

European Financial Rescue Measures May Not Work As Intended – Italy Facing Higher Borrowing Costs – Besides, Rescue Addresses Only Symptoms – Europe's Real Problem Is Low Growth

[the-subtitle]

By Paolo von Schirach

October 29, 2011

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WASHINGTON – In recent articles (see above) I pointed out that Europe, while moving forward in this never ending debt/financial crisis mess, cannot be trusted to take truly definitive steps. And most recent developments fit the pattern. Last Thursday there seemed to be a major breakthrough: Nicolas Sarkozy, Angela Merkel and all the others announced a "final plan" to reduce Greek debt, and

critical decisions to recapitalize compromised banks and to beef up the eurozone rescue fund currently managed by the European Financial Stability Mechanism.

Questions about missing details

The problem is that key details are missing. Clarifications regarding modalities and timing of implementation will come later. And this vagueness invites suspicion that this is not a firm EU commitment, but just half baked plan that may or may not work. *"Doubt Rise on EU Deal"*, reads the October 29-30 The Wall Street Journal front page headline.

Higher interest rates for new Italian bonds

The first test came just one day after the big announcement. Italy wanted to place new bonds, and the markets immediately asked for a higher interest rate. And this is the evidence of a EU plan that fails to convince key players. Unmistakable clarity that henceforth the EU will guarantee all sovereign debt would have reassured investors. They would have asked for the same or lower interests on new Italian debt. Well, the opposite happened. The immediate reaction to measures ostensibly conveying the message that risks have been reduced is that investors demand higher interest rates. This means that the markets, so far at least, do not buy the plan, while they also do not buy the seriousness of Prime Minister Silvio Berlusconi's stated pledges to fix Italy's finances.

Symptomatic remedies will not do

More broadly, the markets may begin to sense the limitations of all these extraordinary measures. Even if they really worked as intended, these remedies are symptomatic, as they fail to address the root causes of Europe's ills. In essence, Europe has weak finances because it has bloated public sectors and weak economies that cannot support them. Whereas the Europeans are desperately trying to shore up the present system telling the world that it can work again, just as it

used to.

They want to convey that Greece, whatever the past hesitations, is now firmly under control and that there will be no contagion to banks exposed to Greek debt. They also want to convey that other at risk countries, namely Italy and Spain, have got their act together and will now enact policies aimed at reducing deficits and debt, therefore proving to the markets that they are reliable borrowers. To top it all off, Europe will also increase the firepower of its rescue mechanism, thus telling investors that, whatever may happen, sovereign debt will be somehow guaranteed.

Europe's real issue is anemic growth

This is of course fine. Except for one basic fact. Europe is not having just a temporary liquidity crisis. Europe is revealing now the financial consequences of basic economic weaknesses caused by the bad combination of low economic growth, unaffordable welfare states and adverse demographic trends.

Put it simply, in several European countries structural debt is destined to stay dangerously high and possibly grow to unsustainable levels because they no longer produce enough wealth to finance costly public services and entitlement programs. In Greece we have seen the conflation of all these contradictions, magnified by Greek special features: namely massive tax evasion, bad work ethics and massive corruption.

Beyond a rescue plan, Greece needs to become a productive society

In fact, it is remarkable that the Greek farce lasted this long. Here is a mostly unproductive economy that collected little revenue, while most public employees did almost nothing and the rest of the working population did only a little.

This being the case, on top of a debt restructuring plan and a

fiscal turnaround –difficult as these are– it is obvious that Greece needs a complete societal make over. *If Greece, either with Prime Minister Papandreu or a new government, cannot manage to turn itself into a productive economy in which people are engaged in wealth producing activities that add real value, all the current EU efforts aimed at “saving Greece” are essentially meaningless. Bankruptcy or no bankruptcy, this is a country in decline.*

Italy is in a dangerous zone

And the same applies to Italy and Spain. Italy's gigantic public debt, (third largest in the world), is not a historical accident. For decades debt has been and is the way to finance unsustainable obligations made to public employees, pensioners and all sorts of other categories receiving direct and direct subsidies, while the productive economy advances at a very low speed.

Italy would need to dismantle the current welfare state in order to cut down future obligations. But even assuming such an unlikely radical political transformation, unless Italy moves into high gear and becomes productive, there is no way that this mountain of debt will be reduced. Let's be realistic. The only way to get out of debt is to reduce current spending while increasing revenue, so that excessive debt can be progressively retired.

But with a feeble 1% or less growth there is no chance that Italy will be able to generate the additional revenue that would be required to start retiring this debt. Until now Italy counted on low interest rates that made it possible to service its debt without a Greek-like crisis. But if, new EU measures notwithstanding, the markets no longer buy the assumption that Italy is and will be solvent, it is the end. If the markets demand much higher interest rates to buy bonds, then the math no longer works. Italy can no longer service its debt and becomes another Greece. Ditto for Spain. And France is not too

far behind.

Low European birth rates make everything more complicated

To this disconnect between high expenditures and low growth, do not forget to add adverse demographic trends. With the exception of France, there are few new babies in Europe. This means that the system to finance the welfare state can no longer work as designed. Working people pay into a system that transfers these moneys to the retirees. But now the pool of active people is shrinking, while the number of retirees grows. So, not enough money is generated to pay benefits. Unless fertility rates increase dramatically, this problem is fixable only by cutting payments to retirees or by mandating higher contributions for active workers. Either way, governments would get into a political bind, as people will be financially squeezed.

Parts of Europe in a phase of decline

In the end, either these European countries become vibrant economies capable of shedding all this debt, or all these EU measures promised today, even if we assume that they are seriously meant, will be for nothing.

The hard reality is that significant portions of Europe are not just going through a bad patch. They are in the midst of a systemic crisis –I call it terminal decline– that requires a lot more than EU rescue funds. Getting out of it would require a change of national ethos and a determination to reinvent societies. While this would be an extremely welcome transformation, it is so difficult to do that I am not sure that it is possible.

Europeans Agreed On Measures To End Debt Crisis – Greek Debt Will Be Reduced, Rescue Fund To Be Augmented, EU Banks To Increase Reserves – Yet Serious Doubts About Implementation – Italy’s Ability To Fulfil Obligations Openly Questioned By Partners

[the-subtitle]

By Paolo von Schirach

October 27, 2011

WASHINGTON – The Europeans –at last– have put together the basic elements of a package aimed at restoring financial stability. Greek bond holders will take a major “hair cut” so that the level of the residual Athens’ debt will be reduced and become (hopefully) sustainable. The big European bail out fund, managed by the ESFF will be increased, while European banks will have to increase their reserves, in order to prove that they will be able to manage unforeseen crises.

