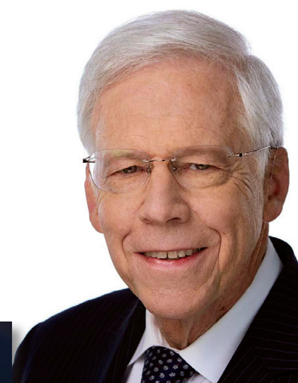
The Search *for a* Global Financial Statecraft



Charles H. Dallara *served as managing director of the Institute of International Finance 1993–2003. In 2011 and 2012, he led private creditors in negotiating a restructuring of Greek debt—the largest in history. His new book is* **Euroshock: How the Largest Debt Restructuring in History Helped Save Greece and Preserve the Eurozone** *(Rodin Books, 2023).*

TIE *founder and editor David Smick interviews Charles H. Dallara.*

Smick: I love your book's description of your personal journey. You manage to combine the workings of finance with a really fascinating story of growing up in South Carolina and your years in the Navy. Did you ever imagine you would play such an important role in global finance, surrounded by heads of state and giants in the world of finance?

Dallara: I was motivated as a young man by my parents to think big and to think beyond the borders of Spartanburg, South Carolina, the small town where I grew up. Of course, being motivated to explore the world is one thing, and actually being able to accomplish something in it is another. I certainly did not anticipate the opportunities I would have to play important roles in global finance. My years in the Navy had taught me how to begin to understand the world at large. They prepared me to go back to graduate school to study economics, and to handle the responsibilities that I had during my years at the U.S. Treasury Department.

Smick: You and I both came of age in the mid-1980s. We saw the Plaza and Louvre Accords as the global financial system was coming into being. You were at the U.S. Treasury with Jim Baker. I had organized a series of private meetings beginning in 1985 called the U.S. Congressional Summits on Exchange Rates and the Dollar. These events became a big deal because, unbeknownst to me,

THE INTERNATIONAL ECONOMY
THE MAGAZINE OF INTERNATIONAL ECONOMIC POLICY
220 I Street, N.E., Suite 200
Washington, D.C. 20002
Phone: 202-861-0791
Fax: 202-861-0790
www.international-economy.com
editor@international-economy.com

Secretary Baker was telling everybody, including the head of the Bundesbank and the Japanese Ministry of Finance, to attend these "summits" which were described by Hobart Rowen of the *Washington Post* as the "final nail in the coffin of the pure floating exchange rate system" and helped provide some intellectual support for the coming Plaza and Louvre Accords.

I always saw this as the emergence of a more activist economic and financial statecraft that had been missing from the global stage. You started out as kind of a foot soldier in this process and then you became a commanding general of that emerging new statecraft, managing the complicated global financial system. What are your thoughts as you look back?

Dallara: When I joined the U.S. Treasury in the late 1970s at the end of the Ford administration, I was a very junior civil servant. Bill Simon was the Treasury secretary, and before I knew it, the Republicans were out and the Democrats came in. I put my shoulder to the wheel in those days, and I worked through a period that was not one of the highlights of modern American economic history. The Carter administration faced a difficult period with rising inflation, slowing growth, and growing fiscal deficits and external imbalances. There was a sense of economic malaise and the dollar was very weak. I still recall when we had to borrow in foreign currencies—deutschmarks and Swiss francs—in order to mobilize resources to defend the dollar in foreign exchange markets. That ignominious experience is seared into my memory.

Then Ronald Reagan came into office in 1981, and we entered a new phase of greater reliance on market forces. At the same time, we were still fighting inflation, and Federal Reserve Chair Paul Volcker had to intensify the effort to tame it. As interest rates as well as trade and fiscal deficits rose, we were grappling with an overvalued dollar and growing protectionist pressures on the home front while fighting the Latin American debt crisis on the international front. The strategies for coping with both of these challenges inaugurated a period of genuine international economic statecraft and international economic policy coordination. The debt strategy under the leadership of International Monetary Fund Managing Director Jacques de Larosière, Paul Volcker, and Treasury Secretary Don Regan required careful coordination among the major banks of the world, Latin debtors, the International Monetary Fund, and key central banks as well as the Bank for International Settlements. This effort was successful in its first phase of stabilizing the debtor countries, the G10 banking system, and putting Latin American on the path to economic reform.

At the same time, the dollar was becoming increasing overvalued and the calls for protectionist measures became rampant. In response, Secretary Baker launched a new

NATIONAL ARCHIVES

President Ronald Reagan *listens to then-White House chief of staff* **James Baker** *during a regional forum in 1983.*

Emergence of a Master Strategist

On the first day Secretary James Baker arrived at the Treasury Department in 1985, I was thrilled because he authorized me to intervene in the exchange markets to try to dampen the rise of the dollar. Something more had to be done, and Baker provided crucial leadership. He organized the Plaza Accord with a lot of involvement from Assistant Secretary for International Affairs David Mulford and me. The Plaza Accord led to a major correction in the value of the dollar and eventually eased both our trade deficit and the protectionist threats. This moved us then into the Louvre Accord, which marked a new phase in exchange rate management where we needed to stabilize the currencies after a period of sharp depreciation.

Following this effort, a new phase in the international debt strategy was launched under the leadership of Baker's successor, Treasury Secretary Nicholas Brady. The Brady plan, as it came to be known, provided a sharp break from the previous strategy in that it called for actual debt reduction, not just debt restructuring. It also involved the innovative use of U.S. Treasury zero coupon bonds—at no expense to the U.S. taxpayer—to securitize the new debt. The strategy proved to be a major success and ushered in a new phase of access for emerging markets to global capital markets.

