



"Without fear and without favour"

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Time to test Iran's nuclear intentions

West must clarify what level of capability it can live with

Iran this week signalled it was willing to resume negotiations with the international community – including over the opaque nuclear programme both its neighbours and the west find threatening – in search of what its national security chief Saeed Jalili called "fundamental steps for sustainable co-operation". It is time to find out what, if anything, those words mean – perhaps the last chance before this protracted standoff spirals into a potentially catastrophic new war in the Middle East.

This ostensible overture should not be dismissed because it comes packaged in Tehran's now ritualised breast-beating and exaggeration of its nuclear prowess. If this is yet another attempt by the regime to buy more time, that will soon become apparent. If the Islamic Republic really wants to negotiate, it has to turn up with proposals, not just bluster about preconditions.

But the international community – through the five permanent members of the United Nations Security Council (the US, UK, France, Russia and China) plus Germany – also has to be realistic. Ratcheted-up sanctions, including an imminent oil embargo and the obstruction of Iran's ability to finance its trade, are having a big impact on the Iranian economy. But it would still be optimistic to believe they will force theocrats in Tehran to renounce the right to enrich uranium.

True, after being handed a series of strategic gifts in the region – its grip on post-occupation Iraq being only the most obvious – the tide is turning against Iran. It will eventually lose Syria, its gateway to the Mediterranean; Hizbollah is in some disarray; Hamas is pulling away. The revolutionaries of the new Arab Awakening look much more to Turkey than to Iran.

Yet that is precisely why Tehran will cling to the nuclear programme, a popular policy that it believes helps coerce consensus at home, fend off regime change from abroad and consolidate Iran's position as a regional power. Israel's threat to attack Iran also helps the mullahs corral their citizens.

While Israel needs to give time and space to negotiations, it is not clear where the negotiators would be prepared to settle with Iran.

Current evidence suggests the Iranians want the ability to make a bomb but have not taken the decision actually to build one. Israel believes that "threshold" capability is not tolerable; the US is signalling that "weaponisation" is the red line; the Europeans are flapping around in the middle.

For talks to have any hope of success, there must eventually be clarity about what level of Iranian nuclear capability the world can live with, subject to intrusive external monitoring to verify Tehran is not running a weapons programme. Otherwise, there will be nothing to negotiate.

Britain does God

But not, unfortunately, all that well

It has been said that the British "don't do God" in public life, but this week they certainly did. It was mostly an ungainly war of words. From one trench, Baroness Warsi's hysterical attack on secularism; from the other, Richard Dawkins' hysterical secularist attack.

Lady Warsi, the Conservative chairman, fears "a militant secularisation taking hold of our societies" and, oddly, thinks weak religious identity is a threat to justice. Her greatest worry seems to be the waning awe in which religion is held by states: "Faith has been neglected, undermined – and yes, even attacked – by governments."

People may be turning less religious and less keen to see the state "do God". This is no problem as long as individuals feel free to think what they like – compatible with others having the same liberty. As for state attacks on religion, those worth mentioning are the legitimate ones against abuses by religious institutions. Dublin's reckoning with a Vatican that Taoiseach Enda Kenny rightly says has downplayed "rape and torture of children" is a case in point.

Lady Warsi conflates secularism with Mr Dawkins. The atheist preacher has been busy "proving" that Britain is not really a Christian country. With fanatical devotion he conscripts science into his own very much value-based creed about how the state should govern the nation and how people should order their lives. With such friends

secularism needs no enemies. One of Mr Dawkins' sillier arguments is that most of the 54 per cent of Britons who say they are Christian do not know how the new testament begins. It was elegantly countered by Giles Fraser, ex-canon chancellor of St Paul's, who exposed the Darwinist's ignorance of the full title of *On the Origin of Species*. By fighting over how Christian Britain is, however, Lady Warsi and Mr Dawkins make the same mistake. The facts tell us that most Britons self-identify as Christians but fewer and in other ways than before. Little else is illuminated by disputes over whether Britain is a Christian country.

What matters is how we act. In individual choice it is madness – and false science – to deny any room for religion. The Queen said in one of the more sensible contributions on faith this week: "Religions provide critical guidance for the way we live our lives and for the way in which we treat each other." So do non-religious values.

