

Interview to Kaki Bali

Hilton Root, economist

The IMF is the solution for Greece

Hilton Root is first of all a teacher. Thousands of students, Americans or not, have passed from him and have learned the secrets of economy-as a sum of demographic changes, political decisions, business choices, consuming habits. He is also a counselor in the World Bank, the International Monetary Fund, and OECD. Mr. Root believes that the global crisis is just starting, he describes the Greek problem and he characterizes it "obvious to a common mind since years." He estimates that in this phase the best solution for the country is the IMF.

Do you believe that the crisis is gone?

On the contrary. The fiscal and the demographic crisis are just starting. But even the financial crisis is not gone yet. The markets are pressed, the balance sheets of the companies are pressed, and there is no point of balance. We are all waiting a turn to "normal", but we have no idea about what is going to be normal after the crisis.

What do you think that is going to be tomorrow's "normal"?

The western companies will find it much more difficult to sell their products. The raw materials will be more expensive, and the profit less. Somebody has to invest in technological research if we want keep our level of prosperity –and this "somebody" for the time is missing. The companies and the banks do not have enough money, and the governments spend as much as they have in order to confront the crisis consequences or in order to support their constantly aging population. Furthermore, the people from the west today, are just hedonists. They do not make children; they don't want to offer to the society. We became just consumers; we just want the next design kitchen, which will be very soon manufactured in China. After the '80s, in turbo capitalism, even the simple people could enter the market, buy stocks, bonds, insurance products ect. One might not understand what exactly is happening, but the possibility of entering the market, "democratized" the profits, but the risks as well.

Don't you think that something should be done in order to limit the risks? To prohibit for example some "bets" of high risk?

All the money today is borrowed. The whole economy is based on credit. The more the credit increase, the richer we become, until the bubble bursts. Of course we should change direction, but we don't know how. Those people that they will lose, they will become poor again. The return to the previous situation will be painful.

So we are standing in a dead end...

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The hope for higher development without risk is in vain. Watch the example of Greece. The rhythm of development was very high for a long time, but the increase of productivity was almost negative. It was obvious that something was going wrong. But the politicians, the bankers, the citizens were closing their eyes. They didn't look at other societies, which were trying to increase their competitiveness, with sacrifices. They were watching that Greece was becoming one of the most expensive countries and they were ignoring this fact. It was obvious that Greek economy was "ill", comparing with the other economies, but nobody did anything until the markets came and said that your system is unreliable. And now everybody is blaming the markets. We did the same in USA, when the financial crisis burst out. We were looking for someone to blame, but the problem was becoming bigger.

What can Greece do today?

Greece can solve its problem. But what is needed is common sense. In Greece there are so many sectors that can be improved, that with small movements, you could have impressive results. It is obvious that you need redistribution, that you have to hit the cartels, that you have to make people to pay their taxes, that you have to produce more, that you need more fiscal transparency, that,that,that....

Don't you think that the EU should help us to deal with the crisis?

Look, when EMU was built, they didn't create a mechanism in order to deal with a crisis, like the one we are facing. What is important now for the Europeans is not to let the IMF to deal with you. Because if it does, it will also deal with all the members of EMU and 14 of them do not follow the deficit rules. This wouldn't be pleasant for France or Germany, that's why they prefer to deal internally with the Greek crisis. The problem in this case will be politically bigger. It will be better for Europe if Greeks were blaming IMF about their problems than Berlin or Brussels. And that is because Europe is extremely vulnerable and cannot stand more pressure in this phase. The IMF is the best tool to deal with the Greek problem, but the French and the Germans do not want this to happen. That's why they are going to do something in order to solve the problem, before it has serious consequences for the euro zone. Basically, they will try to recycle the crisis, something that will cause the next crisis, but I can't see another way out.

Do you think that Merkel, Sarkozy and the rest, who threaten to punish the speculators, they will do it?

In three years, that the crisis has last, they haven't done anything. Why to believe, that they will do something from now on? Anyway, they need these "dark" paths of the market. Who else is going to buy the toxic bond that they have nationalized and they have to sell? Who is going to buy the debt? What they say are not reliable, it is populism. They blame the bankers, but have you seen any banker in the jail?

You are not very optimistic...

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I believe that these kinds of capitalistic problems are not going to be solved by the politicians. We have a problem of common educational need that is shared by the politicians, the investors, the speculators. Everybody says that this kind of crisis is not going to be repeated, but they are wrong. The more complicated the financial system becomes the more likely mistakes will happen. This is the system that we created.

We cannot change it?

No, unless we want to turn our lives back in the caves or living from fishing.

But, the continuous recycle is not a way out of the crisis...

Indeed, but with recycle we earn time. Citibank for example, is ready to give out a new financial product, more advanced than CDs, the CLX. They promise that this will distribute better the risk and it solves the problem. Every innovation gets over the crisis and prepares the next one. This is how the markets go on the last decades. The last 20 years, we had 100 crises but high development as well. The only way to skip recession is the financial innovation. We should "become friends" with the idea that we live in a world with big risks.