

SATURDAY-SUNDAY-MONDAY, DECEMBER 23-24-25, 2006

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Suspect charged with murder of 5 women in U.K.

A 48-year-old truck driver appeared in court Friday in Ipswich, England, charged with murdering five prostitutes whose naked bodies were found over a 10-day period this month. Steven Wright did not enter a plea, and his attorney did not seek bail.

Wright, who was arrested at his home in Ipswich on Tuesday, wore a dark suit that had been purchased for him by the Suffolk police for his hearing in the Ipswich Magistrates Court. "He wanted to appear smartly dressed in court," his attorney said.

A second man, who had been arrested earlier on suspicion of murder, was freed on bail without being charged. Page 3

Many Azeris see Iran behind unrest

An article denigrating Islam in an obscure newspaper in Baku has led to emotional demonstrations across Azerbaijan and in Iran. A prominent Iranian cleric demanded the death of the two writers of the article, who have been imprisoned in Azerbaijan. Many Azeris see the roots of the trouble in what they consider Iran's shadowy influence. Page 6

African health plans suffer from overlap

The world's leading public health officials praise malaria prevention efforts across Africa, but getting an unwieldy collection of international organizations to work together effectively is a challenge. "There were too many cooks," said a malaria fighter for the World Health Organization, whose experts helped draft a six-country proposal. Page 2

4th day of dense fog disrupts Heathrow

A dense fog that has smothered southern England persisted into a fourth day Friday, disrupting hundreds of flights at Heathrow Airport on the busiest travel day of the holiday season. Delays and cancellations aggravated thousands of travelers as they tried to get home for the Christmas holidays. British Airways expected a return to normal by Sunday. Page 3

Toyota set to lift crown from GM

'07 forecast indicates end of 81-year reign

By Martin Fackler

TOKYO: Toyota Motor said Friday that it planned to sell 9.34 million vehicles next year, a figure that analysts said would be big enough to put it ahead of the troubled General Motors as the world's largest auto company.

Toyota reported global group sales this year of 8.8 million cars and trucks, below GM's forecast for 2006 sales of 9.2 million vehicles. But the figures Friday showed the two rival car giants on starkly different trajectories, with Toyota expected to add a half million in vehicle sales in 2007, at a time when GM is closing plants and laying off workers.

Surpassing General Motors would be a crowning achievement for Toyota, a company that got its start in the 1930s by reverse-engineering GM and Ford cars, and that spent decades catching up with Detroit. It would also end GM's 81-year reign over the global auto industry, and mark another step in the rise of Asian carmakers.

But becoming the global leader would also have its pitfalls for Toyota, analysts warned. The Japanese automaker could become a victim of its own success and follow GM's decline, they said, if it grows complacent or lets quality control slip amid its rapid expansion. Being at the top could also make Toyota a fatter target for critics, particularly in the U.S. Congress, where the company's rise could fan a protectionist backlash, analysts said.

"Does being No. 1 matter? It matters for GM, and for America," said Hirofumi Yokoi, an auto analyst at CSM Asia. "It becomes a political issue when America gets passed in a core industry. Toyota will have to be even more sensitive and cautious in the U.S. market."

Toyota's emergence as No. 1 would also realign the global auto industry. The Japanese car company would become the new industry benchmark, analysts said, and one that would be tough to match. While GM's strength in recent years has been its finance arm, Toyota's success is grounded in its formidable manufacturing prowess. As the world's most profitable carmaker, Toyota also

TOYOTA, Continued on Page 13



Europe catches shopping fever

Europe has a long way to go before it reaches the shop-till-you-drop fervor of the United States. But countries traditionally protective of workers' rights, like Germany, are allowing stores to stay open longer, or do business on Sundays. Page 11

Sunnis losing ground in Baghdad

At least 10 districts have become almost entirely Shiite

By Sabrina Tavernise

BAGHDAD: As the United States debates what to do in Iraq, this country's Shiite majority is already moving toward its own solution.

In a broad power grab in Baghdad, Shiite militias are pushing Sunnis out, forcing them to flee to an increasingly embattled territory in the western part of the city. At least 10 mixed neighborhoods have become almost entirely Shiite this year, say residents, local officials and U.S. and Iraqi military commanders.

