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# METZE's MONTHLY ©

## Selection of Reading

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*Editor: Dr. Marcel Metze  
journalist, historian, author*

**www.metze.nl**

*Metze's Monthly Selection of Reading* contains references to, and summaries of, books, reports and articles which the editor considers to be 'extremely interesting reading'. The selection, with a maximum of five references per issue, is updated monthly. Your suggestions are highly appreciated. We also invite you to send your own high quality essays and – preferably investigative - articles for referral or full-text publication.

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In this issue:

The European Dream, Corporate Scandal and Conducting

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## 1

### **The European Dream**

#### **How Europe's vision of the future is quietly eclipsing the American dream**

By Jeremy Rifkin  
Penguin Books, London, 2005

Jeremy Rifkin is a fellow at Wharton School's Executive Education Program, where he lectures to CEO's and senior managers. He is a bestselling author, and describes himself as a "social critic". In this book he presents an almost exuberantly optimistic view of Europe.

Mr. Rifkin was born and raised in the American Dream. Now he thinks it's time to say goodbye to that dream. It has become "far too centered on personal material advancement and too little concerned with the broader human welfare to be relevant in a world of increasing risk, diversity, and interdependence. It is an old dream, immersed in a frontier mentality, that has long since become passé."

Europe offers an alternative, though. "While the American Dream is tiring and languishing in the past, a new European Dream is born. It is a dream far better suited to the next stage of the human journey – one that promises to bring humanity to a global consciousness befitting an increasingly interconnected and globalizing society." Why? Europe has been a "quiet economic

miracle”, Rifkin argues. Though criticised in Europe itself, the expansion of the European Union in fact marks “the birth of a new kind of economic superpower”. The EU’s gross domestic product “comprises nearly 30 percent of the GDP of the world”, is larger than the United States’ GDP and 6,5 times larger than China’s.

Moreover, the ‘United States of Europe’ are governed in a process-oriented, multi-level, networking style, allowing a wide array of regional and cultural differences to co-exist. As such, it provides a governing model for the world as a whole.

*Note from the editor:*

*I thank professor Mathieu Weggeman for his suggestion to select Mr. Rifkin’s book.  
I postpone my judgment until I’ve finished it.  
Meanwhile, I’m interested to learn your’s.*

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## 2

### **Europe’s Midlife Crisis**

Special Report

The Economist, March 17th-23rd, 2007

In a special report, *The Economist* too is surprisingly positive about the European Dream. Europe’s early decades were “spectacularly” successful and the 50 years since the Treaty of Rome “have brought peace and prosperity on a scale unimaginable in Europe’s history”.

Unfortunately, at it’s 50<sup>th</sup> birthday the European Union is in a ‘mid-life crisis’. Europe’s political leaders need to reinvigorate their economies by increasing competition, trimming their welfare states, and making their labour markets more flexible. Plus, they should “make a lot more effort to persuade their voters that they have benefited from the enlargement of the club”. They should not, as the seem to be doing again, concentrate on a constitution, *The Economist* writes. It is a divisive issue and until now, the EU has been able to do without. The key to generating more enthusiasm for Europe among its citizens is not a constitution but economic success.

*The Economist* is confident that the EU is here to stay and will overcome its midlife crisis. At its 100<sup>th</sup> birthday, 50 years from now, the EU will look back “with quiet satisfaction”. “Predictions when it turned 50 that it was doomed to irrelevance in a world dominated by America, China and India proved wide of the mark”. Somewhere between 2007 and 2057, Turkey will join the Union, Ukraine (but not after the threat of a Russian invasion and a dangerous international political crisis) and even Morocco. Cyprus will be re-unified, and after that a confident EU will even manage in concluding the Middle East peace process, resulting in the admission of Israel and Palestine as the 49<sup>th</sup> and 50<sup>th</sup> member states. The only real challenge then left will be Russia. After the Putin era, and the restoration of a symbolic tsar, Russia will have developed into an impeccable democracy, *The Economist* hopes. If so, “it would be apt to mark the [100<sup>th</sup>] anniversary by welcoming Russia back into the European fold.”

*The opening story of this special report is publicly available on The Economist website:  
[http://www.economist.com/surveys/displaystory.cfm?story\\_id=8808062](http://www.economist.com/surveys/displaystory.cfm?story_id=8808062)*

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# 3

## The Kona Files

### How an obsession with leaks brought scandal to Hewlett-Packard

By James Stewart  
The New Yorker, 19 & 26 February, 2007

In February 2005, Hewlett-Packard C.E.O. Carly Fiorina was fired and succeeded by Mark Hurd (April 1<sup>st</sup>). Patricia Dunn was appointed chairman of the board. These events were preceded by a series of press leaks, and it became Dunn's explicit task to stop them. At the advice of the company's security manager she hired an outside investigator.

The inquiry, dubbed Kona, did not trace the leaks. Then, in January 2006 a press report appeared, describing a strategy meeting of HP's board and top executives, held two weeks earlier, and evidently based on another leak. Dunn launched a second investigation, Kona II, which revealed a contact between non-executive director Jay Keyworth and CNET reporter Dawn Kawamoto. During a board meeting, Keyworth admitted having met the reporter but denied having told her any company secrets. Nevertheless, he was forced to resign. Enraged, the most powerful member of the HP board, Silicon Valley venture capitalist Tom Perkins, also resigned.

