

The FT View



FINANCIAL TIMES

"Without fear and without favour"

Tesla meets the European social model

Musk should adapt to the Swedish system, not the other way around

In Sweden, the innate suspicion towards organised labour of a US tech entrepreneur has collided with Europe's social model. The Swedish IF Metall union is in an escalating battle with Elon Musk's Tesla over the carmaker's refusal to sign a collective bargaining agreement, where employers and unions set labour conditions. The dispute has already spread to dockworkers in Norway and Denmark. Its implications for Tesla, unions and the auto industry stretch across Europe, and back home to the US.

Under the Nordic labour model that Sweden typifies, unions and employer organisations jointly set wages and working conditions in most companies at national level; the government does not intervene. Both sides tend to agree this has kept strikes down compared

with, say, France. The unions see collective agreements as especially vital in a nation with no minimum wage.

A wrinkle here is that many small companies in Sweden are not part of collective bargaining agreements – and despite its global clout and renown, Tesla's labour presence in the country, where it has no manufacturing, is relatively tiny. Only about 130 mechanics in Tesla workshops are involved in the dispute. That has led to some sympathy for the US automaker in Swedish business circles.

IF Metall and supporters in other sectors are certainly open to charges of heavy-handedness. Using a right to sympathy action, cleaners, postal staff and dockworkers have stopped co-operating with Tesla – preventing it from receiving registration plates for cars or even unloading them from ships. Danish and Norwegian dockworkers acted to prevent the company from bringing cars into Sweden from their ports.

The unions argue this is an existential

issue. They have pressed other tech companies such as Northvolt, Klarna and Spotify to sign collective agreements. If a multinational such as Tesla can avoid a deal, they fear, others might do the same, undermining a bargaining system that has existed since 1938.

The stakes are high for Tesla, too. Being seen to "fold" in Sweden could embolden its workforces elsewhere. In Germany, where worker representation is required by law, Tesla is resisting ambitions by the big unions to take the role of organising workers at its 10,000-strong Grünheide factory. In the US, the United Auto Workers union is making unusually public efforts to unionise workers at 15 carmakers that have non-union plants, including Tesla, after it wrested sizeable pay rises and concessions from General Motors, Ford and Stellantis in a six-week strike.

For Musk, challenging established ways of doing things is central to his modus operandi. His Tesla business is part of an invading band of EV makers

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aiming to supplant Europe's auto giants – which dragged their feet on the new technology – precisely by rejecting old practices. They are apt to see attempts to force them into existing labour relations as a form of protectionism.

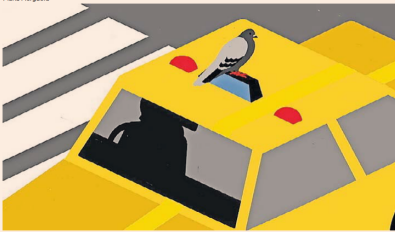
But business leadership is also about recognising what works. The Nordic model of labour co-operation has been found to be positive for manufacturing productivity, and to have made workforces more adaptable and willing to adopt new technology – making it generally good for employers, too.

Disrupters are vital to economic dynamism; Musk has done more disrupting, and shown more dynamism, than most. But foreign investors need to respect the legal and social rules and the business cultures of the countries where they seek to do business; doing otherwise can harm their brands. It should be for Musk and his company to adapt to a Swedish model that has a record of working well, rather than for the Swedish model to adapt to Musk.

Opinion Asia

Death, the taxi and the Tokyo pigeon killer

Maha Hergotta



Leo Lewis

In an episode of the first world war television comedy series *Blackadder Goes Forth*, the catastrophic absurdity of war is laid bare in parody by a court martial centred around the murder of a pigeon.

Outside the courtroom, the unmitigated slaughter of the Flanders trenches is vapourising blood, treasure and sanity at a pace that shames humanity. Inside, officers have the time, comfort and resources to prosecute a man and sentence him to death over the foreshortened life of a common bird.

In 2023 Tokyo, now contemplating its own dead pigeon show trial, the setting is infinitely more placid. But the underlying, tragicomic dissonance is similar: in war or peace, is the prosecution of a pigeon killer the sign of a nation that has lost its grip on reality, or does it mark one as an upholder of

can be fully prosecuted under Japan's Wildlife Protection, Control and Hunting Management Act. The legislation is not explicit on this type of incident, but it clearly hungers for the kind of case law that this debacle will produce.

The whole affair, from the moment the police decided that it was worth tracking down the perpetrator, performs a much greater public duty, however. Built into the prospect of prosecution of the pigeon killer in Tokyo's Shinjuku district are three critically important assertions of stability, ethical, social and fiscal.

