

Disastrous New Unemployment Data Underscores Southern Europe's Crisis – No Way Out Without Massive Investments In Globally Competitive Sectors

By Paolo von Schirach

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May 31, 2013

WASHINGTON – Yesterday (see link above) I pointed out that Southern Europe's problem is not "too much austerity" that may cripple growth. Sadly, the real problem is terminal lack of competitiveness in a fiercely competitive global economy. Recently released unemployment data underscore this point.

Sky high unemployment

To place EU (all 27 members) and Eurozone (17 countries within the EU that adopted the Euro as their currency) in context, let's consider that US unemployment, currently still at 7.5%, is considered way too high and a clear sign of an American economy that so far failed to recover fully from the disaster of 2008-2009.

Alright. If 7.5% is way too high, how would you rate a EU (27

countries) unemployment rate at 11%? And how does 12,2% for the Eurozone (17 countries) look to you?

And do consider that within this disaster there are a few star performers –Austria unemployment at 4.9% and Germany at 5.4%– that lower the averages. In other words, if you take selected Northern European countries out, the emerging picture is a total, unmitigated disaster.

Scary numbers

Here is the real story of Southern Europe. Unemployment rate in the first quarter of 2013:

- **Greece at 27%**
- **Spain at 26.8%**
- **Portugal at 17.8%**
- **Italy at 12.8% (with youth unemployment above 40%)**

Looking at this data, only a fool would believe that just by relaxing Brussels imposed austerity a bit here and there one would get a genuine economic revival.

No innovation, no jobs creation

I pointed out in my previous piece (referred to above) that Europe in general and Southern Europe in particular, (Germany and a few others being the exception), suffer because it does not invest almost anything in R&D. Without abundant capital invested in innovation leading to the creation of vibrant new sectors, where will new growth come from? Who will invest, this way creating new jobs? Or are we back to fake, unproductive jobs created by ill advised government-led projects?

Europe's "Austerity Versus Stimulus" Debate Hides A Deeper Competitiveness Problem

By Paolo von Schirach

May 30, 2013

WASHINGTON – The current debate in Europe is about “*too much austerity*” supposedly undermining growth. Severe spending cuts and tax hikes deemed necessary to repair public finances have gone too far and too deep, loud critics argue. And the EU now seems to agree. In fact, Brussels just announced that the struggling Southern European members of the EU will be given extra time to repair their balance sheets. So, less austerity and a bit more spending should do it?

Less austerity is no remedy

Not a chance. These adjustments are all about politics, and not about sound economics or prudent fiscal policies. There are constant anti-austerity demonstrations and even riots in Southern Europe. Less austerity will hopefully diminish the political pressure. Still, short term politics aside, the undeniable reality, without fear of exaggeration, is that these countries –Greece, Portugal, Cyprus, Spain, Italy and possibly France– are in “terminal decline”. A bit more spending here and there is the functional equivalent of palliative care administered to terminal cancer patients. It makes their condition more endurable; but it is no “cure”.

Innovation is the only way out

And what would be “the cure”? The only cure is to recreate the

economic foundations for global competitiveness. In other words, either these countries develop valuable sectors that are truly competitive in the global market place or their decline will just continue and get worse. And the data does not support any hopeful forecast.

Southern Europe: Minimal to no R&D spending

Case in point, the FT provided an interesting survey of global competitiveness in which it cited total amounts of R&D spending and the number of patent applications in a number of key countries. The US, while it lost considerable ground in recent years, is still by far number one, with R&D spending at \$ 424 bln. China is number 2, (\$ 220 bln). Japan number 3, (\$162 bln). Germany is a distant number 4, (\$ 91 bln); and the UK is an outclassed number 5, (\$42 bln). Keeping in mind that Germany and the UK are Europe's star performers, you can imagine the others. Italy, the Eurozone third largest economy, spends \$ 24 billion a year in R&D. Brazil, still an emerging market, spends \$ 39 bln.