It is a fight for control of Baghdad that Sunni militants were once winning. For the first two years of the war, they forced Shiites out of neighborhoods across the city, systematically killing bakers, barbers and trash collectors, jobs often held by Shiites. But in February, after the bombing of the Samarra mosque, Shiite militias struck back, pushing west from eastern

strongholds and redrawing the sectarian map of the capital.

Shiites are seizing power broadly. The Shiite-dominated government is demanding more control over the Iraqi security forces, but militias have settled deeply within their ranks and the Sunni public is terrified at the prospect.

There are plans for a new bridge that would isolate a violent Sunni area in the east and a proposal for land handouts in towns around Baghdad that would bring Shiites into what are now Sunni strongholds.

Sunni political control in Baghdad is all but nonexistent: Of the 51 members of the Baghdad Provincial Council, which runs the city, just one is Sunni.

In many ways, the changes are a natural development.

Shiites, a majority of this nation's population, were locked out of the ruling elite under Saddam Hussein and now, after decades of oppression, have

power that matches their numbers.

Sunni Arabs now say that an emboldened militant fringe will conduct broader killings without being stopped by the government, or, some fear, with its help.

That could, in turn, draw Sunni countries into the fight and lead to a protracted regional war, precisely the outcome that the Americans most fear.

The Shiite-dominated government publicly condemns violence against Sunnis and says it is trying to stop the militias that carry it out. But the cleansing continues unabated and Sunnis say the government is somehow complicit.

"They say they're against this, but on the ground they do nothing," said Mahmood al-Mashadani, the speaker of Parliament, a Sunni. He moved his family to the better protected Green Zone in October.

IRAQ, Continued on Page 6

Koreans vow to 'improve deterrent'

North's threat comes after nuclear talks end without progress

By Joseph Kahn

BEIJING: Talks to end North Korea's nuclear weapons program closed Friday without tangible progress, and Pyongyang quickly renewed threats to "improve its nuclear deterrent."

American and Asian diplomats said that during five days of negotiations in Beijing, the North Korean delegation declined to discuss disarmament in formal sessions, insisting that it would do so only after the United States removed financial measures that have further isolated Pyongyang from the international economy.

China, the host for this and previous rounds of the inconclusive negotiations, said the participants in the talks — the United States, China, North Korea, South Korea, Japan and Russia — had agreed to "reconvene at the earliest opportunity." A U.S. official said the talks could resume early next year.

But the latest impasse may signal the increased difficulty — analysts say the near impossibility — of persuading North Korea to give up its nuclear program now that it has tested a nuclear device and declared itself a nuclear weapons state.

Christopher Hill, chief U.S. envoy at the talks, said the American side had not left "empty handed," arguing that North Korea had at least nominally re-committed itself to a 2005 draft accord to scrap its nuclear weapons. But he acknowledged that the latest round did little to bolster confidence in the six-party negotiating process.

"We are disappointed that we were unable to reach any agreement," Hill said Friday evening. "It was certainly a surprise that they refused to engage on the main issue before the six parties."

But he also suggested that the United States remain committed to finding a diplomatic solution.

"Diplomacy is not an easy task, but like many things in life you have to look at the alternatives," he said.

North Korea's chief negotiator, Kim Gye Gwan, blamed the United States for the stalemate. Referring to the Treasury Department's decision in 2005 to blacklist a bank based in Macao that held North Korean assets, he said financial penalties must be removed before Pyongyang would discuss steps to dismantle its nuclear weapons.

The United States "is using a tactic of both dialogue and pressure, carrots and sticks," Kim said. "We are responding with dialogue and a shield, and by a shield we are saying we will further improve our deterrent."

The Bush administration says the move against the Banco Delta Asia in Macao was triggered by North Korean counterfeiting of U.S. dollars and the laundering of proceeds from drug running and that it has no direct relationship to the nuclear talks.

Hill suggested that the North was using finances as the latest in a long string of excuses to avoid engaging seriously in the nuclear negotiations.

Italian designers agree that bigger may be better

Fashion industry will fight extreme thinness

By Peter Kiefer

ROME: The Italian fashion industry pledged Friday to fight the health and image problems of extreme thinness among models by signing a code calling for more robust body imagery at fashion shows and in ad campaigns.

Industry officials admitted that they agreed to the self-regulation so that they would not be held responsible for the precarious health of models, and legions of fashion fans.

The code was pushed and co-signed by Giovanna Melandri, who is Italy's youth policy and sports minister and one of the more fashionable of Italian ministers. Industry members agreed to rethink what constitutes beauty in women, to include larger sizes in new collections, to enforce stricter health standards on models and to turn away models under the age of 16.

