European Governments Move to the Center-Right, 2001 – 2002

- The economy in Europe has been worse than before.
- There are increasing worries about immigrants.
- The taxes in Europe got very high.
  - Tax on average production worker pay: This is about 50 to 63% of pay in Europe and just 35% of pay in the USA.
- The European economy is becoming more integrated..
  - So there is more competition.
  - There is more freedom to move around.
  - Businesses may move to areas with lower taxes.
  - And some workers will avoid countries with higher taxes.
- Many countries have moved to the right
- There are 54 pages here, ready July 2, 2002

Roy Jenne
2 July 2002
European Governments Move to the Center-Right

Roy Jenne
1 July 2002

The politics in Europe have been moving from the center-left to the center-right. There have been more stories about this during Mar – Jun 2002. During 2001 and 2002, the economy in Europe has been weaker. People are also worried about crime and immigration.

There are 52 pages here plus 2 in front. Some stories here are:

French support rightward trend.

Dutch election gives victory to center-right (May 2000)

Suddenly the bosses (Europe) are up in arms
- They want economic reform (Feb 2002)

Several stories about the changes in France.

Rightward march: In Denmark, Sweden, Portugal, Austria, Spain, Netherlands, France (June 2002)

The vote that spooked Europe (about high taxes, July 2001)

Is Margaret Thatcher winning in Europe? (June 2002)

Labor law backfires on Socialists (France, June 2002)

Goodbye Reform? (The far right rise may spell the end of economic change [May 2002]) An interesting title!

Italy’s new government (Flying daring ideas, Sep 2001)

Egads! The left is unchaining the world’s economies (May 2000)
- NOTE: In past years the left was associated with socialism and communism...systems that “chain up” the economies.

The frightening rise of a European superstate (May 2002)

India’s conservatives are reaping the spoils of Kashmir (Sep 1999)

Repaved “third way:” Clinton, Blair plot return of center-left (June 2002)
When Did the Country Become More Conservative?

*Roy Jenne*

*July 2002*

Four years ago in Europe, only Spain and Ireland were led by right-of-center governments. Now it is different (this from the Wall Street Journal, Apr 26, 2002).

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>DATE WHEN COUNTRY BECAME MORE CONSERVATIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>June 2002</td>
</tr>
<tr>
<td>Germany</td>
<td>Elections coming: The government is on the left, but it is working toward reforms (for taxes, labor, etc.)</td>
</tr>
<tr>
<td>Italy</td>
<td>May 2001. Stories here describe possible policies</td>
</tr>
<tr>
<td>Netherlands</td>
<td>May 2002</td>
</tr>
<tr>
<td>Denmark</td>
<td>Nov 2001</td>
</tr>
<tr>
<td>Norway</td>
<td>Sep 2001</td>
</tr>
<tr>
<td>Sweden</td>
<td>Several years ago. The government is now more business friendly and wants better control of costs. They do not want to be dominated by the EU (information from a friend).</td>
</tr>
<tr>
<td>Portugal</td>
<td>Done</td>
</tr>
<tr>
<td>Austria</td>
<td>Done</td>
</tr>
<tr>
<td>Spain</td>
<td>The conservative government was “handsomely re-elected.”</td>
</tr>
<tr>
<td>Ireland</td>
<td>Conservative; they cut taxes and got high growth. Can you cut taxes to zero, and get higher growth? (No.)</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Tony Blair is the chief. He is a “liberal,” but it is said that he continues most of the policies of Margaret Thatcher. Blair followed the advice of Bill Clinton in the USA to define his liberal party so that it was much less liberal than before.</td>
</tr>
<tr>
<td>USA</td>
<td>Clinton started in Jan 1993. He called himself a “New Democrat.” Bush started in Jan 2001. He is more conservative than Clinton.</td>
</tr>
</tbody>
</table>
Significantly, it appears that Chirac's newly forged Union for a Presidential Majority won most of the center-right seats — around 370 — giving him unassailable power to dominate Parliament, the government and virtually every other channel of state power. With results counted from 452 voting districts on Sunday night, the center right had won 324 seats, compared with 128 for the center left.

Nationally the losers also included the far-right National Front, whose leader, Jean-Marie Le Pen, upset French politics on April 21 when he beat Prime Minister Lionel Jospin in a first-round presidential election.

In the runoff for the presidency on May 5, Chirac won in a landslide, with 82 percent of the vote, helped by both right- and left-leaning French voters who were opposed to Le Pen's anti-immigrant policies. In the first round of the parliamentary election last week, Chirac's followers also won a resounding lead, which was confirmed on Sunday night.

The setback for followers of Le Pen — who, in the presidential election, won up to one-third of the votes in some districts — meant that France broke the pattern of European countries like Austria and Denmark, where far-right parties provide crucial support to mainstream center-right governments.

June 17, 2002
Daily Camera
Boulder, Colo
The Euro’s Right Turn

Four years ago in Europe, only Spain and Ireland were led by right-of-center political parties. But by the end of this year Sweden, Belgium and Greece may be the only left-wing governments remaining of 15 in the European Union. We’d like to offer a two-word explanation for this remarkable swing: the euro.

This heresy in Europe, where both the right and left have predicted that a common currency would produce a new socialist era, Blood-and-soil Tories in Britain have used that line to justify staying out of the euro bloc, while the left has hoped that the Brussels bureaucracy would recreate the Continent in its own image. The right turn that hit even in France this week has begun to wake these folks up.

Over at L’Humanite, the French Communist Party paper, they’re especially unhappy. “It is precisely the consequences of the liberal choices outlined by the European Central Bank and the Brussels Commission that explain the huge populist wave that has descended on Europe,” its editors wrote this week, “signing the death warrant of the center-left governments that are now in the minority within the Union.” Un peu hyperbolic, but we take their point.

The most important economic fact about the euro is that in three-and-one-half years it has united the Continent around a single monetary policy. This has taken away the inflation alternative for individual countries, meaning they can’t stage short-term monetary booms at election time. Now and then a government still sees the European Central Bank, low poll ratings in hand, for an inflation bailout. But ECB President Wim Duisenberg has always refused, to his credit.

The end of the inflation evasion has forced the left and the voters to face economic reality. Instead of manipulating their currencies, countries must implement policies that make themselves attractive to investors. This has proven to be a boon for the likes of Ireland, which has a 12.5% corporate tax rate that is the lowest in the EU. That once-impoverished land of emigrants today boasts a GDP per capita of $28,500, the highest in the EU after Luxembourg.

But a common currency poses a problem for other countries, notably Germany and France, who have high tax rates, lots of red tape and rigid labor markets. Is it any surprise, then, that all of these issues have suddenly become central to Europe’s political debates? Italy’s Prime Minister Silvio Berlusconi—now locked in a fight to the death with unions over his plan to make hiring easier—has quipped that “in Italy it is easier to divorce your wife than to fire a worker.” And he’s lived politically to tell about it.

The euro has had other free-market benefits, for example, facilitating capital movements by removing currency risk. Deeper capital markets are leading to the emergence of an all important shareholding culture.

We will, of course, be told by some anti-euro Tories and their U.S. imports at National Review magazine that none of this is what French voters were calling for on Sunday. They were casting their ballot for Jean-Marie Le Pen was instead a roar against immigration, or the European Central Bank, or “globalization,” or something. This leaves them strangely allied with the hard left, the same Pat Buchanan-Ralph Nader Halloween coalition that has failed every test in the U.S. This anti-euro attitude has also kept the Tories in the wilderness in Britain, as Labour’s Tony Blair has dominated the free-market middle.

The real French political action now isn’t on the Le Pen fringes but with the mainstream right. Incumbent Gaullist President Jacques Chirac finished first on Sunday, with 20% of the vote. He is the candidate who calls for cutting income taxes by a third and payroll taxes too, and who also talks about “liberating energies.” The most free-market candidate, Alain Madelin, picked up 4% more, so one out of every four French voters endorsed the pro-market turn.

More important going ahead, Mr. Chirac now has the opportunity to implement genuine economic reform. He is likely to win a big majority in the runoff against Mr. Le Pen. If his party can also win a majority in the National Assembly in June, he can put together a program for governing. And if he follows Mr. Blair’s example, Mr. Chirac could stitch together a new political majority. If he doesn’t, the Blair model will still be there for those on the left who will want to win elections once again.

We don’t know if Mr. Chirac will seize this historic opportunity. But asked on television Wednesday night about the fear of globalization expressed by some voters, he explained that they worried when a foreign company closed a plant. The trick, he added, was to have policies that make it attractive for three other plants to open. No wonder the Communists are upset.

The war against global terror from over, and these are still d. But what the American people about themselves bodes well.
New Data Indicate Europe May Be Seeing Better Days

German GDP Contraction Is Smaller Than Expected; Italian Confidence Rises

By CHRISTOPHER RHoads
Staff Reporter of THE WALL STREET JOURNAL

BERLIN—A few more signs of recovery appeared in Europe in recent days, strengthening the view that a gradual economic upturn isn’t far off.

Germany’s central bank said the wheezing German economy shrank by 0.25% in the fourth quarter from the previous quarter, reinforcing preliminary data indicating the contraction wouldn’t be as bad as some economists had expected. Also yesterday, surprisingly high Italian consumer-confidence data and better-than-expected growth in Spain in the fourth quarter improved the outlook.

Still, the euro area as a whole likely contracted in the fourth quarter by an annualized rate of 0.5%, according to estimates from J.P. Morgan. If so, it would mark the first time that growth in the 12 countries that now share the euro contracted since 1999, according to UBS Warburg.

The biggest concern remains Germany, the world’s third-largest economy. Yesterday’s Bundesbank report showed economic growth shrank for three consecutive quarters, meeting most definitions of a recession. Unemployment is expected to rise in Germany and other euro-zone countries, which would weaken consumption further.

“We will have an improvement in this quarter, but it will still be pretty poor,” said Edward Toather, London-based economist with UBS Warburg. “Though improving, confidence will still be low.”

European industry, which bore the brunt of the global malaise until now, is showing signs of turning the corner. In December, industrial production rose by 0.8% from the prior month, slightly better than expected and the first monthly increase since June, according to Merrill Lynch.

The stabilization in data follows a clear rise in measures of business confidence in Germany, Belgium and elsewhere in recent months. Business confidence tends to be the most reliable lead indicator of economic growth. But German investment and consumption remain weak. And exports, a motor of Germany’s economy, remain sluggish.

France, the euro zone’s second-largest economy, will provide more clues to the euro zone’s economic health when it releases its fourth-quarter figures later this week.

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Dutch Election Yields Victory For Center-Right

By DAN BILEFSKY
And ALMAR LALOU

THE HAGUE—The party of slain populist Pim Fortuyn could become part of a right-leaning government in the Netherlands, throwing the once predictable world of Dutch politics into uncertainty.

The opposition Christian Democrats won a sizable victory, and Mr. Fortuyn’s anti-immigration party took second place, according to early election results. trailing were Prime Minister Wim Kok’s Labor Party, the head of the coalition that has led the Netherlands for eight years, and the Liberals, a partner in that coalition.

Yesterday’s strong showing would be enough to give Pim Fortuyn’s List, established just three months ago, a key role in a new coalition led by the Christian Democrats, whose leader, Jan Peter Balkenende, is set to be the new prime minister.

The Labor party won just 25 seats in the 150-seat parliament—the same number as the pro-business Liberals—while Fortuyn’s List garnered 26 seats. Christian Democrats won 43 seats.

The election, held 10 days after Mr. Fortuyn’s assassination, drew one of the biggest turnouts in Dutch history, with more than 80% of voters going to the polls. “Pim’s style was polarizing and he sharpened the national debate,” Mr. Balkenende said from his office in The Hague.

The success of Fortuyn’s List comes as rightist politicians across Europe are tapping into voters’ fears about immigration and crime. Mr. Fortuyn, who was gay, called Islam a “backward” culture and said Muslim immigrants threatened Holland’s tolerant attitudes toward women and homosexuals.

Muslim leaders decried yesterday’s results. “The risk now is that more extreme forces in Mr. Fortuyn’s party take over,” said Yassin Hartog, head of the Islamic Citizenship Office in The Hague.

Mr. Balkenende’s agenda as prime minister is expected to include more police on the streets, tougher penalties for drug offenses and a re-evaluation of liberal Dutch abortion laws.

Some analysts noted that members of Mr. Fortuyn’s party have little political experience. “People are voting with their hearts, and the risk is that we will have a chamber full of nobodies,” said Hans Entzinger, a sociology professor at Erasmus University in Rotterdam.

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WSJ.com: Join a discussion of the tension between right-wing and left-wing politics in the Online Journal at WSJ.com/JournalLinks.
Axis of Allies

To read the papers these days, you’d think Europe and the U.S. were headed for a giant fall over President Bush’s “axis of evil” policy. Certainly European critics have earned all of the headlines. But there’s another side to this story, which is that much of Europe actually supports Mr. Bush.

We wouldn’t exactly call it a silent majority. But it includes some very big names, starting, for example, with Spanish Prime Minister Jose Maria Aznar. Since you won’t read about it anywhere else, we thought we’d tell you what he said.

“I think that the position Bush has taken is of historic dimensions,” Mr. Aznar said last week in an interview with European journalists. “It is comparable to the choice made by Truman, who in the postwar period took a strong position against the Russians, and to the declaration that Reagan made at the beginning of the 1980s which defined the Soviet Union as the evil empire.”

The Spanish leader added that “I believe that today it is more important than ever that Europe strengthen its ties with the United States: Alone we Europeans will be able to do nothing, not only on the international scene but also even inside our own Continent, as the crisis in the Balkans demonstrated. There are those who want to make an impression by lining up against the U.S., but I do not agree with this attitude.” Take that, Jimmy Carter.

Also largely unreported was the comment last week of Javier Solana, EU foreign policy chief, who spoke of “overstatements of differences” with Washington. Mr. Solana’s remarks were widely taken as a slap in the face of Chris Patten, the EU external affairs commissioner who warned, in widely quoted comments, that Mr. Bush was in “unilateralist overdrive.”

Something is clearly getting lost in translation of how Europeans view America right now. When French Foreign Minister Hubert Védrine calls U.S. foreign policy “simplistic” or German Foreign Minister Joschka Fischer accuses the U.S. of treating European nations as “satellites,” their remarks make news on both sides of the Atlantic. But when a European leader speaks pointedly in support of America, he’s shouting into the wind.

The real story is the battle in Europe between the new politics and the old. It is no accident that those dowagers of the old socialism, France and Germany, tend to produce the U.S. critics, while exponents of a new centrist or center-right politics, primarily British Prime Minister Tony Blair, Italian Prime Minister Silvio Berlusconi and Mr. Aznar, support Mr. Bush.

The internal debate in Europe is about its role in the world and the future shape of the European Union. Specifically, it focuses on the politics of European integration in which a French-led bloc wants to create a more integrated (and socialist) Europe. The issues will come up in elections in France and Germany this year.

Both France and Germany also had business ties with Iraq that they are eager to resume; that won’t be politically correct as long as Iraq is part of the “axis of evil.” A campaign (with tacit or explicit government support) to indict Western sanctions as the cause of Iraqi misery has also succeeded with the European public, making it that much harder for Paris or Berlin to support military action against Iraq.

France and Germany are important countries, but they aren’t all of Europe any more than America is Washington and New York. And even they may ultimately find a way to support American action in Iraq and elsewhere. In the meantime, President Bush can count on backing from Messrs. Aznar, Berlusconi and Blair, though they too will face political hurdles at home.

A part of Europe sees eye to eye with the U.S. on economic liberalization and a foreign policy that attempts to rid the world of threats to peace and stability. Another part of Europe disagrees. Why do only the grumblers make the news?

Note: In June 2002 France became more conservative
SUDDENLY, THE BOSSES ARE UP IN ARMS

Business is pressuring EU leaders—loudly—for economic reforms

K

ee your head down. Speak softly. Go for consensus. Europe’s chief executives have largely-lived by those Milquetostacey precepts when it came to the delicate matter of dealing with its governments. Many a boss would say privately that he yearned for the marketplace freedoms that his peers in the U.S. enjoy. But to demand such freedoms from the great welfare states of Europe was simply not done. Occasional, private consultations with a Prime Minister or perhaps a finance ministry—that was possible. But blunt, in-your-face demands for change? Jamin.

That’s why January’s events stand out so sharply. In a Jan. 14 open letter to Spanish Prime Minister José María Aznar, who is beginning a six-month stint as president of the European Union, the leaders of powerful business federations such as the Confederation of British Industry, the German Federation of Employers, and Italy’s Confindustria spell out some bitter truths. Europe is falling far short of its potential, they say, and any idea that Europe’s economies could drive world growth in their present state is a joke. The very credibility of the process [to make Europe more competitive] is at stake, they add darkly.

Fighting words. And there are more to come. Across the Continent, business is mounting an unprecedented lobbying campaign to pressure leaders into moving on stalled reforms. Apart from the federations, the European Roundtable of Industrialists—a group that includes ThyssenKrupp, Telefonica, Saint-Gobain, and Nestlé—is also taking European governments to task. In a tough mid-January statement, the roundtable listed nine areas where it believes action must be taken. From liberalizing energy markets to eliminating tax obstacles on cross-border activities, “the urgency is now acute,” says Daniel Jannes, chairman of Belgian chemical giant Solvay.

Can the bosses’ revolt actually make a difference? Initially, it’s hard to see what impact their ire can have. European executives operate under con-

straints that any American manager would find suffocating. Sky-high social security taxes, stiff workplace regulations, myriad trade impediments—all have been instituted by national governments for years and are only gradually receding, if at all.

But you have to start somewhere. And the bosses know that they may have more of an effect this year, when elections are slated in France and Germany. Business groups in Europe tend not to support individual candidates or parties, but they can play a crucial role in commenting on the strength of a candidate’s economic platform. Already, some top German CEOs such as Bernhard Schreiber of Darmstadt-based drugmaker Merck have hinted that they prefer the program of Edmund Stoiber, the conservative opponent to German Chancellor Gerhard Schröder in the next fall’s election.

Put simply, the bosses are speaking out because Europe just can’t get on a strong growth track. The average growth of EU countries hit more than 3% in only one year out of the past 10. By contrast, the U.S. growth rate never fell below 3% during that period (except for last year). The result: By 2001, per capita gross domestic product in the EU was less than two-thirds of that of the U.S.—the widest gap since the 1960s. “Far from bringing us up to American levels, the European Union has left us farther behind,” says Jannes.

In an effort to help ignite growth, business groups are concentrating their firepower to support EU President Aznar’s ambitious liberalizing agenda for the Mar. 15 European summit in Barcelona. But the real problem is getting national governments to implement the fine words and promises. “What do you have as business-friendly policies in the last five years in this country?” asks Henri de Castries, CEO of Paris insurance giant Axa. “Zero. Nothing.”

Now French business is on the war path, led by the Paris-based employers federation MEDEF. “We used to be a discreet, almost underground lobby,” says Ernest-An-

toine Seillière, MEDEF chief. “But the next government absolutely has to institute changes, and that’s why we now want this discussion in the open.”

German business also is beginning to clamor. On Jan. 17, for example, the Federation of German Industries sponsored a tax forum attended by Finance Minister Hans Eichel. Federation President Michael Rogowski complained that tax reform didn’t go far enough, embarrassing Eichel. To Schröder’s people, business is ungrateful. “But the election will be decided by working people, not lobbyists,” says German Economics & Technology Minister Wern er Müller. True, but working people depend on bosses for jobs, and those bosses are increasingly desperate for change.

By John Rossant in Paris, with Jack Ewing in Frankfurt
Liberalising Europe

The need for shock treatment

BRUSSELS
The European Union summit in Barcelona will test the credibility of its economic-reform programme

WHAT could be more pleasant than Barcelona in spring, with a stroll down the Ramblas or tapas by the port? Sadly, what awaits the EU’s leaders heading for their summit in Barcelona on March 15th and 16th is a lengthy discussion of electricity liberalisation in an airless conference room. And if that is not a gloomy enough prospect, there is more to cloud out any sunny optimism: the ten-year rolling programme of economic reforms that they unveiled with great fanfare in Lisbon two years ago is in deep trouble.