And low R&D spending has consequences. Europe has very few innovation driven companies. And the few that are mentioned in the FT story (SKF, Bosh, Siemens, among others) are all located in the North. Indeed, all the examples of well performing, competitive global companies cited in the article are in Germany, Belgium, Sweden and the UK. Not one single example of a world class company in Italy or Spain, let alone Greece. Not even one. You get the picture.

No innovation amounts to economic decline

Again, the ability and willingness to make large investments in innovation is a good predictor of future competitiveness, and therefore of higher shared prosperity. Minimal R&D spending over time translates into stagnant economies. And this by itself would be bad enough. Add to stagnation the unsustainably high costs of politically driven free

services, welfare, and pensions ,coupled with inefficient government services plus corruption and a bad picture becomes quite frankly hopeless.

Going forward, politicians can lessen austerity. In fact, they can do away with austerity altogether. They can make people feel a bit better in the near term. But these systemic deficiencies will not go away. Sad but true.

Renewable Energy Viability Depends Largely On Mandates And Regulations – Is Wind Power Electricity Generated In Wyoming And Then Sent To California A Good Idea? Well, It Depends On Regulations

By Paolo von Schirach

May 29, 2013

WASHINGTON – The WSJ reports about an ambitious, large scale wind farm project promoted by billionaire Philip Anschutz. He want to be build a mega wind farm on land he owns in Wyoming and then sell the power generated to California. This makes sense. Wyoming has a lot of wind. Therefore this future wind farm would be very efficient. But the Western state is only sparsely populated. Very few customers for additional supply.

Hence the need to construct transmission lines that bring abundant new electricity to California, a large state with a lot of demand for electricity.

Power to California?

On the surface, this is a good idea. In reality, this is yet another major infrastructure project whose viability rests entirely on favorable or not so favorable regulations, mandates and subsidies. California is an ideal customer mostly because the state requires utilities to buy 30% of their power from renewable sources. Hence wind. Still, California also stipulates that renewable energy produced in California should get preferential treatment, because this means more investments and more jobs created in California.

Political decisions

As of now it would appear that existing suppliers can satisfy the 30% renewable energy quota. Therefore Wyoming does not have much of a chance to sell its future electricity generated by wind power to California. Of course, if the mandate would go from 30% to, say, 40% then the picture would change, as the demand for additional electricity generated by renewable sources would suddenly increase. In all this “economics” does not even appear to be a factor. “Demand” for additional renewable energy will not be determined by “markets” and old fashioned “demand and supply”. It is all about regulations and therefore politics.

Projects win because of mandates

If you believe in a market economy, none of this looks particularly good. This Wyoming case is yet another example of large scale infrastructure projects (possibly) taking place in a hyper regulated environment ruled by different jurisdictions in which the boundaries between private gain and the public interest are questionable. In the end the project rationale for such a large scale project that would include a

significant allocation of scarce capital and talent would depend entirely on politically stipulated mandates, as opposed to sound economic reasons.

Look, pushing renewable energy is not a silly idea. Whatever your views on global warming and cost effective actions to fight it, sooner rather than later we want to have viable power generation technologies that will replace (now abundant but eventually finite) fossil fuels.

Hyper regulation leads to bad choices

But this way of going about it: scores of ad hoc regulatory regimes, without an overarching national energy strategy, is far less than optimal. In a non existent Fantasyland of unregulated energy markets, renewable power should be considered viable only when its costs will be lower than coal, gas or nuclear.

But in the real world things go differently. In the existing thicket of super regulated everything, (utilities, power grids, variable rates and what not), with different rules, mandates, often overlapping and sometimes conflict jurisdictions, federal and state subsidies, and diverse rates regimes in different states, it seems that the value proposition of renewable energy as of today rests mostly with the skills of its lobbyists, rather than with the inventiveness and creativity of its engineers. Somehow, I believe that we could devise a better system to determine the future of America's power supply. This way of going about it is inefficient –and not at all smart.