Models who want to work at Italy's most prestigious fashion shows will have to provide a medical certificate, along with proof of age, according to the code. But regulation is voluntary and without direct enforcement.

Stefano Dominella, president of a lobby for Rome haute couture houses, conceded that no one risked "going to jail" for breaching the code but said that certain "technical penalties" would apply, such as unfavorable scheduling slots during fashion shows for companies that violate the code.

"These technicalities are very important in fashion," Dominella said.

The code, signed by Melandri and Mario Boselli, president of the Italian Fashion Chamber, is the latest in a string of initiatives addressing the problem of anorexia that have followed the death of a 21-year-old Brazilian model last month. That model, Ana Carolina Reston, who worked in China, Turkey, Mexico and Japan, died on Nov. 14 at a hospital in São Paulo.

The 1.72-meter, or 5-foot-8-inch, model weighed 40 kilograms, or 88 pounds, at the time of her death.

In September, Madrid's Fashion Week banned models with a body mass

index of less than 18. Body mass index is a ratio of weight to height squared; women with an index of less than 18.5 are considered underweight.

Giorgio Armani and other high-powered designers have condemned the use of ultra-thin models. But the code agreed to in Italy rejected a clear-

THIN, Continued on Page 6



Illuminator of the City of Light

François Jousse, the man charged with illuminating the monuments and official buildings of Paris, on a terrace of the Cathedral of Notre Dame. Jousse's goal is to step the city's structures in history rather than treat them as jewels to be showcased. Page 2

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CURRENCIES | New York

	Friday 4 P.M.	Previous
£1 =	\$1.3141	\$1.3168
€1 =	\$1.9595	\$1.9603
¥1 =	¥118.81	¥118.89
₹1 =	₹121.86	₹121.72

OIL | New York

	Friday 4 P.M.	Change
Light sweet crude	\$62.41	↓ \$0.25

STOCK INDEXES

	Friday	Change
The Dow 4 P.M.	12,343.22	↓ 0.63%
FTSE 100 close	6,190.00	↑ 0.10%
Nikkei 225 close	17,104.96	↑ 0.34%

Gazprom doubles gas price for Georgia

Gazprom, the Russian natural gas monopoly, agreed Friday to continue supplying natural gas to Georgia, but at double the price, the latest increase for a pro-Western nation on Russia's border. Gazprom demanded the price increase during an escalating campaign of economic sanctions. Page 13

Malone and Murdoch end battle with a swap

The billionaires Rupert Murdoch and John Malone on Friday ended a two-year battle over Liberty Media's stake in News Corp. with an \$11 billion asset swap, giving Liberty control of DirecTV Group and helping Murdoch tighten his grip on News Corp. Page 11

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Roger Cohen
Globalist

Plenty to fill the heart in a place of passages

ASWAN, Egypt A first step in mummification for the ancient Egyptians was the removal of the brain from a dead body, a process involving the use of hooked instruments to extract tissue through the nostrils. Other organs — lungs, intestines, liver — followed. But the heart, considered the center of being, remained.

It was in the heart, the Egyptians believed, that resided answers to the gods' questions as to what had been done right, what wrong, in the course of a life. For the passing to the after-

life the heart was a key. The brain, by contrast, was altogether dispensable. At the passage of another year, that idea is still worth feeling.

Aswan is a place of passages, from the Egyptians to the Nubian worlds, from the smooth waters of the lower Nile to the First Cataract, from the Mediterranean to the tugs to Africa's. The white-sailed feluccas tacking upriver now carry shiny-looking tourists in fluorescent orange life jackets, but you can imagine them laden with spices and gold.

moved, rock by labeled rock. They were dislodged from their millennia-old sites by the High Dam built with Soviet help in the 1960s, an engineering feat now commemorated by an unseemly jagged concrete lotus poking its harsh petals to the sky and proclaiming Soviet-Egyptian friendship. The zenith of that god, the Communist one, has also passed.

The white-sailed feluccas now carry shiny-looking tourists.

There's a lot of sand, all right. I try to imagine every grain as a jewel. The mild hookah abets dreamy reflection.

In Africa's health efforts, too many cooks?