It is to the thornier problem of how the state acts on behalf of people of many values that secularism is the best solution. John Rawls wrote that we must justify the state policies we want with reasons that make sense to citizens who may not share our faith. This is demanding, but possible. As Rev Fraser suggested, he can usefully discuss the merits of disestablishment with Mr Dawkins even if they never agree on Christianity.

A franc farewell

Could there now be an anti-euro plot in rural France?

"Comment te dire adieu?" This question must have been in the mind of a few Frenchmen as they swapped their last francs for euros. As of yesterday, the Bank of France stopped letting them do so. The currency created by Jean le Bon in 1360 will then only be valuable for numismatists.

The government will not mind it too much. At least €500m worth of old currency will have been forgotten by absent-minded citizens. The revenue from this "tax on carelessness" will be swiftly booked as profit by the Bank of France. But the news that the franc is dead will be a real trauma for the citizens of Le Blanc. In this small market town of 7,000 people in the rural heartland of central France, many local shopkeepers continued to accept francs alongside euros well after the French currency lost its status as legal tender. The euro-sceptic villagers clearly put their money where their mouths are.

The citizens of Le Blanc may now have to find other ways to express their unhappiness at the

single currency. One cunning ploy would be to seek to undermine confidence in the euro by forging fake banknotes and then scattering them all over Europe. There is a precedent for this. Around 1940, Nazi forgeries of British notes succeeded in destroying faith in Her Majesty's currency abroad, according to UK secret service files published this week.

A latter-day attack on the single currency could be regarded as unnecessary cruelty. After all, it is just too easy to take pot shots at the euro these days. But the main problem is that the strategy would risk backfiring: printing a sufficiently large quantity of real-looking euros could end up solving Europe's credit shortage.

The French rebels would have to hope that this rural Long Term Refinancing Operation would eventually send Europe into a hyperinflationary spiral. Such a frightening prospect might well turn Europe's politicians grey. Would this be a sign of age? No, just French style seign-or-age.

LETTERS



It's no wonder bank chiefs end up as whipping boys

From Mr H. Kousa and Ms A. Lahtinen.

Sir, Martin Dickson ("The burn-a-banker frenzy is tempting – but wrong", February 4) cited Thomas Macaulay, who warned against singling out scapegoats. It might be useful to think about the discussion started by another historian of the Victorian era.

The high salaries and bonuses of business leaders are often defended with the argument that they are irreplaceable key personnel who must be kept motivated, otherwise they will leave and the business will falter. The argument seems to echo the Great Man Theory by Thomas

Carlyle, who in *On Heroes and Hero Worship and the Heroic in History* (1841) stated that "the history of the world is but the biography of great men". The thought was that history is shaped by exceptionally able characters. At its simplest, the thought was that there would not have been, say, a united Italy or the theory of relativity if Galibaldi or Einstein had died before their time.

The theory has long since been abandoned by serious historical research. Wouldn't it be time for a more realistic view on what influences the success and failure of businesses, as well? It makes no

sense to pay huge amounts to a Fred Goodwin or a Stephen Hester, if there are others able to achieve similar results for a considerably smaller amount of money. Any money not spent on excessive salaries could be invested more productively according to the interests of the business and the shareholders. It is no wonder people end up seeing bank leaders as "whipping boys", as Macaulay put it, if they have been singled out as some kind of miracle makers in the first place, and then fail to deliver.

Harri Kousa and Anu Lahtinen, Hyvinkää, Finland

Fresh material for Dickens' humour

From Prof David R. Sorensen.

Sir, It should come as no surprise to regular readers of Christopher Caldwell's column that he confesses to being unmoved by the comic and satirical genius of Charles Dickens ("Dickens: our overrated mutual friend", February 11). No libertarian, however slippery, can ignore the central drift of Dickens' corrosive humour in his writings. From the *Pickwick Papers* onward, the central target of his ridicule remained the assumption that human behaviour could be wholly fathomed and gauged by the barren logic of the Benthamite "felicific calculus" and the supposedly ineluctable laws of laissez-faire. Even his attacks against bureaucracy and the "Circumlocution Office" were based on the conviction that good government mattered deeply to the survival of individual dignity and freedom. Were Dickens alive today, he would have found fresh material for his humour in the "dismal science" of neoconservative economics, which shares more with the callous "Hard Fact" Scrooges of Victorian England than Mr Caldwell seems prepared to acknowledge.