On all three fronts, the assertions come at a time of ever-greater and more unsettling evidence from around the world of how fragile everything looks. In the face of that, and with a prime minister suffering tumbling approval ratings, Japan's leadership is at pains to demonstrate to its populace that it has not let anything slip.

Other countries may find themselves forced to decide that certain crimes will now go unprosecuted or that the rule of law is more porous than it once was; here, pigeons are avenged and no would-be bird assailant can sleep easy.

But perhaps the strongest – if more subliminal – assertion arises from the financial cost of arresting the pigeon-killer. The implication is that such expenditure is critical to civilised society. Not only should the state pay for a postmortem on a species of bird that, across the country, public signage orders people not to feed, but Japan can afford – financially and despite the rising demands on the public purse – to do these things properly.

And in that lies a clue to how one of the world's largest economies intends, for now, to keep treading the high wire of epic public indebtedness and what, to many, looks increasingly like a loss of fiscal discipline. Even with government borrowing at a ratio of about 260 per cent to gross domestic product, it is making it clear that Japanese life and Japanese standards are operating as usual.

This stance, in all its bravado, is what allowed Prime Minister Fumio Kishida to push through a ¥17tn (\$115bn) fiscal stimulus package last month, and to propose tax cuts at the same time as locking Japan into a historic increase in defence spending. It assumes that nothing huge – including plausible and in some cases quantifiable threats such as an earthquake or regional conflict – will upset the equilibrium.

The *Blackadder* trial exposed pigeon-based truth in the extreme distortions of war; Tokyo's trial could find it in the also considerable distortions of peace.

In legal terms, the overarching question now is whether the cabbie

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Letters

Lebanon's gasfield deal with Israel offers a glimmer of hope

Aside from shifting liabilities from the Banque du Liban to the government, Ricardo Hausmann's proposed resolution for Lebanon's economic crisis ("There is a realistic solution for Lebanon's economic crisis", Opinion, December 1) comprises two elements.

First, a writing down of government and central bank debt by "upwards of 80 per cent" – albeit obscured initially by a dollarisation of the economy and the substitution of government paper

for the assets of banks with the central bank and depositors with the banks.

And, second, structural reforms to promote rapid gains in productivity and higher growth. These are conventional solutions for debt crises. Lebanon's is dire and has been exacerbated by decades of political instability and economic mismanagement.

It is difficult to imagine that bank depositors will be greatly enthused

about holdings of dollar-denominated government paper if this will be subject to the broad 80 per cent haircut on debt. And such a debt writedown, acknowledged to be inevitable, will surely be anticipated. Changes in financial arrangements – a shifting of liabilities from the BIL to the government – will do little to promote confidence, investment and growth unless it can somehow be coupled with deep governmental reform.

The second element – the elixir of growth – is the magic wand that cures all ills, if only it can be found.

I would question the word "realistic" in the title. Structural reform that elicits sustained growth is chimerical with a fractured, dysfunctional government. Perhaps the offshore gas agreement with Israel is the one glimmer of hope. **Leslie Lipschitz**
Boston, Massachusetts, US

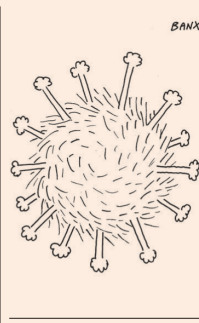
Banks' shareholders fear the wrath of regulators

I read your interesting piece on the reasons why European bank prices are so low despite shareholder payouts running often at more than 15 per cent ("Europe's zombie banks are grappling with distinctive drawbacks", Opinion, December 5).

An important point that you don't mention that could also raise banks' cost of capital is related to the extremely loosely defined resolution powers of regulators (see how they left Credit Suisse shareholders with a rather small amount of money and even cancelled AT1 bonds).

How much of the true fundamental economic value of banks can be destroyed today by the possibility that in the future regulators could act brutally in a precautionary manner when they find the level of remaining equity too low (but not yet negative)?

This is an interesting question, with no obvious answer. But with some reasonable assumptions about the regulators' behaviour (who may give a strong role to equity prices in their decisions to kill zombie banks), it is possible to show that 100 per cent



of the true value could be destroyed.

I believe that, on top of all the problems you mention, shareholders' knowledge of that they would be the first victims of zealous regulators in case of problems unfortunately contributes to the low valuations you discuss.

Olivier Davanne
Risk Premium Invest,
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Remember Mervyn King's role in averting crisis

The sad death of Alistair Darling has rightly been marked by tributes to his time as chancellor. Yet to give him full credit for avoiding a great depression (Obituary, December 1) and saving the banking system following the run on Northern Rock paints a less than complete picture.