By Celia W. Dugger

PONYAMAYIRI, Ghana: In this poor, dusty village of 550 people, four babies died of malaria in October, among them 11-month-old Yire Aye. As word spread that the government would be handing out mosquito nets that prevent malaria, his uncle made sure he was there with his own children, their heads shaved in mourning.

"I came to claim a mosquito net," the uncle, Konyiri Dooroono, said firmly. But he and many of the village's families got much more. Children gulped down drops of polio vaccine, vitamin A and deworming medicine. They howled at the prick of a measles shot.

They had joined a campaign to better children's odds of surviving to their fifth birthdays. It reached into even the most remote communities in Ghana over five days in November. Similarly monumental drives unfolded in eight other countries across Africa this year, with the mosquito nets alone expected to save the lives of 370,000 children over the next three years.

But while the world's leading public health officials exuberantly praise this common sense strategy to provide a raft of inexpensive, lifesaving doses of prevention all at once, it is far from simple to pull off. Getting an unwieldy collection of international organizations and charities to work together effectively is a major challenge.

In one measure of the difficulty, even as the Ghana campaign gathered steam, the board of the Global Fund to Fight AIDS, Tuberculosis and Malaria rejected a \$46 million proposal to expand the approach to six more African countries.



A health campaign in Ghana aims to help reduce infant and child mortality. But efforts to expand the program to six more African countries have become bogged down.

Much of the challenge stems from the fact that each drive against a disease — polio, measles, malaria — has its own leaders, charitable groups and donors at the international level. Piecing them together in unified campaigns requires logistical skills and diplomatic finesse.

The need is great: Malaria kills about 800,000 children a year in Africa. Meanwhile, the WHO estimates that only 3 percent of the most vulnerable African children under age 5 are covered by the insecticide-treated nets that are effective against malaria for four to five years (cost for each net: \$5 to \$6).

There's a teaming up, he worked on the creation of a pediatrician and a nurse. In 1981, a supervisor asked him to change course once again. "He wanted someone who would not be caught up in daily work and could think about light," Jousse said. "I knew a little bit about electricity and I was an amateur photographer. So he invented a job for me."

At the time, most of the Paris monuments were either unlit or only crudely illuminated with big spotlights that shone directly onto the facades. Jousse sought out urban architects and theatrical lighting experts for ideas and technical training.

He eventually created a research laboratory for the city of Paris, where he and a team began to test materials, create fixtures and experiment with the color and intensity of light. The city now spends about \$260,000 a day on its lighting.

The push to give every child polio vaccine (5 cents a dose) has prevented some 5 million cases of paralysis worldwide since 1988, while inoculating children with measles vaccine (10 cents) has saved more than a million lives since 1999.

The combined campaigns in Africa this year have made it possible to sustain gains from earlier measles and polio drives, while the net distributions promise a big new payoff in reduced malaria deaths.

Grabowsky said the need for joint measles and malaria campaigns dawned on him gradually. In the late 1990s, on a visit to a mission hospital in Gulu, Uganda, he had a small epiphany when a doctor there told him: "If you get rid of measles, we can close the measles ward. If you get rid of malaria, we can close the hospital."

In 2001, he was assigned by the CDC to serve as an adviser to the Red Cross when the groups launched an effort to reduce measles deaths in Africa, called the Measles Initiative, along with the WHO, the United Nations Children's Fund and Ted Turner's United Nations Foundation.

The man who makes the City of Light glow

By Elaine Sciolino

PARIS: François Jousse paced along the south roof of Notre Dame, chain-smoking French cigarillos as he waited for darkness to fall.

Suddenly, the southern façade of the cathedral lit up, its pillars, gargoyles and flying buttresses adorned in white.

"Ah, this gives me such great pleasure!" he said, warming his hands in one of the spotlight canisters. "I truly am blessed with the most splendid job." Indeed, the 64-year-old engineer is the troubleshooter for the City of Light.

As chief engineer for doctrine, expertise and technical control, he is responsible for lighting 300 of the monuments, official buildings, bridges and boulevards of the French capital.

Working with a staff of 30 decorative lighting specialists at a City Hall annex, Jousse helps create new lighting projects, petitions the mayor for more financing, lectures to experts, negotiates with powerful players like the Catholic Church and resolves technical problems on sites throughout the city.

As measles campaigns radically reduced measles deaths in country after country, he worried that the undertaking would become a victim of its success.

Why would a more walk hours to get her baby immunized once measles was mostly gone? And what would happen if parents stopped flocking to campaigns? The answer was ominous — a resurgence of measles, an extremely contagious disease.