Gap between EU members commitments and their ability to implement

So, all is well, finally? Not quite. As always, in EU matters, the devil is in the details. If history is to offer any guidance, in Europe there is usually a significant gap between

broad agreements and implementation. And timing of course is another element.

And in Europe the big problem that the media and commentators keep omitting is that there is no European Federal Government that will take responsibility for anything. Let me repeat it: Europe is not a state. Do not be misled by the lofty sounding official denomination of "European Union". Europe is not a politically unified state. It is a (complicated) set of arrangements among 27 sovereign states. The implementation of whatever is agreed to among the 27 is dependent on the will and good faith of the individual governments of these states.

Italy had to write to the EU that it can be trusted

Take Italy, for example. Prime Minister Berlusconi had to write a letter to the EU that opens with an odd statement whereby Italy is to be trusted to honor its commitments. Now, really. If you have to stipulate, in writing, to your partners that you are an honest guy, this means that they already assume (probably with cause) that you are not. And this shows the nature of the problem. Indeed, EU Commission President Jose' Manuel Barroso stated that it is imperative for Italy to spell out its commitments regarding healing its own finances in a clear manner and with a precise implementation calendar. Some trust there. And Ezio Mauro, the editor of La Repubblica, an important Italian daily, commented that at this point unreliable Italy is in receivership. It has to be watched over by openly skeptical EU partners.

And, to make matters worse, the Berlusconi Government austerity commitments made to the EU partners have been openly attacked by the domestic oppositions and by all the trade unions who promise open battle against them. Some united Italian front.

And do not forget that Italy is no Greece. After Germany and France Italy is the third largest economy within the Eurozone.

If Italy cannot manage to convince markets that its plans can and will reduce its debt, then Europe's troubles will not be over.

Are we getting to the end of the EU debt crisis?

With all this, are we getting to this end of this European drama? Well, yes and no. An agreement on reducing the total outstanding Greek debt is good news. And so is the deal about augmenting the size of the EU rescue fund and about larger bank reserves for European banks. *(Please do keep in mind that these are the same banks that passed with flying colors a "stress test" only a few months ago)*. These are all good and reassuring decisions. However, they come late, after months of wrangling, and we have no guarantee of flawless implementation.

Individual EU members are politically weak

Look, if the Italians have to go to their EU partners with a letter in which they have to state that they can be trusted, this shows that the common European ground is shaky. And the fact is that, no, the Italians cannot be trusted, because Italy is a mess. It has a gigantic national debt, a weak economy and it is run by an equally weak Government with a razor thin majority, led by a Prime Minister who is on trial for a variety of criminal charges. The opposition demands Berlusconi's resignation as a condition for supporting the majority's reform package. This is a government that may be gone tomorrow, while there is no obvious replacement.

Given their internal semi-chaos, will the Italians in the end be able to do the right thing –cut spending, cut entitlements, liberalize the economy– in order to help themselves and Europe at the same time? Who knows, really.

After a two years crisis the Greek people have yet to embrace the new austerity policies

The Greeks have prolonged their own suffering by not doing the right thing. And they have been in this debt crisis swamp, entirely of their own making, since the end of 2009, when they announced to their EU partners that they had cooked the books regarding the actual size of their deficits and that they were essentially broke. We are now at the end of 2011 and Greece, not at all out the woods, is being rescued once again by the Europeans who fear that a Greek disorderly bankruptcy would be a lot worse than imposing greater losses on banks and other institutions holding Greek debt.

So, luckily for Greece, their EU partners deem that Greece is too big to fail. However, the fact is that Germany and the other wealthier and better managed northern EU countries do not have enough funds (and will) to rescue everybody indefinitely. And this is why the EU authorities ask the Italians to provide a reliable implementation calendar for their promised austerity measures. But, as I said, when you get to the point that you have to ask a key partner to show you that they are serious, it may already be too late.

Ten years from now the EU may look different

Given this lack of an even elementary common ground among EU members, I suspect that something will have to give. I would not be surprised if, ten years from now, the EU will look different from what it is today. There are several current members that do not belong.

Governor Rick Perry's Flat

Tax Proposal May Be A Good Idea – The Problem Is that He Is An Unfit Messenger – Campaign Improvised, Too Many Silly Statements, Including About Obama’s Right To Be President

[the-subtitle]

By Paolo von Schirach

October 26, 2011

WASHINGTON– Texas Governor Rick Perry, fighting hard (and now from the bottom of the pile) for the Republican Party White House nomination, came out with a “flat tax” proposal that, if ever adopted and made into law, would dramatically alter the way Americans pay their federal income taxes. It would be simple and easy to understand. It would eliminate most, although not all, deductions; and it could be filed in minutes, as opposed to hapless Americans having to resort to legions of tax experts who these days guide –for a price– most of the uninitiated citizens through the maze of the current tax code.

Perry’s flat tax a good idea?

So, a good idea from Governor Perry? Well, in principle yes. We can debate the details. But anything aiming at serious simplification beats the current tax code. Simplification and clear, easy to understand, rules would be a blessing for tax

payers and for the US economy. On top of that, this reform aimed at lowering rates, while broadening the tax base may actually increase total revenue.

The problem is Perry as messenger

There is only one problem here, and it is a big one: the messenger. Governor Perry seems to be an amateur presidential candidate. Let's look at the odd timing of this tax reform announcement. Perry came up with this truly radical proposal just as he keeps sinking in the polls. And so this plan seems to be a move driven by political expediency, (or desperation), rather than thoughtful preparation.

Unfortunately, the way he presented this tax reform blueprint fits a pattern of improvisation. Given his record so far, it seems that Governor Perry thought that running for the White House was something like running to be a board member of the local Country Club. He came in late and totally unprepared; and most likely thinking that he needed no preparation. Right from the start, he made silly, bombastic statements, (about the Chairman of the Fed being guilty of treason, about Texas seceding from the Union).

Unserious candidate, fueling the disgraceful Obama birth certificate story

True to character, almost at the same time of his flat tax proposal announcement, Perry in several interviews indulged in innuendos about the tired story of president Obama's birth certificate. So, was Barack Obama born as US citizen, therefore legitimately entitled to be US president? "Well, who knows, really" –Perry said, or almost said. And, by being cute on this really disgraceful and openly racist issue, he became disgraceful himself. And this stupid comment became a major news item, overshadowing, at least on cable TV, whatever he had to say about tax reform.

