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Global view needed to solve EU debt crisis

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Europe can help solve its debt crisis by taking lessons from other parts of the world, said William Rhodes '57, professor-at-large and a former senior vice chairman of Citigroup and Citibank, to a full lecture hall at the Watson Institute for International Studies last night.

President Christina Paxson gave the welcome address for the lecture, and Roberto Serrano, interim director of the Rhodes Center and chair of the economics department, gave the introduction. After the lecture, Paxson told The Herald she enjoyed reading Rhodes' 2011 book, "Banker to the World: Leadership Lessons from the Front Lines of Global Finance," because it explored historical parallels that Rhodes did not have time to cover in the lecture. "He's just got this depth of experience that's incredible," Paxson said.

Rhodes began by criticizing European leaders' indifference toward other nations' past financial crises. When Rhodes warned in 2010 that Europe could experience a debt crisis similar to those in Latin America in the 1980s or Asia in the late 1990s, "the attitude of most of the policymakers was dismissive," Rhodes said. Many European leaders arrogantly argued that lessons from these areas did not pertain to Europe because Europe was more developed, Rhodes said.

Despite these leaders' attitudes, Europe has sunk into a sovereign debt crisis that has dragged the global economy down, Rhodes said. Solving the European debt crisis is crucial because "the markets of the world ... are more interlinked now than (they) ever have been," and Europe is one of China and the United States' largest trading partners, Rhodes said.

Rhodes identified strong leadership as one lesson Europe can learn from other nations. For example, Rhodes praised Kim Dae-jung, president of the Republic of Korea during the Asian financial crisis, for making successful reforms recommended by the International Monetary Fund, despite his initial reservations about the IMF.

"Here is a man who knew what he had to do and did it," Rhodes said of Dae-jung. Rhodes also praised Fernando Cardoso, former president of Brazil, and Kemal Dervis, Turkish minister of state for economic affairs, for implementing programs that led to economic growth in their respective countries.

Besides strong leadership, Rhodes discussed the need for more urgency from European leaders.

“There’s a clock running. You don’t have forever to work out solutions. ... Europeans have not really understood the importance of time,” Rhodes said. In particular, the G-20 did not include timelines for any of the agreements it reached in its 19 summits. No timeline means no incentive, Rhodes said.

Rhodes also discussed a third overarching point — the need for a banking union across European nations — that he said was critical for the future of the Eurozone.

After 40 minutes of providing recommendations for Europe, he took questions from the audience.

Barbara Stallings — the William R. Rhodes Research Professor at the Watson Institute, named after Rhodes — asked his opinion on countries such as Greece leaving the Eurozone. Rhodes said he is unsure if the Eurozone would be better off without Greece, but said that Greece must “take rapid action” to return to a “competitive economy.”

Following the question-and-answer session, the 50 or so attendees moved from the Joukowsky Forum to the lobby of the Watson Institute for refreshments and a book signing.

“I really liked the speech. This lecture series really meets my interests,” said Julia Xu ’15.

Rhodes’ lecture was the first in the International Finance Lecture Series, co-sponsored by the Watson Institute and the Rhodes Center on International Economics and Finance. The next speaker in the series will be Jose Campa, former secretary of state for the economy for the Spanish government, Serrano wrote in an email to The Herald. Campa will give a speech titled “The Ongoing Economic Crisis in Europe” at the Economics in the Real World symposium Dec. 7 and 8, Serrano wrote.