The “Lisbon process” was launched in large part because the EU’s countries recognised they were falling behind the United States economically. In 1991 America’s GDP per person was 42% greater than the EU average; by the end of 2001 the gap had widened to 54%. At Lisbon, Europeans were promised a programme of economic reforms that would make the EU the “most competitive and dynamic knowledge-based economy in the world” by 2010. Yet recently Frits Bolkestein, the EU’s commissioner for the internal market, declared that “most of the key reforms announced at Lisbon are still on paper, waiting to be approved and implemented. The credibility of all community institutions is at stake. We can’t keep on saying the cheque is in the mail.” Two years on, says the frustrated Mr Bolkestein, there is still “more poetry than motion”.

He highlights two reforms that were meant to have been wrapped up by the end of last year but which remain stuck. Efforts to create an EU-wide system of patent law, called a “community patent”, have founded on arguments about which languages patents can be filed in. This issue is so sensitive and so bound up with national pride that the Lisbon summiters will not even try to solve it. And plans to simplify EU rules on public procurement, which accounts for some 15% of the countries’ aggregate GDP, have stalled. These were meant to have been approved last year. Efforts to create a pan-European code for corporate takeovers likewise came to grief last year, after 12 years, when they ran into opposition in Germany and in the European Parliament. The European Commission has appointed some “wise men” to try to find a way forward—to little effect so far.

But the outlook is not entirely bleak. A bundle of measures to liberalise telecoms markets was pushed through last year; limited liberalisation of Europe’s postal services has been agreed on; and a financial-services “action plan” is making progress, raising hopes that European companies will soon have better access to more capital (see page 67). Meanwhile the commission remains pretty strict in upholding the existing laws of the EU’s internal market. It started investigations this week of possible illegal state aid from Greece to Olympic Airways. A thumbs-down from the commission could bankrupt the Greek national carrier.

Yet even genuine advances for economic liberalisation threaten to be offset by a new wave of labour-market regulation which runs counter to Lisbon’s professed desire to cut unemployment. The EU is working on a new directive to ensure that temporary workers hired through agencies receive the same pay and conditions as equivalent full-time workers.

If the Barcelona summit fails to give liberalisation a boost, then it is likely that the outside world will stop listening to the high-sounding promises made in Lisbon two years ago. For that reason, if no other, European leaders will want to come up with something they can point to as an achievement.

Get plugged in
Hence their concentration on electricity liberalisation. This issue has assumed a tempestuous significance because of France’s stubborn refusal to free its markets and expose EDF, its state-owned national champion, to competition. Just ten days before the summit, France blocked a draft deal on electricity that was acceptable to all the other 14 EU countries. But a compromise may be possible in Barcelona, whereby France would agree to open up its market for business users of electricity, while allowing EDF to continue to overcharge householders. Hardly a victory for ordinary Europeans, but liberalisers desperate for any good news will doubtless talk up any such deal.

Meanwhile, events many miles from Barcelona may deepen the gloom at the summit. Europeans have long been urged to look to the United States for lessons in the benefits of liberalisation. America’s decision to impose tariffs on steel imports, including those from Europe, will encourage Europe’s powerful anti-globalisation movement to believe that the tide of the argument is now turning its way.
France’s Chirac Wins Strong Five-Year Mandate

Election Yields His Coalition Of Conservative Parties Control of Legislative Agenda

By CHARLES FLEMING

PARIS—Voters delivered a huge parliamentary majority to President Jacques Chirac’s coalition of conservative parties, giving the veteran French politician a clear-cut mandate to launch his program of reforms.

Yesterday’s result, which was expected, yielded both skepticism and hope about whether Mr. Chirac would make good on his many campaign promises—including lower taxes, higher defense spending, a focus on law and order, and pension reform.

According to Interior Ministry estimates, Mr. Chirac’s Union for a Parliamentary Majority coalition won at least 360 seats of the 577-seat National Assembly, far above the 289 needed to control the legislative body. The Socialist Party, after enjoying a powerful role in French politics for all but two of the past 21 years, was reduced to a maximum of 165 seats. The Communist Party won about 23 seats and the Green Party no more than two seats. Jean-Marie Le Pen’s extreme-right National Front was shut out of the parliament, despite an unexpectedly strong showing by its leader in last month’s presidential elections.

One surprise was yesterday’s 38% voter abstention rate, one of the lowest turnouts in the history of the Fifth Republic. Mr. Le Pen’s surprise strength in the first-round presidential elections sparked massive protests around the country, especially among French youth. But by yesterday that political excitement had abated, with several analysts noting that voters chose Mr. Chirac as a way to avoid another five-year stretch of “cohabitation,” or power-sharing between left and right.

“In May, France said no to the extreme right, and in June it has said no to cohabitation,” said Laurent Fabius, a former Socialist Finance Minister.

The first election promise that Mr. Chirac and his prime minister, Jean-Pierre Raffarin, are expected to deliver is a tough approach to crime—a topic that is at the top of voters’ priorities throughout Europe and that has boosted center-right parties across the Continent.

Messrs. Chirac and Raffarin are expected to boost spending on police, the army and the judiciary, though it is unclear by how much.

They have also promised to cut taxes, starting with a 5% income-tax cut this year, followed by a total 30% cut over the next five years. That timetable could prove difficult if France is also going to meet its euro-zone commitment to a balanced budget, some analysts say. “He’ll come through with the 5% tax cut this year, but that 30% over five years isn’t cast in stone,” said Jean-Francois Merger, an economist with Citigroup.

“Election promises of lower taxes are only credible if they’re balanced with spending cuts, and that’s not the case,” said Benoite Taffin, head of a nationwide taxpayers lobby.

Also high on Mr. Chirac’s list is pension and civil-service reform. But unions are ready to fight to protect existing privileges, threatening a replay of the 1995 showdown that toppled the last right-wing government. Seeking to reassure critics, Mr. Chirac has so far skirted details of proposed changes, prompting some skepticism about his willingness to bite the bullet. “You can’t promise change and promise to maintain the status quo at the same time,” said Mr. Merger.

Meanwhile, the French business community is hoping that pro-business legislation will be enacted soon. “It looks like the new government wants to help us, but there’s a lot to be done,” said Jean-Francois Roubaut, a building contractor whose small company employs 100 people in the Paris region.

Mr. Roubaut is upbeat because two of the items at the top of his wish-list were both central planks in Mr. Chirac’s electoral platform: a loosening of the Socialist government’s mandatory 35-hour work week and lower taxes. “These are very specific things we’re asking for, because we need them to survive,” he said.

Yet the business community isn’t convinced it will get everything it wants right away. “They’re listening to us and they seem convinced by what we’re saying, but they will have to make some tough political decisions if they are going to deliver,” said Sylvain Forestier, head of marketing firm D-Interactive and a member of the Growth Plus business group.

France’s biggest business lobby, known as the Medef, kept a low profile throughout the recent elections, fearing a backlash against Mr. Chirac if it showed its support too openly. However, Medef now says it wants the government to use its five-year mandate to come up with a clearer long-term vision for the French economy.
France's new plan: Too good to be true?

Jacques Chirac's message, read out on his behalf this week to both houses of the French parliament, was clear enough: "By the middle of this summer, you will have passed bills to strengthen the state's authority, guarantee the French people's safety, restore France's competitiveness and ensure the nation's solidarity." In other words, the election celebrations are over and an extraordinary month-long session of the National Assembly and Senate must begin forthwith.

It is easy enough for a president, prevented by a constitutional separation of powers from declaring in person, to declare from on high; the senators and deputies stood up to listen in respectful silence, apart, that is, from three Socialist deputies who stayed seated in protest at this "monarchical" behaviour. But how exactly will the government of Jean-Pierre Raffarin, even with a pro-Chirac majority of 399 of the National Assembly's 577 seats, fulfill the president's wish list? As a former economic adviser to Mr Chirac puts it, "Now is not a good time to be prime minister."

Quite so. The president has promised a cut in income tax of 5% in September and a cut of up to one-third over the course of his five-year term. His promise to "strengthen the authority of the state" means tackling crime with more police and expensive new prisons. His pledge to "restore competitiveness" means lowering taxes on business, making the 35-hour working week more flexible, inviting bosses and workers to negotiate new deals on unemployment and health insurance, and slimming down the public sector - and any part of this could all too easily send the unions on to the streets in protest.

Perhaps the deceptively unassuming Mr Raffarin will prove equal to a task in 1995-1997 was so clearly beyond the unpopular Alain Juppé, the last pro-Chirac prime minister. The day after Mr Chirac's message, Mr Raffarin faced parliament for a full 80 minutes to outline what he called his government's "programme without arrogance". In truth, however, save for a flat rejection of European Union plans to cut France's fishing fleet, he added little to what had already been declared in the president's message or in the earlier election manifesto. Meanwhile, friends and foes alike are well aware that Mr Raffarin's margin for manoeuvre is narrow.

Mr Chirac's promises, worked out before the presidential elections of April and May by his astute economics adviser, Jean-François Cirelli, are based on an annual economic growth rate of 3%. Yet this year it will be about half that. Moreover, an audit commissioned by the new government of the nation's accounts revealed last week that the budget deficit for this year will be between 2.3% and 2.6% of GDP, compared with the 1.8% predicted (doubtless with a self-serving pre-election optimism) by the now-defeated left-wing government as recently as February. Translate that into money, and it means that the deficit may widen from the €30.4 billion (€30 billion) originally inscribed in this year's budget to as much as €45 billion.

Naturally, the audit is self-serving. If promises have to be broken, it will be easy enough to blame the set of books inherited from the left. Similarly, even though the new finance minister, Francis Mer, has already persuaded the European Commission to loosen the rules that say that all EU countries must balance their public budgets by 2004, he can still blame the Union if promises have to be broken. But in the long term what will matter most is not the promises' arithmetic but the reforms that will have to accompany them. Jean-Claude Trichet, the governor of the Bank of France (and presumed next head of the European Central Bank), declared this week that social services, the labour market and education all need reform, both to improve France's industry's competitiveness and to reduce government spending, which last year was 52.6% of GDP. As Mr Trichet noted, Austria is the only other euro-zone country in which government spending accounts for more than half of economic output.

Clearly, all this is more easily advocated than achieved. How, for example, will Mr Raffarin reform a demographically unsustainable pensions system which offers earlier retirement and better benefits to the fully unionised public sector than to the less unionised private sector? And will strike-prone railway workers and others in that public sector take kindly to the idea that they should "guarantee" a minimum level of service to the public?

Yet if the president's dreams leave the prime minister with a headache, so be it. After all, it is hard to disagree with the president's declared intention to "protect the weakest, reduce unemployment, fight poverty and exclusion, and struggle resolutely against the discrimination that flouts the essence of the French ideal." And the business community, so often ignored by the outgoing government, will be delighted by his pledge to set free the country's entrepreneurial spirit and to let the French "profit from their efforts."

In the end, however, the most far-reaching of this presidency's proposals may turn out to be a change of administrative rather than economic policy. "The moment has come," declared Mr Chirac, "to resume the long march, so often thwarted, towards decentralisation. I call for a great national debate on local freedoms and responsibilities." Translate that into action (the prime minister invited the regions, including the troubled island of Corsica, to experiment as a matter of pragmatism rather than ideology), and the Raffarin government will be devolving to the regions more tax-raising powers - and the responsibilities that go with them. Since that, in turn, will mean a lessening of the powers of the Parisian elite, the debate should be interesting.
FOR FRANCE’S SOCIALISTS, GRIMMER TIMES ARE COMING

It’s the French Socialists’ last hope. Even though center-right President Jacques Chirac won reelection in a landslide on May 5, leftists such as Socialist Party chief François Hollande have been predicting they’ll make a comeback in the June parliamentary elections. Their reasoning: After rallying to support Chirac against far-rightist Jean-Marie Le Pen, the Left is mobilized to capture a majority in the National Assembly, name a new Prime Minister, and compel Chirac to “cohabit” again with a Socialist-led government.

But as the campaign cranks up for the June 9 and 16 vote, the Socialists’ chances for a majority are rapidly fading. Recent polls show the Right running ahead by as much as ten percentage points. One reason is that Chirac is using his bully pulpit to seize the initiative on the hot issue of law and order and to defend France’s values—even publicly demanding an apology when rowdy fans booed during the playing of “La Marseillaise” at a recent champion soccer game.

Chirac also grabbed headlines by appointing a law-and-order czar, Nicholas Sarkozy, who is setting up special crime-fighting squads. And after his vanquished opponent, Prime Minister Lionel Jospin, resigned, Chirac named the center-rightist Jean-Pierre Raffarin to head the government. A pragmatist from the provinces, he is playing well with disaffected voters.

Even worse for the Socialists, their party is grappling with an identity crisis. Jospin was knocked out of the presidential race after running as a moderate whose views were often hard to distinguish from Chirac’s. Now, the Socialists are steering leftward, aiming at the more than 20% of all voters who cast ballots for Trotskyist, Communist, and Green presidential candidates. A new platform, crafted by former Labor Minister Martine Aubry, features left-wing crowd pleasers such as raising the minimum wage and slowing privatization. But such measures threaten to alienate professionals and mid-level managers who often vote Socialist. “They could lose the middle class,” warns Pascal Perrineau, director of the Center for the Study of French Political Life.

In contrast to the emboldened Right, the Left appears leaderless. That’s ironic, because after five years of running the government, it has a stronger stable of nationally known politicians than the Right does. The problem is that heavy hitters such as Aubry and former Finance Ministers Dominique Strauss-Kahn and Laurent Fabius are competing against each other for influence. That’s why party leaders compromised by naming the competent but bland Hollande to lead the parliamentary campaign.

It all leaves voters scratching their heads over who would become Prime Minister if the Left were to win. Aubry is popular with the Socialists’ left wing but is generally considered too abrasive to head a “cohabitation” government with Chirac. The Socialists’ new hard-line platform would make it awkward for them to put forward a market-friendly figure such as Strauss-Kahn or Fabius.

With their chances looking increasingly grim, some Socialists privately argue that defeat in the parliamentary election should spur a badly-needed shakeup in the party. Strauss-Kahn and Fabius want the Socialists to hold a convention to jettison their hard-left positions and redefine themselves as reformist Social Democrats. But left-wing leaders such as parliamentary finance committee chairman Henri Emmanuelli warn that the party would “dig its own grave” by positioning itself in the center. In this election, the Left seems to be its own worst enemy.

By Carol Matlack in Paris

GLOBAL WRAPUP

HELPING COLOMBIA CRACK DOWN

At last, Uribe the hard-liner, a crowd-pleaser to win the Colombian presidential election in April, even in the midst of the war with leftist rebels, is on track to win. Uribe’s clear victory will bring back the paramilitary death squad, the 19th century’s answer to the Left. With the help of the U.S., Uribe is expected to crack down on the paramilitary groups and bring them to justice.

ANTI-TERROR PACT IN ASIA

The 11-nation Association of South East Asian Nations, on hold since May 21 due to the terrorist attacks in Malaysia, Singapore, and Indonesia, will again meet their neighbors in the region to discuss security and economic issues. The pact will also talk about the role of the United States in the region. Putin, who visited the region last week, is expected to meet with representatives of the Philippines, Indonesia, Singapore, and the Philippines.

BusinessWeek / June 3, 2002 53
Rightward march?

Not so long ago, in 1999 and 2000, Bill Clinton was hosting conferences of “third way” center-left politicians, including the heads of government of the United States, Britain, the Netherlands, France, Germany, and Italy. Today only one, Tony Blair, is still securely in power; another, Gerhard Schröder of Germany, is trailing in polls in the run-up to the September election; all the rest are out of office, replaced by parties of the right. The right has also recently ousted the center-left in Denmark, Sweden, Portugal, and Austria, and conservative governments were handsomely re-elected in Spain and Australia. At one moment, the “third way” seemed to be sweeping all before it with a Goldilocks formula of not too much government and not too much free market; now it seems to be losing everywhere. Are we seeing a worldwide trend to the right?

Well, not quite worldwide: Left parties recently won in Hungary and the Czech Republic, and—despite George W. Bush’s high poll numbers—Republicans have not jumped far ahead of Democrats in U.S. polls. Still, the unsuccess of the center-left may have some relevance for us.

High crimes. The success of the right has often been attributed to the crime and immigration issues; center-left governments (except for Blair’s) have been wary of politically incorrect tough-on-crime and anti-immigration policies, while right parties have not been so shy. American journalists, ever on the lookout for a revival of the Nazism and fascism that have not ruled Europe in 75 years, have portrayed the right parties’ approach as authoritarian and bigoted, which is inaccurate except in the cases of fringe politicians like France’s Jean-Marie Le Pen (interestingly, journalists never seem disturbed about the return to power of the Communists, who ruled much of Europe just 15 years ago).

Crime is a legitimate issue in a Europe where crime rates are now much higher than in the United States; on immigration, politicians like Silvio Berlusconi in Italy and the late Pim Fortuyn in the Netherlands have called for assimilation of immigrants as well as curbs on new entrants, vital in a Europe where many more immigrants than here are Muslims, many of whom reject the tolerance and openness of Western societies. Crime and immigration are not such important issues in the United States, where Bill Clinton neutralized the Republicans on crime and where George W. Bush’s attempt to get regularized status for greater numbers of Latino immigrants has more Democratic than Republican supporters in Congress.

More relevant is the tendency of center-left parties to move left in the absence of a strong leader determined to stay close to the center. After all, most center-left legislators prefer the left to the center. When the party is seen to be more left than center, it suffers at the polls. France was a spectacular example, where Lionel Jospin insisted he was a socialist and where so many left voters supported Trotskyite and other splinter-left candidates that Jospin lost a spot in the runoff to Le Pen. Other center-leftists allowed the size of government to creep up and refused to address the ballooning cost of pension systems.

It’s not clear whether America’s Democrats are getting that message. Al Gore ran as the tribune of “the people versus the powerful” in 2000 and failed to win; some “new Democrats” argue convincingly that he would have run better as the candidate of the “new economy.” Congressional Democrats champion expensive programs like prescription drugs for the elderly, which test well on isolated poll questions but have not yet produced a spike in the Democratic vote. Fewer and fewer Democrats support free-trade measures, as Bill Clinton did in the mid-1990s. In the 1990s Clinton toyed with and Democrats like Daniel Patrick Moynihan and Bob Kerrey supported individual investment accounts in Social Security; now almost all elected Democrats pledge to keep forever the current system, which young voters increasingly believe will not deliver promised benefits in their lifetimes.

The fate of the center-left abroad suggests that these are not winning stands. Few voters today feel that they are weak creatures at the mercy of the wealthy; more feel capable of making their way ahead in an economy that surges unless the state becomes too large. Just as Americans in the 1950s and 1960s still lived in Franklin Roosevelt’s country, so today we still live in Ronald Reagan’s. Democrats won 48 percent in the 2000 presidential and House elections because many high-income voters chose them because of cultural issues; that vote may fall away if Democrats move further toward the big-government left.
Government Spending Got Very High in Europe
(and Taxes Got Very High)

Roy Jenne
1 July 2002

- In 2001 the European Union condemned Ireland for supply-side tax policies that caused too much growth.
  - This seems crazy.

- See the graphs of government spending. It sure went up between 1964 and 1997.
  - In 1993, total government spending was 58% of the whole economy in Italy, 62% in Finland, 73% in Sweden, 46% in UK (the Thatcher effect?), 37% in the US, 34% in Japan, and 34% in Switzerland.

- How high are the taxes on assembly line workers?
  - Tax is 60 to 63% of pay in Belgium, Denmark, Sweden.
  - Tax is 59% in France, 59% Germany, 57% Italy, 47% Spain, 44% in UK & Denmark, 35% in USA.

("Four pages follow on this subject")
Irish voters recently dealt a stunning blow to the Eurocrats in Brussels, voting to reject a plan to expand the European Union (EU). This is sweet revenge. A few months ago, the pro-tax European Union voted to condemn Ireland's supply-side tax policy for causing "too much" growth.

By voting no, Irish voters showed that they want to protect and maintain the "Celtic Miracle" — the economic gains caused by sweeping tax-rate reductions. It was only 15 years ago, after all, that Ireland was the "sick man of Europe." Unemployment topped 15 percent. Government spending consumed more than one-half of economic output, confiscatory tax rates stifled growth, and budget deficits skyrocketed to 15 percent of GDP.