I am afraid that Governor Perry, whatever his merits as the

Texas Chief Executive, is a superficial politician, unfit for national leadership. Whatever he says, it seems as if he thought about it this morning in the shower. It all looks improvised, make it up as you go stuff. For Pete's sake, do people decide to run for president of the United States of America on a whim? Just because it looks cute?

Wanted: serious people who thought this through and who come to the table with a carefully crafted program. On this elementary score, Governor Perry does not qualify.

Flat tax proposal should have been part of Perry's platform from day one

And this applies to the timing of this flat tax proposal as well. Think about it. Such a significant and radical tax reform proposal should have been part of Perry's platform from day one.

"I am running for president and this is my program. This is what I will do about taxes. This are my proposals about health care, about entitlement reform and energy. This is my foreign policy agenda".

Well, no. First I say that I want to be president. And then, as I think through about the implications of what I just declared, I'll come up with some substantive proposals about what I think I will do when I get elected.

This is not serious and not acceptable. Running for the highest elective office in the land is not like being a contestant in some TV show. This is not amateur hour. But Perry's attitude seems to indicate that this was his attitude as he waltzed in. *First I show up, and then I'll think about what it means.*

I am sure that clever Perry advisers put a great deal of effort in cobbling together the flat tax plan. And the plan may have value. *The problem, as it often is the case, is not*

the message but the messenger. A would be president who comes up with a radical tax reform proposal, just as he is struggling to climb up from single digit favorable polls rating, is not a credible messenger. And that's too bad, as the tax reform issue is truly important.

Republican amateurs, Obama demagogue. Sad picture

I hope that we can do better than this kind of dilettante work. But the other GOP contenders do not inspire much hope. Plenty more amateurs there. On the other side of the political divide, Barack Obama, elected in 2008 with the high hope that he would be America's Healer in Chief, has turned into a demagogue intent on demonising the opposition, so that he can get re-elected.

Is this really the best this great democracy can produce?

America's War On Drugs Failed – Former Mexican President Vicente Fox Has An Idea: Legalize Drugs – This Would End The Bloody Fights Among Drug Cartels In Mexico, (40,000 Dead), While It Would

Treat Drug Abuse In the US As a Medical, Not Criminal, Issue

[the-subtitle]

By Paolo von Schirach

October 22, 2011

WASHINGTON – The US war on terror, (although no longer named this way), registered significant tactical successes. Osama bin Laden and other high profile al Qaeda leaders have been targeted and killed. While it is impossible to estimate the residual operational capabilities of a decentralized outfit like al Qaeda, it may be safe to assume that its ability to mount a major attack, on the scale of 9/11, may have been significantly reduced. Of course, there is plenty to argue about the cost of getting to this point. If we add a protracted war in Afghanistan, a 9 year occupation of Iraq and a lot more, one wonders if the trillion dollars plus efforts was justified. Still, there is some success in these counter terror activities.

War on drugs is a total failure

But if we look at the parallel war on drugs, this is an unmitigated disaster. The ongoing effort to stop or substantially curtail the introduction of illegal drugs into the US is an expensive and futile effort. Huge US law enforcement resources are deployed all over: in drug producing countries, at the border and within the US. Still, there is not much to show for any of this. Drugs are still available and affordable almost everywhere in America.

In Mexico gang warfare caused 40,000 dead

Across the border, in Mexico, the extremely profitable business of shipping massive quantities of drugs into the buoyant US market has created large organized crime gangs that now fight one another for territory and market share. The result is mayhem. More than 40,000 people have been killed in a prolonged war among various cartels fighting for control of the drug business. That's almost ten times the total US casualties in the nasty and costly war in Iraq.

Legalize drugs, says former Mexican president Vicente Fox

And yet, there is a way out of this mess. Legalize drugs. By legalizing them, the US government would eliminate the advantage of criminal organizations that now are the only vehicles to supply narcotics to willing consumers. Many eminent former policy makers have already said this.

But now former Mexican President Vicente Fox added his voice to this plea. In a recent speech to the libertarian Cato Institute in Washington DC, Fox advocated the legalization of narcotics consumption: *"My proposal is to legalize completely all drugs and the whole chain of production: the farming or production in factories; the distribution; the selling; and the collecting of the money.....I don't see anything wrong [with legalizing all drugs]. The figures I have is that, in Mexico, not more than a thousand people, not more, die from an overdose of drugs of whichever drug. In exchange, tens of thousands of people die from drinking alcohol in excess or die from smoking [tobacco] and getting cancer."*

Treat drugs as a medical problem

Fox's point is not that drugs are harmless. They are not. His point is that criminalizing drug use has done nothing to diminish demand or consumption here in the US, while it has nurtured enormous criminal enterprises that have caused huge damage in Mexico and beyond. Drug abuse is a medical problem, it should not be about law enforcement.

Prohibition was the same mistake

It is interesting that this plea from the former Mexican president comes right at the time of the airing on American Public Television, (PBS TV), of the Ken Burns documentary "Prohibition". Prohibition was an incredibly ambitious and, in the end, extremely stupid idea. The whole project stemmed from a common sense observation: alcohol abuse is extremely harmful. But the notion that in order to eliminate the ravaging effects of alcohol abuse the best policy would be to ban alcohol was truly stupid.

People wanted it and large criminal organizations supplied it. So, prohibition failed in its basic intent –force people to stop drinking– while it unintentionally fueled violent criminal enterprises that caused great harm to the American society. With all their wealth the criminals also bought public officials and judges, this way spreading corruption. Legalizing alcohol again was not an endorsement of alcoholism. It was the recognition that it was impossible to eliminate alcohol abuse by making drinking illegal.

Legalise drugs and the criminal outfits will be out of business

And this Fox's basic point. In Mexico drug consumption is legal. The whole drugs related criminal problem in Mexico is about Mexican cartels organized to sell drugs to the US. There is big business for underground criminal organizations because in the US drugs cannot be traded freely. This huge US market for an illegal product that can only be supplied through Mexico based illegal channels is the problem.

America may soon get to legalizing drugs

Will America get to the point of legalizing drugs? I think so. May be not now. But soon enough. And this is not because the science has changed. It is an incontrovertible fact that drug abuse is bad and often deadly. But soon enough policy makers

will simply have to acknowledge that criminalizing drugs simply made the problem worse.

