



THE PROGRAM

One on One with Susie Gharib



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One on One with Kenneth Rogoff, Professor of Economics at Harvard University

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SUSIE GHARIB: A disappointing day on Wall Street as the Dow closes below the 10,000 level. But Tom, traders and investors were talking more -- less about that and more about the markets in Greece.

TOM HUDSON: Certainly were. U.S. stocks now Susie have been down three of the past four days. In Athens the markets there down for the fourth straight day on those worries about the financial crisis there. Still really no clear picture yet on the rescue plan on how Greece will deal with those huge budget deficits.

GHARIB: And the big question is how that financial crisis thousands of miles away will affect the U.S. recovery here and investors here in the states. And joining us now with more analysis on all of that, Ken Rogoff, professor of economics at Harvard University. Hi Ken.

KENNETH ROGOFF, ECONOMICS PROFESSOR, HARVARD UNIVERSITY: Hello.

GHARIB: Let me first start by asking you what are the risks here? What are the risks of the crisis in Greece impacting the global financial system?

ROGOFF: Well, it's still a very fragile recovery. Europe is a big part of the world. It's not just Greece. It's Portugal and Spain, maybe Ireland spreading out to other parts of Europe. They're a big trading partner and there are psychological links. We can't overlook them.

GHARIB: So will the U.S. get involved in resolving this crisis and if it does, what does it mean for the U.S. taxpayer?

ROGOFF: I don't think this is going to hit the U.S. taxpayer too much. Probably the International Monetary Fund will come in and we're a shareholder there. I don't think the Europeans are going to be able to do this on their own. But that's not really the scary part.

GHARIB: What is the scary part?

ROGOFF: The scary part is we look at what's happening in Greece and we look at what's happening in the budget of our country. We wonder, you know, if within five years we might be having similar problems tightening our belts.

GHARIB: So there is a lesson here for all us to be watching, right?

ROGOFF: Absolutely. I mean, all over the world debts are exploding. We're not alone. Greece has gotten hit first and some of the other countries in Europe. This isn't something we're going to always get away from. It may not hit us as hard and fast. But we too will run into this day and need to prepare for it.

GHARIB: Let's bring it more back to the U.S. What could this financial crisis in Greece and if it spreads to other European countries -- have on our recovery here in the U.S.?

ROGOFF: We trade with them. They're our biggest trading partner. There are a lot of subtle financial links that are hard to know until Greece actually runs into trouble. And psychologically, Wall Street is down today because it's nervous about Greece. They think maybe this is a harbinger of things to come in other economies around the world, eventually the U.S., but many of our trading partners.

GHARIB: What do you think is the timetable? I know it's hard to gauge. What is the timetable to resolve a crisis of this magnitude? Are we talking about months or years?

ROGOFF: Years. This is a drama in many acts. Probably they'll bring in the International Monetary Fund and then have to bring them in again. This tends to take a long time to play out. There will be ups and downs, but I think it's going to be very difficult for Greece to avoid a default in the long run.

GHARIB: So explain this to people who are listening in on this conversation. Is this really a Wall Street issue or is this a Main Street problem?

ROGOFF: Oh, this is a Main Street problem. I mean, we are in a very delicate global recovery. Unemployment is still very high. We don't want the economy to get shaken up. I mean, best guess is this is worse for Europe than the United States, but you don't want your biggest trading partner

stumbling just as you're in a fragile recovery.

GHARIB: I know you're an economist, not a market strategist. But for American investors, what should they be doing to protect themselves? Is there any moves that they should be taking now to protect themselves against a bigger financial crisis?

ROGOFF: Well, I wouldn't hide under a mattress right now. I think there are a lot of opportunities, but there are a lot of people out there saying we're going to zoom, zoom. It's going to be an amazing recovery. No, no. This is the aftermath of a deep financial crisis. And if you look at past deep financial crises, these things happen. There are more problems. It's slower. So don't go crazy on thinking that everything is going to keep going up 60 percent the way the market did last year.

GHARIB: We're going to have to leave it there. Ken, thank you so much for coming on the program tonight.

ROGOFF: My pleasure, Susie. Thank you for having me.

GHARIB: My guest tonight, Kenneth Rogoff, professor of economics at Harvard University.

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