Unlike some other nations in Europe, Irish lawmakers courageously decided that radical surgery was needed, and tax rates were slashed. Corporate tax rates have fallen from 50 percent to 20 percent and will drop to 12.5 percent in 2003. Personal tax rates have been reduced from 65 percent to 42 percent, and capital gains tax has fallen from 60 percent to 20 percent.

What is the result of this experiment in Reaganesque? Today, Ireland enjoys unprecedented prosperity. The country's economy is booming, expanding at about 9 percent annually. Unemployment has dropped by nearly 10 percentage points. Growth has been so robust that Ireland now has to import workers, an amazing development for a nation that traditionally has seen many of its people emigrate in search of jobs.

As one might expect, this astounding performance has attracted attention from Ireland's European neighbors. Surprisingly, though, this attention has been hostile. High-tax posterous, particularly to Americans who remember how inflation fell after the Reagan tax-rate reductions. More likely, EU officials just wanted an excuse to attack Ireland for cutting taxes and making the rest of them look bad.

This is not the first time Ireland's supply-side policies have come under attack. A few years ago, other European countries charged it was unfair for Ireland to have a 10 percent corporate tax rate for certain industries.

European Union leaders into a rage. The French, Germans and Italians favor harmonizing some tax rates in Europe — by which they mean upward. Ireland's low-tax regime, its more flexible labor markets, and its business-friendly environment stick in the craw of EU governments burdened by welfare systems they can no longer afford.

Instead of attacking Ireland, other nations should be enacting similar supply-side policies. They can learn two powerful lessons from the Emerald Isle:

Lesson No. 1: Lower tax rates help balance budgets. Tax cut critics routinely claim that tax cuts cause big budget deficits, yet Ireland shows this isn't the case. Ireland implemented huge tax-rate reductions, and is enjoying its first surpluses in 50 years.

Lesson No. 2: Lower tax rates help reduce debt. Another common argument is that tax cuts make it harder to reduce the government debt burden, but Ireland demonstrates that supply-side policy helps rather than hurts.

Government debt in Ireland had reached 120 percent of GDP. After dramatic tax-rate reductions, however, government debt has fallen by more than half, down to about 50 percent of GDP.

With so much success, is it any wonder why Irish voters are skeptical of the European Union? The EU, after all, is a big advocate of "tax harmonization." Like the "harmful tax competition" initiative being promoted by the bureaucrats at the Organization for Economic Cooperation and Development (OECD), the EU tax harmonization effort is designed to prop up uncompetitive welfare states.

Combined with the Bush administration's wise decision to pull the plug on the OECD anti-tax competition proposal, the Irish will send a signal to politicians in Europe's welfare states. They can maintain their costly and wasteful tax systems, but they have to bear the consequences.

This means jobs, capital, and entrepreneurial talent will continue to escape high-tax nations and add to the prosperity of low-tax nations.

Daniel J. Mitchell is the McKenna senior fellow in political economy at The Heritage Foundation.
Huge spending...

- The total height of each bar measures total government outlays as a percentage of GDP (Table 6.5).

**Expenditures by General Government**

- **Federal**
- **State**
- **Local**

- As percentage of GDP - Ex precentage of GDP

United States - Base: Years 1964 to 1997

- Japan - Argentina

- Korea - Chile

- United States - Base: Years 1964 to 1997

- Expenditures by General Government

- **Federal**
- **State**
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- Expenditures by General Government

- **Federal**
- **State**
- **Local**

- As percentage of GDP - Ex percentage of GDP

United States - Base: Years 1964 to 1997

- Japan - Argentina

- Korea - Chile

- Expenditures by General Government

### Total outlays of government as a percentage of GDP

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<td>30.6</td>
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</table>
Government Spending as percent of total economy
1913 to 1986

Table 6.3. Total government expenditure as a percentage of GDP at current prices, 1913-86

<table>
<thead>
<tr>
<th>Country</th>
<th>1913</th>
<th>1929</th>
<th>1938</th>
<th>1950</th>
<th>1973</th>
<th>1986</th>
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<tbody>
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<td>France</td>
<td>8.9</td>
<td>12.4</td>
<td>23.2</td>
<td>27.6</td>
<td>38.8</td>
<td>53.2</td>
</tr>
<tr>
<td>Germany</td>
<td>17.7</td>
<td>30.6</td>
<td>42.4</td>
<td>30.4</td>
<td>41.2</td>
<td>47.8</td>
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<td>Japan</td>
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<td>30.3</td>
<td>19.8</td>
<td>22.9</td>
<td>35.5</td>
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<tr>
<td>Netherlands</td>
<td>8.2</td>
<td>11.2</td>
<td>21.7</td>
<td>26.8</td>
<td>49.1</td>
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<td>17.8</td>
<td>27.7</td>
<td>26.7</td>
<td>37.4</td>
<td>46.3</td>
</tr>
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</table>

a) 1985.
b) 1910.

The World Econ in 20th Century, OECD, 1989 by Maddison

Tax Wedges

Table 4.4. Overall Tax Wedges, 1994
(Percent of average production-worker earnings)

<table>
<thead>
<tr>
<th>Country</th>
<th>Overall Tax Wedge</th>
<th>Income tax1</th>
<th>Payroll tax2</th>
<th>Consumption tax</th>
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<td>Euro area</td>
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<tr>
<td>Austria</td>
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<td>...</td>
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<tr>
<td>Belgium</td>
<td>61</td>
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<td>26</td>
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<tr>
<td>Finland</td>
<td>55</td>
<td>36</td>
<td>4</td>
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<td>France</td>
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<td>Ireland</td>
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<td>Italy</td>
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<tr>
<td>Netherlands</td>
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<td>35</td>
<td>7</td>
<td>13</td>
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<tr>
<td>Portugal</td>
<td>47</td>
<td>12</td>
<td>20</td>
<td>15</td>
</tr>
<tr>
<td>Spain</td>
<td>47</td>
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<tr>
<td>Other EU</td>
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<td>Denmark</td>
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<td>Sweden</td>
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<td>23</td>
<td>13</td>
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<td>United Kingdom</td>
<td>44</td>
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<tr>
<td>United States</td>
<td>35</td>
<td>18</td>
<td>7</td>
<td>10</td>
</tr>
</tbody>
</table>

1Including employees' social security contributions.  
2Employers' social security contributions.  
3Excluding Austria.

Taxes on Workers (20% of wages taken by taxes)

World Economic Outlook May 1999
by International Monetary Fund

Ray Hanna
Ill health has forced Margaret Thatcher to end her public-speaking career, ironically at a time when what has come to be known as Thatcherism is more vital than ever. Her belief in allowing individuals to create and invest free of government control and over-taxation is gaining adherents throughout Europe.

Baroness Thatcher has fallen victim to a series of small strokes. She felt ill a week ago and did what in the words of one of her friends was a “most uncharacteristic thing for her—she got herself to the doctor’s.” The verdict was that she can no longer endure the stress of public speaking. She announced Friday she would never mount a dais again.

The decision is a great loss, but we console ourselves with the fact that few people in public life have left behind such a legacy as the Iron Lady. The success of her policies in the 1980s forced even the British Labour Party, a longtime rival, to remade itself into a Thatcher-Reagan look-alike, if not exactly a carbon copy. Labour Prime Minister Tony Blair has since gone from strength to strength, throwing the Tories, who abandoned the Iron Lady in 1990, into total confusion.

Some of Lady Thatcher’s ideas were quietly and timidly purloined by continental socialists even while she was still Prime Minister. The dimmest left-wingers could see the wisdom of privatizing inefficient state industries, freeing up the public purse for more generous, vote-getting social-welfare policies. The typical ploy was to sell off shares while still effectively retaining state control, which wasn’t quite Thatcherite but headed in that direction.

Now a new, bolder phase of Thatcherism is taking hold on the continent. It is partly a product of the euro. More intense single-market competition has given private companies new vigor and a new urgency to become more efficient. Governments, having surrendered control of money to the European Central Bank, can no longer inflate away the deficits they once ran up with social-welfare spending.

Politicians of the Tony Blair type have been winning elections. Silvio Berlusconi, roundly hated by the left, is now locked in what could become a violent battle with Italy’s Communists over his efforts to liberalize laws that limit labor mobility—and hence restrict employment opportunities. In another former socialist redoubt, Portuguese voters have just elected a government headed by Jose Manuel Durao Barroso, a free-marketer who espouses privatization and tax cuts.

Opinion polls indicate that both the Netherlands and Germany might move toward Thatcherism in elections this year. Most interesting is the revival in Germany of the Free Democrats, traditionally a party of economic liberalism that has in the past entered coalitions of both left and right and served as a moderating influence. This year, under Guido Westerwelle, the FDP is strong enough in the opinion polls to assert that it will set its own conditions for joining a post-election coalition. The conditions: deep tax cuts and labor-market liberalization.

Perhaps the best indicator of the way Europe is going is to be found in France. Politically agile President Jacques Chirac, running for re-election against Socialist Lionel Jospin, has suddenly begun sounding like, who else, Maggie Thatcher. He has edged ahead in the opinion polls since he began promising tax cuts.

The one European party that can’t seem to find a compass is the one Mrs. Thatcher once headed. At its spring conference this week, it was still debating whether it wants England to be in or out of Europe and was murmuring about reshaping itself as the party of the “vulnerable.” Lady Thatcher’s last word, before doctors told her to quiet down, was advice to her party to further distance itself from the European Union and such costly schemes as the Common Agricultural and Common Fisheries policies. Maybe she is still out of step with Europe, but clearly Europe is coming to be more in step with her.
Some Big Problems for Europe and Japan

- The number of retired people is increasing rapidly.
- The number of births has been very, very low.
  - Too low to maintain the population.
- So the number of workers will be low.
  - But the number of elderly is increasing.
- More elderly usually means more government spending.
  - But Europe needs less government spending.
  - It would help to get faster economic growth.
- Europe will need some immigration to obtain more workers.

Roy Jenne
3 July 2002

Figure 3.7. Elderly Dependency Ratios

(Elderly dependency ratios will rise significantly over the next few decades as the baby boom generation retires.)

Source: United States Census Bureau.

1Ratio of population aged 65 and older to population aged 20–64.

World economic outlook May 2001
International Monetary Fund, Page 106
Assassination in the Netherlands

The political legacy of Pim Fortuyn

THE Netherlands has long seemed to combine the best of many worlds: a booming economy along with a generous welfare state; a keen attitude to Europe's integration combined with a strong sense of national identity; a multicultural society that seemed at peace with itself. Pim Fortuyn challenged this comfortable picture. His murder, allegedly by an animal-rights extremist, may challenge it further.

In his brief political career, Mr Fortuyn, a flamboyant gay sociology professor, had shown that there were many Dutch people ready to vote—which probably implied many others ready at least to see his point—for a politician who rejected multiculturalism, called for an end to immigration and excoriated Islam as a "backward culture" for its intolerance of homosexuals, attitude to women and more. His followers, under the name of Liveable Rotterdam, sprang to prominence by coming first in local elections in that city, his home, in March. At the head of a national Pim Fortuyn List, he was running strongly in the campaign for the Dutch general election on May 15th. Already this had called into question the Netherlands' fabled moderation; but his murder on May 6th was an even deeper shock. Commentators noted that this was the first political murder in the country since the 17th century.

After a few hours of agonised reflection, the government decided that the election would go ahead. But there should be no further campaigning. It is unclear what impact the murder of Mr Fortuyn will have on the voting. On the one hand the Pim Fortuyn List, as its name implies, was the quintessence of a one-man band. Without its leader, the party is bereft of recognisable or credible names, and might well ultimately fall apart. Yet it remains on the ballot paper and many voters may back it, as a gesture of sympathy. One leading Liberal politician worries that "the whole election could turn into a giant condolence book for Fortuyn", a reference to the thousands of people who have queued up outside Rotterdam town hall to sign one there.

If the Fortuyn party does well (and some think it might even come first), Dutch politics will be in turmoil. None of its candidates has ever sat in parliament. The second name on the list, after that of Mr Fortuyn, is that of Joao Varela, a 27-year-old black entrepreneur of Cape Verde origin, with no political experience. Leading a memorial march in Rotterdam on the night of May 7th, he seemed out of his depth, blinking back tears whenever applause rolled through the crowd and barely able to muster a thumbs-up. He seems completely unready to play a leading part in political life. The rest of the list are no more impressive.

So even if the Fortuynists get a big vote, they will probably be shut out of government. That, however, might merely sharpen a trend that Mr Fortuyn had exposed: a growing dissatisfaction with the political establishment and the politics of consensus that the mainstream parties embody. Immigration and crime are now also indelibly on the political agenda.

Commentators outside the Netherlands have tended to see Mr Fortuyn's rise as part of a growth of far-right politics across Western Europe, likening him to Jörg Haider in Austria and Jean-Marie Le Pen in France. The Dutch rejected those comparisons. Mr Fortuyn preferred to liken himself to Margaret Thatcher or Italy's Silvio Berlusconi. Certainly it is untypical of far-right politics to be exuberantly gay, to complain about Islam mainly because of its social illiberallism, and to worry about immigration for fear that it would make Dutch society less tolerant. The manner of his murder, apparently by a militant vegan enraged by Mr Fortuyn's willingness to legalise mink-farming, also had an unusual, if chilling, quality to it.

Yet much of Mr Fortuyn's appeal, like that of Mr Le Pen, was indeed built on hostility to immigrants. Among the thousands of mourners who gathered to lay flowers outside Rotterdam town hall, there was much talk of his willingness to break taboos and "say what he thought". Few doubted that his major contribution had been to raise the issue of immigration and to proclaim that "the Netherlands is full". It

Also in this section

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47 Ireland's election betting
47 A German conservative manifesto
48 After France's presidential election
50 Charlemagne: Jean-Pierre Raffarin, France's new prime minister
is certainly true that the Netherlands is a densely-populated country, and that the ethnic-minority population is rising fast from 1.1% and 7% of the total in 1995 to 1.5% and 9% in 2001. By 2010 it is forecast that ethnic minorities will make up 12% of the population, and will be in a majority in Amsterdam and Rotterdam.

Mainstream politicians will now feel compelled to respond to these concerns. The famously relaxed Dutch police are likely to be urged towards "zero tolerance" policies and efforts may be made to tighten immigration laws, even though only 2% of the workforce are unemployed.

Dutch politicians might also profitably learn another lesson from the Fortuyn phenomenon: a little populism can go a long way. Mr Fortuyn may have appealed to some unpleasant feelings about immigrants, but he also introduced a form of high-camp, sharp-tongued theatricality to Dutch politics that made the country's political leaders seem dull. In the last television debate before his murder, 40% of viewers reckoned that he had done best; 26% were most impressed by the Green candidate; and just 8% went for Ad Melkert, leader of the Labour Party, the dominant force in the current coalition.

The European Commission
There's a lot of fishy business going on

BRUSSELS
A shocking row is shaking Europe's bureaucracy

The European Commission is not meant to be pushed around by any of the 15 governments in the European Union. Its role is to ensure that European law is enforced and to propose policies that are in the EU's general interest. Increasingly, however, the commission is looking less like a doughty champion of European interests and more like a seven-stone weakling that keeps getting sand kicked in its face by national leaders.

The most alarming recent example is over fisheries. There is strong evidence that a senior European civil servant was sacked to appease Spain's government and that Loyola de Palacio, a Spaniard who is one of the commission's two vice-presidents, was working hand-in-hand with the Spanish government to frustrate the commission's own fisheries proposals.

It is scarcely surprising that the Spaniards should be alarmed by them. Big cuts in fishing fleets, and in subsidies, in an effort to restore fish stocks are in the offing. Spain, with the largest and most heavily subsidised fishing fleet in Europe, would suffer badly. The commission was originally meant to come up with new proposals by the end of 2001, but the package was delayed until March, and then until April. Now it has been put back a further month after Jose Maria Aznar, the Spanish prime minister, telephoned Romano Prodi, the head of the European Commission, on April 21st to complain.

None of that is edifying but falls within the normal cut-and-thrust of policy- and deal-making in the EU. What happened two days later, however, looks scandalous. Steffen Smidt, the senior civil servant in the commission's fisheries department, was simply told he was to lose his job.

The commission presented his removal as part of a general shuffle of top jobs announced the next day. Neil Kinnock, the commissioner in charge of administration, says that "in no case was any proposal for change under the influence of any member state; there is no truth in the claim that the decision to move the director-general of the fisheries department resulted from intervention by Spain." Mr Kinnock's people say that Mr Smidt had already indicated a desire to leave the commission in 2003 or 2004 and that they brought forward his departure for reasons of administrative convenience. An odd explanation, since it seems highly inconvenient to sack the top fisheries official in the midst of major reforms. What is more, Mr Smidt was the sole official to be sacked so abruptly; most of the others involved in the reshuffle had known they were to be moved for months.

Off the record, some senior commission people share the belief that Mr Smidt, a Dane, was sacked to appease Mr Aznar. One says: "The whole thing is a disgrace. Up till now, one of the few things Prodi was actually good at was resisting pressure from national governments. And now this happens." Struan Stevenson, chairman of the European Parliament's fisheries committee, says the sacking of Mr Smidt "stinks to high heaven" and has called a special session of his committee to investigate matters.

Mr Smidt's removal is all the sadder because it was announced as part of a package of reforms that were intended to give governments less ability to influence commission decisions improperly. The "Kinnock reforms" are meant to end the informal system whereby certain countries always had particular key jobs so that, for example, a German always ran competition policy and a Frenchman had agriculture. But, if prime ministers can now have commission officials they dislike sacked, the reforms will be badly undermined.

Miss De Palacio's case also strikes at the heart of the commission's ability to be genuinely independent in order to fend off pressure from governments. European commissioners are meant always to act in the interests of the EU as a whole, not of the countries they come from. Everybody knows that in practice things do not always work out that way. For example, when the EU banned British beef exports at the height of the mad-cow furore, the only commissioners to vote against were the commission's two Britons. A bias to...
Europe's leftist leaders face a culture clash with U.S.

By David R. Sands
THE WASHINGTON TIMES

President Bush found few ideological soul mates when he sat down on June 14 for his first summit with the leaders of the European Union.

Just three of the 15 EU governments — Spain, Italy and Austria — are firmly in the control of conservative or center-right coalition governments, and many of the socialist governments in power in Europe would be considered on the far left of the American political spectrum.

That leftist dominance was most clearly on display last year when the EU effectively blackballed the government of Austria when an anti-immigrant rightist party was invited to join the government in Vienna. The sanctions, which were bitterly denounced in Austria, were quietly dropped six months later.

"In the final analysis," noted Pierre Moscovici, France's minister for European issues, "Europe is the natural place for the expression of the progressive values that those on the left, whether Labor, Socialist or Social Democrat, all cherish."

Mr. Bush's Texas roots, oil-industry background and lack of personal relationships with top European leaders have clearly opened a cultural divide between the new president and Europe's leftist elites.

"Many Europeans view Mr. Bush as a self-satisfied, execution-supporting president," noted the influential German newspaper Frankfurter Allgemeine Zeitung in a recent editorial. The new administration, the paper noted, is seen as being "so intoxicated with itself that it pays little or no heed to the concerns and interests of others."

German Chancellor Gerhard Schroeder, whose country has the largest population and the largest economy in the EU, is a Social Democrat who governs in coalition with Germany's Green Party.

The landslide victory of Britain's Labor Prime Minister Tony Blair two weeks ago broke a long-standing pattern in which ideological shifts in the United States and Britain moved almost in lockstep, dating back to the elections of Margaret Thatcher in 1979 and Ronald Reagan a year later.

In France, the third member of the EU's "Big Three," power is divided between Socialist Prime Minister Lionel Jospin and conservative President Jacques Chirac. Although on the right of the French political spectrum, Mr. Chirac has emerged as a leading skeptic within the EU of Mr. Bush's missile defense idea.

The press of recent headlines has only played up the ideological distance between the new president and his EU hosts. The execution of Oklahoma City bomber Timothy McVeigh was widely condemned in Europe, where abolishing the death penalty is prerequisite for joining the EU.

"Capital punishment has become a diplomatic problem for the United States," according to the leftist French daily Le Monde.

Mr. Bush also has environmental issues and the future of the Kyoto global warming treaty at the top of his agenda. Mr. Bush's decision to scrap the treaty earlier this year met with widespread criticism across the continent.