After all these years of valiant law enforcement efforts, we still have a major drug abuse problem in America, while we have large criminal organizations in Mexico and in the US feeding on this illegal trade. All this means violence, dead people and the break down of law and order, since these gangs can pay very good money to public officials so that they will look the other way. Vicente Fox's point is simple: drug abuse, just like alcohol abuse, should be treated as a medical problem, not as a matter of jail time.

Obama Announced That All US Troops Will Leave Iraq By December 2011 – Issue Presented As Major US Success – But President Did Not Say That Administration Wanted Troops To Stay Longer For Fear Of Iraqi Instability – Americans Not Told About

Threats That May Jeopardize Years Of Military Efforts

[the-subtitle]

By Paolo von Schirach

October 21, 2011

WASHINGTON – At this miserable time, Americans care about only one thing: the sputtering US economy and sky high unemployment. Iraq, only a few years ago an extremely high profile and very contentious issue, has now receded into near oblivion. For this reason, the October 21 announcement by President Barack Obama that all US troops will leave Iraq by the end of this year , according to existing agreements with the Baghdad Government, did not cause much of a stir. And President Obama could say with some justification that, by getting all US soldiers out by the end of December, he is fulfilling his 2008 campaign promise regarding the need to bring to a close the American military occupation of Iraq.

White House e-mail announces US withdrawal from Iraq as major success

In an e-mail many received from The White House, this is how Obama put it:

“I’m writing to tell you that all US troops will return home from Iraq by the end of December. After nearly nine years, the American war in Iraq will end. Our servicemen and women will be with their families for the holidays.

The war in Iraq came with tremendous cost. More than a million Americans served in Iraq, and nearly 4,500 gave their lives in service to the rest of us. Today, as always, we honor these patriots.

When I came into office, I pledged to bring the war in Iraq to a responsible end. As Commander in Chief, I ended our combat mission last year and pledged to keep our commitment to remove all our troops by the end of 2011. To date, we've removed more than 100,000 troops from Iraq...[...]".

So, "Mission Accomplished"? This time for real? (We all remember the ill fated "Mission Accomplished" banner on the aircraft carrier USS Abraham Lincoln on May 1, 2003 displayed behind then president George W. Bush when he announced, a few years ahead of schedule as it turned out, the end of major combat operations in Iraq).

Well, yes and no.

"Status of Forces Agreement" negotiated by Bush not by Obama

What is remarkable in this announcement is what has been deliberately –in fact brazenly– left out. And these gigantic omissions confirm that the US president, even on foreign affairs, is talking politics, not policy. In his desire to be the bearer of good news for which he wants credit, he is not interested in presenting the complete context surrounding this announcement, including the fact that he did not want this outcome.

Let's start from the most obvious omission. The Status of Forces Agreement, (SOFA), whereby all US troops will be out of Iraq by the end of December 2011 was not negotiated by the Obama administration, as some might now believe. It was negotiated by the Bush administration and finally ratified by the Iraqi parliament on November 27, 2008. The Obama administration, whatever its position on the war in Iraq, simply inherited it.

No special merit in enforcing a treaty obligation

So, there is no special merit for Obama in carrying out the letter of a bilateral arrangement that committed the US

government, no matter who is in the White House, to withdraw all US troops from Iraqi soil by the end of December 2011. But, instead, the spin here is that this all Obama's doing. He promised the end of our commitment in Iraq and here he is delivering on his promise. The fact is that he had to do this, based on a pre-existing arrangement that committed the US Government.

Obama in fact wanted to keep troops in Iraq

But this is just the beginning. The really juicy stuff comes now, The SOFA allowed for changes in the withdrawal schedule, if both parties –the US and Iraq– agreed to it. And it is an open fact that the Obama administration –the people who absolutely wanted to bring all the troops home from Iraq– wanted to keep US troops in Iraq beyond the December 2011 deadline. And, to this end, Obama negotiated until the last minute with the Government led by Prime Minister Nuri al Maliki in Baghdad to obtain an amended SOFA that would have extended the US military presence there, albeit at reduced numbers. (Anywhere between 5,000 to 15,000 troops).

Fear that Iraq is still too weak

And why do that? Because (until today at least) it was the opinion of the US Government that the Iraqi Government, although a bit more solid and resilient, is still unable to take care of its own security. (Bombings and attacks against police and government targets, although less frequent, continue to this day). The thinking behind the desire to keep a substantial US military presence was that US troops in Iraq might have helped to discourage the rekindling of sectarian violence that might bring the country back into chaos.

In other words, the same Obama administration that is now hailing the final withdrawal of all troops from Iraq as a great success and as the logical fulfillment of 2008 campaign promises, actually did not want this outcome and tried to

avoid it. It was only when it became clear that the Iraqi Government would not budge on the issue of granting legal immunity to US troops, that Washington finally gave up.

Now it is all about political spin

And now, in true political spirit, and entirely for the benefit of a somewhat distracted home audience, Obama calls this significant draw back –the failure to keep troops in Iraq for a longer period– a major victory. This way of characterizing what actually happened is at best disingenuous, at worst openly dishonest.

It is no secret that negotiations had gone on for quite a while to secure a continued US military presence in Iraq. But the fact that the president made zero mention of this fact in his announcement is worrisome. He is not leveling with the American people about the pitfalls of this unwanted outcome, probably counting on the fact that Iraq is no longer on the political front burner. This being the case, a bit of manipulation of the facts would go unnoticed. America would get the good news about the troops coming home for the Holidays and no one would ask any probing questions about the implications of this withdrawal. No, we do notice that we have not been told the entire story; and we do not like it.

With no US troops there, Iraq may become once again unstable

Let's look at the actual implications of this withdrawal. The president tells us that we can all go home because our job is done. Iraq is now secure and capable of taking care of itself. But the open desire to keep troops there tells the opposite. It says that in fact Washington is not at all convinced that Iraq is safe. Iraq, while in much better shape than in 2006-2007 when descent into an all out civil war seemed inevitable, is better; but not well.

And many experts have expressed strong reservations on the wisdom of all US troops leaving. Of course, we do not know

what will happen. Hopefully nothing. Hopefully after the last US soldier is gone, the Iraqis will manage to carry on and deal with any security threat, domestic or instigated by neighboring Iran, quite effectively.

President told only what makes him look good

Still, no matter what, the President only told the part of the story that made him look good politically: *“I got all troops out of Iraq, as I had promised during the 2008 campaign”*. This is a way to score points for a politician already in full re-election campaign mode. But it is not an honest way to inform the American public about a very complicated issue that has been at the center of US security policies for almost a decade.

