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the British government warned that to push this principle when markets were jittery would frighten investors. And when that happened the complaint that “German leaders just don’t get markets” was heard in several capitals.

German policymakers are unapologetic and say it is good that markets are disciplining borrowers. The markets’ increased focus on sovereign risk has led to Germany’s re-emergence as Europe’s financial anchor. Everyone is watching the spreads between the cost of borrowing in Ger-

France wonders whether the economic divergence between Germany and its partners may make Berlin more euro-sceptic

many and in other countries. Before the euro, the D-Mark was the centre of the exchange rate mechanism. The point of the euro, for the French and others, was to make the system European, not German. And so it was for 10 years.

But now Germany’s economic policies constrain others’ freedom of manoeuvre. If Germany tightens fiscal policy, France and Italy risk their spreads rising if they do not follow. And Germany will tighten policy, to comply with its constitutional provi-

sion for a balanced budget by 2016. This deflationary bias could spread through the eurozone.

The predominant view in Germany on the medicine required by the eurozone is that if the problem-countries cut spending and enact vigorous structural reform their economies will grow. Most other Europeans think the crisis in the eurozone will last as long as large structural imbalances divide it: Germany and other core countries have weak domestic demand but current account surpluses, while the peripheral countries have low growth and (Ireland excepted) current account deficits. The Germans dislike talk of imbalances since it implies they are partly to blame for low growth in southern Europe. So they oppose initiatives for more intrusive EU surveillance that could lead to reprimands for countries that fail to curb surpluses.

Germany may not get everything its own way. Some smaller states resent dictats from Berlin, countersigned by Paris. What if a national parliament blocks the treaty change? Smaller countries are also uncomfortable with Paris and Berlin minimising the role of the European Commission – their traditional protector – in eurozone rescue mechanisms. If the current, German-led strategy for curing the euro’s ills fails, Ms Merkel will face a revolt.

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A final push can break the glass ceiling

Sylvia Hewlett

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epite enormous progress in the lower and middle rungs of the career ladder, too few women are making it to the very top. In the US women hold just 15 per cent of seats on corporate boards, make up less than 5 per cent of top earners and comprise a mere 3 per cent of Fortune 500 CEOs. In the UK the situation is just as bad, with women accounting for 12 per cent of board seats and only 5 per cent of FTSE 100 CEOs.

These last slippery slopes of careers remain extraordinarily difficult for women. Theories abound as to why. Some see outright discrimination, while many focus on the awkward trade-offs women must make between careers and family. Others talk of women lacking the “vision thing” needed for corporate leadership, or posit that they are not sufficiently ambitious to endure the 80-hour work weeks expected of most senior executives. But such theories have always been unsatisfying.

Now new research provides a more convincing answer: women who are qualified to lead stall not for lack of drive, but for lack of a push. Unlike men, senior women often lack the backing needed to propel them into upper management – a powerful executive sponsor in their line of command prepared to go out on a limb for a chosen protégée and push for their next promotion. Having such a sponsor, the data show, boosts prospects for advancement by 23 per cent for men, and 19 per cent for women. But while executive women often have mentors dispensing friendly advice, they’re much less likely to have spon-

Senior women often lack powerful executive sponsors prepared to go out on a limb and push for their next promotion
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productively absorb the flow of capital that used to flow from poor ones. Indeed, they never could. What could not go on now has to change.

To understand why this is urgent, it helps to look at financial balances within deficit economies. In the case of the US, for example, they tell a compelling story. The financial balances (gap between income and spending) of the household, corporate, government and foreign sectors sum to zero. What is revealing is how they do so.

Foreigners have consistently spent less than their incomes and so ran a current account surplus with the US. Up to the crisis, the counterpart deficits were run, roughly equally, by the government and the household sectors. After the crisis, a reduction in the structural current account deficit.

This analysis lies behind any discussion of global imbalances. As the IMF’s report on the “mutual assessment process” in the G20 shows, the current account deficits of deficit countries are forecast to rise to levels seen before the crisis. Meanwhile surpluses are expected to stabilise (see chart). The inconsistency is clear. More important, this indicates how far the world is failing to put its prospective growth on a sustainable basis.

Changing this picture is not just in the interest of deficit countries. If the latter are unable to put their economies on a sustainable footing, there is a good chance that they will adopt more brutal methods to hold the drain in demand. This means protection, which would harm everybody, in the long run. It is far better to engage in a serious discussion of the path to adjustment than end up with such a battle for markets in a world of excess supply.

None of this will be easy. Monetary policy, for example, the possibility of a temporary stalemate between the US and China exists: the former can create dollars without limit, while the latter can respond by creating renminbi without limit, with which to buy the dollars. The “vortex” in this struggle might be the one afflicted secondly by inflation. But such a “currency war” would surely be a tragedy, not least because it would have massive adverse effects on innocent bystanders with relatively flexible exchange rates. There has to be a better way than this. Indeed, there evidently is: a balanced medium-term adjustment programme. Seoul may not have brought this that much closer. But the road ahead has been laid out. Leaders should see their own interest in moving briskly along it.

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