NANCIAL TIMES

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Friday February 8 2013

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n of laws. No uld have the life and death er they are US is perfectly US to target ho are beyond – this is legiti- ut that power judicial and ght. Upwards ly as many as been killed in including four nost cases the US government does not even acknowledge the strikes took place. On Wednesday, Mr Obama provided the full memo on drones policy to senior members of the Congress intelligence committees. But the document is more than two years old. And it is riddled with language that could permit targeted killings in many circumstances. It does not meet even the flimsiest rule of law test.

The US must declare to the world that it follows clear rules. Other countries, including China, are rapidly acquiring drone technology. The US cannot demand legality from others when it is cavalier in its own behaviour. Americans would rightly be outraged were Beijing to kill separatist targets on US soil – or were Mexican drones to take hot pursuit of drug gangsters across the border.

Such incidents may still be unthinkable given the US power to retaliate. This makes it all the more critical that Washington grounds its actions in law, rather than might. Only then can it demand that others follow international law.

Last year Mr Obama promised to create a "legal architecture" for targeted killings. At the bare minimum this must include precise and transparent rules and proper oversight over killer drones.

show the way

nd should lead to giant leap for eurozone

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liquidation of glo Irish Bank zombie slaying. ernment ended k's emergency – vulnerable to ank veto – and in of a promis- Anglo. The cen- on the promis- quidation was er, longer-term nd from Nama, sing the other eland's banks. whiff of three- is because the involved some work. ELA, the le to the rump d by the ECB omissory note, d the govern-

The restructuring did not quite earn Frankfurt's blessing – Mario Draghi, the ECB president would only "take note" of the Irish action. He could hardly be more enthusiastic: stuffing the national central bank with sovereign bonds – a retrofitted quantitative easing – is, to put it mildly, bad form under eurozone monetary rules. But it is good that an economically and politically indispensable move was not blocked. Greater fiscal breathing room should help both market confidence and growth in Ireland.

It will be good for the eurozone too. It badly needs a success story to show that troika rescue programmes come with exit doors. So Ireland and its partners need to strike two more deals. As the opposition rightly argues, restructuring the promissory note does not make the public liability for banks losses lower, just easier to bear. Europe must still make good its promise to separate bank and sovereign debt.

That, added to this week's deal, may throw open Ireland's door to bond markets. When that happens, Dublin should – proudly – ask for ECB bond market intervention to

LETTERS

The boom was the anomaly, not the current recession

From Dr Martin B. Small.

Sir, In his article "Be afraid, very afraid, of the world's tech crisis" (February 6) it is clear that Andre Geim's prime objective is to restore the most recent boom conditions for the global economy. This, however, assumes that the boom that ended in 2007 could have been sustained, or that the finale would have been the extinction of Homo sapiens in a glorious finale at a time when the resources of the planet reached their limits. I will add that the boom was also, in part, a consequence of Alan Greenspan's overstimulation of the US economy.

To my mind, that boom was the anomaly, and not the current recession. I would suggest that the economy that would be considered reasonable for a majority of the world's inhabitants would be a world with jobs for everybody who wants one and a use of the earth's resources that is sustainable in the longer term rather than the short term. In order to accomplish this, it would seem to me that it is necessary to aim for a new global government for the planet as a whole.

This would consist of representatives of the various present sovereign governments. Such a body should set a path for both population limits and consumption limits for each sovereign state. There should also be adequate enforcement powers resting on the global governmental body. Without such a body and a mechanism of enforcement, we cannot hope for stable conditions to exist on Earth.

One could further add that the present problems being experienced by the eurozone illustrate how difficult it would be to achieve such a situation. If, however, we return to the recent path of economic expansion and resource exploitation, we can only expect that an endless series of wars will be triggered by competition for the Earth's remaining resources down to the ultimate essentials of clean air and water. I do not think that Prof Geim would accept such a situation.

Martin B. Small,
Portland, OR, US

Next step requires that we be bold and imaginative

From Prof Carlota Perez.

Sir, Andre Geim, along with Tyler Cowen, Robert Gordon and quite a few other analysts, makes a mistake about the fall-off in innovation ("Be afraid, be very afraid, of the world's tech crisis", February 6).

The mistake is to assume that only "disruptive innovations" bring growth and employment. Disruptive innovations typically occur in the first decades of a technological revolution, such as the ICT revolution from the 1970s. We are now in the second or deployment period of the ICT revolution, and these periods always bring many less dramatic innovations. But typically the innovations of the deployment period are expansive, job-creating and capable of reweaving the fabric of the economy. Those are the less polarised prosperities, such as the Victorian boom or the Belle Époque or the postwar Golden Age.