European Banks Need a TARP-Like Measure to Inject New Liquidity And Recreate Market Confidence, Says Roger Altman – Problem Is Europe Has No Treasury To Plan and Implement – EU Institutions Weak, Not Up To The Task

[the-subtitle]

By Paolo von Schirach

October 12, 2011

WASHINGTON – Former Clinton era US Deputy Secretary Roger Altman makes a compelling case in a The Financial Times op-ed piece, (*America's blueprint for bailing out Europe's banks*. October 12, 2011), for the quick adoption by Europe of its own version of the TARP, (Troubled Asset Relief Program), the Washington engineered massive capital injection into the banking system, devised and implemented between the end of 2008 and 2009, that essentially saved America from financial meltdown.

A TARP for Europe

Altman's basic point is correct. Just like America at the height of the financial crisis, Europe needs to shore up its limping banks with something like TARP. TARP was swift and it was imposed on US banks by the US Government. They had to accept an unprecedented injection of public funds to shore up their balance sheets and to give markets the confidence that the situation was under control. With all that new money coming in, no major US banking institution could be thought to be at risk any longer. Panic would be avoided. As Altman points out, to quell any lingering doubts, the capital injection had to be bigger than what markets might have expected. And the plan worked.

As Europe is now facing a similar confidence crisis in the solidity of its banks, because of the unknown amounts of bad debt they hold and the risky loans made to countries now in trouble, Altman argues that Europe should follow the US example and quickly put together its own massive TARP program. Great idea. Except for one detail not really addressed by Altman.

Who's got the authority to do this?

Who is going to do this? In the US, even though Washington was taken completely by surprise by the swift financial crisis in the Fall of 2008, there was an institution capable of reacting. Even though the US government is slow moving and generally weak because of constitutionally mandated divisions of power, in a time of real crisis leaders can find unity. And so they did at the end of 2008. The massive TARP program, (starting at around \$ 700 billion), was passed immediately by a compliant Congress. And, thanks to the US Treasury Department, first under Hank Paulson in the Bush administration and now led by Secretary Tim Geithner, the implementation was quick.

And here is the problem for Europe. Neither the EU nor the Eurozone have a Washington equivalent. There is no European Tim Geithner. Certainly he is not in Brussels within the European Commission. The Commission is an appointed executive body with limited powers and no independent legitimacy. In Europe important decisions are still made through intergovernmental arrangements. And, in case you forgot, there are 27 EU members and 17 Eurozone members.

The problem: no existing institutions can carry this out

And here is the problem. A massive liquidity injection into the European banking system would require a rock solid consensus on the size, the timing, the management and the supervision of such an extraordinary measure. In other words it would require a brand new European Treasury. But there is no such things as there is no European Federal Government.

And my hunch is that Europe does not have the will and the tools to put this together. Washington may be weak. But it is still is the legitimate Federal Government of the United States of America. It has a degree of recognized authority. There is no Washington equivalent in Europe. And this is a real problem that magnifies the European looming crisis. There is a fire, but no Fire Department.

Distinguished Europeans call for a European Treasury

It so happens that in the very same FT issue in which Altman's piece appeared, right in the opposite page there is a letter to the Editor signed by a number of fairly prominent Europeans, (but no leading national political figure in any of the member states), who urge European states to forget about national divisions and do something really bold:

*"We, concerned Europeans, call upon the governments of the eurozone to agree in principle on the need for a legally binding agreement that would: 1) establish a **common treasury** that can raise funds for the eurozone as a whole and ensure that member states....[.....]" (Bold added)*

Valid point, but no powerful supporters and weak platform

Basically these concerned Europeans quite appropriately, (see above), would like Europe to create the functional equivalent of the US Treasury Department that administered the TARP program that Altman referred to in his piece. Again, this plea is part and parcel of the same concept. Still, the fact that something so revolutionary is introduced via a Letter to the Editor, (albeit of a leading financial paper), signed by second or third tier EU personalities, tells you that this is a noble but futile attempt. Sure enough, these well meaning people will get a nod, may be even a polite hearing.

But I think that it might be easier to engineer a political union between the United States and Mexico between now and New Year's Eve than to create any time soon a truly functioning, enabled European Treasury with all the legal authority of a national treasury.

EU institutional weakness makes this crisis much worse

And here is the problem. Of course the European banks need to be recapitalised and fast, in order to recreate trust. But I doubt that the existing European decision-making process will

be able to create the instruments that would carry out the policy in a timely and decisive way. The newly minted European Financial Stability Mechanism is a small response to a big problem. Remember that it was in large part because of its inherent institutional weaknesses that Europe could deal with the Greek problem only incrementally and in slow motion, this way making it worse.

So, a TARP equivalent for Europe? A European Treasury to manage it? Yes, right on target. But do not count on the existing system to make any of this happen within a reasonable time. Sadly, this is Europe.

Mitt Romney At The Citadel Advocated US World Leadership – Nice Idea, Wrong Century – America Can Be Strong But It Can No Longer Lead A World With Many New Players – Old European Allies Are Weak

[the-subtitle]

By Paolo von Schirach

October 7, 2011

WASHINGTON – On Friday, October 7, Mitt Romney went to the Citadel, a famous military school in Charleston, South

Carolina, to deliver an address focusing on foreign and security policies. I shall not analyze the content of the speech and the specific policy recommendations made by presidential aspirant Romney. I just want to observe that the premise, the foundation on which the whole construct is based is flawed, probably well intentioned, but deeply flawed.

America is exceptional

Former Governor Romney starts with the assumption that America is an exceptional country bound to lead the world. And for this reason this has to be an "American Century". President Romney will see to that. I do agree that America is exceptional in its origin, based on democratic values and principles and not on nationality. I do agree that America developed like no other country. And I do agree that the mixture of free institutions and economic freedoms attracted talented people from all over the world who with their ingenuity made this country of immigrants great and unique. And I also agree that America, with all its flaws and mistakes, on balance has been a positive force in the world. America defeated totalitarian Fascism and Nazism. America stood in the way of Soviet expansionism. America protected Europe.

America can no longer be leader of a changed world

So, I am with Romney on all this. But I cannot agree with him about making this an "American Century". Not because it is a bad idea. ***But because it is an unachievable idea, given the gigantic shift in the balance of power that has occurred in the last three decades: away from the West and all to the East. In other words, in relative terms, America no longer has the economic resources and the military might to be respected, to influence others and lead in the same way it did 50 or 60 years ago.*** But in his talk at the Citadel Romney omitted all this and talked about America's primacy as if this were 1945, the year in which America stood on the world scene not only victorious but also ultra rich and super powerful, with

no other country, friend or foe, even a close match.

