The Panama hat divides a nation . . . but not Panama

• HATS, FROM 1B

Today, the genuine hats are made in both regions, with most exports originating from Cuenca. But the Montecristi name has a mystique that sellers exploit to add perceived value for buyers.

All Panama hats are made from the paja toquilla palm, native to the Ecuadoran coast, where the raw material is harvested, cooked to soften the stalks, sliced finely and then woven into the emblematic headwear of the tropics.

Able to last generations, the best Panama hats take months to make and command prices in the tens of thousands of dollars. But they can also be made in a matter of days and sold for as little as $25. The difference has less to do with geographic location than it does with the weaver who produces them.

The difference between a $25 hat, the cheapest hat found in the tourist shops of Ecuador, and a $25,000 hat, sold in the high-end marketplace to world leaders and Hollywood stars, is in the weave, measured as the number of rows per square inch.

A cheap hat will have perhaps four or five rows of straw per inch and can be completed in a day or two. The finest hats exceed 30 rows per inch and require up to four months of painstaking work.

Brent Black, who deals in high-end Panama hats, recognizes the Montecristi as superior, but also a dying art, which he is trying to save. Black estimates that only about 2,000 Montecristi hats are produced each year compared with the hundreds of thousands made and exported from the Cuenca area.

A DYING ART

A study by sociologist and UNESCO consultant, Fabian Bedon Samaniego in 2011 found only 461 weavers in Manabi province, where Montecristi is located. Of those, only seven can weave the finest of hats, such as those Black sells.

Though exact numbers are unavailable, the Cuenca region, by contrast, has thousands, perhaps tens of thousands of weavers.

Among those fine weavers in Montecristi is Simon Espinal. "Simon Espinal consistently weaves the finest, most beautiful hats of any weaver," says Black, who purchases his entire production of three hats per year.

Black, who finishes hats by hand after procuring them from weavers, said in an e-mail exchange that while he was preparing a $5,000 hat for a client in Hong Kong, his motives are altruistic: "My hat business was created with the goal to save the art of Montecristi hats," a craft he says is dying because of dishonest practices by producers in Cuenca.

"I believe the practice of selling Cuenca hats falsely represented [as] Montecristi hats has been the single most significant cause of the near extinction of genuine Montecristi hats," claims Black.

To that end, Black last year created a weaving school in the town of Pile, which he says is funded by donations from his clients through the Montecristi Foundation, which he also created and manages.

Black has also intentionally disrupted the local market by paying higher prices and instituting commissions for weavers.

Espinal confirmed by phone that Black pays him up to $7,000 for a single hat, whereas previously he earned only a few hundred dollars.

But the most controversial move Black made was to request legal protection for Montecristi hats on behalf of the Artisans Association of Montecristi. Ecuador's Intellectual Property Institute granted a Denomination of Origin designation in 2009 when they concluded that Montecristi hats are distinct from those produced in Cuenca.

Many producers in the Cuenca area, including Homero Ortega, opposed the new distinction.

Alicia Ortega, president of Homero Ortega & Sons, one of Ecuador's largest hat exporters, says, "To suggest that only a hat woven in Montecristi is the best quality does not contribute to making markets."

STILL NO GUARANTEE

During an interview in their Quito offices, intellectual property officials acknowledged the practice by hat makers of using the Montecristi name to enhance sales; but for now they seem more concerned with simply replacing the Panama designation with the Montecristi name than with truly protecting Montecristi artisans. After four years, they still have no enforcement or certification mechanism in place to guarantee the Montecristi designation to consumers.

"Here the idea is to protect, identify, and clarify what for many years has been confused as the Panama hat, which is not a Panama, but a Montecristi," says Liliana Carrera, a director at the institute.

But the fact is, the Panama hat is not just a Montecristi.

Though exports increased 58 percent from 2007-2011, the actual number of hats exported, as measured in metric tons, has declined almost by half in the past decade, an indication that though the hat is more valued, fewer are being produced.

Ingrid Villafuerte of ProEcuador, the commercial arm for the Foreign Relations Ministry, says the difference is that, "now, the consumer of the paja toquilla sombrero is disposed to paying for a product made 100 percent by hand," a nice sentiment that overlooks fundamental changes in the structure of the industry.

Ortega points out that many weavers emigrated from Ecuador during the financial crisis of the late 1990s.

