market share or profit have led to unsustainable long-term financial and reputational losses. A mass of bank employees who have done nothing wrong have also had their reputations unfairly impugned.

The commission will not be able to address all of these deep-rooted problems in a few months. But we can at least signal some remedies, suggesting ways to protect taxpayers better from the consequences of bank failure and to improve the experience of dealing with banks for customers of all types. If we can manage that, we will have made an important contribution to the task of restoring trust in our banks.

The writer is chairman of the Parliamentary Commission on Banking Standards and a Conservative MP

Blame the great men's vision for Europe's crisis



Gideon Rachman

"This is what you have to do, if you want the people to build statues of you on horseback." Valéry Giscard d'Estaing was doubtless being whimsical when he urged his colleagues to make bold decisions about the future of Europe. But the former French president's remark offers a telling insight into the mentality that created the great euro-mess of today.

The EU is now having to deal with the consequences of the hubris of the "great Europeans" of a previous generation. The people who created the euro - men such as Helmut Kohl, the former German chancellor, and Jacques Delors, the one-time head of the European Commission - shared Mr Giscard d'Estaing's eye for the history books. But their dream of leaving a legacy of a United Europe, with a single currency at its core, has turned into a nightmare.

In the middle of a full-blown economic and political crisis it might seem pointless - or even vindictive - to criticise the statesmen of yesterday. But answering the question "who is to blame?" will be important in resolving the euro crisis. The country or groups that end up shouldering most of the odium for the crisis will emerge with their interests and worldview damaged and in retreat. Broadly speaking, there are three groups competing to be the villain of the piece: the Germans, the southern Europeans and the "Anglo-Saxons".

Resentment against Germany is

rife in southern Europe. A vivid recent example came in Italy, when Il Giornale ran a front page that screamed about a German "Fourth Reich". But savage criticism of the Germans is not confined to southern Europe. Anatole Kaletsky, a much-respected UK economic commentator, wrote a column in June that stated: "Nobody should be surprised that Germany has become the greatest threat to Europe. After all, this has happened twice before since 1914."

The anti-German case is that Europe's most powerful economy has refused to accept the mutual obligations that are entailed by a common currency. The euro system, it is said, now massively favours Germany. However, rather than rebalancing the eurozone by mutualising debt and boosting domestic demand, Germany is reaping the gains while imposing austerity on the rest of Europe.

Unsurprisingly, this view has almost no takers in Germany or in the other creditor nations of northern Europe, such as Finland and the Netherlands. The northerners believe they have "done their homework" by pushing through painful reforms. They have also subscribed to bailout funds worth hundreds of billions of euros. The dominant northern European narrative is that the crisis is the fault of spendthrift and corrupt southerners, whose goal remains a life of leisure funded by their harder-working northern neighbours. Geert Wilders, the leader of the Dutch Freedom party, accused his country's prime minister of being "slavishly on his knees before the Italian and Spanish mafia". Most northern European politicians would refrain from inflammatory language of that sort. Yet distrust and exasperation with southern Europeans is common. British and US commentators



might think they are safely distant from all this name-calling. But that is an error. There is a strong strain of thought within Europe that the real villain in this crisis is financial capitalism, as practised in Britain and the US. José Manuel Barroso, president of the commission, remarked tetchily at a G20 summit that "the crisis did not originate in Europe... This crisis originated in North America and much of our financial sector was contaminated by unorthodox practices".

Many European commentators have latched on to the role Goldman Sachs played in helping Greece to massage down its debt figures in the years before the crisis. This kind of argument swiftly slides into conspiracy theory. There are top officials within the EU who seem genuinely to believe that the Financial Times is part of an "Anglo-Saxon" conspiracy to destroy the single currency. Not to be in case you were wondering.) For many pro-Europeans, it is tempting to bury differences within the eurozone by looking for scapegoats elsewhere - in the "Anglo-Saxon" financial markets. These rhetorical exchanges are of more than academic interest. By shaping the debate, they will also shape the future course of the crisis.

Answering 'who is to blame?' will be important in resolving the crisis

The argument that Anglo-Saxon capitalism is to blame has already led to a drive for tighter European financial regulation - and a mini-crisis in relations between the eurozone and Britain. Further moves to bash the Anglo-Saxons could end up with Britain being pushed closer to an exit from the EU itself.

By contrast, if southern Europeans collectively agree that Germany is the real villain of the piece, they may attempt to isolate Germany within Europe. And if Germans continue to believe that cheating in southern Europe is the problem, they will insist all the more on austerity.