Leadership, in Romney's words

Anyway, here is how Governor Romney put it speaking at the Citadel:

"But I am here today to tell you that I am guided by one overwhelming conviction and passion: This century must be an American Century. In an American Century, America has the strongest economy and the strongest military in the world. In an American Century, America leads the free world and the free world leads the entire world.

God did not create this country to be a nation of followers. America is not destined to be one of several equally balanced global powers. America must lead the world, or someone else will. Without American leadership, without clarity of American purpose and resolve, the world becomes a far more dangerous place, and liberty and prosperity would surely be among the first casualties.

Let me make this very clear. As President of the United States, I will devote myself to an American Century. And I will never, ever apologize for America.

Some may ask, "Why America? Why should America be any different than scores of other countries around the globe?"

I believe we are an exceptional country with a unique destiny and role in the world. Not exceptional, as the President has derisively said, in the way that the British think Great Britain is exceptional or the Greeks think Greece is exceptional. In Barack Obama's profoundly mistaken view, there is nothing unique about the United States.

But we are exceptional because we are a nation founded on a precious idea that was birthed in the American Revolution, and propounded by our greatest statesmen, in our fundamental

documents. We are a people who threw off the yoke of tyranny and established a government, in Abraham Lincoln's words, "of the people, by the people, and for the people."

We are a people who, in the language of our Declaration of Independence, hold certain truths to be self-evident: namely, that all men are endowed by their Creator with certain unalienable rights. It is our belief in the universality of these unalienable rights that leads us to our exceptional role on the world stage, that of a great champion of human dignity and human freedom".

America's mission?

So, there you have it, the "mission to lead the world" is in our DNA. In order to achieve it, we need the strongest economy and the stronger military. Well, technically speaking, we already have both. Even with the rise of China, America is still Number 1 economically. And the US has by far the largest military in the world.

However –and this is what Romney failed to observe– the context facing the next president in January 2013 is not even close to the context of the world after WWII. Our resources, while considerable, are insufficient for world leadership the way we knew it. Even if we assumed a total recovery from the nasty 2008 recession, a buoyant housing market and a finally balanced federal budget, and this is assuming really a lot, America's standing in the world would and could not be what it was in 1945, 1960 or even 1970.

America is still powerful, but not as in the Cold War years

Simply stated, in 1945 and for most of the Cold War years America was by far the richest, most advanced, most innovative country on earth. Nobody came even close. In 1945 Europe was destroyed: defeated Germany was in ruins and so was France. Britain was the sorry shadow of its Imperial past: exhausted, indebted, essentially finished as a world power. Japan was

defeated, humiliated, demilitarised. And who else was around? Yes, the Soviets were a real menace. But they were contained. China was a poor peasant society held back by a Communist dictatorship that objectively prevented economic development for many decades. India after independence was immensely poor. Latin America had no bright spots. Africa was very poor and it was just beginning a decolonization process that led to weak and often corrupt indigenous rulers who certainly did not help economic development.

In this global context, America, Soviet nuclear threat notwithstanding, had no match.

Other countries have become stronger, Soviet threat disappeared

And this is what has changed for good. It is not that we have become weaker, although this in part true. The fact is that others have become stronger. And they do not eagerly await and expect American leadership, because America has little to offer. America is no longer the logical ally against security threats that are far less clear and obvious. In a new context, without the Soviet Union as an obvious existential threat, in which dangers, like terrorism, are less clear, other countries are far less eager to accept American leadership.

This is no reason for a new American leader to give up. Of course America should be vibrant and strong. But America cannot have the reach and the influence that it used to have. Precisely because America won the Cold War, there are fewer reasons for allies to go along with Washington.

Leading NATO?

The clearest example is the NATO Alliance, once the fundamental pillar of US security policies. Today NATO is a joke. The European NATO Allies, with a few exceptions, do not spend any real money on defense. And why not? Because the Soviet Union is long gone. There is no more Warsaw Pact. The

Red Army is no longer a couple of days away from the Rhine. America is still the leader of NATO. But a mostly defenseless NATO is useless. President Romney would like to revamp it? Well, good luck.

Leading against Iran?

And what about Iran? Even in this case, as its nuclear arms threat is not clear and immediate, good luck in creating a credible NATO based coalition that would send a clear message to Tehran that they better abandon all nuclear ambitions, or else. The Europeans have no intention to go to war with Iran on this, even if a nuclear Iran may threaten them. You can bet that the Europeans will continue to “negotiate” with Iran for ever. And it would take a much stronger America, even stronger than the one Romney imagines, to go to war alone with Iran on the nuclear issue, given all the obvious consequences on oil flows and potential world economic catastrophe in case of serious, prolonged disruptions caused by a conflict in that Region. So, even in this case, America cannot lead.

America should be strong, but not the world leader it used to be

In the final analysis, America can and should be strong, (provided we fix the economy and federal finances). And, as such, it will be a formidable player. But even an economically restored America can no longer lead a much changed multi polar world that no longer instinctively looks at Washington for clues about what to do next. Governor Romney should take note of this and tone down the world leadership aspirations. His heart may be in a good place. But a changed world no longer fits the program.

India's Datawind Unveils Aakash ("Sky"), The \$ 35 Tablet

WASHINGTON – It is a strange coincidence. Right on the day of Steve Jobs' death, the personal computer he helped invent not so long ago is now closer than ever to becoming a really cheap commodity.

Cheap tablet

It so happened that today Datawind, an Indian company, announced the launching of its \$ 35 tablet called Aakash which means "Sky" in Hindi. From the standpoint of global economic development, it is really good that computers are becoming simple commodities. These cheap PCs, tablets and what not, will make it possible for hundreds of millions on the other side of the digital divide to join the connected world, with enormous economic advantages for global development.

Bridging the digital divide

Indeed, while thanks to Jobs' vision and genius his Apple products still dazzle with their innovative applications and sleek design, more than half the world still does not know much about computers, let alone about surfing the internet, sending e-mails or talking in chat rooms.

Well, thanks to the rapid expansion of the innovation process initiated by pioneers like Steve Jobs more than 30 years ago, this huge gap may be soon filled. Datawind, a company with operations in Canada and India, just introduced the super simple but also super cheap small Aakash tablet that can be used for education purposes. The tablet has been developed by Datawind in Hyderabad in cooperation with the Indian Institute of Technology, (IIT), Rajasthan, a super university part of

the larger IIT family of specialized technology universities.