American Foreign Policy: From Over Reaction To Total Inaction

By Paolo von Schirach

May 28, 2013

WASHINGTON – America's posture in world affairs is hardly ever properly balanced. Unfortunately it is mostly reactive, rather than proactive. Quite often, reaction turns into over reaction which is then followed by disappointment and retreat beyond what should be considered prudent engagement.

The "War on Terror" was over reaction

Stunned by 9/11, President George W. Bush launched what amounted to an intergalactic global "War on Terror" that became the theme and the major legacy of his presidency. However, by dealing with the complicated and subterranean issue of terrorism mostly with all out military campaigns that accomplished far less than initially advertised, Bush turned US public opinion against the very notion of military interventions, no matter where or for what purpose.

Retreat is also over reaction

And so now America, under Obama's much more cautious leadership has become gun shy to the point of appearing weak, fearful and powerless. The far weaker Russians are happily and openly supplying arms to Syria. In America even a modicum of non lethal aid delivered to the Syrian rebels is highly controversial. Obama talks about the end of war as some kind of just deliverance, as if any and all military engagements were totally discretionary.

Rogue states take notice when America is not in the game

The truth, of course, is that neither approach is correct. Not all problems or threats should be dealt with a massive use of force. And it is true that most wars are wars of choice, rather than necessity. However, by essentially taking off the table military options as a matter of course, America does very little to advance the cause of peace. If I were President al Assad in Syria, today I would feel reasonably reassured that I could do almost anything I wanted without having to face an American engagement. It would be clear to me and to the rest of the world that America does not have the stomach to get involved into a new conflict. And this is bad. Really bad.

In a world in which a number of aggressive moves are made by governments and/or non state actors, such as terrorist organizations, on the basis of calculated risk, if America is no longer thought of as a fully engaged player, rogue states are encouraged to be more reckless.

“If you want peace, get ready for war”

Look, the Romans said it best: *“Si vis pacem para bellum”*, *“If you want peace, get ready for war”*. In essence this is deterrence. And real deterrence consists of two equally relevant parts: 1) real and credible military capabilities; and 2) clear and unmistakable willingness to act when the national interest is threatened. Right now America, defense budget cuts notwithstanding, still retains impressive capabilities. As for the willingness to act though, I would not be so sure.

Deterrence is about capabilities and political will to use them, when the need arises

While we should recognize our national tendency to overreact, doing nothing is not always the best alternative to doing too much. Doing nothing, while saying publicly that action is ill advised, gives others the impression that we shall keep doing

nothing. And US declared inaction encourages mischief. Again, if we really cared about peace, we should be able to send out a clear message that, make no mistake, we can and we will act resolutely and swiftly should the need arise.

Of course, “acting” and “acting appropriately”, according to the circumstances, are not one and the same thing. That said, everybody can recognize the lack of willingness to act. And this is today’s America.

Greece Lacks A Modern Land Tenure System – Property Rights Vague, Litigation Common

By Paolo von Schirach

May 27, 2013

WASHINGTON – What do Greece and Madagascar have in common? Well, not much in terms of history or geography. But they have one common negative feature which stunts economic development. Both countries lack a modern land registry system. In practice this means that, lacking proper land ownership records, it is very difficult or totally impossible to determine who really owns any given piece of land or real estate. Needless to say, this is not a good basis for worry free transactions. The New York Times recently reported about the problem in Greece.

No modern land registry

Still, it is important to stress that Greece, at least in

theory, should not be like Madagascar or Nicaragua. In theory, Greece is a proud member of the European Union. Greece is a country that over many decades received help from Brussels aimed at filling the gap between its antiquated systems and economy and the rest of Europe. Yet Greece today, in the year 2013, has some of the same problems of ultra poor developing countries struggling to engineer an economic development takeoff.

Why is this relevant?

Now, of all the issues plaguing Greece, (debt, unemployment, shrinking of the economy), why should we focus on land registries? Because they are one of the key foundations of any modern, capitalistic economy.