Dickens has much to teach those conservatives on either side of the Atlantic who have disowned the radical Tory genealogy of Burke, Cobbett, Carlyle, Disraeli, and Ruskin in favour of the ruthlessly blinkered prescriptions of Viennese "no government" ideology. Listening to the chancellor of the exchequer, or to the candidates for the Republican party leadership, one is reminded of Dickens' Mr Gradgrind in *Hard Times*, who "had no need to cast an eye upon the teeming myriads of human beings around him, but could settle all their destinies on a slate, and wipe out all the tears with one dirty little bit of sponge".

Mr Caldwell's contention that France has ignored the Dickens bicentennial is as flawed as his accusation that the novelist is overrated. It is a pity that he did not attend the recent "Tale of Four Cities" conference hosted by the Sorbonne and generously sponsored by Bertrand Delanoë, mayor of Paris. Listening to the excellent presentations, Mr Caldwell might have been reminded of George Orwell's famous observation in 1939 that Dickens would always be distrusted by both left- and right-wing intellectuals because he was a 19th-century liberal who tenaciously exercised his "free intelligence, a type hated with equal hatred by all the smelly little orthodoxes which are now contending for our souls".

David R. Sorensen, Professor of English, Saint Joseph's University, Philadelphia, PA, US

Urban sprawl around Detroit is distinctly divided in two

From Mr Daniel J. Aronoff.

Sir, The portrayal of Detroit, my hometown metro, in "Back in the game" (Analysis, February 11) misses out that the Detroit metropolitan statistical area is a microcosm of the changes documented in the article. The City of Detroit has been in decline since the 1967 riots; its population has decreased from nearly 2m to just over 700,000 and it has descended to become the lowest-income large city in the US. Detroit, like many old urban industrial cities, has become economically detached from a surrounding metro area of 5.5m residents. Far more interesting is what has taken shape in its suburbs.

The pattern of urban sprawl around Detroit has bifurcated into relatively distinct blue-collar (east suburbs) and white-collar (west suburbs) areas. Residents of the western suburbs are among the most highly educated in the US and many are employed as managers and knowledge workers in the auto industry. Michigan ranks fifth in research and development expenditures among US states (17 per cent of expenditures and only 3.3 per cent of US population) and is the leading location worldwide for automotive R&D. The western suburbs are an epitome of the high-tech future of US industry.

Residents of the blue-collar eastern

suburbs have education levels far below the US average and an unemployment rate double that of the western suburbs. They were once the core of the US industrial middle class, but their incomes have declined steeply in recent decades.

Thirty years ago, the disparity in income between east and west was less than 10 per cent; today, median household income in the east is around 30 per cent lower than in the west. That, in a nutshell, is the problem created by the transformation of manufacturing in the US.

Daniel J. Aronoff, President and Chief Executive, The Landon Companies, Bloomfield Hills, MI, US

Pagnol writing in an old water mill

From Ms Julie Harpum.

Sir, The French believe Marcel Pagnol wrote *Manon des Sources* in the old water mill in the village in Haute Normandie where I live ("Grasse gets greener", House & Home, February 11). The local primary school is named after him; so is the local walk across the pretty hills; and his widow, in her late 80s, still lives in the house, which has a minute plaque on the wall intended not to draw attention to the place.

Julie Harpum, Rouen, France

An import from the US that could be sent back any time

From Prof Hans H. Hinterhuber.

Sir, With reference to Hans W. Decker's letter (February 11): the broader basis of legitimisation of companies, the less corporate social responsibility has to be integrated into business strategies.

In European countries the behaviour of companies has to be accepted by employees, trade unions, local governments, political parties and so on. CSR is therefore an

integral part of their strategies. In the US the basis of legitimisation is not so complex and political; the main source of legitimisation is the shareholder assembly. In the European environment companies have to act in a socially responsible way in order to gain the respect and support of their key stakeholders for long-term profitable growth.

Corporate social responsibility is a concept that has been imported from

it was humorous and it was the last time that I attended Sunday school.