He had only to look at the 18-year-long slog to eradicate polio, and the continuing struggle to wipe out that crippling disease. In north India, more than two dozen polio-only campaigns in recent years have generated fierce resistance among some parents, mistrustful of the vaccine and fed up with the campaigns.

In Africa, Grabowsky figured parents would keep coming for measles vaccines if the campaigns also offered mosquito nets to prevent malaria.

In 2002, the Red Cross, with a \$50,000 grant from the Exxon Mobil Foundation, ran the first test of combined campaigns here in the impoverished northwestern corner of Ghana, where one in five children dies before age 5. It got measles vaccines and nets to more than 90 percent of Lawra district's children under age 5. Three years later, researchers returned to the district and were startled to find the results had persisted. Most of the children still slept under the nets at night, when malarial mosquitoes bite.

Evaluations of combined campaigns carried out nationally in Togo in 2004 and in Niger last year also found soaring numbers of children under 5 sleeping under nets. But the surveys also discovered that more people owned nets than actually used them.

This year more than 18 million nets were handed out in combined campaigns — a breakthrough year. Combined campaigns, which included some combination of measles shots, polio drops, deworming pills, vitamin A and nets, were carried out in nine African countries spanning the continent.

Hoping to prevent suffering across Africa, the Global Fund itself has financed the purchase of nets for other combined campaigns in Angola, Niger, Rwanda, Kenya and Ethiopia. And it hopes to again, even after its rejection of the multicountry proposal for Benin, Liberia, Burkina Faso, Mali, Ivory Coast and the Central African Republic.

For now, the Global Fund's rejection of the six-country net request will slow the momentum of combined campaigns. Even if the countries successfully reapply, the money will come too late for the measles campaigns next year in Burkina Faso, Liberia and Mali.

Andrea Gay, an official with the United Nations Foundation, part of the measles-malaria alliance that submitted the six-country proposal, spluttered with frustration that the Global Fund had not come through.

"They agree we have a strategy to prevent malaria using nets and then they don't do anything," she said. "They go back to their desks. Six countries could have had full coverage for children under 5. How many lives would have been saved?"

IN OUR PAGES | 100, 75 & 50 YEARS AGO

1906: Defending Chinchow

NANKING: China has notified the League of Nations that it will defend Chinchow should the Japanese carry out their threat to drive the Chinese out of Manchuria. Dr. Wellington Koo, former minister of foreign affairs and one of China's leading statesmen, made this announcement today [Dec. 22] in response to the Japanese ultimatum demanding complete surrender of Manchuria. Dr. Koo said he has appealed to the United States to uphold the sanctity of the nine-power treaty concerning China, declaring that Manchuria is an integral part of China and that China therefore had every right to control the region.

1931: Christmas in Berlin

BERLIN: Many years have passed since the Berliners have had such typical Christmas weather. Snow on the ground, fresh, cutting winds and prospects of skating — a sugar fair for a splendid Christmas time. The shoppers are rubbing their hands and chuckling, for, owing to the great wave of prosperity that swept over this city last year, plenty of money is being spent and there are hundreds and thousands of customers. In fact, the large stores are so crowded that they have to be closed every ten minutes to allow some of the customers to leave

1906: Montgomery Boycott

MONTGOMERY, Alabama: A white dime-store clerk sat down with a Negro maid today [Dec. 21] on a city bus here, bringing to a climax the long struggles of Negroes to win equal seating facilities on city buses in the Deep South. Montgomery's year-long bus boycott by Negroes came to an end as the first white-and-ten-cent route through this citadel of racial segregation. At first, Negroes and whites, although riding the same buses, took separate seats. It was not until the early morning crush of passengers going to work that the city's segregation barriers really crumbled.

1956: Montgomery Boycott

MONTGOMERY, Alabama: A white dime-store clerk sat down with a Negro maid today [Dec. 21] on a city bus here, bringing to a climax the long struggles of Negroes to win equal seating facilities on city buses in the Deep South. Montgomery's year-long bus boycott by Negroes came to an end as the first white-and-ten-cent route through this citadel of racial segregation. At first, Negroes and whites, although riding the same buses, took separate seats. It was not until the early morning crush of passengers going to work that the city's segregation barriers really crumbled.

before fresh ones are admitted. On "Golden Sunday," so called because of the golden shower it brings to the tradesmen of Berlin, the crowds in the streets are so dense that special police regulations are issued whereby passengers are permitted to proceed only in one direction along the principal thoroughfares.