Indeed, already long time ago Peruvian economist Hernando de Soto convincingly pointed out how lack of clear property rights is a major obstacle to development in emerging countries.

A clear land title system is a foundation of modern capitalism

Lacking a clear and enforceable land title system, real estate transactions are risky and therefore rare. Furthermore, lacking clear title on the land or real estate they use, most people are excluded from commercial credit, as credit usually requires collateral –and land or real estate are the most obvious forms of collateral. Lacking clear title on the home where he lives, a small entrepreneur cannot use it as collateral to get a commercial loan aimed at expanding its business. No loan, no expansion. Multiply this by thousands of similar cases and you have a huge drag on economic growth.

This explains at least in part lingering poverty in Africa or Central America. And this explains why Madagascar made land tenure reform a priority within an aid package it negotiated with the Millennium Challenge Corporation, a US Government donor agency.

A primitive system

Well, Greece has some kind of a system in place. But it is so complicated and primitive that in fact, it is no system at all. Lacking defined boundaries, most land claims especially in rural areas are tenuous and therefore vulnerable to legal challenge, sometimes multiple challenges, as many individuals may claim title to the same piece of land. One expert stated that if all deeds registered were valid, Greece would be at least double the size it is.

In this mess, there is a predictable proliferation of “services” provided by eager lawyers and surveyors who provide technical expertise in the many cases in which there is litigation.

A modern country?

There you have it. A supposedly modern country and a member of the European Union that has no clear land tenure system. And all this is made even more complicated by antiquated or non-existent zoning rules.

The EU demands a swift modernization of this primitive way of handling a land registry. But it is not clear how long it will take to bring Greece’s appallingly backward system up to modern, internationally accepted, standards.

There you have it. Poor Madagascar, with donors’ help, is tackling the problem. Greece is in no hurry; so it is taking it easy.

France, With No Scientific Basis, Banned Hydraulic Fracturing For Shale Gas Exploration As Unsafe – Years Of Successful Gas Recovery In The US, Based On This Proven Technology, Totally Ignored – Even In The Age Of The Internet In Which Information Is Available To All Prejudice Still Prevails

By Paolo von Schirach

May 26, 2013

WASHINGTON – The universally accepted conventional wisdom is that in this super connected age, created by an ever faster internet, all information travels instantly. Whether you live in London or Capetown you can have immediate access to the same data. Well, yes and no. The data is out there alright. But that does not mean that it will be recognized, placed in context and properly assessed by all in the same manner.

Ideological blinders

Indeed, it is remarkable how ideological blinders of all stripes filter information, coloring it the way one wants. Even within the vast proliferation of internet based

information sources, depending on where you are, there are prevailing herd instincts. No matter what the new information coming via the internet may say, people rarely stray beyond the prevailing ideology.

Accepted bias: fracking is bad

Case in point: shale gas and “hydraulic fracturing” or “fracking”. Abundant evidence to the contrary, the global environmental movement made up its mind long ago that “fracking” is bad, costly and very dangerous. It contaminates water, it destroys farming, it pollutes, and so on. Well, now we know very well that there is no evidence of systemic damage caused by fracking.

Sure enough, as with most other invasive human activities, one can do it well or badly. There have been several well documented incidents of damage caused by poorly built gas wells and substandard practices followed by the producers.

US regulators deem fracking to be safe

But there is no evidence that fracking is inherently dangerous. So much so that in the USA, where we have the only advanced, large scale shale gas industry operating at full throttle in several states, the environmental protection agencies both at the Federal and at the State levels have found no reason to stop the entire industry on account of its impact on the environment and on humans. Sure enough, regulators, working with industry, have created standards and protocols that energy companies must follow. And so they should. Meantime, the industry grows and thrives, with enormous economic benefits for America.

France will hear none of this

Well, as far as France is concerned consider as if none of this ever happened. The debates about the problems related to shale gas recovery identified, dealt with and overcome in

the USA never happened. France decided, very much on its own, and without any real factual basis, that shale gas is dangerous. End of story.