Personally, I think that many theists are "closet agnostics". Professing belief in an all-knowing deity, they are fearful of harbouring any mental doubts, since they would lose their reservation on the "heaven bus" if God were to peer into their innermost thoughts. In my opinion, religions constitute a form of "convenient consolation", especially about one of mankind's greatest enigmas, that of death and its aftermath, if any.

Richard D. Stacy, Montrose, CO, US

Closet agnostics on the 'heaven bus'

From Mr Richard D. Stacy.

Sir, I enjoyed reading Julian Baggini's article "Atheism in America" (FT.com February 3). I have been an agnostic for years, long before I even knew what the term meant. When I was about eight years old, I was sent home from Sunday school with a note from the teacher to my aunt, who raised me after my parents died. The Sunday school teacher had been telling the class about Jonah and the whale. I raised my hand and said, in effect (I can't recall my exact words after all these years – I am now 83): "You've got to be kidding!" My aunt thought that

Comment



Gillian Tett

The banks that politicians can be seen to embrace

Last year, I travelled to Boston to speak with hundreds of bankers loosely affiliated with America's Federal Home Loan Banks system. I expected to find them somewhat defensive, if not uneasy; after all, the word "bank" has not commanded popularity in recent years.

But these bankers were cheery and comfortable in their own professional skins. They gave me cards emblazoned with the names of dozens of tiny, all-American financial groups. And then they spoke about the buildings and businesses they were funding in local communities, with seemingly genuine pride.

Never mind the fact that Wall Street was melting down, or that politicians were trying to stick

bankers' heads (metaphorically) on pikes; these finance officials appeared to operate in a parallel universe. As one told me: "We are banks, but different from Wall Street. In fact, we hate a lot of what those Wall Street guys have done."

Welcome to a theme that could become important over the next year. In recent decades, America has operated with a financial system that looks oddly schizophrenic. Half of it is dominated by global, ultra-efficient, profit-hungry giants (JPMorgan, Citigroup and so on) but the other half contains thousands of tiny local banks. Right now there are some 2,500 financial entities with assets under \$100m (and almost as many again that are slightly larger).

Banking monsters have hogged the media spotlight in recent years. But last week the Federal Deposit Insurance Corporation (FDIC), a regulatory agency, announced a new initiative to support America's "community banks", including a project to gather more research on the surprisingly understudied sector.

This might seem quaint. Until recently, it was widely assumed – particularly by slick analysts on Wall Street – that community banks were destined to be swept away by capitalist evolution. For these entities tend to be unsophisticated

and (often) inefficient, by global standards, and their lending tends to be concentrated on particular regions or sectors. Such specialisation has been unfashionable in recent years because it can make banks vulnerable. During the savings and loans crisis of the 1980s, for example, dozens of small banks collapsed.

Nevertheless, finance is prone to pendulum swings. While it used to

The idea of being 'small', 'local', or 'boutique' is no longer taboo; community banks fit the times

be assumed that it was good to be a global, diversified banking giant, people such as Sir John Vickers are now pushing to split banking functions again. Meanwhile, the idea of being "small", "local", "specialist" or "boutique" is no longer taboo; there are good economic and political reasons why community banks are becoming in tune with the times.

One is the issue of jobs. "While community banks with assets under \$1bn represent less than 11 per cent of banking assets, they provide nearly 40 per cent of the loans the banking industry makes to small

businesses," Martin Gruenberg, the acting head of the FDIC, recently observed, pointing out that this makes them central to job creation. Another factor is politics. Five years after the credit crisis first erupted, some politicians are realising that endless bank bashing can be unproductive; to get the economy moving, you need loans. Still, few politicians are eager to embrace Wall Street yet. "Community banks" offer an alternative, allowing the government to talk about finance in a voter-friendly way.

The \$60tn question is whether these banks make economic sense. It is that question which the FDIC is trying to resolve. Critics argue that these entities remain inefficient, and dangerously concentrated. Fans retort that community banks have done as good a job as giants (if not better) at assessing credit risk, because they know their clients well but also because their executives do not enjoy any "Too Big to Fail" protection, and thus know they need to be conservative. One thing that is clear is that community banks are unlikely to vanish soon. In America today, "banker" can mean a range of things. And not all (or even most) of those meanings are scandal-tarred.

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