The environment "is one of the issues where we disagree with the U.S., but nevertheless that is also why it is important to continue discussions about it," said Swedish Foreign Minister Anna Lindh of Sweden currently holds the rotating presidency of the EU.

Some see the talk of a yawning cultural and ideological gap between Europe and the United States as overblown, with much of the European grumbling reflecting domestic political calculations and not fundamental disputes with the United States.

White House officials, briefing reporters before Mr. Bush's five-day trip, noted that none of the European leaders who visited Washington — including Messrs. Blair, Chirac and Schroeder — brought up the death penalty in their private discussions with Mr. Bush.

Opinion polls in a number of European countries, including France, show majority support for the death penalty even though the practice has been abolished.

The decisive victory last month of the conservative coalition headed by new Italian Prime Minister Silvio Berlusconi also gives Mr. Bush a powerful new ally in EU councils.

Simon Serfaty, director of the Europe program at the Center for Strategic and International Studies in Washington, said he believes the political winds have already shifted in Europe, with the center-left dominance of the 1990s giving way to a conservative comeback.

The low opinions and Texas caricatures greeting Mr. Bush are no different from the initial European elite perceptions of Presidents Carter, Reagan and Clinton, Mr. Serfaty said.

"Every president sets new standards of unpopularity until the next one comes along," he said. "President Clinton's reputation was much worse off in 1993, and by the end the Europeans couldn't stand to see him go."
The high price of staying together
A scandal highlights problems in Euro-land

BY PHILLIP J. LONGMAN

he president and his cabinet resigned en masse one night following expose of wrongdoing. The currency is depreciating, the economy is stagnating, and protesters are in the streets. This could be the United States of America circa 1973—or the United States of Euro-ope circa 1999.

Last week, the European Union plunged into the most serious crisis of its 42-year history when all 20 members of the European Commission, the EU’s executive body, announced their resignations. The move was sparked by an unusually blunt report condemning the commission’s for mismanagement, incompetence, and nepotism.

Europe’s political crisis has immediate implications for Americans. Without a functioning executive branch, agreement between the United States and the European Union over contentious trade issues is unlikely to be reached soon. Approval of several mergers and acquisitions between American and European companies, such as the proposed global telephone alliance between British Telecom and AT&T, will also have to be put on hold until a new commission is named.

But the political and economic factors behind the resignations also point to more ominous, longer-term trends. The European Union, long known for its imperious and unaccountable bureaucracy, is suffering a loss of legitimacy just as it is gaining real power over day-to-day life.

Down on the farm. In hopes of achieving the benefits of greater economic and financial integration, the EU’s 15 member states have surrendered much of their sovereignty to EU policy makers in recent years, and especially in recent months. Italy and France, for example, have made wrenching budget cuts to conform to the EU’s edict that no member country may run deficits exceeding 3 percent of GDP.

More recently, the creation of the new European Central Bank and the introduction of the new pan-European currency, the euro, have forced national governments to cede much of their control of monetary policy. At a time when many

week, ferry workers briefly shut down the Eurotunnel under the English Channel to protest new rules on duty-free shopping, and farmers have been demonstrating across the Continent against an EU plan to cut agricultural subsidies.

European voters would be far more likely to accept the austerity measures being imposed by the European Union and its bureaucrats were it possible to see any resulting economic gain. But so far, the elites who have pushed for economic unification have little to show for the pain their policies have inflicted on ordinary Europeans. Germany’s GDP fell at an estimated annual rate of 1.8 percent in the fourth quarter of last year, putting it in a league with long-suffering Japan. Though Ireland, Portugal, and the Netherlands are still growing, weak industrial production in Italy and France suggests that

European Commission members awaiting censure in the European Parliament. Last week, they resigned.

voices in Europe are calling for lower interest rates to jump-start a stagnating economy, Europeans must resign themselves to the orthodox, hard-money policies of the highly secretive European Central Bank—a new reality that contributed to the resignation of Germany’s socialist finance minister, Oskar Lafontaine, two weeks ago.

Because of the EU’s tightening grip on economic policy making, the left-of-center governments that now predominate in Europe are finding that they have few means of implementing the populist policies that brought them to power. Last

Euro-land as a whole is not. As of December, unemployment throughout the European Union averaged 10.8 percent.

Meanwhile, economic stagnation, combined with the political turmoil it is creating, has caused the value of the euro to plunge since its introduction on January 1 by almost 7 percent against the dollar. Though the weakness of the euro has little economic impact by itself, it’s a potent political symbol of the so-far elusive gains of European integration.

With Eduardo Cue in Paris, Jack Egan, and Philippe Moulier
Charlemagne Is Margaret Thatcher winning in Europe?

The ideas of Britain's former leader still provoke hostility and admiration across the continent

June 1, 2002

A SPECTRE is haunting Europe, the spectre of Margaret Thatcher. These days Lady Thatcher, warned off public speaking by her doctors since she fell ill last autumn, is as silent as a ghost. But while her voice is no longer heard, her ideas continue to resonate through European politics.

Warnings about the dangerous spread of "Thatcherism" have again become a staple of left-wing politics across the European Union. In Spain, as trade unions gear up for a general strike this month just before a grand EU summit in Seville, they have attacked Jose Maria Aznar, the prime minister, for pursuing "the most reactionary policies of Margaret Thatcher". In France, the Socialists have accused President Jacques Chirac of wanting to emulate "the iron lady" by "destroying public services".

Across the continent, politicians regularly feel the need to define themselves as for or against Thatcherism. Guido Westerwelle, who leads the Free Democrats, Germany's liberals, recently felt compelled to say that while he favours slashing state spending, he is "no Thatcherite". Meanwhile Belgium's prime minister, Guy Verhofstadt, is still trying to peel off the "baby Thatcher" label that was stuck on him when he was a radical young reformer. By contrast, Italy's prime minister, Silvio Berlusconi, and some of his senior ministers have made it clear how ardently they admire Lady Thatcher and believe that Italy needs a dose of her free-marketery. In the Netherlands, Pim Fortuyn, a populist right-wing politician who was assassinated just before the Dutch general election last month, had spoken of borrowing Lady Thatcher's handbag in any future dealings with the EU. Even Jean-Marie Le Pen, the far-right candidate in the French presidential contest, cited Lady Thatcher's "manliness" as the right quality with which to tackle the trade unions.

Of course, any political figure as vivid as Lady Thatcher is unlikely ever to disappear from the political lexicon. But Thatcherism remains so live an issue inside the EU because many of the battles she won in Britain, particularly over trade-union reform and privatisation, are still being fought out on the continent. Messrs Berlusconi and Aznar, among several other leaders, would love to "do a Thatcher" on their unions, but have provoked general strikes by breaking reforms of the labour market. Left-wingers, meanwhile, fear the spread of what they see as an "ultra-liberal virus" from Britain. Much as British mothers once frightened their children with threats of "Boney" (Napoleon), so French Socialists now send chills down each other's spine with talk of Thatcher. When she came out in support of Chile's General Augusto Pinochet in his fight to avoid extradition from Britain a few years ago, it confirmed their feeling that it is but a short step from trade-union reform to torture.

There is, of course, a rich irony in all of this. When Mrs Thatcher was drummed out of office in 1990, it was largely because her attitude to Europe appalled many leading figures in her party. The iron lady had concluded that the Union posed an increasing threat to much of what she had achieved in Britain. Over the past decade she has repeatedly made it clear that she feels that she was betrayed and deceived by those who convinced her to sign the Single European Act of 1986, which, in the name of creating a single market, ushered in a huge extension of majority voting within the EU and thus a big erosion of British (and every other EU country's) sovereignty.

But while Lady Thatcher worries that the Union has been chipping away at her legacy in Britain, many on the European left have an opposite fear. They attack the European Commission for exporting liberal economics. As a result of the single market, national monopolies have been broken across Europe and once-protected economies exposed to foreign competition. French trade unions rage that the European Union is now forcing France ineluctably along the road to ending state monopolies in energy, postal services and rail freight. The commission's proposals to promote a pan-European code for corporate takeovers and to create a single market for financial services have also met resistance from Europe's left and from the anti-globalisers, who see such ideas as evidence that the EU is little more than a tool of big business. The EU's attack on state subsidies in industry also ruffles defenders of Germany's model of "Rhineland capitalism". They fear that this will mean that German coalminers will eventually go the way of their British colleagues under Mrs Thatcher, as she then was.

Trick or treat? A joke in EU headquarters

So did the lady actually win—and just not notice her victory? Inevitably, it is more complicated than that. It is pretty clear that as prime minister she may have failed to understand that the rami-fications of the Single European Act would go well beyond mere economic liberalisation. In Brussels, eager enthusiasts for more European integration on all fronts still cackle with amusement over how Mrs Thatcher was persuaded unwittingly to sign away so much sovereignty. It is also true that to achieve the single-market programme, the British had to concede the idea of a "social Europe" in the shape of a set of norms on everything from safety at work to the length of the working day.

It is these sorts of measures which have so infuriated Lady Thatcher and persuaded her that she had "rolled back the frontiers of the state in Britain, only to see them reimposed at a European level". Since Britain had already experienced Thatcherism at home, the European Union's effect on British economic policies has been, as she feared, to re-regulate parts of the economy and to move Britain closer to the European "social model". But for much of the rest of the Union, with far more regulated labour markets and higher levels of state aid to industry, the EU's single-market project has indeed led to a dose of Thatcherism. European unity has led to compromise—and unhappiness—on both sides of the channel.
Europe and the United States

Chilly in the west, warmer in the east
(Bush Visits Europe)

PARIS AND BERLIN

Europe is lukewarm towards George Bush, but why should he care?

"Bush Go Home—Warmongers Not Wanted": hardly a pleasant welcome for America's president on his first trip to Europe since launching the "war on terror". But street demonstrations against a visiting American president are neither new nor unexpected. The difference for George Bush, on his week-long swing from Germany to Russia and then back via France and Italy, is that governments and voters, not just the usual street activists, seem unusually perturbed right now about relations with America.

Europe's politicians did not like Mr Bush's invention in January of an "axis of evil" consisting of Iran, Iraq and North Korea. They think he is doing too little to end a war in Palestine and too much to resume one against Saddam Hussein in Iraq. Such is the sourness across the Atlantic that Tony Blair felt it necessary as Mr Bush left Washington to bemoan Europe's "jealousy" of America's pre-eminence. Britain's prime minister said one of his own tasks was "to say to people the whole time: don't pull apart Europe and America because the only people that rejoice in those circumstances are the bad guys."

Are relations really that bad? Europeans generally get on better with Democrats than Republicans. Mr Bush does not seem as clever as Bill Clinton; his folksy manners come over as simple-minded. He goes his own way, in a direction Europeans seldom like: he has withdrawn from the Kyoto treaty on global warming, scrapped the anti-ballistic missile (ABM) treaty so that he can develop missile defences, shunned the new International Criminal Court and taken protectionist measures to safeguard America's steel-producers for the sake of campaign money and votes.

To many Europeans, all this smacks of arrogance, at a time when Europe is worrying about its own relevance in the world. What they ask, was the point of rallying to America after September 11th, and invoking article 5 of the NATO treaty (an attack on one member state is an attack on all), if the Americans were then going to wage war in Afghanistan more or less alone?

It does not help that the Europeans know the answer to their own question. Successive wars have shown up a vast gap between the military capabilities of America and Europe, turning America into what France's former foreign minister, Hubert Védrine, calls a "hyperpower". It listened politely to old allies in Europe but is focused now on new threats, which it is willing to confront alone. The Americans are expected to listen to European doubts about the wisdom of toppling Saddam—and then ignore them.

For all these reasons Europeans have cause to feel a trifle more jealous of America than usual. But the disgruntlement is by no means uniform. Its spiritual home is in France, which has always tended to see America as a competing preacher of universal ideals and now strives to promote the European Union as a counterweight to American dominance. This week, Le Monde, noting that Europeans see Americans as "arrogant, bellicose and deaf to all criticism", decried a new period of American "messianism".

British anti-Americanism is a milder affair, though Mr Blair's claim that he exercises a restraining influence on Mr Bush is seen by many in his own party as a self-flattering illusion. In Germany, Chancellor Gerhard Schröder has stressed Germany's "unlimited solidarity" with America after September 11th. But according to opinion polls, fewer than one in five Germans see the American president in a good light. The German mood may have been captured..."
better by the foreign minister, Joschka Fischer. After Mr Bush's axis of evil speech, he complained that "for all the differences in size and weight, alliance partnerships between free democracies cannot be reduced to obedience. Alliance partners aren't satellites."

Beyond Western Europe's big three, the picture is more nuanced. The governments of Italy and Spain have been unambiguously warm towards Mr Bush since September 11th. Silvio Berlusconi, Italy's media mogul prime minister, is eager to set himself apart from all he sees as his crabbier counterparts elsewhere in Europe. Popular opinion in Italy is fuzzier. Ordinary Italians enjoy American culture but have mixed feelings about American power. The old left is still thoroughly anti-American. The centre-left and many Catholic traditionalists supported America's bombing in Kosovo but are edgier about the war against terrorism. A few months after September 11th, one startling poll found that one in three Italians thought the falling of the twin towers had been "something justified."

Spain's conservative prime minister, Jose Maria Aznar, has himself survived a car bomb attack by Basque separatists, and keenly backs Mr Bush's war on terror.

But he knows that Spaniards' anti-American feelings still linger, not least because of American "imperialism" in Latin America. In the smaller countries, attitudes are strangely mixed. Anders Fogh Rasmussen, Denmark's rightish prime minister, met Mr Bush in Washington two months ago and emerged smitten. "The relationship between Denmark and the United States is the best it has been since the second world war," he trilled. And what about those new American steel tariffs? "Denmark doesn't produce steel." Sweden's (leftish) government has expressed enthusiasm for Mr Bush's campaign against terror. Norway's (rightish) one has been more critical of America's treatment of the al-Qaeda prisoners taken to its Guantanamo naval base in Cuba and its alleged neglect of the Palestinian cause.

As for Greece, resentment goes back to America's support for the military dictatorship of 1967-74 and was reinforced during the Kosovo conflict, when 90% of Greeks opposed NATO's bombardment of the Serbs, their brethren in Orthodoxy. Just days after September 11th, a poll found that 30% of Greeks thought the terrorist attacks on the United States were justified.

Probably the least carping of Europeans are those who lived in what Ronald Reagan called the Soviet Union's "evil empire", another American phrase that caused mirth in Europe, except to those who lived wretchedly under the empire's heel. In Poland, flush with pride at becoming a member of NATO, bashing America wins no votes. Indeed, more than 70% of Poles regard it as their "vital ally". The same pro-Americanism is found in most of Central Europe's would-be NATO members. Only the Czechs, recent NATO joiners, appear to have lost a bit of post-Soviet enthusiasm for America.

Mr Bush was expected to say all manner of reassuring things about the continuing importance of Europe on his way through the continent this week. But to American eyes, Europe is a problem solved. What really counts will be his time with Russia's president, Vladimir Putin, first in Moscow, then in the Putins' home city of St Petersburg, and finally at a NATO summit on May 28th in Rome.

A decade after communism collapsed, ordinary Russians have lost much of their post-liberation infatuation with America. In 1991 70% of Russians said they felt positive about the United States; now only half retain warm feelings and 45%, up from only 8% in 1991, describe their attitude to America as broadly unfriendly.

All the same, this week's will be the third meeting within a year between Mr Putin and Mr Bush. Mr Putin has made little fuss about American missile defences, or the end of the ABM treaty, and has seized on the war against terrorism as an opportunity to bind Russia closer to the

West. With a strategic prize such as this under his belt, and if the Rome summit goes as planned, Mr Bush should be able to shrug off the odd European barb. Blessed by the pope and glowing from the expected pro-American smile of Italy's Mr Berlusconi, he should fly home confident of a new relationship with Russia. If other Europeans feel left out? Too bad.

Taboos in Germany

They're being broken

Despite feelings of past guilt, Germans are getting less coy about nationalism

FOR half a century, Germans have been obsessed with their war-time guilt. So much of what they do or say is still interpreted, by themselves as well as by others, through the prism of the Holocaust. It is the cornerstone of their identity. But since Germany's reunification, and more particularly since Gerhard Schröder became chancellor, a new generation of Germans that feels no personal blame for Nazi crimes has become less willing to be held hostage to the past. They want to stand up for their national rights like other Europeans, answer back when unjustly castigated, and express national pride.

That means old taboos are being gradually broken. But sometimes, even for more robust German stomachs, this process of "normalisation" goes too far too fast: witness two recent incidents of national breast-beating, one over the ethnic Germans expelled from Czechoslovakia after the second world war, the other to do with German-Jewish relations.

"Whenever Israel is discussed in Germany," Joschka Fischer, Germany's foreign minister, once mused. "The fundamental debate about German identity is never far behind. Can we criticise Israel? The very question raises suspicion." So Jürgen Möllemann, deputy leader of
Spanish labour law

A general strike looms

The trade unions reject government plans to alter unemployment benefits

They have managed six years in office without provoking a general strike—a happier record than that of their Socialist predecessors. Last year they drove a wedge between Spain’s two big trade-union confederations. But now José María Aznar and his People’s Party government have reunited the union pair and face a general strike on June 20th—by no accident, the day before the Seville summit that is meant to mark a triumphal end to Spain’s presidency of the European Union.

The issue, just as in Italy, is a reform of labour law. Indeed the Socialists have accused Mr Aznar of “combining the most reactionaries policies of Margaret Thatcher with the social insensitivity of Silvio Berlusconi.” Last month, his labour minister, Juan Carlos Aparicio, after little consultation with the unions or indeed the employers, presented plans to reform unemployment benefit. These would penalise workers who refuse a new job—almost any sort, at any pay-offered within 30 km (19 miles) of their homes. In cases of allegedly unfair dismissal, they would end the present transitory full payment of wages until a labour court makes a judgment. They would also slowly replace a scheme that covers seasonal farmworkers in the south with a new nationwide one. In sum, said the two union bodies, the aim was to make sacking cheaper and easier, and no way would they negotiate about that.

The background is one of several years of a steady slide in unemployment, but one that seems now to have levelled off (see chart); plus highly protective labour laws, born in Spain’s centralist and less market-oriented past. These have been modified since, and employers became adept in the later 1990s at getting round them with short-term hires. Anyway, in those prosperous years, the main issue was finding workers, not firing them; job numbers soared. Times are harder now.

The unions argue that the unemployment fund, mainly financed by employers, is sitting on a fat surplus, and that 40% of the jobless do not, in fact, get anything. The government should be thinking of better benefits and wider coverage, they told it in a series of meetings, not the opposite. On May 1st they had a lively protest rally and mobilised their troops for more.

This week they gave Mr Aznar another ultimatum. Either you receive us personally and we start negotiating from scratch or we all go on strike, they said. But Mr Aznar is not a prime minister one picks a fight with lightly. He is quite as tough as Mr Berlusconi, vastly more experienced in political manoeuvre, and better positioned. He has no coalition allies to keep sweet, and no charges of personal scandal to fight off. The unions have the backing of the far left. But the main Socialist party opposition, wary of lurching too far from the centre, has been lukewarm. One of its big wigs even made a point of saying he would work on strike day. Mr Aznar is quite capable of making monkeys of the lot of them.

Not that the unions are a huge force. Among Spain’s 15m-odd employees, the two confederations together, the socialist UGT and the rather larger ex-communist CCOO, claim only 1.6m members; add in minor bodies that may support them, and the total is well under 2m. Their opposition to a government-backed reform of labour law last year was pretty feeble.

Yet they are becoming more active and more united: the two groups rowed last year, when the CCOO accepted a government plan on pension reform and the UGT said no. Whether the two can win public support together is yet to be seen. If they can bring Seville to a halt just before Spain’s big day in the EU’s presidency, that may show they still matter—at least a bit.
IT’S ELECTION TIME, 
AND EUROPE’S UNIONS SMELL BLOOD

Election season is coming to the heart of Europe, and the Continent’s still-powerful trade unions sense opportunity. As France prepares for a presidential race in April and Germany gears up for national elections by next fall, organized labor is stepping up demands for pay increases, shorter working weeks, and better conditions. French bank workers even plan a strike on Jan. 2 to demand more money for the extra work involved in introducing the euro.

