

# The Germans turned a footnote into a crisis

There was a quick and easy solution if the ECB could have behaved like a proper central bank

**William Rees-Mogg**



From its early days, much professional judgment has assumed that the euro crisis would be brought to an orderly conclusion without the euro system breaking down.

This confidence was based on the modest scale of the Greek economy, which makes up about 3 per cent of Europe's GDP, and Germany, plainly a major world economic power, having a clear interest in saving the euro and sufficient reserves to do whatever might need to be done to bail out Greece.

What we overlooked was the difference of character between the dollar/International Monetary Fund system and the euro system. The combined monetary system of the dollar and the IMF had dealt successfully with a series of world financial crises in the past 50 years; the Anglo-Saxon powers therefore looked to the European Central Bank, in alliance with Germany, to reconstruct the euro system. In fact, the reaction of Germany to rescuing Greece turned a drama into a crisis.

The structure of the euro system lacks essential failsafe mechanisms. The Germans had always refused to allow themselves to become the so-called "lender of last resort", a key function of the Bank of England since the British developed central banking in the 18th century.

The postwar Bretton Woods system, largely designed by John Maynard Keynes in the early 1940s, extended the "lender of last resort" concept from the Bank of England and the Federal

**The EU needs a system like Bretton Woods, created by Keynes, centre, in 1944**

Reserve to the IMF. The IMF was created primarily to ensure that there could never again be a slump like that of the early 1930s. Bretton Woods restored international confidence in

Europe should not try to negotiate a new treaty in a crisis

the central bank system, including the belief that central bank action would be rapid and adequate.

Since the 18th century, the British experience had been that early action is essential to successful central banking and could prevent the risk of a runaway crisis. Had Germany acted swiftly, the euro debacle would already be a mere footnote in history and Europe would be enjoying recovery.

But the Germans did not act swiftly. The euro system was allowed to get worse, and each successive summit of the crisis was less effective at restoring confidence. At each stage it was a case of "too little, too late". Repeatedly it was said that there was only a

fortnight to save the euro. All those fortnights ran out without effective action. Far from confidence being rebuilt, it was repeatedly undermined.

In addition, the situation was increasingly politicised, so that it came to involve a contest between presidents and prime ministers in which even the British, who are not even members of the eurozone, became parties to the dispute.

What should have been a technical banking question came to be discussed in terms of the next German elections, the differences between France and Germany and hypothetical referendums. Had Germany wanted to resolve the crisis in alliance with the European Central Bank, it could almost certainly have found a way around the obstacles imposed by the German Constitutional Court.

Any international political or monetary structure is bound to have its own underlying tensions. Sensible, practical politicians try to ease these tensions by avoiding unnecessary conflicts — such as basing a discussion of Anglo-German attitudes to a federal constitution on the theoretical arguments about bailing out Greece.

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The world was only just recovering from the banking collapse and did not need to have another crisis that was likely to increase the risk of a double-dip recession. One would have thought that the weakness of the financial world after the failure of Lehman Brothers was sufficiently alarming without this extra dispute.

As the summits accumulated, confidence was inevitably destroyed, and the governments of Greece and Italy were replaced by so-called "technocrats", who had not been elected. The European powers should not now try to negotiate a new treaty in the middle of this crisis. In last Wednesday's *Times*, David Cameron outlined a balanced and moderate attitude to the euro crisis. His article had the virtue of addressing the issue without making it worse and avoided making extravagant commitments at a difficult moment.

In the past 50 years Britain has fallen out of love with the European system. One cannot know how the British electorate would vote in such a referendum. It is certainly possible that the majority would vote to leave it, but it is also possible that they would think that Europe, however muddled, offers a certain security.

The EU is also much less popular than it was in most European countries. If it is to recover its confidence, it will need to demonstrate its ability to take effective action. That depends on Germany, which cannot avoid the responsibility — because the Germans have the economic power.

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## Exam technique has become a hidden GCSE subject

Clarissa Farr

It is, of course, right that Michael Gove, the Education Secretary, has ordered an investigation into the claims that exam boards have been cheating by telling teachers what questions are going to come up in public exams.

However, it is highly unlikely that it will uncover a scenario of furtive exam-question peddling, with fevered teachers in fraying tweeds scribbling down secret information in the windowless rooms of seedy hotels up and down the country.

What seems more likely is that the examining boards have been over-zealous in their responsibility to train teachers in how to prepare their students. Students should be able to face exams in the knowledge that they have been properly taught. Equally, within reason, they should know what kind of thing to expect in an exam.