Hence a moratorium on shale gas exploration in France on account of its well known dangers. And all this despite the fact that there is no scientific basis for this blanket prohibition. Look, one thing is to say: *"This is a new field. We do not know much about it. So, let's proceed with caution"*. Quite another to say: *"This is dangerous. And so it is banned"*. By saying this, the French Government, acting as the modern version of a "Flat Earth Society", denies the positive evidence produced by several years of fracking practice accumulated by the US energy industry and various American regulators.

Nobody says anything

What is remarkable in all this is that nobody says anything. No protest in France against this travesty sold as "science". And why is that? Very simple. The fact is that in Europe the prevailing belief is that *"all carbon based energy is bad"*. Therefore no one is interested in challenging the pseudo science on which the government of France, a major modern nation, based its ban.

And you thought that the selling of totally non factual prejudice as science would be impossible in the age of the internet. Well, not so, unfortunately. The truth is that the internet at least in some instances is like a large buffet table prepared for very conservative eaters. There may be scores of new and interesting choices available. But people will go back to the offerings they are used to; happily ignoring all the others.

Rick Steves Created A Caricature Of Europe As “Happy And Refined” For Americans Watching PBS

WASHINGTON – Rick Steves is a popular host of a series devoted to Europe on US Public Television, (PBS), the commercial free network that on average provides high quality, educational programs for Americans. PBS has a very small audience. Yet, those who watch it are the better educated, high income US elites. They watch TV to learn, and not just for mindless entertainment. And indeed PBS has its array of hard hitting, informative documentaries, a high quality news program, (The News Hour), and a couple of very good talk shows, (Charlie Rose is the best one), featuring captivating interviews with leading personalities in politics, science, theatre, economics, business, and a lot more.

This is Europe?

But then PBS also has “Rick Steves’ Europe”. And this is not a good thing. The programs consist in a series of portraits of various European countries that create a cartoonish view of Europe. The Old Continent is all and only about the arts, high culture, beautiful architecture, great food and –most of all– ultra nice, refined and civilized people.

With real mastery, Rick Steves focuses on what is good about Europe and only on that, leaving all the bad stuff out, this way conjuring up the idea of a splendid Continent-wide oasis in which humanism blends with natural and man made beauty, good food and easy going, well educated people who get along splendidly with one another and do wonderful stuff.

This is a silly and totally unhelpful caricature of a

Continent well on its way to terminal decline.

Italy: Michelangelo and pizza

Most recently I watched a concert on PBS in which each predictable piece by European well known classic composers was introduced by Steves. He –as the resident Europe expert– created a bogus historic “context” about the period in which the music was created.

A context of epic struggles (that sound more like pillow fights) led by proud and noble people who just wanted to assert their freedoms, etc. And the music was accompanied by videos that provided visual support. And so, as the orchestra played Verdi’s Aida, the audience watched beautiful Italian churches, palaces, and lovely landscapes. Still, in order to add some “realism”, there were many portrayals of today’s Italians. Everybody looking good and cheerful. And, of course, as the music plays on, you watch civilized wine tasting and pizza handed over to hungry customers, and then pasta and –why not– lots of cappuccino. What a lovely country!

If you want more of this cartoonish stuff, here is an intro to one of Steves’ videos on You Tube about Italy: *“You’ll almost be able to smell the linguini and taste the vino rosso as Rick explores enchanting Italy”*. OK, you get the picture.

Unhelpful distortions

Look, there is nothing wrong in showing Europe’s incredibly rich cultural legacy to America. But by selectively focusing only on the good features, Steves created a contrived, and therefore meaningless and non educational picture.

Here you have it: Europe as the Shangri-la of the West. “Rick Steves’ Europe” is the Continent of quiet civility, shared prosperity and good people who grow up well because of their beautiful surroundings and refined culture.

The sad thing is that PBS provides almost nothing else about contemporary Europe that might help in creating a more realistic context.