From PCs costing thousands a few decades ago to the \$ 35 tablet

With some state subsidies, Aakash retail price will be only \$ 35. The actual cost is more like \$ 50. But, even so, if we think that personal computers have been around for only a relatively short time, this trajectory leading to a \$ 35 tablet is incredible.

Only 20-30 years ago, very simple, in fact primitive (compared to what we have today) devices, with almost no memory and rudimentary functions used to sell for thousands of dollars. But today in the West enormously improved PCs and laptops sell for only a few hundred dollars.

Cheap but viable

And now in India we can have a stripped down but still viable computer for the price of a meal in a western country. Mind you, \$ 35 is still a very high price for poor people in India. But it is a price that begins to become accessible.

I have no idea as to the adequacy of the technology included in this Aakash tablet. (According to Datawind, the tablet has basic features that allow applications such as video, word processing and more). But, assuming that it works as advertised, this is a concrete step on the long way to bridge the digital divide.

Hundreds of millions will be connected to the global economy

The most significant news here is that it is now possible to manufacture a cheap device that allows internet connectivity and the performance of basic functions. No doubt, this product launch is the first in a long series that will follow. The potential impact of this transformation for global economic development is enormous.

From an economic development standpoint, this will mean change down the line for the hundreds of millions, possibly billions, of people who do not have access to IT devices and through them to the internet.

Until now these masses have been severely penalised. The world is more and more interconnected, but they are locked out. And this is true in India and in many other developing countries. Of course, India is known for its high-tech centers in Bangalore, Hyderabad, Chennai, and so forth. But more than half of the Indian people live in villages, (that's at least 500 million), most of them in poverty. They lack access to almost anything, (starting with clean water and electricity), let alone computers and the internet.

A mile stone and Steve's Jobs's legacy

This small, inexpensive device represents a mile stone in the long road to integrate those who have been left out by the IT revolution. After testing the tablet in Indian classrooms, there is a clear intent to market Aakash around the world. Hundreds of millions elsewhere in Asia and certainly in Africa will be able to gain a new tool and internet connectivity through this device and those that will follow it.

If Steve Jobs were still alive, he would have been pleased to see that the computer he invented may soon become a tool to help hundreds of millions out of exclusion from the mainstream, hopefully placing them on a better road towards development.

In fact, inventing the tool that ultimately connected the world may very well be Steve Jobs' true legacy.

“Occupy Wall Street” Movement Reveals Deep Unease Among Young Americans – The Country Is In Trouble And Standard Remedies Do Not Inspire – US National Leadership is Failing

[the-subtitle]

By Paolo von Schirach

October 3, 2011

WASHINGTON – In 2008 American youthful enthusiasm for a better world coalesced around Barack Obama, a practically unknown young Senator from Illinois, with no record and no history about anything actually done. Yet Barack Obama inspiring rhetoric and his unusual, ostensibly post-political, persona and language energized young people who generally do not participate much in American national politics. And the young used the tools they know best, Internet based social media, to turn Barack Obama into an internet pop star. The amount of money raised through grass roots efforts in 2008 was just amazing. And this unusual level of support among the young was definitely a key factor in getting Obama elected. (The fact that the Republican opponents had left the country in ruins certainly helped Obama as well).

Occupy Wall Street

But now America's youth do not seem as keen to pour their

support once more onto an Obama 2012 re-election campaign. Obama has lost the sheen of the promising outsider. And so, now, almost out of nothing, young Americans have started a bizarre anti-system crusade aimed at replacing capitalism –no kidding– with something...well, you know...something more democratic. They “Occupy Wall Street”, that is they camp around the area. And they also replicate the “occupation” all across America. Well, at least some people do.

A new revolution?

If you look at the www.occupytogether.org website, there are links to “occupy” almost any large city in America, not to mention similar movements ostensibly mushrooming around the world. They claim this is the new peaceful social transformation. What do you know, the “occupy” youth writing a new chapter in the manual of political revolutions? The Bolsheviks managed to succeed to create “Socialism” by defeating the old Russian Empire. But it was a tough military struggle. And it took a few years to settle it.

Whereas, if you trust the updates on this website, a spontaneous, non violent, grass roots movement that points out the obvious iniquity of capitalism may be able to overthrow the system by sheer force of Twitter ands blog posts.

Movement is an expression of deep unease

Look, let’s agree that all this does look fatuous. And yet one should never dismiss large scale emotional outbursts. As chaotic and disorganised as they may be, they reveal genuine unease. The truth is that America is profoundly disoriented and this movement, just like the equally spontaneous Tea Party Movement at the opposite end of the spectrum, is a manifestation of this unease.

The country is in deep trouble. There is fear of decline, fear of the future. President Obama did not live up to his promise of leading an epochal national re-generation. In the meantime,

America is still trapped in debt and slow de-leveraging. Millions of people have nowhere to go. Young people face the prospect of no jobs for many years. So, what do they do?

Well, at least some protest against “the system”. In fact they shout against the system so loudly that –they hope– it will eventually collapse. To be replaced by?... Oh well...something “more just and more democratic”. And who will make sure of that? Who knows really. Clearly there is a huge gap between enthusiastic demonstrations against something and the ability to propose and then implement something better.

Complicated ideas are expressed

In the meantime the “thinkers” within the movement propose their solutions, as we can read in one their posts:

“You are absolutely right that this is perhaps our last chance at a self-organized response to the coercive hierarchic organization of our societies and economies. For the more scientific among us, a look at the history of the Limits to Growth thesis will reward you. They were a group of computer scientists from MIT that created a model of the dynamics of the human world (demographics and economics). They updated the model every 10 or so years since the 1970s.

*I am trying to assemble my own team of programmers, computer scientists, and game developers to realize the ideas of James Cooke Brown in his book *The Job Market of the Future: Using Computers to Humanize Economies*. I believe in direct action and will be attending the Stop the Machine occupation in DC. However, let’s not make the mistake that some in the 60s made of embracing the irrational and rejecting science. Human reason can be turned toward bettering the human condition and scientific thinking and practice is a form of direct action that is necessary to any hope of a decent human future”.*

Vague dreams

Pretty straightforward plan, no? Alright, only kidding. Yes, the noble idea of using “human reason to better the human condition” is perhaps a bit vague. Yes, I admit it, it is a pipe dream. But people resort to dreams when the established political world does not come up with any credible and inspiring program they can support.