“We want the government to hear the voice of the labor movement more loudly and more often,” says Pierre-Jean Rozet, a board member of France’s General Work Confederation.

The rising union activity promises to pose a tough challenge to both French Prime Minister Lionel Jospin and German Chancellor Gerhard Schröder. They will have to decide whether to appease the unions to win their support or to take them on at a time when the European economy is sliding into recession. If the leaders cave in, the result could be higher wages, rising costs, and lower productivity, just when Europe needs more labor flexibility.

BAD MEMORIES. Jospin, facing an uphill battle against incumbent Jacques Chirac for the presidency, is already feeling the heat. On Dec. 4, 24,000 gendarmes staged an unprecedented strike for higher wages and new hires. After four days, Jospin’s government agreed to raise their wages by 8% and hire 4,500 new officers as part of a $220 million settlement. “If the government stops [giving to the unions] here, then it’ll be O.K.,” says Marc Touati, chief economist at Natexis Banques Populaires. “If they give in to everyone, it will be expensive.” French teachers, customs officials, and prison guards are all threatening to strike ahead of the first round of voting in the presidential race on Apr. 21.

With its budget under strain, the government can’t afford to boost compensation across the board. But prolonged stoppages would remind voters of the transport strikes of late 1995 that contributed to the downfall of Jospin’s predecessor, Prime Minister Alain Juppé.

In Germany, meanwhile, Schröder faces a challenge from the powerful metalworkers union, which controls the shop floors of the all-important auto industry. On Dec. 10, IG Metall demanded wage increases of 5% to 7% for 2001—10 times the forecast inflation rate. IG Metall Chief Klaus Zwicky is threatening to call a strike unless employers do not cut an “acceptable” deal in talks due to begin in February. The metalworkers typically make a move on early in the negotiating process, and some economists predict the union will eventually settle for 2.5% to 3%. But even that could hit the economy, which is forecast to grow less than 1.5% next year.

WATERED-DOWN REFORMS. While Schröder is not directly involved in labor negotiations, he could call on the unions to exercise restraint, just as he did in 2000. But with the election coming, few analysts expect him to do that. The unions have pulled Schröder left from the centrist path he took earlier in his term, blocking labor market reforms. Meanwhile, since IG Metall sets the tone for other negotiations, a hefty pay raise for metalworkers “could set an example not only in Germany but very possibly in other countries—and not a good one,” warns Gert Schröder, manager of labor relations for United Parcel Service Deutschland Inc. and spokesman on labor issues for the American Chamber of Commerce in Frankfurt.

* Indeed, other unions are already acting feisty. Even a modest reform by Prime Minister Silvio Berlusconi has been strongly opposed by Italian unions. It looks like 2002 may be the year of labor in Europe.

By Christine Teirney in Frankfurt and Christina White in Paris

GLOBAL WRAPUP

THE U.N.’S AFGHAN WORRIES

► Even before the international community’s effort to rebuild Afghanistan’s economy has started, fears are growing in Kabul that it could be derailed. Leaders of the Northern Alliance are scheduled to transfer power on Dec. 22 in Kabul to a U.N.-brokered transitional government under the leadership of Pashtun leader Hamid Karzai. But some Afghan factions are balking because they fear the new government doesn’t give them enough power. And some Northern Alliance military leaders are refusing to withdraw their troops from the capital.

That is causing some U.N. officials to worry publicly that fighting could break out in Kabul on Dec. 22 and ignite a whole new civil war. “Afghanistan has been rather in the Middle Ages for some time,” says Elaine Dutholt, head of the U.N. Office for the Coordination of Humanitarian Activities in Afghanistan. “I’m quite worried about the future.” A U.N. team is currently in Kabul to study humanitarian, infrastructure, and other needs—a critical step before the international community can begin channeling billions to the country.

There isn’t a moment to lose. Winter is settling in over the drought-stricken country, the hills around Kabul are capped with snow, and hundreds of thousands of refugees in the countryside are without food. U.N. envoy Lakhdar Brahimi is aiming to iron out differences with disgruntled military leaders—and pave the way for an international peacekeeping force—so Karzai can form his government and relief funds can flow.

By Michael Shari in Kabul
Labor Law Backfires on Socialists

Shr shorter French work week: Has Hurt Working Class; Anger May Show Sunday

PARIS—France’s 35-hour work week, billed as a working man’s dream, is turning into a nightmare for the Socialists who spawned it. More than two years after France adopted a law that trimmed four hours off the country’s official work week, many factory workers, construction laborers and other hourly employees feel they got a raw deal. Instead of working less, many say they work just as hard before, if not harder. Though it wasn’t supposed to be this way, restrictions on overtime mean that take-home pay for some blue-collar workers has dropped. On top of that, hourly workers now often have less control over when they can take vacations than their white-collar counterparts.

With the first round of French parliamentary elections on Sunday, that discontent is likely to turn into a political liability for the departing Socialist-led government. Disillusioned laborers were among the big supporters of far-right populist Jean-Marie Le Pen, who gained the political establishment when he won more votes than Socialist Prime Minister Lionel Jospin in the first round of presidential voting, and faced off against incumbent Jacques Chirac in the second round in May. Now the backlash worsens the odds that left-wing parties can bounce back from that drubbing and regain control of the National Assembly.

According to a recent poll by the Ipsos polling agency in Paris, left-wing parties are likely to win a maximum of 196 seats in the 577-seat National Assembly in the elections held Sunday and again on June 16. That would be down from the 314 seats they now hold and well short of the 289 seats needed to maintain their majority.

The work-week situation “has contributed to the feeling among workers that they were abandoned by the left,” says Jean Viard, research director at the Center for the Study of French Political Life in Paris. “It only makes them realize that there is a huge chasm between themselves and the rest of the world.”

The law’s main goal was to create jobs. Officials in the departing government point to a decline of three percent points in the unemployment rate—down from 10.6% in April—since they took power in 1997 as evidence of the law’s success. However, many economists say the drop was due primarily to strong economic growth and would have happened without the law.

What is indisputable is that French workers are toiling less. In early 1997, the average work week stood at 39.3 hours, according to Labor Ministry figures. That year, the government submitted offers to companies to reduce the work week to 35 hours. Then the law was phased in and companies began using its guidelines to negotiate exact terms with workers. By this year’s first quarter, the average work week was down to 35.8 hours.

The irony for Socialist politicians, however, is that the new labor law is most popular among many of the middle- and upper-class workers who tend to cast ballots for their right-wing opponents. Indeed, office workers—including stockbrokers’ and bank workers’ offices—often made out handily under the new work regime. Instead of adopting shorter working hours, most companies opted to award white-collar workers extra days off. People suddenly found themselves with two to four extra weeks of paid vacation, bringing the total for some to as much as three months annually.

Blue-collar workers, meanwhile, are happy to airy their discontent with the 35-hour work week. At PSA Peugeot Citroen’s assembly plant near the eastern city of Montbéliard, 55-year-old production worker Nicole Pietin says she now works an average of 18 fewer minutes a day and has gained two extra vacation days a year. However, under the new law she now often works six days a week when Peugeot ramps up production, and receives no overtime pay for it.

In the past, weekend work was voluntary. If an employee chose to work on Saturday, he or she received 50 euros ($65) of extra pay. That money came in handy for Mrs. Pietin and her husband, Marcel, who also works at the plant, while they raised two children on their combined salaries.

Under the 35-hour week’s new rules at Peugeot, the company averages work time over the entire year, rather than weekly. Workers who toil an extra day on a Sunday have to take a bonus of about 32 euros. But the overtime hours themselves, instead of being paid, are put into an account that for most employees doesn’t result in any cash until the end of the year.

In practice, Mrs. Pietin says, the auto maker sometimes counterbalances extra weekend work with days off when demand is slack, or when there is a shortage of parts that forces a halt in production. But since the company designates which days workers must take off, and usually notifies them on short notice, it is difficult to take full advantage of the free time.

“Politicians talk about the great things the 35-hour week has brought,” Mrs. Pietin says. “For me the 35-hour week has been a total negative.”

Indonesia’s Giant Salim Group May Soon Resume Expansion

When friends ask Indonesian tycoon Anthony Salim how he is doing these days, they often get a one-word reply: “Surviving.”

It would be "helpful to diversify into markets like Singapore, Malaysia, Australia and China in order to diversify our country risk. It is necessary to diversify to survive."
GOODBYE REFORM?
The Far Right’s rise may spell the end to economic change

With his xenophobic rhetoric and penchant for brawling with his adversaries, 73-year-old Jean-Marie Le Pen looked to many like a brutish relic from a bygone era. Until Apr. 21, that is. That’s when Le Pen beat Socialist Prime Minister Lionel Jospin and ran a close second to conservative President Jacques Chirac in the first round of France’s presidential elections. True, Le Pen will almost certainly lose to Chirac in the runoff scheduled for May 5. But his strong showing underscored the disgust of voters with France’s political mainstream, particularly its failure to acknowledge the growing anger of les citoyens against immigrants, the European Union, and the Establishment itself. “We screwed up,” admits Pierre Lellouche of Chirac’s Rally for the Republic (RPR) party.

Indeed they did. But so have nearly all the politicians of traditional parties throughout Europe. And now a crowd of Far-Right politicians is making so much noise that the ruling parties can no longer ignore them. These populist rightists are hammering away at hot-button issues such as crime and immigration. And they are getting results, from Cabinet seats in Italy to anti-immigrant laws in Scandinavia. The outcome could be a turbulent new era in the Continent’s politics. “The populist right is against economic reform by definition. They are against globalization, the European Union, and its liberal influences,” says Charles Grant, director of the Center for European Reform, a London-based think tank. That means the political center faces a stark choice. Either mainstream politicians figure out how to quell this uprising and finally push through the changes Europe needs, or they pander to the hard Right—and abandon the cause of reform.

How did Lépenisme—once dismissed as a spent force—as well as other hard-right ideologies get to reassert themselves? Chalk it up to the tin ears of the mainstream politicians. Since the mid-1990s, established parties of the Left and Right in France, Italy, Germany, Spain, and Scandinavia have been grappling over how fast to push through economic reforms. The debate has ranged from labor flexibility to pension overhauls to cuts in public spending. In fact, a broad consensus was emerging that such reforms had to go forward.
BACKLASH: Le Pen is tapping into anti-immigration anger

Not fast enough to turbocharge growth to U.S. levels, but the forward motion was there. That was good: Pruning back the welfare state is the only way to get faster growth, which is the only way to make Europeans feel more prosperous.

But the Establishment has forgotten to explain to voters just why labor reform was necessary, why a single currency was a good idea, and why the EU was better than European disunion. The effort to explain the overwhelming need to loosen labor laws, for example, fell well short of the mark. "The political class hasn’t succeeded in communicating the value of flexibility as a positive value for society," says Chief Executive Marco Tronchetti Provera of Pirelli.

At the same time, the slowdown has boosted unemployment, and crime is on the rise. People want scapegoats—whether it's EU bureaucrats in Brussels who block subsidies to prop up failing companies, or immigrants who are accused of sponging off Europe's largesse. It adds up to a whole lot of anger—and polls like Le Pen know it. "I am the candidate of the people," he says. French exit polls show that Le Pen's biggest backers were have-nots: the unemployed, lower-income workers, and people under 25, many of whom are jobless or have temporary work.

The Le Pen groundswell is just the latest gain for Europe's Far Right. All the Center-Right governments elected on the Continent over the past year—in Italy, Denmark, Norway, and Portugal—have had to include Far-Right parties in their coalitions to secure parliamentary majorities. Even in the ultraliberal Netherlands, polls predict the populist anti-immigrant party led by Pim Fortuyn could win as much as 16% in May 15 elections.

Electoral laws in most European countries strengthen the extremists' hand by guaranteeing them a proportional share of seats if they win as little as 4% of the popular vote.

Europe's centrist politicians haven't found an effective way to counter the rightists. After Le Pen's strong showing, crime has moved front-and-center in France's June parliamentary elections, which will pit Chirac's forces against the Socialist-led coalition that now controls the government. Both sides are likely to promise tougher sentencing guidelines and increased law-enforcement spending. Neither has yet figured out how to address voters' anger over immigration.

An even more worrisome question is whether the rightist wave could slow economic reforms. Most Far-Right politicians are scarcely free-marketeers. Le Pen proposes to withdraw France from the EU, enact protectionist tariffs, and slap a surtax on immigrant workers to discourage them from seeking jobs in France. Indeed, the Ultra-Right vision often embraces big government—so long as immigrants don't benefit. With this new force in play, centrist governments will find it tougher than ever to ask voters to make more sacrifices in the name of the markets.

Certainly there has been little headway in Italy since Center-Right Prime Minister Silvio Berlusconi took power last May as part of a coalition that included the Far-Right Northern League and National Alliance. Insiders say that privatization and market-liberalization measures have stalled in recent months, in deference to the statist leanings of the National Alliance, whose leader Gianfranco Fini is deputy prime minister.

Not all of Europe's ascending rightists are anti-reform. Bavarian Prime Minister Edmund Stoiber is mounting a stiff challenge to German Chancellor Gerhard Schröder in elections this fall, and got a boost on Apr. 21 when the Center-Right Christian Democrats scored a major win in the economically depressed region of Sachsen-Anhalt. Although Stoiber has Far-Right leanings, including a long record of anti-immigrant rhetoric, he is likely to push more vigorously than Schröder has for labor reforms and tax cuts.

Still, he's hardly a free-market devotee and, like Schröder, has often used state banks and political pressure to prop up troubled companies. With the mood changing in Europe, Stoiber may find it hard to push for significant changes. And other mainstream politicians could become immunized for fear of provoking a further extreme-Right backlash. "They will avoid anything that endangers their re-election," says Daniel Gros, director of the Center for European Policy Studies in Brussels. If the center is too paralyzed to lead, others will change the status quo instead—with unpredictable results.

By Carol Mallock in Paris, with Gail Edmondson in Rome and Jack Ewing in Frankfurt

Even in the ultraliberal Netherlands, the anti-immigrant Fortuyn could win 16% of the vote in May

PIM FORTUYN

FRANCE
Extreme rightist
Le Pen in May 5 presidential runoff after out-polling Socialist Premier Josquin with law-and-order, anti-EU platform

GERMANY
Far-Right parties marginalized, but anti-immigrant, euro-skeptic Bavarian Premier Stoiber could become Chancellor

ITALY
Right-wing parties, members of Berlusconi government elected in 2001, are pushing own agenda on crime and immigration

NETHERLANDS
Newly formed populist, anti-immigrant movement mounting stiff challenge to centrist parties in May 15 elections

DENMARK
Political influence of populist, anti-immigration Danish Peoples Party has risen sharply since November, 2001, elections

NORWAY
Coalition of Center-Right and Far-Right parties, elected in September, 2001, staunchly opposes adoption of the euro currency

EUROPE’S RIGHT IS ON THE MARCH

BusinessWeek / May 6, 2002
Criminal justice

Tipping the scales

Voters are getting increasingly worried about crime. That’s why the government wants to shift the balance of the criminal justice system against defendants

WHY crime has risen so much further and faster in Britain than in any other rich country over the past half-century (see chart) is anybody’s guess. Maybe it’s the result of near-American levels of relative poverty and family breakdown combined with a European reluctance to bang up quite such a large proportion of the population as America does. Anyway, the long-term causes are of less immediate interest to the government than a short-term fix. Popular concern about crime is rising: according to MORI’s polls, 23% of people rated it as one of the most important issues for the government at the beginning of this year; 34% do now.

Faced with a problem, governments reach for the statute book. Since Labour came to power five years ago, it has passed nearly a dozen Criminal Justice Acts. This week, Tony Blair held out the prospect of more legislation. There was an urgent need, he said, to redress the balance of the law in favour of victims. Criminal justice had to be “dragged from the 19th to the 21st century”. He described a White Paper to be published next month as the most radical shake-up of the criminal justice system in decades.

Yet the results of the legislation enacted so far are disappointing. Statistics to be published next month will show that muggings, burglary and robbery, the offences which the public fear most, are all on the increase. For a government that came to power promising to be tough on crime, it doesn’t look good.

An official report concluding that the criminal justice system is failing has added to the government’s problems. The Audit Commission, the government’s watchdog, says that police too often charge suspects with the wrong offences, use inaccurate computerised information and face serious inefficiencies in the forensic science service. Court delays alone are costing taxpayers £80m ($120m) a year. The result is that few criminals are brought to justice and even fewer convicted. Only 6% of the more than 5m offences recorded by the police last year resulted in a conviction.

Hardly surprising, then, that more than half the public believes that the criminal justice system is ineffective.

The main purpose of the White Paper is to address concerns that the procedures of the court are weighted too heavily against the prosecution. It is expected to include many sensible and uncontroversial proposals. It will, for instance, ask for more support for witnesses, many of whom are frightened of testifying. A survey of one London court found that, of 140 witnesses called in a two-week period, only 19 actually turned up.

Making juries more representative must also make sense. Getting off jury service is no easy. In some London courts, two-thirds of those called for jury service fail to turn up. As a result, juries are often composed of housewives, the unemployed and the retired. The White Paper will recommend curbing exemptions for professionals, who can excuse themselves by saying their work is too important, and will propose penalties for those who fail to comply.

The government has been trying to limit the right to trial by jury: magistrates, defendants believe, are more willing to convict than are juries. It has failed because of backbenchers’ qualms, and has given up the idea, except for complex fraud trials, which will be taken out of the hands of juries altogether and given to a judge and two assessors. It wants, however, to increase magistrates’ sentencing powers, which will cut the number of cases that are sent for jury trial.

An American-style system of plea-bargaining, if adopted, should encourage petty criminal defendants to plead guilty at an earlier stage. That will reduce the likelihood of a Crown Court and its jury being tied up for a day in order to decide whether...
Across Europe, far right rises

By PETER FORD
Staff writer of The Christian Science Monitor

PARIS — In life, Dutch populist leader Pim Fortuyn was an upstart maverick, playing on xenophobic fears no traditional politician had dared to tap.

In death, following his murder, Mr. Fortuyn drew almost the entire Dutch cabinet to his funeral, amid an outpouring of public sympathy. After parliamentary elections today, his party could hold the balance of power.

Across Europe, in a violent wake-up call to ruling elites, far-right parties beating the anti-immigrant drum have seized on people’s concerns about crime and foreigners to shape a new political agenda.

And as they move Europe’s political center of gravity to the right, they are prompting governments from one end of the continent to the other to toughen their stance against outsiders. Especially after Sept. 11, with security a top priority, Europe’s multicultural vision of itself seems to be in doubt.

“Opinions that were seen as far-right 10 years ago are now voiced in the middle of the political spectrum,” says Philipp Sonderegger, spokesman for the Austrian anti-racist group Mitmensch. Austria, where Jorg Haider’s extremist Freedom Party blazed a trail into coalition government two years ago, is about to put a virtual stop to new immigration.

It was Jean-Marie Le Pen’s shock success in the first round of French presidential elections this month that threw the new mood into relief. At the head of the anti-immigrant, anti-establishment National Front, Mr. Le Pen won 17 percent of the vote and the right to challenge President Jacques Chirac in a run-off election.

But resentments against foreigners have been bubbling just below the surface of European politics for several years. Yannis Kolodos, an Athens university student, speaks for millions of Europeans when he blames immigrants for taking jobs from Greeks and making the streets of his city unsafe at night.

“I used to vote Socialist, to tell you the truth,” he confesses. “But now the mainstream parties just can’t bring themselves to admit that immigration is the main cause of our problems.” People like him, who have turned to the extreme nationalist Hellenic Front “are not Nazis or fascists,” he says. “They just have problems and they think that immigration has something to do with them.”

That is a message that the leaders of Europe’s dominant centrist parties have been reluctant to hear, or to counter.

Fortuyn and his counterparts elsewhere “articulated problems with immigration that other politicians refused to address,” explains Hans Wansink, a commentator with the liberal Dutch daily De Volkskrant.

“The problem of immigration and minority criminality have been ignored for too long” and became taboo, he adds.

Traditional parties of both left and right feared that if they raised such issues they would play into the hands of extremists. But that reticence has backfired.

[SEE EUROPE, PAGE 8]
...Rise of right

[Europe from Page 7]

"Right-wing parties have a chance only when the politicians don’t do enough to win over the understanding of the majority population," argues Klaus Bade, head of the Migration Research Institute at the University of Osnabruck in Germany. "This has been missing in Germany."