The truth of the matter is that Europe, with notable exceptions, especially in its Northern Regions, is a Continent in sad decline. Most of the art that Steves discusses in his travelogues was produced centuries ago.

Europe today is known for its endless debt crisis, sky high (12%) unemployment, social conflict, destructive politics, and lack of innovation and enterprise. Go tell the Spaniards, (27% unemployment, with youth unemployment above 50%), that you really envy their vibrant culture, great food and sangria. Go tell the near bankrupt Greeks that you understand why they are so proud of their history.

Bad news does not sell

Rick Steves has carved a niche for himself by creating and selling to unaware Americans this silly idea of Europe as a gigantic, happy Disneyland-like Continent. The whole truth is, of course, totally different.

It would be good for Americans to get the full picture. But I guess bad news about Europe does not sell as well as footage of happy Europeans laughing and having great dinners in the shadows of beautiful cathedrals.

The “War On Terror” May Never Come To An End – As Long As

Any Small Groups Will Keep Plotting Against Us, The War Will Go On

By Paolo von Schirach

May 24, 2013

WASHINGTON – In a major policy speech President Obama tried to outline current and future US conduct regarding the use of unmanned drones to target and kill terrorists. That said, there is something profoundly wrong in the way the President framed the issue. *“This war, like all wars, must end”* –he said– *“That’s what history advises. That’s what our democracy demands”*. At least implicitly, this statement would make you believe that America, at its sole discretion, will determine when and on what terms this long conflict with radical Islam will come to an end.

When will this war end?

Indeed, to the layman Obama’s statement may appear unobjectionable. Of course this war, just like all wars in the past, will come to an end. They all do. Of course democracies do not want to be endlessly at war. Well, it may be so. But there is one key variable in this continuum that is entirely outside of America’s control. And the variable is “when” any war, including this “War on Terror”, will come to an end. ***Carl von Clausewitz wrote long ago that in any war, and that would include the “War on Terror” we have been waging, the actual end of hostilities is determined not by the victor but by the vanquished. This statement may sound innocuous; but it has profound implications. There is no victor until the other side says “I lost”. War does not end until one the parties says: “I give up. I accept defeat and I shall stop fighting”. Until this critical moment comes along, the war is on. It will***

cease only when the losing party formally accepts defeat and stops any kind of military operations.

How WWII ended

This is how WWII ended. The Germans capitulated in 1945; and later on so did the Japanese. But imagine for a moment that, even after the dropping of the A bombs on Japan, the Japanese had decided to keep on fighting on every beach and on every piece of their homeland, come what may. The war would have ended, eventually. But much, much later; and at a much higher cost for the US. The war ended when it did because the Emperor publicly conceded defeat and formally ordered the cessation of hostilities. If he, along with the Japanese ruling elites, had decided otherwise, the war would have continued, despite the devastations caused by the A Bomb. So, it wasn't the A Bomb that ended the war. It was the subjective decision made by the Japanese. After they saw the devastation caused by the Bomb, they concluded that they were finished and therefore it made no sense to continue fighting. In other words, "They said: *"We are licked. We give up"*. ***And only at that point the US could rightfully claim victory.***

Who will surrender on behalf of al Qaeda?

Well, what does this have to do with "War on Terror"? Plenty. Simply stated, the "War on Terror" will end not because America's democracy demands this, as President Obama put it, (truly silly statement, in the light of the above); but because the last terrorist left standing will say: *"Enough. I give up. No more of this"*.

And here it gets really tricky.

In rigidly hierarchical war time Japan an order from the Emperor was obeyed by all. He said *"We stop fighting"*, and the armed forces obeyed. (With the notable exception of a few stranded soldiers who never received the information about Japan's surrender and therefore, most amazingly, continued

“the war” on their own in the jungles of the Philippines. Having received no new orders, as far as they were concerned, the war was still on.)

