

The Financial Crisis

I: Welcome to our weekly program, Let's Look At The World, and tonight I'm very pleased to welcome, from the United States of America, Professor Robert Greenham, from the University of Wisconsin, who is going to talk to us a little bit about the current financial crisis. And I'm going to invite Professor Greenham to give a short introduction to the crisis and then you, the listeners, can phone in with your comments and questions.

R: Thank you very much, Robert. It's a pleasure to be here. Trying to explain the financial crisis falls often upon Americans because many people perceive it as having been caused by the United States, and there is a certain amount of truth in that as well. Certainly I think everybody knows that the trigger for it was the sub-prime mortgages that were given out to people, and those were mortgages that were given to people who the banks had a pretty good idea could not pay them back, but who wanted to lend the money to them in order to be able to gain the profit of a long-time hopeful repayment. This, when the economic downturn came. It turned out not to be the case and this was the first of the table legs that fell out from underneath the financial system. I would argue that the basic cause of this is simpler and more profound. That is the maldistribution of income in the United States. The basic question here is why do we have a system in which people with both working were unable to have enough money to actually pay a mortgage at a reasonable rate and buy themselves a reasonable home. Why were so many people in such poverty that as soon as the economy began to turn down, they fell entirely into debt and weren't able to pay it back. So what kind of system was it that was put in place for that. And the answer is, I think, one that is worldwide, not just American. It's the consumer society. The society which is predicated on the idea of constant growth, of new and interesting needs that you're going to be convinced you want to have fulfilled, and of new and able ways of financing that through new forms of credit that are going to be given. If you put those things together, then I think you get the explosive situation, that one I was seeing. And yes, it started in America, but then the consumer society began in America and spread to the world. I haven't heard the world complaining that much about the consumer society until recently. So this is something I think we're in together.

I: Thank you very much. Well, certainly the repercussions of the financial crisis are being very strongly felt all over the world, in Europe, and not least here in the U.K.

R: That's true.

I: And now our lines are open and we're inviting our listeners to come with questions to you, professor, and comments on what you've said. I think perhaps a call is coming in now. Oh, yes. Here we go.

C1: Hello?

I: Hello there.

C1: Hello, I'm Sharon. I live in the countryside, the west of Oxford, and I'd just like to say that in some ways, I think this crisis is a good thing, because consumer society has just gone completely mad. We're exploiting our world. We're poisoning farm land with intensive farming, people are consuming far too much — buying, buying, buying. And I think it's absolutely mad that we're now being told to go out and buy even more when that's what caused the problem.

I: Thank you very much, Sharon, for your comments. Professor Greenham.

R: Well, there's no doubting that there's a point to be made that expansion went on to the point where it couldn't be maintained anymore and that many people, and perhaps also the environment, suffered from it. On the other hand, surely it can't be the right way to address the question that thousands, hundreds of thousands, millions of people around the world are thrown more or less randomly out of work according to what job they have. I couldn't agree more that we need to manage our economy better than we have in the past, but I don't think that an economic breakdown of a kind that we're now in the middle of is the correct way or the wise way to do it. Still, given the fact that it has happened, I think it does present opportunities.

I: For new listeners, this is Let's Look At The World and the issue today is the financial crisis, and I think we have a new listener coming in.

C2: Yes, hello, this is Allen from Birmingham ringing in.

I: Hello Allen.

C2: I heard Professor Greenham's comments about how the consumer society started in America anyway, so in a way absolving America from any guilt there in a sense, but I feel that in Europe at least we've had tradition of, well partly state ownership, corporate ownership and it's rather odd from a European perspective now to see America on the brink of almost nationalizing its banks, that sort of thing. My question is really are we seeing here America becoming like any other European country?

R: That's a very interesting question. I should say that you are seeing the United States using many of the same means that have been accepted in Europe for some years to a greater degree. However I would point out you can go back to the 1930s and Franklin Roosevelt and the New Deal and he used some of the same ideas again. I think it would be a mistake to believe that the United States is moving to become some kind of social democratic nation. I don't believe that's the case. What's happening is what happened back in the '30s again. We are going to try and get the economy up and running again. That's the basic thought. In the meantime, these are

emergency measures which will be withdrawn when the time comes. Basically the idea being to get us up and competing.

I: Thank you, professor. The morning show. Any more calls, please. I think we have a call coming in here.

C3: Hello, I'm Cathy from Bristol.

I: Hello Cathy. Hello. Let's hear your views.

C3: I'm losing my home. I can't pay my mortgage. And the government, they help the banks but they don't help me. What are we supposed to do? I just find this horrible. I don't know what to do.

I: So you feel very strongly that you are the loser here and nobody's helping you.

C3: Well, of course. And who can help me and others like me in my situation?

I: Well, let's hope we get some answers from other callers on the program. Thank you very much, Cathy, for calling.