Every season in this country of toys brings its own specialty to light. The one on this occasion is the "Hauptmann of Odenwick," which is being vended by nearly all the gamins who congregate in front of the railway stations and in public places.

1956: Montgomery Boycott

MONTGOMERY, Alabama: A white dime-store clerk sat down with a Negro maid today [Dec. 21] on a city bus here, bringing to a climax the long struggles of Negroes to win equal seating facilities on city buses in the Deep South. Montgomery's year-long bus boycott by Negroes came to an end as the first white-and-ten-cent route through this citadel of racial segregation. At first, Negroes and whites, although riding the same buses, took separate seats. It was not until the early morning crush of passengers going to work that the city's segregation barriers really crumbled.

'Don't annoy the birds, the insects, the neighbors or the astronomers.'

spotlights on the far side of the River Seine. The new lighting scheme was intended to allow spectators to discover the cathedral's facade slowly, through the power and drama of the details.

As a national monument, Notre Dame belongs to the French state, whose team of architects and historians had the right to veto any design decision. Stones could not be moved, certain walls could not be drilled.

INVESTING Conrad de Aenlle

2007: Be afraid

Stock markets in the United States are about to finish a fourth straight winning year, the Federal Reserve may be engineering a soft landing for the U.S. economy, and valuations still seem reasonable. But instead of celebrating all that is going right entering 2007, it may be more sensible to consider what could go wrong.

When investment advisers are asked to consider their inner skeptic, they tend to be more than up to the challenge. They can envisage potential pitfalls for the U.S. market ranging from the financial (soaring bond yields, an oil shock, a hedge fund blowup) to the political (higher trade barriers, an escalation of tension involving Iran, Iraq or North Korea) and even the biological (an outbreak of SARS or avian flu).

These pitfalls, though, are mostly hypothetical. With the odd exception, portfolio managers, strategists and economists say they expect further gains for stocks and stress that they are not predicting these events, just raising their possibility.

Because bull markets tend to end when sentiment is most positive, the rampant optimism — affirmed in numerous rosy forecasts issued by investment banks and fund providers — rather than any specific event may be the most formidable obstacle to another up year.

How bullish is Wall Street? When asked what could halt the rally, Ed Yardeni, chief investment strategist at Oak Associates, said the answer might be more exuberant rally — a "melt-up" driven by an overwhelming absence of investment anxiety.

"The bull market itself might set the stage for its own demise sometime next year," Yardeni said.

As potential hazards continue to be discounted or ignored, inconsistencies are beginning to creep into the pricing of some assets, and investors are increasingly relying on rationalizations and leaps of logic to justify hopeful forecasts.

Tobias Levkovich, chief U.S. equity strategist at Citigroup Investment Research, noted that Treasury bond yields had fallen while yields on short-term debt had headed higher, signaling economic weakness. Meanwhile, he said, yields on low-grade corporate bonds have fallen even further, a move that makes sense only in an economy robust enough to keep cash flowing to shaky businesses.

"The inverted yield curve says there's a recession coming, and credit spreads say it's not," he said. "The bond market is fighting with itself."

In another apparent contradiction, some analysts forecast subdued economic growth this year, yet they call for continued double-digit percentage gains in profits. They may acknowledge and invoke the prospect of cost cuts or productivity gains to try to explain it away, but that will only take them so far, said Ben Inker, director of asset allocation at Grantham, Mayo, Van Otterloo & Co.

"An individual company can become more profitable by cutting costs, but the whole economy can't," he said. "One company's costs are another company's income."

Inker is one of the rare pessimists. He expects stocks to be flat over the next seven years, after adjusting for inflation, as corporate profitability reverts to historical norms.

"We think profit margins are unsustainably high and are going to fall significantly," he said. "We're concerned that profits as a percentage of gross domestic product are at all-time highs. There is very little direction for them to go but down."

The bulls could be right, of course. The surprise this year may be that there are no negative surprises. Rates may stay low and profit margins high, with no new signs of political or financial instability. Inker acknowledged that he made the same forecast about shrinking margins a year ago.

But with share prices high and risks emerging, even if they are dismissed by many, some cautious investment advisers encourage selling stocks in more speculative sectors that have had a good run, say in emerging markets or smaller companies, and replacing them with blue chips with high dividend yields.

