Nobel economist: I'm in cash

by Angus Foote on Sep 14, 2011 at 13:12

ISEO, ITALY: Nobel laureate Christopher A Pissarides said today he currently has all his own investments in cash.

Speaking at Pioneer Investments' conference in Italy, he held the line taken by previous speakers: reform is the way forward for Greece, while fears over French banks were overdone.

For his own assets, however, he said: 'My money is in extremely liquid deposit accounts spread among many banks, with the aim of coming through this crisis without losing any of it.'

Despite his caution with his own assets, Pissarides, who the 2010 Nobel Prize for his work on the economics of unemployment, said news of analysts' downgrades of French banks did not really concern him.

'I'm not too surprised and I'm not too worried,' he said. It was known that French banks had exposure to sovereign debt from peripheral European countries, he pointed out.

'It's not too serious - we shouldn't overreact. It will mean higher interest rates for these banks, but it's inevitable. What it's telling us is that we should accelerate the reform process.'

Reform was also the key word for Greece, he said. 'They should reform the economy, because it hasn't been modernised even with EU entry, and make it a successful service-based economy looking towards the Balkans and Central Europe.'

'That's utopian, but the way to start is to accelerate the structural reform rather than focus on the debt problem.'

'Once that starts, the Greek people will realise this is for the benefit of the economy and not for some foreign institutions.'

And Pissarides, also had a plea for the financial services industry. One striking aspect of the European economy, he said, was the number of people reaching retirement not just with savings but with a lot of money locked up in the value of their homes.

'What I'd like to see is professional investors finding a way to help people who are reaching retirement to keep living in their homes, but releasing some of that wealth so they can spend it - not pass it on to undeserving children.'