THE STRAITS TIMES
SINGAPORE PRESS HOLDINGS,
NEWS CENTRE, 1000 Toa Payoh North, Podium Level 2, 318994

SPH Chief Executive Officer **Alan Chan Heng Loon**
Editor-In-Chief (English & Malay Newspapers Division) **Patrick Daniel**
Senior Executive Vice-President (Marketing) **Leslie Fong**
Senior Executive Vice-President (Newspaper Services & Chinese Newspapers) **Robin Hu**

Editor **Han Fook Kwang**
Deputy Editor **Zuraidah Ibrahim**
Deputy Editor **Alan John**
Associate Editors **Ivan Fernandez**, **Bertha Henson**, **Janadas Devan**
Digital Media Editor **Felix Soh**
Political Editor **Chua Lee Hoong**
News Editors **Sumiko Tan**, **Ignatius Low**
Foreign Editor **Carl Skadian**
Money Editor **Lee Su Shyan**
Life! Editor **Helen Chia**
Art Editor **Angelina Choy**
Review Editor **Chua Mui Hoong**
Sports Editor **Mathew Pereira**
Acting Picture Editor **Stephanie Yeow**
Forum Editor **Yap Koon Hong**
Straitstimes.com Editor **Eugene Leow**

Fixing perceptions of the elected president's role

A SURVEY on the elected presidency, released this week, made for interesting and surprising reading. Not least because it suggests that voters remain confused about the role and scope of responsibilities that the president has.

Significantly, it also established that their interpretations had a direct bearing on how they voted on Aug 27.

Given that the 2,000 respondents in the Institute of Policy Studies survey represent a sampling of the electorate, there is much work to be done in the years between now and the next presidential poll in 2017. That work will need to confront the very real views that these and future voters have about what the president can and should do as these perceptions will, in all likelihood, still weigh on how they cast their ballot. The work ahead could, arguably, even involve retooling the elected president's job description, given that the institution continues to evolve over time and with changing circumstances.

Among the survey's telling findings is that a sizeable number of the respondents continue to see the president having responsibilities beyond those stipulated in the Constitution. They believe, among other things, that he ensures the Government manages the economy wisely; that he can freely speak on national issues he deems important; and that he ensures the Government delivers its election promises.

Such misreadings exist despite the Government weighing in to explain, in the campaign's early stages, that the elected president works with the Government and acts on its advice, except in areas where he has custodial powers, such as over the reserves and key civil service appointments. The findings, coupled with the Aug 27 election results, suggest that a segment of voters want a president who will be a countervailing force, interventionist and a check on the Government. In short, an independent power centre.

Yet the advocates egging this development neglect to spell out the consequences. Have they thought it through? An adversarial relationship can spell chaos, confusion, gridlock; delays in passage of legislation, the Budget and key appointments. They also fail to acknowledge that interactions do take place, albeit in private, between government and president. It is worth considering that on issues of significance, both sides should go public on the scope of discussions and outcomes in much the same way as when the government and former president S R Nathan did over the draw on reserves to combat the recession in 2009. Doing this, together with a strategy to educate voters, will raise the level of understanding and ensure there can be a more informed discussion about the role and parameters within which the president operates.

Greece's troubled European identity

By Tony Barber

EUROPA, in ancient Greek myth, was a maiden princess seduced by Zeus, the supreme god, who assumed the form of a white bull and whisked her off to Crete. In today's European debt crisis, it is open to question who is shafting whom.

When Greece joined Europe's monetary union, it chose the Europa legend as the image to be emblazoned on one side of the 2-euro Greek coin. Happy were the days when ancient Greek civilisation was associated so smoothly with modern Europe.

Aside from the existential question of the euro zone's survival, what is at stake in the debt crisis is nothing less than the European identity of contemporary Greek society. This would be put to a severe test if Greece were to tumble out of the euro zone and suffer the mother of all economic and social implosions.