In September 2006, the Security and Exchange Commission (S.E.C.) and the California Attorney General started an investigation into the way HP had handled this matter. A number of press reports appeared, showing that in order to trace the leaks the HP investigators had illegally obtained phone records of reporters and of its own directors, and had monitored the directors' telephone and email contacts. On September 22<sup>nd</sup>, HP announced Patricia Dunn's resignation. In October Dunn, the company lawyer leading the internal investigation, and some private investigators hired by HP were officially charged with fraudulent wire communications, wrongful use of computer data, identity theft and conspiracy (just recently, the charges against Patricia Dunn, who suffers from a returning ovarian cancer and might not live long, were dropped).

James Stewart not only describes how the search for the press leaks got out of control, he also gives a detailed account of the political manoeuvring inside the Hewlett-Packard board. It is stunning to read that neither chairman Patricia Dunn nor C.E.O. Hurd ever got the idea to do the only sensible thing: get some independent legal advice about the tracing methods that were used. The only board member who did, was Tom Perkins, but not until after his resignation, and presumably most of all to cover his back.

*"The Kona Files" is a superb piece of investigative reporting.  
It is publicly available on The New Yorker website:  
[http://www.newyorker.com/reporting/2007/02/19/070219fa\\_fact\\_stewart](http://www.newyorker.com/reporting/2007/02/19/070219fa_fact_stewart)*

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# 4

## Open Secrets

### Enron, intelligence and the perils of full disclosure

By Malcolm Gladwell  
The New Yorker, January 8, 2007

On October 23d, 2006, Jeffrey Skilling, the former C.E.O. of the bankrupted energy company Enron, received a prison sentence of 24 years. Half a year earlier, a jury had found him guilty of fraud. The sentencing was an emotional event, involving statements of former employees who had lost their pensions because of Enron's bankruptcy, in late 2001.

'Enron' has become one of the most famous financial scandals ever. In order to understand it, one should not regard it as a puzzle but as a mystery, Gladwell argues. There is a fundamental difference. A puzzle can be resolved by assembling the pieces, so by gathering information. Solving a mystery requires judgment and analysis. According to Gladwell, the way the Enron scandal was exposed proves that it was a mystery, not a puzzle. The Enron board and management never lied. In their financial statements they provided all the information necessary to understand the risk of their business, energy trading. They even disclosed all their side deals. The problem, Gladwell thinks, was not information but complication. Enron's financial deals and constructions were so complicated that no one fully understood the risks – not even the company's own chief financial officer.

It was analysis that brought this story out in the open, not the revelation of new information. In July 2000, Jonathan Weil, a reporter of *The Wall Street Journal* got a call from someone he knew in the investment community, who advised him to check Enron's earnings. Weil downloaded a number of Enron's annual reports and quarterly filings and talked to a dozen experts. After a month's work he reached a sobering conclusion: a substantial part of Enron's reported earnings consisted of unrealised, future income. At the time, Enron was one of the most admired companies in the USA, the seventh largest corporation by (stock) market value. Everyone thought it was highly profitable. But in fact, it was losing money fast. Weil printed his analysis in September 2000. It took until March of 2001 before it was picked up by *Fortune Magazine* and other media. They all reached the same conclusion: Enron was in big trouble. In August, C.E.O. Jeffrey Skilling resigned; in December 2001, the company filed for bankruptcy.

In conclusion, Gladwell quotes Jonathan May, a law professor at Yale, who wrote: "In order for an economy to have an adequate system of financial reporting, it is not enough that companies make disclosures of financial information. In addition, it is vital that there be a set of financial intermediaries, who are at least as competent and sophisticated at receiving, processing and interpreting financial information ... as the companies are at delivering it." The Enron case illustrates that such competence and sophistication are lacking. Enron's management may have failed to understand the company's business risks properly, so did most financial analysts, accountants and the financial press. Interestingly, a group of six students at Cornell University's business school had already analysed Enron's weaknesses in 1998. Their conclusion had been straightforward and was published on the university website: sell this stock.

*'Open Secrets' is a 'must read' for business journalists and financial analysts.*

*It is publicly available on The New Yorker website:*

*[http://www.newyorker.com/reporting/2007/01/08/070108fa\\_fact\\_gladwell](http://www.newyorker.com/reporting/2007/01/08/070108fa_fact_gladwell)*

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# 5

## Measure for Measure

### What conductors convey to musicians

By Robert Spano  
The New Yorker, August 21, 2006

The Dallas Symphony Orchestra has recently engaged *Jaap van Zweden* as its music director, starting in the 2008-2009 season. If you want to know what conducting really is, read Robert Spano's wonderfully written report. It's all about non-verbal communication. A conductor "transmits a huge amount of musical information instantaneously, accurately, and virtually wordlessly" Spano explains. "Each maestro has a personal dialect". Few people know that the profession of conducting is less than 200 years old. In the 18th century, violinists or harpsichordists often led the ensemble. Spano describes the changes in conducting techniques in the 20<sup>th</sup> century and compares the styles of famous conductors, such as Mengelberg, Von Karajan, Maazel and Masur. In recent times, conductors are adopting a more democratic style.

*'Measure for Measure' makes good reading for both managers and music lovers.  
An abstract publicly available on The New Yorker website:  
[http://www.newyorker.com/archive/2006/08/21/060821fa\\_fact\\_davidson](http://www.newyorker.com/archive/2006/08/21/060821fa_fact_davidson)*

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