Black adds that Cuenca exporters then changed strategies by selling value-added finished hats to their clients instead of hat bodies that sell for less but still required additional work to complete — a move to confront fierce competition from Chinese copies.

Though the United States remains the biggest market for Panama hats, more than 75 percent of hats imported into the United States are from China. Ortega says today her company exports just 20 percent of what it did 15 years ago. They attribute the decline in large measure to China.

But ultimately, and ironically, Black has the same goal as the large exporters in Cuenca: "I am trying to increase the likelihood that I and the rest of the world will still have a supply five years from now, ten years from now."

And given the market reality today, it seems less important what they call them, than that they simply keep making them and people know where to find the real deal.

Europe's avoidable collision course

• EUROPE, FROM 1B

news. One specific bright spot is that both Spain and Greece have been making some wage adjustments to restore longer-term competitiveness.

Until a broad solution is enacted, the system remains within the danger zone for a broader crash.

What form could a crash take?

Imagine a situation where the sounder countries need to put up more money, or the troubled countries need to make bigger financial adjustments, or — most likely — both.

Yet power vacuums on each side, or voter rebellions against cross-national agreements, could stop these responses from being applied in a timely way. Political paralysis could then become the harbinger of disaster.

The mess won't be resolved until the various governments raise their hands and announce transparently just how much of the mess they will pay for — and how.

Such announcements will then need to be validated by elections.

That means sending a consistent message to other countries and to their own domestic electorates and interest groups.

CARL WIENS/THE NEW YORK TIMES

Until then, the game of chicken will continue, and the risks of financial catastrophe will remain high.

Unfortunately, the relevant governments — and their citizens — still don't seem close to accepting the onerous financial burdens they need to face. And when those burdens are unjust to mostly innocent voters, no matter whose particular story you endorse, acceptance becomes that much tougher.

Still, we shouldn't forget that a solution exists. In essence, the required debt write-down is a large check lying on the table waiting to be picked up. No one knows how costly it is, but estimates have ranged from the hundreds of billions to the trillions of dollars. It need only be decided how to divide the bill.

The reality is this: The longer that the major players wait, the larger that bill will grow. That they've yet to split the check is the worst news of all.

Survey finds uneven recovery in world's cities

• CITIES, FROM 1B

The 300 metropolitan areas in the survey are the largest in the world in terms of GDP. Taken together, these metropolitan areas account for nearly one-half of global output, Brookings said.

But they include just 19 percent of the world population.

The 2012 figures were estimated by Brookings based on data from Oxford Economics, Moody's Analytics and the U.S. Census Bureau.

Brookings found that 40 of the 300 regions did not suffer even one annual decline in employment or per capita GDP from 2008 through 2012.

Most of them were in the bottom fifth of areas, as measured by per capita GDP in 2007, before the recession began.

None of these areas were in the areas that made up the wealthiest half of the world.

While most areas fell in 2008 and later made at least partial recoveries, there are a few, notably in Australia, that escaped pain early on but declined this year as Chinese growth — and consequently demand for some imports — slowed.

This is the third year that Brookings has done the study, although it includes more areas than the previous studies did.

One sad fact remained constant.

Athens was the worst performer in 2012, as it had been in the previous years.

The good news, if you can call it that, is that things are getting worse more slowly.

Brookings estimates employment in the Athens area declined 6.9 percent in 2012, while per capita GDP fell 5.1 percent.

Both declines are greater than in any other area this year, but they are smaller than the ones Athens recorded in 2011.

Small employers weigh impact of offering health insurance

BY STEVEN GREENHOUSE AND REED ABELSON
The New York Times

Like many franchisees, Robert Mayfield, who owns five Dairy Queens in and around Austin, is always eager to expand and — no surprise — has had his eyes on opening a sixth DQ. But he said concerns about the new federal healthcare law have persuaded him to hold off.

"I'm scared to death of it," he said. "I'm one of the ones sitting on the sidelines to see what's really going to happen."

Mayfield, who has 99 employees, said he was worried he would face penalties of $40,000 or more because he did not offer health insurance to many of his full-time workers — generally defined as those working an average of 30 hours a week or more.

Ever since the law was enacted in 2010, opponents have argued that employers who were forced to offer health insurance would lay off workers or shift more people to part-time status to compensate for the additional cost. Those claims have drawn considerable attention — and considerable anger in response — in recent weeks.