Someone will keep on fighting

When it comes to loose transnational organizations with unclear hierarchies like al Qaeda and affiliates, with nothing even remotely resembling a conventional “Chain of Command”, there is no one who can “surrender” on behalf of the entire organization. One particular group may give up. But this would not bind all the others, nor would it deny the opportunity for new groups to start their own fight. Which is to say that the “War on Terror” may never end, because we cannot have and enforce a binding agreement with a collection of non state actors that keep morphing regarding membership, leadership, funding and recruiting methods. They are motivated by irrational ideologies. As long as some people will believe whatever they want to believe, they will keep on fighting.

“War on Terror” is a misnomer

In all this the real stupidity goes back to President George W. Bush who insisted on calling terror attacks against America “a war”. This was most unhelpful because the term “war” conjures up conventional ideas about armed conflict. *“Here are the bad guys who do nasty things. We are the good guys. We mobilize. We go after the bad guys. We find them, engage them, destroy them. End of war. We go home and all is well”*. This conventional wisdom about how wars start and end created the totally unwarranted expectation that the “War on Terror” –just like all the other wars– will follow pretty much the same predictable course. *“We fight. We win. War over”*.

Clearly this is not the case regarding the “War on Terror”. As the recent Boston attack shows, just a couple of determined people can launch a successful terror attack, with tragic

consequences. Until any of these would be terrorists will be at large, the “War on Terror” will not be over.

When will it end?

Therefore, while it is true, in principle, that all wars will come to an end, regarding this one there is no predictable time line. And it is certainly wrong to assume that America’s might will have to prevail, because we are so much bigger and stronger than all the terrorists combined.

Sadly, the President of the United States, the Commander in Chief of the largest armed forces in the world, is in no position to determine the end of this conflict. It is not up to him. It is up to al Qaeda and its affiliates to conclude (some day) that this conflict is pointless. And they may not come to this sensible conclusion any time soon, because they are not sensible.

China’s “Green” Credentials Are Mostly Propaganda – Green Tech And Renewable Energy Exist In The Midst Of A Super Polluted Country – The Cost Of A Real Clean Up Would Be

Staggering

By Paolo von Schirach

May 23, 2013

WASHINGTON – For many (and not too good reasons) Western intellectuals truly believe the fantasy of all knowing, supposedly benevolent, authoritarian but “wise” leaders who behind the scenes quietly concoct far reaching strategies that will benefit all humankind. Just like Plato’s Philosopher-King, these benevolent leaders are never moved by issues of power or greed . No, they just put in place the “right” policies for “the people”. Isn’t that comforting?

The “Good Policies”

And when the wise leaders announce measures that seem to be in perfect sync with the prevailing conventional wisdom already embraced by all “progressive intellectuals” in the West, then there is a chorus of approval. And this is precisely the case with supposedly enlightened pro-environment policies launched by China’s leaders.

Green Champion?

There you have it: China’s “*Green Leap Forward*”. It consists of massive investments in green technologies, starting with renewable energy. And so China almost overnight became the paragon of virtue. While here in America we are still in the dark ages, unhappy prisoners of the devious lobbyists working for wicked Exxon and Chevron, China’s virtuous leaders are busy building wind farms and solar panels. So, we are behind. They, the truly enlightened, are ahead. Wise leaders, happily unencumbered by the mundane worries of running for re-election, have the chance of seeing the “Big Picture”. And so, they do “The Right Thing”, for China and for the world.

Not so

All very nice. Except that it is not true. Let me explain. It is not entirely false. But it is mostly false. It is true that China is investing massively in renewable energy. And it may very well be true that some Chinese top policy makers do understand the need to develop workable alternatives to carbon based energy.

But it is also true that China is and will remain a gigantic polluter. Chinese environmental standards regarding energy are very relaxed. Chinese diesel has more than 20 times the pollutants allowed in supposedly super dirty America. Yes, you got that right. Chinese fuels foul the air big time. And why so? Because it would cost a lot of money to upgrade refineries so that they would produce cleaner fuels. Got the idea? The short term gain of making money selling dirty stuff prevails over any considerations regarding cleaner air.