Inker goes further, urging investors to hold cash. "I would have been conservative, however conservative they are willing to be," he said. "The really exciting thing about cash is it's really difficult to lose money on it and it has a decent yield. We do not see too many asset classes priced to deliver more than 5 percent."

Selling winners and limiting the opportunity for further gains takes more self-control than many of us have. But by Inker's thinking, it would pay to listen to your inner skeptic before everyone else starts listening to theirs.

"There's a lot of money these days that is greedy and willing to take risks," he said. "If you flip the switch and that money becomes fearful, the market reaction will be very different."

World Stock Markets | Friday, Dec. 22

Table of world stock markets including Amsterdam, Athens, Brussels, Dublin, Frankfurt, Helsinki, Lisbon, Milan, Moscow, Prague, Warsaw, and various regional indices like Eurozone, CAC 40, Nikkei, etc.

YOUR MONEY



Good years and bad: What to tell the kids

Openness about a change in income can cut anxiety and help instill values

By Sharon Reier

In the 1943 book "Mama's Bank Account," a Norwegian immigrant mother teaches her family resourcefulness and sacrifice so they can avoid raiding a bank account she keeps in downtown San Francisco. Twenty years later, her daughter learns the account was imaginary.

Explaining the deception, Mama says, "It is not good for little ones to be afraid — to not feel secure." Most parents can identify with Mama's wish to raise secure, confident children. But today's parents, unlike previous generations, must balance that goal against the pressures of a hyped-up consumer culture — one that encourages many children to feel deprived if they don't have the latest PlayStation, a pair of name-brand running shoes or an expensive ski vacation — and reckon with the risks of financial ups and downs.

As 2006 draws to an end with news of record Wall Street bonuses, rising world equity markets and bulging corporate profits, many families may feel free to splurge. But for families whose breadwinners work for companies that are cutting back, or whose income depends on residential real estate or other sectors that are looking shaky, the new year will almost certainly bring belt-tightening that is not always easy to explain to the next generation — especially in an affluent culture that tends to measure one's worth as a person by how much one earns.

And while celebrity philanthropy and

high-profile donations by moguls may be stimulating idealism and concern for the environment, materialistic values are not suffering. In fact, they are reinforced in economies where jobs are more precarious and individuals are increasingly encouraged to depend on their earning power rather than the state to secure their future.

Nowhere is this more apparent than in the United States, where, according to the latest census, 75 percent of first-year university students in 2005 described their primary goal as being "financially very well off." That compares with the 79 percent in 1970 who said their goal was to develop a meaningful philosophy of life.

"The question is how do you explain to your kids the idea of money and how it comes in and goes out and how it influences your behavior," said Tim Kasser, a professor at Knox College in Illinois and author of "The High Price of Materialism."

That's a lot to chew on, especially for families that have a hard time talking frankly about any difficult topic. But experts agree that being open with children about whether this was a good or a bad year, financially, is key to instilling the values that you want them to have, and not the values they will pick up from popular culture or their peers.

"A lot of parents are uncomfortable talking about sex, other bad money," Kasser said. "But if you don't discuss it, kids will be even more fascinated by it, and they will go somewhere else to learn about it."

These days, there is a lot to learn. Accord-

ing to Brian Young, a psychology professor at the University of Exeter in England who studies children and materialism, there is growing confusion for young children about the difference between work and play that carries over into money matters. For example, to a small child, a parent working at a computer looks like he or she is playing computer games.

The confusion is compounded because money, in today's digital world, may seem as imaginary and as unmeasurable as Mama's bank account. Cash materializes from ATMs as if by magic; parents pay for many things by whipping out a credit card. But children rarely, if ever, see their parents trying to balance their checkbooks.

As money becomes an ever more abstract concept, psychologists say, the pursuit of what it can buy becomes an end in itself, rather than the means to the end of leading a happy life.

Materialism, of course, dates back as far as the Pyramids, and probably was as fundamental to man's survival as the invention of tools. But although there is evidence that materialism is basic to human nature, there is also a growing body of psychological research that correlates emphasis on materialism negatively with most measures of happiness, life satisfaction and community interaction.

"We are not yet clear if materialism causes emotional and behavioral problems, or whether emotional and behavioral problems cause materialism," Eirini Flouri, a lecturer in psychology and human development at the

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