John Schnatter, chief executive of Papa John's, the pizza chain, said some franchisees were likely to reduce their employees' hours to avoid having to provide coverage. And an unhappy Denny's franchise owner in Florida warned that he would raise prices 5 percent as a "surcharge," adding that disgruntled customers could offset that by reducing their tips.

Some healthcare experts said comments like those came from outliers and sometimes resulted from confusion about a highly complicated new law, the Patient Protection and Affordable Care Act. Many of the provisions do not go into effect until 2014. Federal officials are still tweaking the fine print, like defining exactly what constitutes a 30-hour workweek. Even so, restaurants and hotels are among the industries likely to be squeezed the hardest by the law because they are low-wage industries that do not offer coverage to most of their workers.

Most employers, even small businesses, already offer health insurance, and the federal law is not expected to have a significant impact on what they do over the next year or so. But businesses that rely heavily on low-income workers, many of whom do not make enough to afford their share of the cost of the insurance premiums, are being forced to rethink their business models. Almost half of retail and hospitality employers do not offer coverage to all of their full-time employees, according to a recent survey by Mercer, a benefits consultant.

"They're all developing their strategies," said Debra Gold, a senior partner with Mercer who advises several major retailers.

Many who oppose the requirement say the cost of providing health insurance could mean hiring fewer workers.

"Any dollar that gets diverted, whether it's through Obamacare or increased tax rates, puts franchisees one dollar further away from being able to expand their businesses," said Don Fox, chief executive of Firehouse Subs, a fast-growing chain of 559 restaurants based in Jacksonville, Fla.

At the 30 stores the corporation owns, only full-time managers are offered coverage. Fox is wrestling with whether to absorb the considerable cost of covering 100 more employees or pay the penalties — which would probably cost him less — but risk losing valued employees to competitors who choose to offer coverage.

Employee health coverage now averages nearly $6,000 for an individual plan. That is considerable for businesses like restaurants in which the majority of workers make $24,000 a year or less, according to research by the Kaiser Family Foundation. The foundation found that only 28 percent of companies that employ large numbers of low-income workers offer health benefits.

"This is where the biggest set of hurdles is," said Gary Claxton, a Kaiser executive.

By 2014, businesses with 50 or more full-time employees will be expected to offer as yet undefined affordable coverage, based on an employee's income. For employers that fail to offer such coverage, the law typically calls for a penalty of $2,000 a worker, excluding the first 30 employees.

As evidence of how sensitive the issue is, Schnatter of Papa John's took some heat for his initial statements about the possibility that franchisees would cut employees' hours to avoid penalties or having to provide coverage. His comments, made during a public appearance, were reported by a local newspaper in Florida, The Naples News. After facing a storm of criticism, he wrote an opinion piece for The Huffington Post, in which he said he had only been speculating about the law's potential impact on franchisees.

"Papa John's, like most businesses, is still researching what the Affordable Care Act means to our operations," he wrote. "Regardless of the conclusion of our analysis, we will honor this law, as we do all laws, and continue to offer 100 percent of Papa John's corporate employees and workers in company-owned stores health insurance as we have since the company was founded in 1984."

Through a spokesman, Schnatter declined to comment further.

Some business owners and consultants warn that opting to have more part-time workers, perhaps by converting some full-timers to part-time status, may not be the answer because many workers might decide to find jobs elsewhere.

"When you explain this to your employee who really needs the income, maybe they'll try to get a second job," said Fox, Firehouse's chief executive. "Maybe they'll try to get another full-time job and maybe a job that provides healthcare. There will be an incentive for the best people to search for those jobs." In contrast to the resistance by many employers in the hospitality industry, some small-business owners say the healthcare law has made coverage more affordable.

Lisa Goodbee, who runs a civil engineering firm in a Denver suburb, decided to offer health coverage to her 15 employees this year for the first time in the firm's 20-year history. She said the Affordable Care Act was a major reason.

In past years, she said, the quotes she got from health insurers were "ridiculous"; this year, she said, they were far more reasonable.

"We're an engineering company and we need to hire the best of the best," she said, acknowledging that not offering health insurance made that difficult.

Ron Nelsen, who operates Pioneer Overhead Door, a Las Vegas business with five employees that installs garage doors, says he has already received the tax credits the law makes available to businesses with fewer than 25 employees that offer coverage.

"They're in the bank," he said.

Nelsen dismissed the notion that employers like him weigh the cost of providing health insurance in deciding whether to hire someone new.

"You know what makes jobs? Consumer demand," he said. "I hire people when demand necessitates it."