Equal recognition must be given to the then governor of the Bank of England, Mervyn King, for refusing the chancellor's demands to increase support for the banking system. The governor refused levels of support beyond those provided on the basis of moral hazard, and since we now know that some of the same bankers supporting the chancellor's pleas for more help were either manipulating (or planning to manipulate) markets in Libor, metals, commodities and derivatives and forcing company liquidations in disregard of due process, then King deserves full credit for holding firm and playing his part in averting what could have turned into a systemic disaster.

Charles Bishop
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The economics world needs another Kissinger

Edward Luce is correct that Henry Kissinger was a diplomatic wunderkind (The Big Read, December 2).

Fifty years after Kissinger left office, the US government still spends as if it faces no budget constraint. This largesse, in the face of huge budget deficits, causes the US to remain the world's growth engine. East Asian economies, in spite of paying lip service to increasing domestic consumption, persist in hitching their railcars to the US locomotive. Oil-producing countries, despite the imperative of decarbonisation, continue to profit from selling fossil fuels.

Fresh thinking on how to reorganise the world economy is long overdue. **Willem Thorbecke**
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Tokyo, Japan

Correction

• Former US Supreme Court Justice Antonin Scalia did not write the court's "Chevron doctrine" ruling as wrongly stated in an article in some editions on December 5.

OUTLOOK SOCIETY

New calendar hopes to revive the real spirit of Advent

Over the past week, millions of doors across Britain have been gently opened. After tearing back a thin curtain,

hands young and old have reached inside to extract a small, sweet, sought-after item from its casing. What was taken, it's safe to say, will never be seen again.

I am alluding not to a sudden wave of house burglaries but to Advent, which signals the return of calendars across the nation – most of which contain chocolate. Beginning traditionally on the fourth Sunday before Christmas and ending on December 24, the period is one of reflection and preparation for Christians before they celebrate the birth of Jesus.

This year, there is a new calendar entrant from a rather unlikely place. The Church of England has, for the first time in its history, released an Advent calendar. On sale for £3.99, it requires users to pair the right sticker with each of the 24 days so that they end up with a complete Nativity scene.

The church says it commissioned the calendar so it could offer "something that would enable the Nativity story to be shared between children and parents". The Rt Rev Sam Corley, bishop of Stockport, tells me the aim of the calendar – which comes alongside a new carol, "The First Nowell" – is to get back to the original meaning of Christmas and provide a "different experience" from

the proliferation of other calendar gifts that we have grown used to.

In the past, after all, Advent was marked for many by abstinence, rather than indulgence: people would fast in the run-up to December 25, at which point food – meat in particular – that had been forsaken for weeks would be relished for 12 days until Epiphany, when the Magi visited Jesus, according to the Bible.

The tradition of Advent calendars began life in 19th-century Germany, where Lutherans marked the countdown to Christmas by marking doors or floors with chalk, lighting candles and displaying devotional images in their homes. By the 1900s, small boxes made typically of wood or cardboard had religious imagery or biblical verses placed inside them.

Gerhard Lang is credited with making the first printed calendar around the same time, and adding chocolate to the design, although cardboard rationing during the second world war led his business to fold.

Shortages of materials did not stop the Nazi party from publishing a non-religious version in book form in 1943, however. Underlining the importance of family and military service to young German readers, it featured pictures of neatly decorated gingerbread next to a helmet and gun and a bright, floral wreath with a swastika at its centre.

In the US, sales of Advent calendars were boosted by a photograph of then president Dwight Eisenhower's

grandchildren opening the "Little Christmas Town" calendar in 1954.

The first chocolate calendar is believed to have been sold in the UK around then, although it wasn't until Cadbury, the confectioner, began making a mass market one in 1971 that the product caught on.

Judging by the aisle devoted to Christmas-related goods in my local supermarket, chocolate remains by far the most popular calendar filling. But consumers today have a much wider variety to choose from: cheese, coffee, chilli sauce, toys, cosmetics and even fine bone china are all on offer in the rectangular cardboard boxes.

Kristina Houghton, seasonal confectionery buyer at Waitrose, says flavours offering "more sophisticated imagery or biblical verses placed inside them."

Perhaps, given this explosion in epicurean calendars, it is no bad thing that the Church of England is nudging the faithful towards a more traditional understanding of what Advent is all about. With England and Wales preparing for another Christmas as minority Christian countries, according to census data published last year, the CoE's Advent offering seems unlikely to reverse the trend of people declaring themselves to be of "no religion".

All the same, it's an intriguing blend of old and new – and a low-cost and zero-calorie way of channelling the Christmas spirit to boot.

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by Franklin Nelson