Unfortunately, the marking schemes of those exams have become ever more complex and the requirements for passing them ever more dependent on hitting a narrow range of prescribed and puzzling bite-sized objectives. The navigation of an exam paper has become a specialist skill in itself. It is the extent to which this new skill has eclipsed the proper place and purpose of exams that is the real scandal.

Exams are not what education is all about. Teachers of history or science entered the profession because of a love of their subject. Training students to do well in exams is a solemn part of our responsibility as teachers. Those results are a passport to higher education or employment. But as syllabuses have become narrower and the skills required to do well in exams more prescriptive, the status of exams has threatened to become a monster.

Most good teachers would prefer to minimise the hurdle of the exam for as long as possible. They want to range

Teachers should be free to engage young minds, not tick boxes

beyond the realm of the required syllabus, igniting a love of the subject for its own sake. But the instinct to allow students to explore in this way increasingly sits in tension with the ever more insistent nature of testing.

No wonder teachers are eager to find out what is going to come up and how it will be assessed — and exam boards are feeling under pressure to tell them. Exam technique has become the hidden GCSE subject. A proper response to this problem would be to consider a new exam model in which there is a single nationally tested element to ensure consistency. Beyond this there should be greater freedom for teachers to create their own course content, according to the enthusiasm, needs and potential of their students.

Teachers should be free to engage young minds, not be distracted by ticking boxes. And students should be free to learn.

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# To avoid cancer, let the State dictate your diet

Government intervention on smoking has worked. Now it must take on the food industry

**Jonathan Waxman**



It seems that cancer is everywhere, in every conversation, in the papers and on TV. "So you're a doctor?" starts the dinner party conversation. "What do I do to avoid the dreaded Big C?"

The media rings with cancer cures and cancer causes. We read: "Granny avoids cancer by regular pond dipping." Or: "Cancer cured by snake extract." It's not surprising that there is such a focus on cancer — it has touched all of us, and terrifies us. But sometimes, despite all this attention, the public seem remarkably ill-informed about what causes it.

This week, a Cancer Research UK study revealed that about 40 per cent of cancers could be prevented by changing the way we live. This caused a lot of headlines, but we have known for centuries that cancer is related to lifestyle. In the 16th century, Italian barber-surgeons observed that breast

cancer occurred at an increased rate in nuns and concluded that the increased risk might be due to the nuns' apparent virginity — or rather that they had no children.

One hundred years ago, Mark Twain, writing in his autobiography, described the death of Ulysses S. Grant and concluded that it was owing to the general's smoking habit. In the 1960s, studies of diet and cancer showed us that vegetarians were half as likely to get cancers of the breast and prostate and that if women were twice as fat as the average then their breast cancer risk went up by a factor of two.

The list goes on and on. All the facts are there. We have long known that lifestyle is the cause of about 30-40 per cent of all cancers. That's an amazing observation — but it's even more amazing to consider that although those facts have long been in the public domain, so little action has been taken to curb cancer-causing lifestyles.

The fight against tobacco shows that public health cannot be left to the individual; the Government will have to lead on changing lifestyles to stop so many people dying of cancer.

Twenty-five years ago, about half the population smoked. Now that figure is 20 per cent. That shift would not have happened without powerful

government intervention that took on the tobacco companies (and ignored the lamentations of the pension funds). Changing lifestyles not only needed information campaigns; it required mandatory and gory warnings on packets, an ever-increasing vice tax on cigarettes, advertising bans and forcing smokers out of pubs and offices and on to the streets with their habit.

Only with this "nannying" did the message begin to stick and the mindset

Encourage us to ditch the doughnuts. Ban ads for high-fat foods

and individual choices of the population begin to change.

But there were decades of inaction — and millions of avoidable deaths — before the State acted. It should not repeat the mistake again on obesity. We need the same strength of public campaigning to prevent the coming cancer epidemic caused by obesity. Already a quarter of Britons are overweight — and the figure is rising.

So should the State dictate how many sausage butties I have for

breakfast? Should the Health Minister be e-mailing me about my five-a-day broccoli and bananas? Yes and yes. Because my "freedom" has repercussions, not just on my health but on the rest of us. Private lifestyle choices have a tremendous effect on the public purse.

Not only do we need to ramp up the public health campaigns that encourage us to ditch the doughnuts. But we will have to go further and ban adverts for high-fat foods. It is wrong that manufacturers can produce mayonnaise with a 70 per cent fat content, so we should tax food laden with saturated fats.

Some will argue that this is an affront to personal freedom. But the people with the least ability to make informed choices are the poor, who happen also to be more likely to smoke or be fat. Food is a class issue and it must be made easier for the poorest in our country to eat well.

So let the State intervene and let us all take responsibility too. Be thinner, be healthier and maybe you will be happier in your later years.

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