In the late 1930s it would have been hard to anticipate the enormous impact of suburbanisation, universal electricity, plastics, food processing and the cold war for innovation, growth and employment. Home freezers and frozen foods, plastic plates and plastic packaging, portable radios and record players, food processors, "wash and wear" fabrics, acrylic and colour TV were not disruptive, although many required research and development. They were part of the stable trajectories of energy-intensive mass production that expanded the economy, contributed to the "American Way of Life" and generated employment in a sustained way.

The current pessimism about new technologies and their impact on employment and growth is the other side of finance sitting on its billions and governments insisting on austerity and on saving the banks. And it helps those who believe that "we can no longer afford the welfare state". That depends on whether we can once again produce enough wealth or not.

In fact, the innovation opportunities are innumerable. They cluster around the path towards a "green luxury life", using ICT to redesign all products, structures and infrastructures, to increase radically the productivity of resources and to dematerialise consumption favouring services, creativity and health. But this will depend on whether we can be bold and imaginative enough to tilt the playing field in their favour.

Carlota Perez,
Professor,
Technological University of Tallinn, Estonia
Visiting Scholar, LSE

Model Veronica Moon with the world's smallest record player in 1958 Getty

Capital outflow should be regulated in some circumstances

From Dr Kevin P. Gallagher.

Sir, Felipe Larrain, the Chilean finance minister, is right to scorn the destabilising impacts of greater liquidity on emerging markets ("Remember the effect of QE on the emerging economies", February 5). Rather than spurring credit to anaemic industrialised economies, investors are flocking to the emerging markets. The result is not only exchange rate appreciation, as Mr Larrain notes, but also can result in a false sense of euphoria that bloats balance sheets. If there is a sudden stop in capital flows due to jitters in the world economy, all this unwinds and can spur a crisis. Mr Larrain rightly says that nations like his can deploy a mix of reserve accumulation, macro-prudential measures and capital controls.

But that usually isn't enough. "Multilateral Aspects of Regulating the Capital Account", new work by IMF economists Jonathan Ostry and Atish Ghosh, and Anton Korinek from the University of Maryland, suggests that there are certain circumstances where industrialised countries should regulate the outflow of capital. This work formalises and extends work by Keynes who said that cross-border finance should be regulated at "both ends".

Such measures would help meet multiple goals. In the industrialised world, regulating outflows would steer new liquidity toward slumping home markets. Emerging markets wouldn't have such accentuated booms and busts. The margin requirements and Volcker rule in the Dodd-Frank bill have the potential to stem outflows in the US case, but the US has exempted foreign exchange derivatives and branches from the most important parts of the rules.

Kevin P. Gallagher,
Global Development Policy Program,
Dept of International Relations,
Boston University, MA, US

Get real about bankers, FT – they are nothing special

From Mr Mark Lenczner.

Sir, You state in your editorial on the Royal Bank of Scotland bonus battle (January 29): "The hard truth is that long as RBS has an investment banking arm it will have to pay bonuses to attract and retain government made the bailout was to retain the public service the high street bank provides (and prevent considerable adverse social impact and politically damaging upheaval).

What makes investment bank different from any other business workers. If they don't like their pay, they can leave their employer and then see how "employable" they are and what their "real" market value is.

The real "hard truth" is that if the investment bankers were as

Economists not to stray of their own

From Mr Anthony Hob

Sir, Being a lawyer I Turnbull's letter (Janu some bewilderment. W myself, was an econom respected one, commen science?

As lawyers we are tr up facts and evidence accredited experts from under examination. We economist or non-quali commentator before a address a scientific issu certainly be severely re Likewise, if I were ill I to qualified doctors an expert from another fie commentator on medic if he were a respected nine out of 10 doctors same diagnosis, why w to a non-medically qua who tells me they are

It should also be poi your correspondent fro (Letters, February 6) th state and federal gover that the science is pro Environmental Protect 2009 found that by cau contributing to climate greenhouse gases enda public health and the of current and future g

When the EPA was c three-year long law sui Supreme Court ruled t findings on GHGs were "unambiguously correc how science works," th wrote in their unanimo "The EPA is not requir the existence of the at it approaches a scientifi

These are questions fact and not opinion. W per cent of the world's peer reviewed scientist

On this basis any co adheres to the rule of common sense would c the science is proven.

Anthony Hobley,
Solicitor,
Redhill, Surrey, UK

Stop insulti my intellige

From Mr Daniel Mauro

Sir, Enough is enoug stop covering global wa opinion section of news

As a trained physicis of having my intelligen the issue by libertarian (Letters, February 6). T carbon dioxide you pur atmosphere, the more is trapped, the warmer becomes. Two plus two do not see the point of to anyone who asserts five or cites a book aut paid director of an Aus company (Ian Plimer). believe you are doing y publication, and the wo disservice.

Daniel Mauro,
Chicago, IL, US

Whatever i is coming n

From Mr Howard Covin

Sir, Chris Kniel (Lette 6) claims only reasonab in dismissing the key re decades of climate resea patently false and witho I disagree. Such immedi valid, betokens an intel