The German parliament passed the country’s first ever legislation to regulate immigration only two months ago, although more than 7 million foreigners live in Germany. "The faster the law is enacted and the more pragmatically it is applied, the more right-wing propagandists will lose ground," predicts Dr. Bade.

Elsewhere in Europe, several governments have found themselves boxed into a corner by anti-immigrant parties, and obliged by electoral politics to borrow aspects of their approach.

In Denmark, for example, the government depends on parliamentary support from the Danish Peoples Party. That was forthcoming only because it promised last week to tighten up its immigration policy, making it harder to claim refugee status, cutting back on financial aid to new immigrants, and denying foreigners a "green card" for seven years.

The socialist government in Greece, whose government is leaning Labor Party if it prices itself for a drubbing.

BRAZIL’S ‘LULA’ INCREASES LEAD IN POLLS

SAO PAULO, Brazil (UPI) — Brazil’s Workers Party candidate for president has increased his lead in the four-man race for the country’s highest office, Brazilian newspapers reported Wednesday. Luiz Inacio Lula da Silva, or “Lula” as he is affectionately known, currently has 42 percent of the prospective vote, according to the latest Vox Populi poll. Previous polls had Lula drawing between 33 percent and 37 percent of the vote. Trailling Lula with 17 percent of the expected vote is former Health Minister Jose Serra, the ruling Social Democratic Party candidate and President Fernando Henrique Cardoso’s handpicked successor. Serra has dropped 5 points since the

...Living wage

[Wage from Page 7]

benefiting from the living wages are already living in poverty. Their entire raise would be used for increased buying power to the tune of $45 million.

Living wage activists cite Baltimore as their first victory when in 1994 the city approved a living wage for city service contractors — now at $8.44 an hour.

Many have defined the living difference between the current wage and the living wage.

"The trouble with the living wage is that it’s based on need, not on skills and no one should expect someone to try and support a family on the minimum wage," Toloka said.

"Raising the minimum wage or enacting a living wage doesn’t target money to those who need it — it goes to middle-class teens who live at

coasts can be fully guarded against immigrants sailing by night from Morocco or Albania. Nor can the European Union’s eastern border — often wooded and hard to patrol — be made impenetrable. So long as poor Africans or eastern Europeans live close to prosperous Western Europe, they will find ways to get in, says Mr. Aviles.

And there are still some voices welcoming them, or at least some of them. "In the modern world, an open and tolerant society that embraces newcomers is a condition for growth and prosperity," British Prime Minister Tony Blair said recently.

But the British government is also trying to plug holes, through which would-be asylum seekers sneak into the country, even as the authorities lay new stress on integrating foreigners who have already arrived.

Under new legislation presented earlier this year, applicants for citizenship will have to take a US-style test to prove that they can master the English language and that they are familiar with British institutions and values. They will also have to swear allegiance to the Queen.

Immigrants to Germany will have to pass a similar test under the new law due to come into force this autumn. And the new Austrian "integration contract" contains more such obligations.
Politician’s assassination stuns the Netherlands

By MIKE STANDAERT
Special to The Christian Science Monitor

AMSTERDAM — The mood in the Netherlands remains somber after the shooting death of Pim Fortuyn, a controversial right-wing politician running on an anti-immigrant platform for parliamentary elections next week.

In a country that views itself as peaceful and tolerant of diverging views, the assassination has triggered a state of shock. Dutch newspapers are comparing the killing Monday to the Kennedy assassination. The last political leader to be assassinated in the Netherlands was in the 16th century.

The openly homosexual, middle-aged Fortuyn used his charismatic style to focus attention on a simmering issue that many Dutch politicians had been reluctant to touch: immigration.

Part of a rising tide of nationalist, anti-immigrant politics in several European nations, Fortuyn’s party came out of nowhere to capture 17 of the 45 council seats in city elections in Rotterdam, the Netherlands’ second city. He was expected to become a major force in the national parliament.

Strangely enough for a politician running on an anti-immigration platform, a recent poll in the leading Dutch newspaper De Volkskrant, focused on his popularity among immigrants. According to the survey, many immigrants approved Fortuyn’s breaking of long-standing taboos in Dutch politics and his role as catalyst in opening discussion about underlying tensions between native Dutch residents and the immigrant population.

The article states that his popularity among those groups was for “putting the finger on the sour wounds, stimulating debate, and giving immigrants their own responsibility back as real citizens.” Nearly 2 million people in this densely populated country of close to 16 million are ethnic minorities — almost 800,000 of Muslim origin, mainly from Morocco and Turkey.

Many of Fortuyn’s supporters claimed that they were behind him because he broke the silence that had been cast over Dutch politics for years on immigration and crime. They refused to categorize him as racist.

Even if they disagreed with the views of Fortuyn and his supporters, other politicians across the country had to pay attention.

“Just because part of the population may be right wing or racist doesn’t mean the government can ignore their views,” says Louiseves van der Laan, a leftist Dutch representative of the European Parliament.

Fortuyn, who had once been a Marxist, was one of the latest in a series of right-wing politicians who have shocked the left-leaning political elite of Europe — though Fortuyn was also known for not wanting to be lumped into the crowd of right-wing European populists. Echoing the arguments of far-right politicians Jean-Marie Le Pen of France and Jorg Haider of Austria, he called for a halt to immigration. But he rejected further comparisons, saying he was not a racist and that he was pro-Israel.

In recent interviews Fortuyn said that Islam was a “backward” culture. He fulminated against Muslims — who, he said, posed a threat to Dutch egalitarianism, reflected in such policies as full rights for women.

Last year, Fortuyn was kicked out of the leftist party Leeibaar Nederland (Liveable Netherlands) for criticizing a Rotterdam imam’s remarks that “gays were worse than pigs.”

Fortuyn had moved Liveable Netherlands to the right on a campaign of criticizing the government for uncontrolled immigration policies and excessive bureaucracy. After being booted, he formed his own party around his own name and went on to win 35 percent of the votes for city council in Rotterdam, a port city of blue-collar workers and newly-arrived immigrants where one third of the population is made up of ethnic minorities.

Polls released Sunday showed the List (Party of) Pim Fortuyn (LPF) likely to be a leader among the seven main parties in the upcoming national elections. Party members say they hope they can ride a wave of sympathy as well as the recognition Fortuyn gained in the last three months of campaigning.

LPF spokesman Mat Herben said after the shooting: “The government now has to stay calm and the democratic process must move forward.”

The LPF is searching for a new leader out of a relatively unknown crop of members of whom Fortuyn was the only nationally known name.

Dutch Prime Minister Wim Kok said yesterday that general elections would go ahead as planned on May 15.

Fortuyn, who did not travel with a bodyguard, had recently voiced fears for his safety after protesters threw cream pies laced with urine at his face. His lawyers are criticizing the government for failing to provide him protection. Fortuyn was shot by a lone gunman after giving a radio interview south of Amsterdam. A suspect now in custody is a militant animal-rights activist who may have taken issue with Fortuyn’s proposal to revive fur farming, the Dutch national news agency (ANP) reported yesterday.

(Material from Agence France-Presse was used in this report.)
Italy

(Floating some daring ideas)

See the next page dated Sep 1, 2001

Some ideas in Italy are:
- Make labor laws more moderate.
- Give choice in education (even Croatia, Estonia, Bulgaria, and Hungary give parents a choice).
- Build a new national infrastructure.
- Make pensions easier on workers. Now a third of their pay goes to pensions (very, very high).
- Move water from the north of Italy to the south.

These arguments sound like many debates in the USA

And when I visit England, I am surprised that many debates there sound like what I hear at home in the USA.

Roy Jenne
July 2002
change fast. Norwegians' support for their monarchy has dipped sharply. A decade ago, some 80-90% backed it, but a poll earlier this year put the figure at 58%, the lowest ever recorded. This went up a shade, to 62%, on the eve of the royal wedding. But several prominent Norwegians, including Kjell Magne Bondevik, a former prime minister who leads the opposition Christian Democrats, have raised questions about the monarchy's future.

Most mainstream political parties in Norway and Sweden say they are content to let their monarchies be. But ever more intrusive and irreverent press coverage is subjecting Nordic royals to new and unfamiliar pressures. Sweden's tabloids compete to examine the minutiae of Crown Princess Victoria's purported romantic attachments. King Carl Gustaf and Queen Silvia were infurntiered two years ago when some Swedish newspapers published pictures of a thin-looking Victoria and suggested that she had an eating disorder. This month pictures evidently taken with a long lens were published of Victoria's younger sister, Madeleine, passionately embracing a friend on holiday.

Royal Danes, however, are still treated more kindly—and their country's monarchy looks less vulnerable to republican assault. Crown Prince Frederik, a dashing 33-year-old, was last year voted "man of the year" for the fourth time in a row.

Grand enough for Berlusconi?

Giulio Tremonti, his economy minister, has probably been the most provocative. At a meeting of an influential group of business-minded Catholics in the seaside resort of Rimini, he suggested junking the old laws on hiring and firing. The main statute on which they are based, dating from 1970, says that nobody can be sacked except "for a just cause". Mr Tremonti is less reticent. He says that companies should be able to hire and fire more freely. Too bad, he implies, if the trade unions squawk. When Sergio Cofferati, leader of the largest union complained, Mr Tremonti promptly dubbed him "the archtype of the new reactionary".

In a country where economic governance has long been underpinned by concertazione, whereby employers, the unions and the government decide things together, Mr Tremonti's comments were bound to court controversy. Not surprisingly, he has won plaudits from many of Italy's more dynamic businessmen, who feel frustrated by the country's labour-market rigidities. Antonio Fazio, the central bank's governor, is also behind him. And the new industry minister, Antonio Marzano, insists that if firing were easier (albeit with reasonable notice given before dismissal, plus a decent pay-off), companies would be more willing to take on workers with full-time, open-ended contracts; more and more workers these days are on short-term contracts.

The new education minister, Letizia Moratti, has also stirred debate by saying that parents should be able to choose between private and state schools for their children—and be subsidised if they go private. The snag is that the constitution prevents the state from helping private schools. Then change the constitution, says Ms Moratti. "Even post-communist constitutions like those in Croatia, Estonia, Bulgaria and Hungary give parents choice," she says. But the opposition argues that state schools would suffer.

Another issue concerns pensions. Italian workers in private companies pay a third of their gross salaries towards their pensions, against 22% in Britain, 20% in Germany and 15% in France. Among EU countries, only Austria sees more of its GDP go towards public pensions. Italians still retire younger than other Europeans. An Italian can become a pensioner at 55 after working in the public sector for 35 years. Reforms in the 1990s mean that such pensions are becoming steadily less generous and, in their present form, will be phased out by 2008. But Mr Tremonti is said to want them ended by 2004.

One of the biggest kites has the word infrastructure emblazoned on it, plus a figure of €97 billion (88 billion), which Mr Berlusconi's people say is the sum needed to boost the south. Half of it, they suggest, should come out of the budget, a third from private investors and a fifth from the EU. High priorities are a bridge to link Sicily with Italy's mainland; a new motorway from there to Salerno, just south of Naples; and another between Florence and Bologna. The government also wants to bring water to the drier regions of the south.

These kites have fluttered across Italy's political skies before. It is possible that Mr Berlusconi may deem the reaction to some of them too hostile to warrant his risking his own popularity by enacting laws along the lines suggested. Still, his team has moved fast to test public opinion. And if the tycoon-turned-politician has the nerve to implement radical reforms in, say, just two of the areas under discussion, he will have achieved a lot.

Spanish scandal

Who's next?

MADRID

Some juicy scandals are jangling the government's nerves

NO SILLY season for Spaniards this year. Instead, genuine scandals have filled the headlines—and shown up systemic faults in Spain's supposedly modernised business culture.

The first involved Sintel, a telecoms outfit sold five years ago by the then state-owned Telefonica to a Miami-based leader of the Cuban exiles, Jorge Mas Canosa, who happened also to be a pal of many people in Spain's ruling centre-right People's Party (PP). Ms Mas Canosa, now dead, stripped Sintel's assets and failed to pay Telefonica. So Telefonica stopped subcontracting work to Sintel, which in turn last December sought to fire most of its 1,800 staff. Many of them began to camp outside the finance ministry; the state got them out.
Berlusconi’s Bombshell

More shocking to the bien pensant of Europe and America was the Italian Premier’s declaration that the West “is bound to occidentalize and conquer new people. It has done it with the Communist world and part of the Islamic world, but unfortunately, a part of the Islamic world is 1,400 years behind. From this point of view, we must be conscious of the strength and force of our civilization.”

If that smacks of imperialism, we doubt that’s what Mr. Berlusconi had in mind. His use of “occidentalize” and reference to Communists suggests that what he meant was a process of peaceful modernization, including political pluralism. No one is talking about holding anyone else’s foreign territory. The West isn’t bent on aggression but on defending against aggression.

Now, it would be chauvinist to claim that the West is the source of everything good in the modern world. The Caliphates of Islamic Spain practiced religious toleration, a lot more so than Torquemada. Jews suffered much more at the hands of the Christian kings before the 711 Muslim invasion of Iberia and after Islam was vanquished in 1492. The Middle East’s Ottomans also grew more tolerant over time of the myriad religions over which they ruled in the Balkans and the Levant. Meanwhile, the West has produced Hitler and Stalin, to name just two monsters.

But it’s hardly honest to pretend that all “Islamic countries” — which include Syria, Libya, Iraq, Iran, Afghanistan, Saudia Arabia and Sudan — are as tolerant of religious or other differences as the West. The Islamic world has very few democracies, which does not mean their peoples wouldn’t favor them. Malaysia and Turkey have shown that democracy and Islam can coexist, and Indonesia is making progress. But tyrannies are still the Islamic rule.

So give Mr. Berlusconi a break. The terrorists of September 11 were in part motivated by hatred of Western “civilization,” including the freedom, tolerance and even secularism that still implies. The starting point in defending that civilization is believing in it.

Mr. Ambrose is author, most recently, of "Wild Blue: The Men and Boys Who Flew B-24s Over Germany" (Simon & Schuster, 2001).
Students demonstrate holding a French national flag with a swastika against the extreme-right leader Jean-Marie Le Pen on Tuesday in Paris. Spontaneous demonstrations continued on Tuesday throughout France, especially among the young.

French election underscores Europe's shift to the right

By William J. Kolb
Associated Press

VIENNA, Austria — Austria for the Austrians. France for the French. Holland and Denmark without Muslims or mosques.

The surprise resurgence of extreme nationalist Jean-Marie Le Pen in France's first round of presidential elections is just the latest example of the far right gaining ground in Europe.

From Austria, home to far-right politician Joerg Haider and the anti-immigration Freedom Party, to the Netherlands — where rightist Pim Fortuyn has a foothold among the famously tolerant Dutch — extremist politicians are winning votes by tapping working-class fears that foreigners are stealing jobs and a way of life.

"I feel like I'm being taken hostage," said Wolfgang Seidler, 53, a Vienna businessman and political moderate who's bewildered at the shift. "We're in a new millennium, and yet we're going back to the 19th century."

Some say Europeans are receptive to harsh anti-immigrant rhetoric because rapid globalization has made them feel like they've lost control of their lives. Others contend the traditionally centrist political establishment has brought the far right into play by losing touch with citizens' daily struggles.

That, they say, has created fertile ground for ultraconservatives like Le Pen and his potent "France for the French" nationalism or Mogens Glistrup, founder of Denmark's extremist Progress Party, who wants to expel all Muslims.

"There's a deep, widespread and genuine concern over issues of personal and national identity," said Simon Serfaty of the Washington-based Center for Strategic and International Studies.

"There are multiple forces that challenge these nations and their citizens: too many immigrants, the European Union, the intrusion of American culture," he said Tuesday. "People see it as a kind of invisible invasion. They have no way out, and the hard right is rooted in that."

In the congested Netherlands, where roughly 2 million of the 16 million inhabitants are not native Dutch, it has become almost taboo to discuss sensitive issues such as immigration and a spike in street crime.

Please see ELECTION on 14A
Election underscores shift to right

April 24, 2002

EUROPE'S FAR-RIGHT PARTIES

Key extreme-right parties whose influence is tilting Europe to the right:

AUSTRIA — Freedom Party. The staunchly anti-immigrant party of rightist Joerg Haider joined Austria's coalition government in 2000, prompting the European Union to hit the alpine nation with seven months of punishing sanctions. Although support has eroded from 27 percent to 16 percent, the party remains part of the ruling coalition.

BRITAIN — British National Party. The anti-immigrant party is accused of triggering riots between white and South Asian youths in several northern England towns last summer. Although the BNP is small and perceived as marginal, the governing Labor Party has warned leaders not to underestimate the impact of its 68 candidates in next month's local elections.

BELGIUM — Vlaams Blok (Flemish Bloc). The far-right party, which favors independence for Flanders, Belgium's Dutch-speaking northern half, remains a force in national and local politics. It advocates a stop to immigration and the expulsion of immigrants who fail to assimilate into Belgian culture. Vlaams Blok holds about 15.5 percent of seats in the Flemish parliament and is the biggest party in Antwerp.

DENMARK — Progress Party and People's Party. The Progress Party was founded in 1972 by rightist Mogens Glistrup, who has raised eyebrows — and concerns — by calling for all Muslims to be expelled from Denmark. In 1995, the People's Party broke from Glistrup and is now the country's main rightist party, though it is seen as far more moderate than the Progress Party.

FRANCE — National Front. The party of extreme nationalist and French presidential hopeful Jean-Marie Le Pen, who finished second in Sunday's primary with 16.86 percent of the vote, advocates France for the French first. Immigrants are a favorite target and are blamed for French ills such as high unemployment and violent crime.

GERMANY — National Democratic Party. Chancellor Gerhard Schroeder's government and the parliament have been trying to ban the far-right party, contending it foments skinhead violence and espouses neo-Nazi ideology. Although the party is electorally insignificant, the government wants to outlaw it to keep it off the airwaves and away from state campaign funds.

ITALY — National Alliance and Northern League. A member of the coalition government of Italy's conservative president, media magnate Silvio Berlusconi, the National Alliance finished third with 12 percent in last year's national elections. The party is a direct descendent of Mussolini's Fascist party and counts among its members his granddaughter, Alessandra Mussolini. Also in the governing coalition is the Northern League, headed by far-rightist Umberto Bossi, whose anti-immigrant sentiment has earned him comparisons to Austria's Joerg Haider. The League has advocated secession for Italy's affluent north.

NETHERLANDS — Leefbaar Nederland (Livable Netherlands). The fledgling right-wing party founded by former columnist Piem Fortuyf stunned the Netherlands in March when it won 35 percent of the vote for city council seats in Rotterdam, the second-largest city. Fortuyf advocates a ban on immigration and has criticized Islam as a "backward culture."

Although he no longer leads the party, polls project that it could win 24 seats in the 150-member parliament in May 15 national elections.

NORWAY — Party of Progress. The party known for its anti-immigration views won 26 seats in the 155-seat parliament in last September's elections, no change from its showing in the 1997 vote. Although it is right-wing by Norwegian standards, even its critics are reluctant to compare it with far-right parties in Austria or France because it doesn't embrace neo-Nazi or extremist views.

Associated Press
The Dutch general election

A wind of change in the Netherlands—and across Europe

ROTTERDAM

The Fortuyn phenomenon confirms a wider drift to the right in Europe

PIM FORTUYN did not live to see the full extent of the upheaval he caused. But in the Dutch elections on May 15th his Pim Fortuyn List, which did not exist three months ago, became the second-largest party in parliament, with 26 seats. It was a personal vehicle of Fortuyn, an anti-immigration, establishment-bashing populist, assassinated on May 6th. His legacy is a marked shift in the political debate in the Netherlands—and maybe in Europe too.

Dutch politics, which has long been dominated by consensual coalitions run by technocrats with a wide outlook abroad and a tolerance of multiculturalism at home, will probably now have to incorporate a batch of novices with a strong nationalist distaste for immigration and Islam, who are against multiculturalism and to whom endorse faster integration within the European Union.