So here is a possible compromise. Rather than attacking each other, Europeans should blame the "great Europeans" of the past. Men such as Mr Kohl and Mr Delors were truly "great" in other contexts. Mr Kohl drove through the unification of Germany. Mr Delors constructed the European single market. But when it came to the euro, they pursued their grand vision while ignoring the objections of those who questioned whether a single currency could work for such diverse economies. Today's Europe is living with the consequences of their hubris.

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Miliband must shock Labour out of its complacency

Janan Ganesh

Ed Miliband leads by far the most unified of the main UK political parties. There is no meaningful intrigue against him and the mood in Manchester, where Labour holds its annual conference this week, is a kind of perkiness that wisely stops short of irrational exuberance. The fact that most of his own MPs did not support him for the leadership two years ago has not turned out to be the catalyst for sedition that many forecast at the time. David Cameron, Britain's Conservative prime minister, and Nick Clegg, his Liberal Democrat deputy, must envy him his comfort.

Mr Miliband has achieved this unity by ruling collegially and taking Labour to a comfortable lead in the polls. However, he has also done it by seldom challenging his party, whose instincts and ideology are so ineluctably his own. Almost none of his big interventions has been counter-intuitive for a Labour politician. His alacrity in deploring phone hacking by the News of the World is vaunted as a moment of extreme valour but cursing Rupert Murdoch is conventional leftwing

sport. The myriad barbs he aims at the City, which now include a bonus tax, a proposed public inquiry into the industry and a threat to break up retail and investment banking, could come from any Labour backbencher or activist. When he does buck leftwing orthodoxy, it is fleeting and never followed through. His heart is not in it.

It may be that this comfort zone politics, as Mr Miliband's Blairite doubters have always put it, can cobble together enough core Labour voters and disaffected Lib Dems to win an election. After all, Mr Miliband does not need to make much ground to become prime minister. But it is hard to think of the last successful leader of the opposition who took the risk of not cultivating voters who are either centrist or who tilt tentatively in a rival direction. His strategy makes him mortally vulnerable to a Lib Dem recovery. It also leaves him unprepared for a general election campaign in which his ultimate political skill - the ability to electrify audiences who already agree with him - will not be enough. He will have to address a nation, not least in the televised debates that are almost certain to take place again.

Starting with this conference, Mr Miliband's strategists want to illuminate his back story for an electorate that still knows next to nothing about him. The advantages are obvious: as an immigrant's son who went to a state school, he has known tougher odds than the impossibly gilded Mr Cameron. But brandishing his biography will also

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draw attention to how little he has had his beliefs challenged. It is not just the boyhood in the heartland of north London cognoscenti or the long years ensconced in Labour's back rooms. Even his cabinet career was largely spent as climate change secretary, a job that allowed him to indulge his environmentalist certainties to the acclaim of the kind of high-minded campaigners with whom he feels comfortable. During those years, his brother David was

foreign secretary, having to reconcile his ideals with British interests and the grim demands of national security. Ed then defeated him for the Labour leadership, largely by telling the party what it wanted to hear.

Nothing threatens Labour more in the widespread perception that it cannot take tough decisions. Mr Miliband strives to show people that he is a thoughtful and compassionate social democrat, even persuading the American academic Michael Sandel to grumble eruditely about capitalism on stage in Manchester on Sunday. But we know this about him already. His efforts are better spent demonstrating the colder virtues of courage and realism. This means sometimes going against, not with, the grain of his party. It means picking fights with less predictable foes than the Murdoch press: the bolshier end of the union movement, for example, or the civil liberties lobby. It means acknowledging that the last Labour government's economic misjudgments were not limited to things that the grassroots are comfortable with lamenting, such as the failure properly to regulate the banks. Labour should never have gone into the recession with a budget deficit after more than a

decade of growth. It also means winning back fiscal credibility by naming government cuts that he supports.

Merely promising to hold an exacting spending review in the next parliament, as Ed Balls, the shadow chancellor, did, is not enough. That announcement provoked some carping from union bosses but so does any remotely sensible policy. Bigger, more vivid skirmishes are in order. The gamble Tony Blair, Mr Miliband's predecessor but one, took in revising Labour's Clause Four, which notionally committed the party to nationalisation, has become an over-invoked moment in political folklore. But it remains true that offending one's own tribe is an inescapable stop on the journey towards the centre ground.

Voters only believe a party is changing when they can see its traditional supporters are angry. They see an unruly flock as proof of a strong shepherd. Mr Cameron did not do quite enough in opposition to challenge his party but he did much more than Mr Miliband is attempting. This Labour conference is altogether too peaceful.

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