ANDREW TOBIAS

Marilyn & You

How investors can get intimate with Monroe, Bogart, Einstein, and JFK

The Return of the Tax Loophole by Jacob Weisberg

Pay Yourself — a Retirement Strategy by Scott Burns

Ken Roberts: King of the Fast Buck by Erik Hedegaard
Can the Old Country Learn New Tricks?

EUROPE ADrift, by John Newhouse (Pantheon, $27.50)
MONEY AND EUROPEAN UNION, by Stephen F. Overturf (St. Martin's, $45)

One of the virtues of a common cultural heritage is free and easy communication. And, as I discovered while serving as the undersecretary of commerce for international trade in the first Clinton administration, the meetings with my European counterparts in Brussels and Paris were all the more animated for the great food and superb wine. Still, there was always something unsatisfying about these conversations. The Europeans rarely had positive ideas to advance. They openly criticized American arrogance in Bosnia or in trade negotiations. They especially railed against America's growing interest in Asia and Latin America at Europe's expense.

Now that I have the benefit of some two years to reflect on my government experience, it's clearer...
to me what was going on: Europeans are in the midst of a massive identity crisis. They are disoriented by new technology and by the excruciating pressure from financial markets to dismantle their generous social welfare systems. They no longer have enemies to their east, so they must confront their own internal demons. Not knowing where they are headed or how to deal with their malaise, they lash out at what others are doing. The nations that once embodied first-tier economic power, not to mention political and cultural leadership, have lost their way.

In *Europe Adrift*, John Newhouse, a fellow at the Brookings Institution in Washington, D.C., and author of several books on Europe, agrees. In clear, simple prose, he presents arguments that constitute a devastating portrait of just how bad things in Europe have become. He describes a continent where governments in London, Paris, and Bonn are increasingly unable to deal with problems that range from flaring ethnic passions to rising unemployment. He accuses European leaders such as French president Jacques Chirac and German chancellor Helmut Kohl of not having any strategy for Europe. Should it be a monetary union? A political union? Should Poland, Hungary, et al. be included?

Newhouse identifies several trends that have flummoxed the Europeans.

The decline of a clear external Russian threat has lessened the urgency to unite, allowing national rivalries to re-emerge. The relationship between Germany and France—a link at the heart of all Western European visions for the future—is eroding. Germany is having second thoughts about losing itself in the broader European fabric; Newhouse notes, for example, that after Kohl there may well arise German leaders with more nationalistic ambitions.

Newhouse's position is challenged by Stephen F. Overturf, a professor at Whittier College, in *Money and European Union*. Overturf believes that Europe does in fact have a direction and a destination and that both are defined by the goal of Economic and Monetary Union. Overturf traces the idea of EMU, which entails the creation of a single currency and an independent central bank to manage it, from its origins in the late 1950s through the twists and turns of its evolution since then. While recognizing the complexity of moving from several currencies to one, Overturf nevertheless argues that monetary union will happen because of the strong underlying forces that have been gathering strength for years. Among them, he claims, are a European consensus about the importance of a strong currency (and the low inflation it brings) and the need to strengthen Europe's trade performance in the world economy, something a single currency ought to facilitate.

Although he weaves history, politics, and economics together in a blessedly spare way, Overturf's argument is far less potent than Newhouse's. There are several big problems with EMU as the organizing principle for thinking about Europe's future. First, it may not work: Europeans are supposed to adopt the single currency in 1999, but there are enormous disputes over how the euro, as it will be called, should be managed—particularly over how independent a new European central bank will be. In the end, it will be Wall Street that makes the critical judgment of success or failure anyway. If a new central bank is soft-headed on inflation because it is beholden to politicians, financiers will dump the new European currency for dollars and yen.

Moreover, a single currency is not a panacea for Europe's ills. It will not

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**SITE OF THE MONTH**

**Not Necessarily the News From New York**

Business news is easy to come by on the Web, but whether it's from the comprehensive *New York Times* or *Wall Street Journal* sites or from the business news-wire services (usually Reuters) available on brokerage-house and other stock-related sites, this news often has a strong New York bias and is usually aimed at investment pros. *USA Today* (www.usatoday.com) takes a wholly different approach by servicing the Main Street investor, who is more likely to put faith (and money) in mutual funds than in individual stocks. It offers an archive of materials relevant to fund investors, plus data and performance histories (provided by Lipper Analytical Services) for thousands of funds. The *Los Angeles Times* (www.latimes.com) presents a perspective on the West Coast economy often missing from East Coast papers (see the "Wall Street, California" section) as well as articles from such superb contributors as financial columnist Tom Petruno and Debora Vranza, the reporter who tracked the Orange County debacle for the paper. The *Chicago Tribune* (www.chicago.tribune.com) is worthwhile for those whose portfolios are weighted with Midwestern companies or fund groups. Its site reports breaking business news from the heartland and also offers a price table for Midwestern stocks. A free daily E-mail service that updates the prices of stocks in a visitor's portfolio is also available. —Ted C. Fishman
help dismantle the welfare state that is keeping taxes high and choking entrepreneurship and growth. It will not help Europe overcome its second-class technological infrastructure, so crucial to competitiveness in the global economy. And it will aggravate geographic divisions that are occurring within Europe: Not everyone will qualify technically to join EMU, and not everyone wants to. The United Kingdom, which is possibly the most economically competitive European nation today, will stay out. Italy and Spain are likely to be kept out. And Poland and Hungary, not currently members of the European Union, aren’t even eligible to join. A Europe of three classes is hardly conducive to a coherent strategy for the Continent.

Newhouse is particularly critical of EMU as a diversion from a host of more important endeavors, such as labor reform and rising transnational crime. But most crucially, he thinks that obsession with currencies is preventing the European Union from seeing the need to move more quickly to incorporate some of the Eastern European nations and thereby build a larger Europe united by commerce, democracy, and culture. In his view—and mine—a common currency comes more logically after Europe coalesces in other arenas, not before.

Where does all this leave Uncle Sam? For starters, none of this is good news. An insecure and confused Europe is neither a good trading partner nor a strong political ally. It should therefore be no surprise that the Europeans whom I used to see when I was in Washington were mostly right: The U.S. is turning away from the Continent to build ties with countries like Mexico, Brazil, India, and China. As long as Europe wallows in its own uncertainties, isn’t this American turn toward the big emerging markets a rational choice? After all, they are growing two to three times as fast as Europe and Japan; they are the most dynamic force in the global trading system, with billions of new consumers and producers; most are hungry for democracy; and most want much closer ties to the United States. It would be a great shame if Europe deals itself out of the early 21st century, but it looks like that is becoming inevitable.