Yes, all this anti-capitalist “occupy this and that” movement is a bit silly, (not to mention potentially disruptive), the product of an unguided rebellious spirit. We have inexperienced young people who may actually believe (for a while at least) that wanting something “good”, however undefined, is enough to make this “good” happen.

No less substance than re-election platforms that are mere posturing

Still, if we criticize these generic utterances as mere wishful thinking because they patently lack structure and concrete links with reality, I would submit that they have no less substance than Obama’s “Jobs Plan” –a grandstanding political platform aimed at getting himself re-elected, as opposed to a strategy aimed at creating any jobs. In fact their fuzzy ideas may belong to a higher sphere. At least these young dreamers do not seem to be motivated entirely by narrow self-interest.

Secretary Gates and Admiral Mullen Spoke Candidly About

Broken NATO and Damaged Relation With Pakistan – But No Ripple Effects, As They Were Both About To Retire – Yet Issues Publicly Raised Are Huge – When Will We Debate Them?

[the-subtitle]

By Paolo von Schirach

October 1, 2011

WASHINGTON– We have a new “rule” in Washington: if you are a key policy maker about to retire with your reputation intact, (that is you are not kicked out of office in disgrace), you are allowed, may be just once, to “tell the truth”. You can say what everybody knows but dares not articulate in public for fear of repercussions. You do not overdo it, but you get a pass, even if you what you say is really strong. Even though what you assert will be embarrassing, there will be no scandal, because all parties, including those you openly offended, know that you are just about out the door. And the administration can politely deflect saying that they understand your feelings, (you are a high ranking public servant with impeccable credentials), even though they would not characterize the issue the way you did.

Candor allowed to retiring policy-makers: the cases of Gates and Mullen

So, you can get away with it. You threw the bomb. It did some serious damage. But there were no secondary explosions because everybody knows that you are out, and so the game of pretense can continue once you left the room.

What am I talking about? I am talking about the two top people at the Pentagon, former Secretary of Defense Robert Gates and just retired Chairman of the Joint Chiefs, Admiral Mike Mullen.

Gates to NATO: European contribution to the Alliance is a joke

And here are the facts. A few months ago in his farewell speech to NATO, Secretary Gates lashed at the Europeans, pointing out that their puny and falling defense spending reduced the Alliance to a "US only operation", with truly modest cameo roles by just a few Europeans. Gates cited the fact that in the (then ongoing) Libya conflict the European air forces had run out of smart bombs just a few weeks into what was supposed to be an easy war with a third rate military power. Gates warned his European NATO audience that this lack of commitment to the central security arrangements linking the US, Canada and Europe at some point will force a Washington re-evaluation of the alliance itself. Allies who contribute almost nothing militarily, (leaving aside significant political differences, itself another irritant), are not real allies.

No reaction because Gates about to retire

In a different context, this open scolding by a US Secretary of Defense would have caused a political crisis. But Gates's speech did not. The Europeans took it. Gates went back home and a while later he was gone, for good. We have not heard the new Pentagon incumbent, Leon Panetta, picking up from where Gates left off, openly prodding the Europeans to get serious about military spending. And so, this "event" was treated as a one time rant by a tired soon to be retired Secretary of

Defense. Under the circumstances, he was allowed his tirade.

Mullen: Pakistanis are double crossers

More recently, it was Admiral Mullen's turn to be candid. In his case, it was just one comment. But a pretty powerful one, in the context of a hearing in Congress. All official and totally on the record. Mullen basically said that the Haqqani network that organized symbolically significant attacks against US positions in Kabul is essentially an arm of Pakistani intelligence. This really means that Pakistan, ostensibly a US ally in the fight against radicals and insurgents in Pakistan and Afghanistan, is essentially a double crosser. And this is not coming from a think tank analyst presenting a theory. This is coming from the Chairman of the Joint Chiefs who spent an inordinate amount of time shuttling back and forth from Washington to Islamabad, trying his very best to cultivate the critical relationship with Pakistan's top military and intelligence brass.

No reaction

Now, you would think that this open, unequivocal statement to the US Congress would have caused a major political tremor. But no, it did not. Everybody knew that Mullen was just about done with his term as Chairman and therefore his strong words have simply been ignored. Secretary Leon Panetta, his boss at the Pentagon, said nothing. The White House and the Department of State essentially ignored the comment. A little while later Mullen had reverted to being a private citizen –and so all is magically forgotten.

And so it is. But it should not be. What these two senior policy makers, not known for bouts of insanity, said in separate but equally important occasions is really critical.

NATO is a joke

Gates declared what everybody knows but nobody dares to say

publicly: NATO is a joke. And it is essentially beyond repair because the Europeans, pressed by other issues on debt and the economy, have no intention to seriously address the problem of puny military capabilities. What Gates said is really big stuff, as the Western Alliance has been the primary security arrangement for the US and Europe since 1949. If it is beyond repair, what are the consequences? What are we going to do next? These issues may very well be debated among Pentagon planners. But America has not been given a sense of what is next on the agenda. And what will defenseless Europe do? Who knows.

Pakistan is no ally

Shifting to a different but equally crucial scenario, in the context of the US war in Afghanistan and the fight against Islamic radicals, Admiral Mullen affirmed that the US Pakistan relation, a central piece in the US strategy to contain and eventually defeat insurgents and radicals in Afghanistan, is also broken. The Pakistanis are double crossing us. They tell us one thing and then they arm or enable those who are keen to destabilize Afghanistan and the US role in that poor country's security.

Again, this is big. If this is indeed so, and Mullen would have enough inside knowledge about the issue, America's relationship with Islamabad is probably at such a low point that we can call it beyond repair. But have we seen any reassessment? Not in public. As in Secretary Gates' case, Admiral Mullen was allowed to say his thing, only once, and then everybody said a polite good bye to the retiring Chairman of the Joint Chiefs. No comment, no discussion prompted by what he said, on the record.

Gates and Mullen spoke, no reaction

In all this, what is truly worrisome is that that there is absolutely no public debate on the huge issues brought out in

the open by these two seasoned and totally credible policy-makers. They said: "NATO is finished". "Rapport with Pakistan totally damaged". If they are correct, the implications of these statements are huge. But now that they are gone, on the surface at least, it is business as usual.

Nobody heard anything. Nobody remembers. Once again, the Emperor has no clothes. But we pretend the opposite. Not a good way to run this railway. This is American national security postures and policies we are talking about.