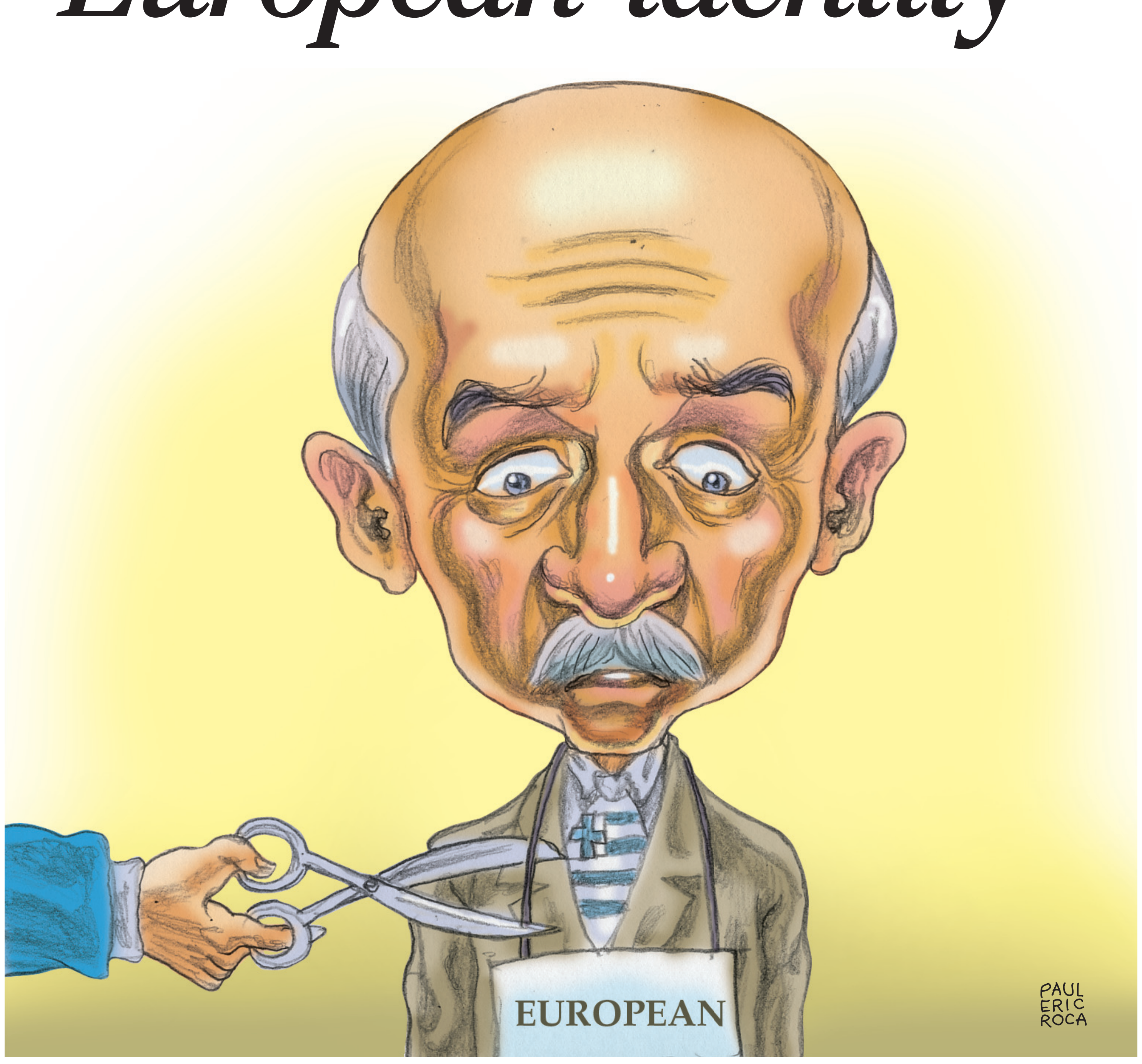
Like people in other countries that lie on Europe's fringes, such as Britain, Russia, Spain and Turkey, Greeks traditionally used to talk about "going to Europe" as if their country did not really belong to the continent. This world view was rooted in centuries of dark historical experiences.

From the Middle Ages until the 1821-1832 war of independence, Greece languished under Ottoman overlordship. No sooner was the nation reborn than Europe's great powers imposed a teenage Bavarian prince on Greece as its first head of state and demanded the repayment of onerous debts incurred during the fight for freedom.

According to US professors of economics Kenneth Rogoff and Carmen Reinhart, Greece has been in default for roughly one out of every two years since it gained independence.

But the history of Greek defaults goes way back. In the fourth century BC, the temple of Delos had to take an 80 per cent haircut on loans extended to 13 Greek city-states.

From a financial perspective, the relationship between Greece and Europe's stronger nations has usually ranged from uneasy to downright suspicious. The early years of Greece's euro zone membership, when it was able to access bond markets at interest rates almost as low as those offered to Germany, were a historical anomaly.



But political and military disasters contributed to Greece's sense of detachment from Europe, too. Ravaged under Nazi occupation in World War II, Greece then endured a civil war from 1946 to 1949, the outcome of which – the crushing of a communist insurgency – was determined largely by British and US intervention.

After the collapse of a seven-year military dictatorship in 1974, Greece was welcomed into the old European Economic Community in 1981 partly because of the well-intentioned desire of older EEC countries to incorporate Greece once and for all as a member of a prosperous, democratic European club.

As then-French president Valery Giscard d'Estaing remembers, it was all about paying a historical debt to Greece as the foundation stone of European culture.

As the EEC evolved into the European Union, Greece earned a deserved reputation as a member of Europe's awkward squad, particularly under socialist prime minister Andreas Papandreou, whose son George now occupies the same post.

The atmosphere did not begin to improve until Greece, bursting with EU regional aid funds and agricultural subsidies, acquired a standard of living closer to European norms and adopted the euro in 2001.