The Dutch proportional voting system means that Dutch governments are almost sure to be coalitions. The Fortuyn List is now likely to join a centre-right government led by the Christian Democrats, who, after an unusual eight years out of office, bounced back to become parliament’s largest party, with 44 seats. Their leader and almost certainly the next Dutch prime minister is Jan Peter Balkenende, a 46-year-old former academic who bears a remarkable resemblance to Harry Potter.

Unlike the leaders of the Labour and Liberal parties, which did badly. Mr Balkenende never smubbed or demonised Mr Fortuyn. Indeed, he shared notable parts of his agenda. In a speech earlier this year, Mr Balkenende repudiated the country’s multicultural approach to immigration and said newcomers should assimilate with Dutch culture. That, says a senior diplomat in The Hague, marked “a 180 degree shift since the Christian Democrats.”

Coalition building after a Dutch election often takes months. This time, however, politicians will want to move fast to try to restore stability to a system rocked by the Fortuyn phenomenon. Efforts to form a coalition will be complicated, however, by the fact that Fortuyn’s followers had not elected a successor to replace their lost leader in the days before the election—and had already begun to fall out with each other. The party said it would choose a new leader on May 16th.

Some Christian Democrats may still shy away from trying to forge a coalition with the Fortuyn bunch. On paper at least, there are other options. Mr Balkenende could try to build a centre-left coalition with the Greens and Labour or a “grand coalition” of the centre that would embrace Labour and the Liberals, who are on the right in economics.

But Dutch politicians are worried that the new populist strain in their country’s politics would only be nourished if the establishment parties seemed to gang up on the Fortuyn List despite the voters’ clear swing to the right. So the Labour Party, which has led a coalition government for the past eight years, will go into opposition after recording its worst electoral performance since 1945. Its leader, Ad Melkert, has already resigned.

A pattern may now be emerging across the EU. Centre-left and social democratic governments are losing power to centre-right governments. In the past year, the left has lost power in Italy, Denmark, Portugal and now the Netherlands. In France, the Socialists’ candidate failed to reach the final round of the presidential election. In Germany, Gerhard Schröder, the Social Democratic chancellor, is in danger of losing a general election in September.

Political parties that campaign against immigration are doing better. The admission of Jörg Haider’s Freedom Party into a ruling coalition in Austria in 2000 was widely considered a dangerous aberration. But anti-immigration parties have since broken into government in Italy and now, it seems likely, the Netherlands. The Danes’ right-wing government depends on the votes of a far-right party. France’s
Ireland’s election
Ahern ahead

DUBLIN
The Irish prime minister looks set to win again. Then watch for trouble

EINE GAEL, the main opposition party, offers “Vision with Purpose”. Labour is “Ambitious for Ireland”. Fianna Fail—the governing party, with 75 seats and coalition allies in the outgoing 166-seat parliament—doesn’t even bother with the hot air. It and its leader, Bertie (the people’s friend) Ahern, just announce complacently, “A lot done. More to do.” And almost certainly, polters say, Ireland’s voters, on May 17th, will ask them to do it. And then, painfully, the real world will reappear.

Ireland in the 1990s became the “Celtic tiger”, with the sort of astounding growth rates that used to be associated with Singapore. Since Mr Ahern’s coalition came to power in 1997, it has amply matched them with astounding rises in public spending, financed—not by harsh tax measures or reckless borrowing but by sharp tax cuts, high inflation and soaring tax revenues. No wonder all the larger parties have been promising “all kinds of everything”, or that the voters will give Mr Ahern the chance to provide it, maybe even with a single-party government.

As for them and him, it can’t be done. The good times are over. Even the parties’ rival pies in the sky bank on what is, for Ireland, a mere 3% growth. The truth will be still less, say econos, and tax revenues will dip with it. In contrast, spending is still running riot. Over-sporing rather. The state has been hurling money at infrastructure and contractors’ pockets, with cost overruns the order of the day. Day-to-day spending is no more in control, and will be in riot mode if promises of “benchmarking”—ie, matching the private sector—for public-sector wages are kept.

And yet Mr Ahern has real achievements. He is not just the lucky beneficiary of a boom due to foreign investment, high sterling (Britain is still the big trade partner) and Irish enterprise. Contrary to Ireland’s and Fianna Fail’s statist instincts, he has allowed his market-minded finance minister, Charlie McCreevy, not just to slice but to savage income tax and corporation tax rates, capital gains tax too, down from 40% to 20%, with a subsequent (he says consequent) sharp rise in the tax take.

Mr Ahern has also ardently seconded the British eagerness for peace at any price in Northern Ireland. Thank British fiddliness in the face of the IRA, maybe, but for an Irish prime minister that is a real feather in the cap: the prospect, however distant or unreal, of Irish unity, combined with an all-but-end to violence in the north, a change that many in the republic care a lot more about.

Not least, Mr Ahern has survived. Few foresaw his coalition, with the tiny Progressive Democrat Party and a bit of help in parliament from independents, lasting its full five years. But it has, even though a string of snidy scandals from his party’s earlier days in power have been uncovered for tribunals to investigate. Yet, at least electorally, none of the mud has brushed off on him, nor, more astonishingly, on his party. On the way, he has also lost—humilatingly, you’d think—several by-elections and a referendum on the EU’s Nice treaty. Yet there he is, confidently facing re-election.
Jacques Chirac wins by default

France's presidential election

Jacques Chirac wins by default

The incumbent president plods on, but much depends on his next parliament

I HAVE heard and understood your call: that the Republic should live, that the nation should reunite, that politics should change.” Jacques Chirac, re-elected president of France on May 5th, chose the right words in his moment of triumph. The margin of victory is the greatest ever in the history of Charles de Gaulle’s Fifth Republic—some 8% compared with the 18% of his opponent, Jean-Marie Le Pen, leader of the extreme-right National Front.

Yet just two weeks earlier, in a first round of voting crowded with 16 candidates, Mr Chirac had emerged top with only 19.9% of the vote, a mere three percentage points ahead of Mr Le Pen. In other words, the centre-right Mr Chirac owes his victory not to his traditional supporters but to his traditional, left-wing opponents. “Vote for a crook, not for a fascist” was their rallying cry: for the scandal-tarnished Mr Chirac, not the xenophobic Mr Le Pen.

The challenge, therefore, is for Mr Chirac to make his victory real. After a lacklustre first term of seven years as president, can he now use a second term, of five years, to heal the country’s social divisions, soothe its fears and restore its trust in the political establishment?

Perhaps he can, especially if the Union for the Presidential Majority, a newly-formed but not necessarily solid assembly of the various parties of the political right, can defeat the left in the parliamentary elections due on June 9th and 16th. That would give him a genuine popular mandate, rather than the one contrived by the left to defeat Mr Le Pen.

Yet a hard look at the political map shows no room for complacency. However swinging was the defeat of Mr Le Pen, who had rashly hoped for 30% of the second-round vote, the fact is that in a turnout of almost 80% of France’s 41m voters, he was the first choice of more than 5.5m French men and women, 720,000 more than in the first round. Look more closely and the map (see next page) shows a geographical divide, too: across the whole Mediterranean area of France Mr Le Pen gained the support of at least one in five of the turnout, reaching almost 30% in the south-eastern department of Vaucluse. He scored well, too, in much of the north-east, including the supposed Communist stronghold of the Pas-de-Calais. Draw a vertical line down through the heart of France, and Mr Chirac can count on the west of France but not so much on the east.

So will the extreme right, both Mr Le Pen and his supporters, be left to rue the day they ever voted for him?
EGADS! THE LEFT IS UNCHAINING THE WORLD’S ECONOMIES

Ronald Reagan and Margaret Thatcher successfully promoted lower income taxes, privatization of state enterprises, weakened unions, and a smaller role for government. The great popularity of their programs induced liberal, labor, and social-democratic governments around the world to reverse their traditional ideological positions and join in promoting free-market policies. Paradoxically, it turned out that often only these parties on the left had enough political support to succeed in introducing the changes that were needed.

Market reforms initiated by the left started in 1984 in New Zealand. The labor government enacted legislation transforming that small nation’s economy into one of the freest in the world. It privatized the postal system and many other public enterprises and reduced tariffs to one of the lowest levels anywhere. The country switched from highly centralized collective bargaining of wages and employment to a system that gives employers considerable discretion to hire and fire and to pay market-determined wages.

Perhaps the best example is in the U.S. The Democratic Party has in the past strongly supported big government, but under President Bill Clinton, it took heed of the popularity of the Republican Party’s Contract with America, which advocated less paternalism and smaller government. Clinton declared that “the era of big government was over.” His Administration then radically reversed the stand of Democrats on welfare by limiting how long families could remain on government assistance, reducing the budget deficit, and encouraging business.

FLEXIBILITY. The welfare reform act supported by President Clinton is particularly instructive since initially the Democratic Party strongly opposed requiring women on welfare to take jobs. But the growing perception among party stalwarts that this was becoming a winning issue for Republicans forced the President to radically change his position. The paradox is that Clinton can now claim welfare reform as one of his crowning achievements.

Another example is found in Mexican economic policies during the 1980s and 90s. The Institutional Revolutionary Party (PRD), which has governed Mexico continuously for the past seven decades, had been a very strong advocate of government ownership of heavy industry, prohibitive duties on imports to protect domestic companies, and detailed regulation of labor and financial markets. But starting with President Miguel de la Madrid in the early 1980s, the PRD responded to free-market critics of Mexico’s weak economic performance by selling numerous government-owned enterprises, partially privatizing the social security system, and becoming a strong advocate of a free-trade agreement with its large former “enemy” to the north, the U.S.

In Argentina, the Senate recently reacted to very high unemployment by passing a labor-market reform bill that weakens union power and gives the country’s employers much more flexibility in hiring and firing. This reform is being promoted by the center-left government of Fernando de la Rúa after the failure of attempts to reform the labor market by the previous conservative government of Carlos S. Menem.

Recent policy changes in Germany and France provide impressive examples of the flexibility of party ideology. Both nations suffered high unemployment and slow growth during the 1990s, in good measure because of heavy-handed regulation of labor and other markets. Conservative governments in these nations accomplished little in the way of serious market reform despite considerable reform rhetoric. Left-democratic governments were elected a couple of years ago in both countries with platforms of cutting unemployment and raising growth by expanding government regulation.

Yet, both regimes started out by introducing more government controls, including a law to implement a 35-hour workweek in France, both rather quickly changed course and have moved closer to Britain’s Labour Party under Prime Minister Tony Blair. German Chancellor Gerhard Schröder proposes to slash corporate taxes, encourage startups, and provide tax breaks for private pension plans. French Premier Lionel Jospin has quietly liberalized the French labor market and promoted a more globally competitive financial system with reduced governmental control.

If a dedicated cold warrior such as Richard Nixon could seek agreement with communist China against a common enemy, the Soviet Union, it is a relatively small step for Tony Blair to embrace markets and for German Social Democrats to support much lower taxes on business.

PARADOX: Just as it took a cold warrior like Nixon to renew ties with China, left-of-center governments have managed recent free-market reforms.

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The frightening rise of a European superstate

Chances are we will be less free in the coming years because of a rising statist authoritarianism primarily emanating from Europe.

The increasing assault on financial privacy is an example of this new threat to individual liberties. Financial privacy, a fundamental liberty necessary for individuals to protect themselves from corrupt or despotic governments, kidnappers and other assorted criminals, is increasingly attacked by the European Union, the Organization for Economic Cooperation and Development, the United Nations and even elements of the U.S. government.

Proposals from these organizations would limit or eliminate all financial privacy. One of the most odious of these is a proposal by the United Nations to create an International Tax Organization that would require the U.S. government to share detailed personal and business financial information on U.S. citizens and others with U.N. member governments, no matter how corrupt. As a result, our Fourth and Fifth Amendment protections would be stripped away.

Furthermore, this information could end up in the wrong hands, putting our lives and fortunes at risk.

The classical liberal (in the European sense) believes in small government, low taxes, and a minimum of government regulation, coupled with a stable currency (traditionally by the gold standard) and a strong commitment to the rule of law and individual liberty. In the U.S. this is known as free-market conservatism or libertarianism.

The father of modern economics, Adam Smith (1723-90), was a classical liberal, as were the Founders of the American Republic. The world is moving away from classical liberalism and traditional socialism, toward a new fascism.

Until World War I, classical liberalism was the dominant political ideology in Western countries. The trauma of the War shook people's faith in existing political order and institutions, particularly in Europe. Rulers who called themselves feudalism, was seized by the communists. Socialists and fascists began to acquire political power. The Depression, although caused by poor government fiscal and monetary policy, made people hunger for the stability and order the statists offered. Adolf Hitler's National Socialism (Nazism) was a particularly virulent form of this new statism.

While most of the media and political class refer to communism and socialism as leftist ideologies and Nazism and fascism as ideologies of the far right, these ideologies are merely different forms of statism. Socialists believe in government ownership of all economic entities and land. Fascists realized that government did not have to own enterprises in order to have total power over them. Thus, fascists tend to be extremely authoritarian and comprehensive regulators. Both ideologies are based on the subjugation of individual liberty and free markets by the agents of the state.

The true political and economic dichotomy is statism vs. libertarianism. Communists, socialists, fascists and welfare state advocates are, to varying degrees, statists. For example, they believe that those in government have the right to engage in activities at the expense of the individual for the greater "good of society," as they define it. The classical liberal, free-market conservative, or libertarian believes that each of us possesses individual rights that cannot be denied by the state. Moreover, every individual has the right to be left alone to pursue his own interests so long as he does not harm others.

Few people are pure statists. For instance, since the fall of Russian communism, few people in the world think that all restaurants are best run by the government, and most people of a libertarian bent think traffic signals are a good idea. By the 1980s, all but the most slow-witted or dense could see that socialism and communism were failures.

Libertarianism then seemed to be making a comeback with the election of Margaret Thatcher and Ronald Reagan, and the Nobel Prize in economics awarded to people like F.A. Hayek and Milton Friedman. Around the world, tax rates began to fall, privatization replaced nationalization, and free trade again became fashionable. Even America's President Clinton, from the party of the left, announced that the "era of big government is over."

Then, the pendulum began swinging in the other direction. Statists took control in France, Germany and the United Kingdom. While they call themselves socialists, they act increasingly like fascists and no longer seek to own the factors of production. Instead, they seek to regulate and control all private activity.

The unelected bureaucrats who run the European Community have increasingly become micromanagers of both business and their own citizens with a never-ending stream of regulations that strip away individual liberties, including freedom of speech, and stifle creativity and initiative.

The result has been low productivity and real income growth, and a stagnant labor market. Some have argued that the French rejection of Jean-Marie Le Pen and the election of Jacques Chirac were defeats for the fascists. But, the fact remains that the mainstream European "conservative" parties are as fully committed to the increasingly bureaucratic state residing in Brussels as are the socialists.

The U.S. has not been totally immune from these pressures. Despite the election of a "compassionate conservative" as president, federal spending is again growing faster than national income, even excluding the new military spending, in large part due to a bipartisan effort to enlarge government. The laudable effort made in the late 1990s to get rid of farm subsides is now in the process of being thrown out. Free trade is under attack and protectionism is again emerging, and the recent "campaign finance reform" legislation is a direct assault on free speech.

The new fascism is not just a danger for Europeans; it is a present danger for us.

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German Right Backs Bavarian to Run Against Schröder

BY STEVEN ERLANGER
BERLIN, Jan. 11 — The populist and experienced governor of Bavaria, Edmund Stoiber, will lead the conservative opposition parties in their effort to defeat Chancellor Gerhard Schröder's Social Democrats in elections in September.

Mr. Stoiber's rival, Angela Merkel, the leader of the larger Christian Democratic Union, bowed to the inevitable today and announced that she was withdrawing from the race.

Her own party's leaders urged her privately to concede, arguing that Mr. Stoiber, 60, had a better chance to unseat Mr. Schröder and that further infighting would only damage the opposition’s chances and her own prospects.

Mr. Stoiber, fiercely conservative, is considered an excellent economic manager of the country's most prosperous state at a time when Germany is sinking into recession and the number of unemployed is close to four million.

The stagnant economy makes Mr. Schröder, a shrewd politician and an excellent television campaigner, vulnerable, but the campaign is expected to be bruising.

Ms. Merkel, 47, the first woman and first easterner to lead a major party, was gracious in defeat. She met Mr. Stoiber, the leader of the Bavarian-based Christian Social Union, for breakfast, then spent much of the day telling confidants that she would pull back.

"I have always said the chancellor candidate of the conservatives should be the person who has the greatest chance of victory," she said at a nationally televised news conference in Magdeburg, in eastern Germany, during a meeting of her Christian Democrats.

"Together with Edmund Stoiber," she said, "I will do my part so that these chances of victory are not just a possibility but also a reality, and I shall do this with passion and deep conviction."

Ms. Merkel appeals strongly to moderates, women and voters in the east, constituencies with whom Mr. Stoiber is relatively weak. But she was never able to put her stamp on her own party, which is still suffering from a slush fund scandal that broke two years ago and tainted the reputation of her mentor, the former chancellor, Helmut Kohl.

Mr. Stoiber will have to fight not only Mr. Schröder, but the received political wisdom here. Bavarians are regarded with envy and suspicion as successful provincials, rather like Texans in America. And there has been a traditional cultural divide between the mostly Protestant north and Catholic south, which includes Bavaria.

The only Bavarian leader to run for the chancellorship until now, Franz-Josef Strauss, lost to Helmut Schmidt in 1980 and was considered a kind of sacrificial to an inevitable victory by a coalition of the Social Democrats and Free Democrats.

But this time Mr. Schröder is allied with the Greens, who have been losing popularity and may not even win the 5 percent of the vote required to get into Parliament.

Recent opinion surveys have shown Mr. Schröder losing ground, with the Social Democrats and the conservatives each polling 39 percent, according to the Electoral Research Group for ZDF television.

"The conservatives' standing has improved considerably," said Dieter Roth, of the polling firm. Mr. Schröder's party had held a four-point lead for the last six months or so.

Head-to-head, Mr. Schröder, 57, is more popular than Mr. Stoiber. But while an American style of personal campaigning is becoming more widespread, voters still cast their ballots for parties, not people.

Now that the conservatives have chosen their standard-bearer, the race will get more serious. This evening Mr. Stoiber issued a statement in Munich attacking Mr. Schröder for failing to produce the kind of economic reforms required to end the current slump, especially in the formerly Communist eastern states, where unemployment is high.

"Because we can only have prosperity, social and internal security together in Germany, I will do all I can to make sure that the new states are no longer uncoupled but can catch up," Mr. Stoiber said.

He plans to focus on widespread perceptions of rising crime and uncontrolled immigration as well. Mr. Stoiber has also emphasized a tough

Angela Merkel has withdrawn from the race to lead the conservative opposition parties and has endorsed Edmund Stoiber as the candidate.
Public services

Socialism in one country

BRUSSELS

The idea of giving the private sector a big role in public services is contentious in Britain. In the rest of Europe, it’s commonplace

It is now widely accepted in both Britain and Brussels that the centre of political gravity in the United Kingdom is some way to the right of that in continental Europe. When it comes to issues such as taxation and trade unionism, that may be true: Tony Blair has accepted most of the Thatcherite inheritance, and is calling for economic liberalisation across the EU. But the same cannot be said of the issues on which Mr Blair fought the last election, health and education. Compared with the way those services are run in mainland Europe, health and education in Britain are run by centralised, egalitarian, socialist-style systems.

Britain’s National Health Service is a centrally-planned, government-funded institution, which responds to excess demand in the classic style of a nationalised industry—by rationing. In much of continental Europe, by contrast, governments take a more flexible and pragmatic approach to both the funding and the provision of health care.

Britain’s state education system is comprehensive and non-selective. The government has tried, nervously, to introduce change; but it’s hard, because the Labour Party is wedded to a system that introduced in the name of egalitarianism. Other European countries have no such hang-ups. Germany and the Netherlands, which are both instinctively egalitarian countries, nonetheless have secondary-school systems that filter children into academic and vocational streams. In Britain, such an idea would still be dismissed with horror as condemning the non-academic to sink schools and educational failure. Yet the selective German and Dutch systems produce far fewer illiterate and innumerate school-leavers.

Both in Britain and on Europe’s mainland, it is widely assumed that the problems with Britain’s public services are the consequence of Britain’s relatively low taxes. The British habitually talk about the under-funding of the health service, and Mr Blair has promised to raise British health spending to the European average; French newspapers love to dwell on the “Dickensian” state of Britain’s public services, and to use this as a justification for their own country’s relatively high levels of taxation.

