

Chance of another Lehman moment 'very low'

Wong Siew Ying

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The likelihood of the Greek debt crisis becoming "another Lehman- like moment" in the international financial system is very low, Deputy Prime Minister and Finance Minister Tharman Shanmugaratnam said yesterday.

"On both sides of the negotiations, there is a desire to avoid catastrophe. On one side to avoid catastrophe for their own people in Greece, and on the part of Germany and the Europeans generally, avoiding a major setback to the European project," he told the SG50+ conference organised by the **Institute of Policy Studies** and the Lee Kuan Yew School of Public Policy.

The collapse of investment bank Lehman Brothers in 2008 sparked the global financial crisis.

Today, as Greece negotiates with its so-called troika of lenders on debt reduction, Mr Tharman said the twists and turns of these talks distract from the larger underlying challenge for Greece and for Europe: recognising the unsustainability of Greece's debt burden and the lack of public administration.

"They lack a public administration to collect taxes, to dispense it fairly, to preserve a sense of equity... They don't have the administration, the institutions and the trust of their citizens to be able to implement anything," Mr Tharman said.

He added that this trust has been weakened and Greece's creditors were partly to blame for demanding too much austerity, causing too much pain to the population.

Moderator Fareed Zakaria then asked Mr Tharman what he would do if Singapore took over Greece.

Mr Tharman rephrased the question: "What if we were Greece? And we had a Greece situation here?"

"There has to be great value in politics of speaking straight: Telling people what the problems are, telling people how there has to be some pain, in order that we see the light at the end of the tunnel," he said. "Everyone has to adjust. Let's share in the pain but let's work our way out of this."

Words had to be backed up by actions too, "because the population only believe what you say if they see you doing it and they see you doing it repeatedly, and with some firmness and assurance".

At a later panel, former British prime minister John Major said the euro zone agreement had been premature as its economies were not operating at the same level of efficiency as one another. He predicts Europe will keep Greece "on a drip- feed system inside the euro zone, and they would do it... at the 59th minute of the 23rd hour".