Now a generation of better-educated and, to some extent, better-travelled Greeks has grown up, the first who are truly accustomed to thinking of themselves as Europeans. This is the generation on which the younger Papandreou was counting to vote "Yes" in his proposed referendum on Greece's future.

The referendum was scrapped as Mr Papandreou's government succumbed to the triple pressures of economic collapse, European exasperation and internal revolt in the ruling Pasok socialist party. But there would have been a certain method to the Prime Minister's madness.

He was calculating that, if correctly phrased, a referendum question that posed the choice of a European destiny for Greece – Yes or No – would have been answered in the affirmative by most voters.

Alas, the related question of whether Greece can avoid default and continue using the euro is one to which no referendum can supply the answer.

FINANCIAL TIMES

Put a brake on the Western debt mountain

By Klaus F. Zimmermann
FOR THE STRAITS TIMES

THIS week's G-20 summit was dominated by Europe, due to Greece's surprise announcement first to hold a referendum on the bailout package and then to scrap it.

One important policy tool didn't get the attention it deserves at the just-concluded summit in Cannes: the idea of a "debt brake", which is essentially a cap on expenditure and debt levels in a country. This is one of the most important policy tools to get fiscal policy under control. It must now rapidly move to the centre of the global debate.

A debt brake is needed not just for Europe and Japan, but also the United States whose debt level will soon enough dominate international headlines again.

Emerging markets are also keenly interested in the topic. These countries and their vast populations feel with good reason that this is their time at long last, and that a shadow that laid over them for centuries has been lifted. On most of these nations' minds, the past is closely associated with the legacy of colonialism.

Look at the debt issue from a historic perspective: If the former colonial powers – read: today's G-7 nations, plus some countries like Spain and Portugal – now don't get their fiscal acts together, there is a very real danger of a new form of colonialism.

That new "colonialism" would manifest itself in the very serious growth tax that would be imposed on the developing nations. That "tax" would take the form of a global economic collapse and a decline in development aid related to an unresolved Western debt overhang that may very soon prove unsustainable. Or it may take the form of high inflation, which would have the same effect on emerging market countries, which depend on macroeconomic stability to move out from under the shackles of centuries-long underdevelopment.

And unlike on the CO_2 emissions issue, where the debate about responsibilities for past actions is far more complex, nobody can argue with the consequences of over-indebtedness. Unlike climate change science, the science of public finance is as old as the idea of nation states themselves.

To deal with the consequences of the debt mountain already accumulated, a continuation of wishful thinking isn't a policy choice. We need the introduction

To deal with the consequences of the debt mountain

already accumulated, a continuation of wishful thinking isn't a policy choice. We need the introduction of a "debt brake". This measure would go a long way towards stabilising the long-term expectations in financial markets about the future fiscal path of rich countries' governments.

of a "debt brake". This measure would go a long way towards stabilising the long-term expectations in financial markets about the future fiscal path of rich countries' governments.

To be sure, an immediate imposition of the debt brake would be neither wise nor desirable, given current economic conditions. But the time is certainly right for agreeing on the launch at a fixed date in the not-too-distant future. In Germany, for example, the debt brake, approved by Parliament in 2010, will take force in 2016.

To be effective, such a debt brake mechanism must meet three tests.

First, it must be anchored in countries' Constitutions, underscoring the hard-to-revoke character of the commitment. Second, countries must undertake commitments mutually, as is now the case in countries in the euro zone from Spain and Portugal to Italy. And third, in the light of the past failure of effective monitoring and enforcement (whether the Maastricht criteria in the European Union or pay-go rules in the United States), there must be independent watchdog agencies, equipped with penalising powers in case of malperformance.

But it is not just past practice that must make the West accountable for past actions in running up debt. Its future-oriented self-interest dictates no less. Perhaps the most important number ever generated by the International Monetary Fund, an institution in the business of producing millions of numbers, is this: 441 per cent.

That is the expected debt-to-GDP ratio that the G-7 countries will arrive at on average by 2050 under present policies, if it continues to be business as usual.

The concern now is over debt levels approaching 100 per cent for major G-7 nations (other than the eternal culprits of Japan and Italy which are both way past that marker). But in fact, we are collectively well-set on the road to 441 per cent unless something major changes. Surely not even the most fantastical economic and political minds can be prepared to go on with business-as-usual in these circumstances.

The debt brake is a very useful instrument to achieve the turnaround. All its adoption signals is this: First, we need to live within our means. And second, we need to understand that the pre-crisis spending levels were the maximum level of public spending and that any future needs or desires can essentially be financed only by cutting other, already funded activities by an identical amount.

Over the past several decades, it was usually emerging market countries that, in various waves of debt crises, were forced to learn to live within their means, often at the behest of their Western creditors. Now that situation has reversed itself. This time, it is the West that has to take the tough medicine.

The writer is a director of IZA (Institute for the Study of Labour), Bonn, Germany