Many European countries certainly spend more taxpayers’ money on health. But it is the difference in private, not public, health spending that accounts for most of the gap (see chart). In 1998, according to the OECD, the Netherlands spent 8.7% of GDP on health, Italy spent 8.2%, Austria spent 8% and Britain spent just 6.8%. But expenditure by the state was rather similar; Italy spent 5.5%, Britain 5.7%, Austria 5.8% and the Netherlands 6%.

Even in the higher spending countries, such as France and Germany, most of the gap was accounted for by private-sector spending. By accepting a mixed system, based on social insurance, rather than a taxation-based system in which the government is overwhelmingly the single buyer of health care, continental Europe has succeeded in bringing more money into health care.

The idea of paying a fee to see your family doctor would be regarded as dangerous in Britain—the first step on the road to the...
privatisation of the NHS that Mr Blair has sworn never to allow. But go to see an equivalent to your GP in Germany, France, Austria and Belgium and you will be expected to get your wallet out at the end of the appointment. Most—but not all—of your expenses will usually be reimbursed by your insurance scheme.

In France, typically only 85% of out-of-pocket expenses are subsequently reimbursed by insurers, and 80% of the public have taken out private, voluntary, top-up insurance, in addition to the social insurance provided by their employers or the state. In Germany, meanwhile, over 50% of hospitals are run on a private or independent, non-profit basis; these hospitals then provide services to the state or insurers on a contract basis. Yet the idea that anyone other than the state should own hospitals that do work for the NHS is already provoking apoplexy on the Labour back-benches. Perhaps those apoplectic MPs might reconsider if they realised that Germany's free-market health care system provides seven acute hospital-care beds per 1,000 people, while Britain's manages just two.

My money, my choice

More private funding does not just bring more money into European health services. It also gives consumers more choice. In Germany, for instance, where employees must join a health-insurance scheme, they have 500 to choose from. Funds compete both on price and on the range of benefits offered. Some half a million people switch funds every year. That's a common pattern around Europe. And, across Europe, people spend more money buying health care direct than through insurance schemes. That means they are choosing their doctor and their hospital as they would choose their hairdresser. And the more people have the ability to choose the health care they want, the more responsive the country's system will be to their demands.

The idea that the main problem with British public services is under-funding stemming from low taxation does not stand much scrutiny when it comes to education, either. The Netherlands spent 4.6% of GDP on education in 1998, while Britain spent 4.9%. Yet it is undeniable that the Dutch get better results. In 1999 only 10% of Dutch adults had difficulty reading and writing, compared with 23% in Britain. In the Netherlands, 65% of school pupils are educated in schools run by private foundations, which control their own admissions systems.

Germany—which does spend about 20% more per secondary-school pupil than Britain—provides another example of the successful use of local autonomy and streaming. Regional governments run their own education systems, which are even more rigidly streamed than those in the Netherlands. Germany offers four levels of state school with differing curricula tailored to the academic abilities of the pupils. Nick Clegg, a Liberal Democrat member of the European Parliament who is conducting a comparative study of public services in Britain and continental Europe, comments that: "There is a degree of selection and autonomy in most mainland European educational systems which the centralising Thatcher, Major and Blair governments could never tolerate."

Unfortunately, even “pro-European” political parties in Britain appear not to have noticed this. For the moment, Mr Clegg's own Liberal Democrats seem to be sticking to the notion that it is spending levels, rather than structures, that set the British education and health systems apart from the rest of Europe. The Labour government is tiptoeing around the notions of selective education and greater private-sector involvement in health care—but it seems to have got stuck on the notion of private-sector management, when the bigger issues concern funding and the provision of services, as well, most critically, as the extent of consumer choice.

Stephen Pollard of the Centre for the New Europe, who wrote a book on public policy with Andrew Adonis, the new head of Tony Blair's policy unit, says that Britain is not yet ready for a fundamental debate on health provision, but that the government's current spending splurge means that “for the first time ever, people who always said the problem with the NHS is that we don't spend enough money on it are going to find out if it's true.” And when it turns out not to be, then maybe Britain can really talk about reform.
How sick is Europe?

Recent events in Europe have been shocking. But don’t exaggerate the consequences

IT IS tempting to think that there is something profoundly and newly rotten in Europe. In the past few months, violence across the continent has been perpetrated against synagogues and other Jewish buildings, raising the spectre of anti-Semitism reviving in the continent that spawned it. In a number of apparently civilised countries, such as Austria, Italy and Denmark, political parties hostile to immigrants and in some cases with fascist antecedents now participate in coalition governments or prop them up. Last month this trend seemed to sharpen when Jean-Marie Le Pen, a populist thug, won enough votes in France to knock out the main candidate of the respectable left to reach the final round of the presidential election. And last weekend brought a new shock: Pim Fortuyn, the leader of a far-right party that still has a chance of holding the ring after next week’s general election in the Netherlands, was shot dead. Little wonder that many people, connecting the dots, are asking whether violence and racism might become Europe’s new norm.

Americans have particular reasons to despair of Europe. As Americans strive to spread their free-market gospel of prosperity and individualistic freedom around the world and to fight the scourge of global terrorism, Europeans often seem singularly unappreciative of those well-intentioned aspirations. Yet now, if this week’s assassination of Mr Fortuyn is anything to go by, terrorism looks as if it is rising in Europe too. Two months ago an Italian labour-law professor who was advising his country’s government was gunned down.

Not so fast

It is understandable that recent events in Europe should feed such notions. But some of the conclusions being drawn are vastly overblown. The National Front’s Jean-Marie Le Pen has, after all, been soundly defeated by Mr Chirac at the polls. In next month’s general election (see pages 48 and 50), his National Front will be lucky to win a handful of seats out of nearly 600 in the National Assembly. By mid-summer, he may well be out of the limelight. As for the hapless Mr Fortuyn, the party that he leaves behind may, in the Dutch electoral system, get as many as a sixth of the votes cast and perhaps elbow its way into a coalition government. But his death, apparently at the hands of a white animal-rights activist (see page 45), does not seem likely to spark a wave of further violence. The Dutch are numb with shock rather than seething with rage. European politics is not suddenly about to turn bloody.

The rise of racism and the far right needs to be put into context too. Most recent acts of violence against Jews and Jewish buildings have been confined to France and have been committed by young Muslims, mostly of North African origin, who have been angered both by their own failure to advance in a society that often seems unkind to them and by the misfortunes of their co-religionists in Palestine. Europe’s new anti-Semitism, such as it is, is not the kind that once infected a swathe of middle-class opinion and politics and helped lead to the calamities of the 1930s and 1940s. It has no chance of poisoning the mainstream of discourse again.

Racism among Europe’s longer-standing indigenous populations towards newcomers often with darker skins is certainly common and may have become more acute as the numbers swell. That is deplorable but perhaps not surprising—and by no means a purely European phenomenon. Besides, the arguments, even on Europe’s far right, vary. Mr Le Pen is the ugly face of extreme nationalism. He spreads hatred. His prescriptions—repatriation, for instance, and a ban on the building of mosques—are crude and cruel. Mr Fortuyn, on the other hand, was demanding a ban on further immigration (with Muslims unpleasantly singled out), a simplistic idea but one shared by many supposedly respectable governments across Europe. He raised serious questions about whether newcomers should be urged to assimilate or be encouraged to cleave to their parents’ values, even if some of them are illiberal.

Moreover, hostility to immigration, with its undeniably related problem of crime, is by no means the only vote-gatherer for Europe’s far right. Across Europe, populists are titling against political elites whose cosy consensus is thought to have muffled the voices of ordinary people. However strong the whiff of xenophobia about him, Austria’s Jörg Haider won 27% of the vote in his country’s last general election, so forcing his party into a ruling coalition, largely because the two main parties of right and left had shared patronage venally for half a century. The rise to power in Italy of a media-owning tycoon, Silvio Berlusconi, was partly due to a popular desire to kick out an apparently rotten old establishment. The end of the cold war and the demise of socialism have seen mainstream parties of right and left converge ever more tightly in the middle ground, often further limiting a sense of choice, especially in the eyes of the have-nots. The near-certainty of coalition governments in countries with electoral systems such as the Dutch one has stifened such feelings. And it has often led to flabby governments that recoil from making necessarily unpopular choices.

Le Pen, Fortuyn, Perot, Buchanan

Heard it somewhere before? Cries for reform, attacks on the establishment, blaming foreigners: all were part of the brief prominence in American politics of Ross “great sucking sound” Perot and Pat “peasants with pitchforks” Buchanan in 1985-95. As then, there is a further important ingredient in Europe: a feeling of economic weakness that too many politicians seem to lack the guts to address.

In response to such problems, a lot of Europeans feel that too many decisions are being made by remote bureaucrats in Brussels, too few by their local representatives down the road. But the biggest reason why, in the past decade, the American economy has grown more than 60% faster than Western Europe’s and why its unemployment rates have been nearly twice as low is that Europe’s product and labour markets have been too rigid, its welfare too generous, its social costs too high for would-be entrepreneurs, its governments too scared to lib-
INDIA'S CONSERVATIVES ARE REAPING THE SPOILS OF KASHMIR

In politics, war can work wonders. Just four months ago, it looked as if the Congress Party, which had ruled India for most of its 50 years of independence, would sweep back into power. But when Indians go to the polls on Sept. 6, for the third time in four years, the likely winner will be Prime Minister Atal Bihari Vajpayee and the governing Bharatiya Janata Party.

Fueling Vajpayee’s comeback was India's recent victory over Pakistani-backed rebels in the Kashmir conflict. A recovering economy and surging stock market have also helped. Polls indicate that the BJP and its numerous allies may win enough legislative seats to last out a full five-year term. The Congress, led by Sonia Gandhi, the wife of slain former Prime Minister Rajiv Gandhi, limps far behind.

This is more than a political upset in the making. At bottom, it marks a national change in consciousness. Congress has long billed itself as the party of Indian modernization—and successfully ridden a wave of popular aspirations. Suddenly, that looks like yesterday's stance. In today's India, Sonia Gandhi's "progress for all" rhetoric, focused on the plight of the downtrodden, sounds patrician and retrograde. The BJP, by contrast, is coming across as the party of economic growth and military might. It effectively is preaching a form of identity politics—that Indians can stand tall in the world just as they are.

The BJP's reversal of fortunes has amazed most analysts. For much of its 13 months in power, the Hindu nationalist BJP has had a reputation for religious bigotry. The coalition it led was marked by incompetence, and Indians had grown disillusioned with the chaotic transition from socialism to capitalism. After a food crisis last September, the party lost local elections even in strongholds such as New Delhi.

But the conflict against Muslim separatists in Kashmir tilted the scales. The rebels received the tacit support of the Pakistan military. Feuds with its neighbor have always been an emotional issue for Indians; even cricket matches between the two countries are highly charged affairs. The Kashmir issue gave Indians the common enemy they needed to renew their sense of national power.

Confidence in the economy, long a vulnerable point for the BJP, has also improved. Just last year, the BJP's protectionist tendencies left businessmen and foreign investors feeling rattled. Now, the government's aggressive promotion of the information technology industry has boosted software stocks and exports. So far in 1999, industrial production is up by 5.6%.

SONIA'S SLIDE. Indeed, the BJP's reform program is now virtually indistinguishable from the Congress Party's. Both vow to keep reducing government controls and open up more segments of the economy to private investment. Both also promise growth of 8%, compared with a forecast of 6.5% this year. The BJP's reforms are also rallying investors. The Bombay Sensex index is up 54% this year. "Politicians are finally realizing that it's all about the economy," says Surjit Bhalla, a director at New Delhi's Oxus Fund Management.

The ruling party also benefited from the collapse of Sonia Gandhi's campaign. Despite speaking fluent Hindi, Italian-born Gandhi couldn't shake her image as a foreigner, which doesn't sit well with India's nationalistic mood. Nor did she capitalize on widespread anxiety that the BJP's Hindu nationalism, which in 1992 led to the razing of a famous mosque, had gone too far. The hope is that with a strong showing at the polls, Vajpayee can control his party's most radical elements. Most Indians now seem to see him as the best hope for a modern India, rather than a retreat to the past.

By Manjeet Kripalani in Bombay

GLOBAL WRAPUP

FRENCH TAX CUTS?
Pressure is building across the political spectrum for tax cuts in France as Socialist Prime Minister Lionel Jospin wraps up his budget plan for 2000. Jospin has already proposed graduated payroll tax cuts for all French workers and a sharpened tone for fighting tax evasion. A leader of the National Assembly is urging him to go further, warning that French voters are tired of bearing one of the heaviest tax burdens in Europe. Economists also warn that France is at a growing competitive disadvantage vis-a-vis Germany and other countries, which have slashed corporate taxes to stimulate business. France can afford tax cuts, government revenue is running nearly 8% above last year, and the economy is strong.

THAILAND GETS TOUGH
Thailand's government is going out of its way to denigrate its black economy estimated to be worth up to $8 billion. A new crackdown targets everything from the sex trade and illicit narcotics to money laundering and tax evasion, backed by fines and jail sentences of up to 10 years. Thailand has long had a reputation for corruption, often associated with its police force and politicians as well as with political force buying. The crackdown is the result of pressures from inside and outside the country, especially from the U.S. as well as other developing states faced with large illegal narcotics operations. "The new law doesn't change the culture of Thai and official," says one Western banker. "But it's a step in the right direction."
Repaved ‘Third Way?’ Clinton, Blair plot return of center left

By Al Webb
THE WASHINGTON TIMES

LONDON—Prime Minister Tony Blair’s much-ballyhooed “Third Way” of progressive politics has run into a rocky stretch, and the British leader is turning to his old pal and ally, former US. President Bill Clinton, to help get it back on track.

Mr. Clinton was meeting with Mr. Blair and other representatives of Europe’s center left over the weekend of June 8-9 at a secret location in England’s sedate countryside. What they were searching for was a way to counter the growing power of the far right both on the Continent and in Britain.

The “Third Way” is the route that Mr. Blair and his reconfigured New Labor party took to gain power in 1997, ending 18 years in the political wilderness.

Essentially, the “Third Way” espouses principles such as stable management and economic prudence, with the government concentrating on basic issues such as education and training.

As one political analyst put it, this philosophy became a “beacon” for left-of-center parties around Europe, all of whom had “similar baggage to shed” — heavy-handed “statism,” domination by “dinosaur” trade union leaders, tax-and-spend policies that only created new problems and an inflexibility in dealing with them.

For Mr. Blair, what the “Third Way” became was a “magic carpet” for catapulting his left-wing Laborites into power, presenting them as business-friendly, tough on crime and reluctant to tax and spend.

In 1997, he won by a landslide.

But much of the wind has gone out of the “Third Way.” In Britain, crime is soaring and the prison population has risen to record levels. The government has resumed increasing taxes to rescue a dilapidated health service. The railroad network has deteriorated to the point where it is described as the worst in Europe.

Another major problem for the “Third Way” — and a key reason for the West Country meeting at a stately home in England — is that its benign philosophy of caring has run squarely up against the major headache of immigration, legal and illegal, across Europe.

That is the driving force behind the rise of far-right parties in France, Denmark, the Netherlands and Austria, as well as some striking local election victories by the anti-immigrant British National Party.

Mr. Clinton, who despite Mr. Blair’s well-publicized success with it, is himself the father of the “Third Way,” Mr. Clinton first sketched out the concept in a State of the Union address where he spoke of moving beyond a debate in which the government was either the enemy or the answer.

THE WASHINGTON TIMES

June 17-23, 2002
A Reticent European Right Balks on Labor

Critics Say Workers' Clout Bashes Business, and Ask: Where Are the Berlusconis?

BY GEOFF WINESTOCK

BRUSSELS—Center-right governments in Europe, fearing a backlash from organized labor, are taking a go-slow approach to changing the way employers hire, fire, pay and manage the men and women who work for them.

But some economists, local employer groups and multinational corporations with European operations argue that "easy does it" just won't do it.

Governments in Italy, Spain and France seem bent on minimizing conflict. Even the most aggressive leaders, Silvio Berlusconi in Italy and José María Aznar in Spain, are making only marginal changes to unemployment benefits and anti-layoff laws. In France, President Jacques Chirac talks about "softening" rather than repealing the law mandating a 35-hour workweek, which economists say is a dangerous drag on French productivity.

The risk of angering labor was underscored this week as Spain was hit with a general strike yesterday, called to embarrass Mr. Aznar, who is hosting a European Union summit in Seville. Thousands of flights were canceled Wednesday when air traffic controllers walked off their jobs in France, Spain, Portugal and Italy to oppose a plan to create a single air traffic control zone in the EU, which controllers fear might cost jobs. German construction workers are staging strikes at 1,200 sites to demand higher wages.

The gradualist approach to ratcheting back Europe's famously worker-friendly labor laws is designed to reduce the risk of even bigger showdowns. Most mainstream employer groups don't expect much more—they just want to maintain good relations with unions. "The priority is to renew the dialogue with labor unions. That's the way to reform this country," says Ernest-Antoine Séllières, president of Medef, France's biggest employer group.

But economists complain that the cautious timetable means the strictly constrained labor market will continue to hurt

In Britain, the gap between rich and poor has widened Distribution of real* household disposable income, in British pounds per week

Cheap jobs, or flexible jobs?
Part-time employment in selected European Union nations

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<th>PART-TIME WORKERS</th>
<th>TEMPORARY WORKERS</th>
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<tr>
<td>Netherlands</td>
<td>42.2%</td>
<td>14.3%</td>
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<td>U.K.</td>
<td>24.8</td>
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<td>Germany</td>
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<td>Italy</td>
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*Before housing costs adjusted to February 2000 prices using the retail prices index less local taxes.

U.K. Business Fears Expansion of Workers’ Rights

BY MARC CHAMPION

LONDON—Is Britain catching up? British Industry, joined its Italian counterpart, Confindustria, to demand that Prime Ministers Tony Blair and Silvio

Mixed Signals on Labor Reform

To work around restrictive labor laws common in Europe, employers have tried tactics such as hiring part-time and temporary workers. In Britain, unions were greatly weakened in the 1980s, and the income gap widened. Now, center-right governments are gingerly seeking to give companies more latitude in their labor practices so gingerly, critics say, that they are trying to move in two directions at once.

April widens dollars vised fore.

Is Arrested protection officers and protest iosdao Casion. lieutenant the march ace, and "whigging" poses. He'd shortly resident.

In 2000 years.
Unmighty Europe

From New York to Munich this week, Europeans worried about American “unilateralism” in the war on terror. We heard it constantly ourselves at the World Economic Forum. In reply, we asked U.S. allies to ponder this fact: The $48 billion increase in annual military spending that President Bush proposed yesterday is twice the entire German defense budget.

The cries of “unilateralist” were especially pained at this weekend’s Wehrkunde conference, the annual conclave of global defense ministers in Munich. Many European participants wereNew York to Munich this week, Europeans worried about American “unilateralism” in the war on terror. We heard it constantly ourselves at the World Economic Forum. In reply, we asked U.S. allies to ponder this fact: The $48 billion increase in annual military spending that President Bush proposed yesterday is twice the entire German defense budget.

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Europe has been pledging to modernize its military for more than a decade, but it never seems to happen. The 1999 NATO Defense Capabilities Initiative went nowhere. The European "rapid reaction" force, which was supposed to be operational next year, remains a pipe dream. A military cargo plane has been in the air for 18 months. The NATO nations have a hard time getting off the drawing board. In short, the capabilities gulf is growing wider.

No less an authority than NATO Secretary-General Lord Robertson has been making the rounds of capitals warning about Europe’s dangerously low spending on defense. “Mighty Europe,” he warned in a speech in London last month, “remains a military pygmy.” Unless the Europeans do better militarily in NATO and the EU, their influence in the Euro-Atlantic area and more widely will be limited.

Mr. Bush’s proposed increase is easier because he has a domestic consensus to fight the war on terrorism. But that also stems in part from the U.S. President’s willingness to lead. His budget (see editorial above) proposes a tradeoff between domestic and defense spending that European elites refuse to even bring up with their electorates, much less propose. Until they do, they lack the standing to fret about “unilateralism.”

Global (or local) recession has bared the nation’s no no knuckle— it co

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