Reckless industrialization

In case we forgot, China managed its massive industrialization without any concern whatsoever for environmental protection, at a time in which ignorance about the consequences of these totally irresponsible policies could not be used as an excuse.

In other words, driven by the desire to “make the growth numbers” China’s leaders willfully destroyed the environment, knowing exactly what they were doing. Sure enough, now some realize the extent of the damage. But they have to fight against those who still couldn’t care less about pollution, while they most greedily look at production figures and net profits, without any concern for environmental consequences.

Water and air pollution

And here is the true picture. In China most of the (scarce) fresh water supply is polluted. Most of China’s large metropolitan areas have bad to horrible air quality. So much

so that until recently the authorities refused to publish real air quality data, for fear of adverse public reactions. Data on soil pollution is not publicly available, because it is a state secret. There are millions of premature deaths due to pollution. Many Chinese do not trust made in China processed foods because they are afraid of illegal chemicals used by producers.

Yes, there are laws in China. And there is also corruption. Inspectors are paid off, standards are not upheld. The only hope here is in the real proliferation of genuine grass roots environmental movements created by semi-desperate citizens who fight against pollution. These movements are numerous and quite vocal.

High production rates v. higher environmental standards

In summary, of course China produces state of the art solar panels. But then there are all the powerful vested interests that pull in the opposite direction. If China wants to continue industrial production at the current rate or close to it, it will continue to be a super polluter. Retrofitting tens of thousands of industrial facilities, smelters and refineries, while cleaning up rivers and lakes, would have immense costs and it would slow down growth. The wise leaders have not resolved this issue. The *"Green Leap Forward"* is at best an aspiration, at worst just propaganda.

As Europe Languishes, The EU Bureaucracy Decided To

Regulate How Olive Oil Is Served In Restaurants – Silly Mandates Instead Of Action On Real Problems

By Paolo von Schirach

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WASHINGTON – The Guardian reports that the EU Commission bureaucracy, known for its entrenched habit of over regulating everything up to the point of ridicule, continues to live up to its well earned reputation. Now the focus of Eurocratic zeal –please believe that this is not a joke– is the small dish of olive oil provided my many restaurants throughout the EU, (mostly those serving Italian or Mediterranean food), along with slices of focaccia or bread sticks, to patrons as they look over their menus.

How do we serve olive oil?

Well, in its supreme wisdom, Brussels decided that for (vaguely described) improved consumer protection in the future restaurants throughout Europe will no longer be allowed to serve olive oil in this fashion. Olive oil will have to be placed on tables in small, sealed bottles.

OK, I get the point. There is a concern that what the restaurants place in these small dishes may not be real, 100% olive oil. May be it is a mix of olive oil and something else. Maybe it is not totally healthy stuff. Who knows. Still, if this is the new safety yard stick for olive oil, then restaurants should provide certifications, receipts indicating provenance and what not about all the meat, fish and vegetables they serve. Well, all this is impossible. This is

why local authorities have health inspectors who check on various establishments, more or less effectively, to make sure that they observe basic mandatory health and sanitation standards. So, why single out olive oil for extra EU wide regulation?

Silly over reach

Indeed, why? Well, obviously there is no rational reason. This is just another example of bureaucratic stupidity and idiotic over reach. And this is Europe for you. And the silliness of all of this becomes even more obvious if you look at the EU issues that truly demand attention.

Europe's real problems unattended

Indeed, consider the real and grave problems Europe is facing: anemic economies, a lingering and stifling recession, systemic fiscal crises in several member states, sky high unemployment and more. Now, given all this, do you really believe that regulating how complimentary olive oil is served in restaurants is a burning issue that demands immediate corrective action?

Ineffective institutions focus on the wrong things

One of the hallmarks of ineffective institutions is to focus inordinate attention on the wrong stuff. What else will these geniuses come up with? The proper size of table napkins? The number of holes in salt shakers? Go tell the Greeks and the Spaniards that this is how Europe is looking after their welfare.