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strategy to bring down the value of the dollar while stimulating growth abroad.

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If you look back over the sweep of modern financial history since World War II, the par value exchange rate system embedded in the 1944 Bretton Woods Agreement broke down in the early 1970s under the pressure of growing balance-of-payments deficits in the United States, partly due to spending on the conflict in Vietnam. That breakup led to a period of flexible exchange rates—with too much flexibility. I once tried to characterize this as a new system in front of Volcker, and he said to me, "Dallara, that was no system at all!" I think Volcker was right. From 1973 through the mid-1980s, we were in a floating rate world without many rules of the game, although there was an amendment to the articles of agreement at the International Monetary Fund which tried to provide a framework for the new flexible rate system.

On the whole, the 1980s was a period of unique global leadership by the United States to address pressing problems in international finance.

Smick: I wonder how much of what we're going through today, the good and the bad, are the result of Volcker's great achievement in breaking the back of inflation. We didn't realize how successful Reagan would be in bluffing the Soviet Union out of existence, either. There began a whole new era in which world central banks seemed to get the idea that it was necessary to bring down inflation as fast as possible. With the peace dividend and savings recycling as a result of the globalization of trade, I don't think anybody ever really predicted how it would turn out, including an immense growth engine and booming stock markets, but also large disparities in income, which contributed to today's hate and division. If you owned stocks, this was a wonderful period of high growth with low inflation. For mere wage earners, the picture was different.

Dallara: You're right, we had remarkable leaders during that period. They were farsighted with a willingness to embrace a degree of coordination that had not really existed in the same dynamic fashion in the post-war era. The coordination that came out of Bretton Woods initially was highly rigid. We had this fixed par value system, and if a country wanted to devalue, it had to make a discrete move to devalue. There was no floating rate system in the 1950s and 1960s.

Looking back on the 1980s, it should be remembered that in addition to exchange rates, inflation, and international debt, we had to solve other pressing problems. I remember the intense negotiations we had with the Japanese, first over financial market liberalization, and then over a broad-based effort to open up the Japanese economy under the Structural Impediments Initiative.

Smick: Younger people today would be shocked to know how important for a while the IMF and World Bank were to financial market participants. Their twice-a-year meetings caused big moves in financial markets because the central bankers would negotiate while they were there. It was a big deal. I attribute some of the exuberant performance

of markets during those decades to the feeling that there were wise policy leaders at the helm.

In your book, you wrote about the Greek financial crisis and resulting depression. The irony was that this tiny speck of an economy nearly repeated the role of Lehman Brothers in the 2008 financial crisis. It's really a remarkable story. If the big domino of Italy had gone down, it was possible all hell would have broken loose, certainly for Europe but maybe for the entire world economy. Were you terrified at the time?

Dallara: In the spring of 2010, when I and the Institute of International Finance were both pulled into this, we began to focus on Greece.

It's important to recognize that in some respects, the Greek crisis and the whole crisis which surrounded the eurozone between 2010 and 2013 were really an aftershock from the global financial crisis. European banks, particularly northern European banks, had gotten themselves extended deeply into subprime debt. When the global financial crisis erupted in 2008, it extended readily across the Atlantic. The global economy plummeted. The banks in Europe also struggled mightily. The UK banks were under tremendous stress. The result was shocks transmitted on a global scale right into Europe.

Some fundamental weaknesses in the European economy were revealed during this phase. The first country in crisis was actually Ireland, which was exposed to a huge real estate crisis. Then as that began to be addressed, Greece came along. In the fall of 2009, a new government came in. The Greeks changed the leadership quite often in the period between the end of their civil war and the beginning of this crisis, with Pasok, the liberal party, and New Democracy, the conservative party, swapping leadership roles except for a seven-year stint during which a junta took over in the late 1960s and in early 1970s—a period when I was living there as a young naval officer.

In general, the New Democracy governments were more supportive of encouraging private sector investments and allowing markets to work. However, both sides of the political aisle followed similar practices in some respects, including clientelism, favoritism, and bloated inefficient bureaucracies. Pasok was worse than New Democracy in terms of trying to increase the role of the state in the structure of the economy. The early 2000s saw a structurally weak Greek economy riddled with inefficiencies, yet Greece was still brought into the eurozone in 2001. This stimulated a flow of investment by European banks, insurance funds, and pension funds into Greek bonds, notwithstanding the economic weaknesses of Greece. Creditors, by and large, assumed that if Greece got into trouble, it would be bailed out by Germany. This was, as we now know, a big mistake.

"Impressive Leader"

Lucas Papademos, prime minister of Greece from November 2011 to May 2012, never sought the limelight. He's seen as a somewhat technocratic economist, but he stood strong when he needed to, coping with the parliamentary pressures and violent demonstrations in the streets, pressure from the IMF, pressure from Germany, as well as negotiations with the bankers. He was personally involved in the final stages of the debt negotiations and also negotiated a strong reform package that allowed us to finally implement the largest debt restructuring in history.

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Nevertheless, this system "worked" until the fall of 2009. Then Pasok's George Papandreou became prime minister and announced that Greece's fiscal deficit was not 5 percent, but closer to 7 or 8 percent. A few weeks later, an announcement followed that the deficit was a bit above 10 percent. Over the next six months, it was revealed that the deficit was actually almost triple what had been announced by the previous Karamanlis government.

The country just went into freefall. This created a panic in the markets as it became clear that no one quite knew the scale of Greece's economic problems.

Greece was immediately frozen out of global capital markets and struggled for quite a while to figure out how to stabilize the situation depending solely initially on its own banking system. Europe began to step forward, and by the spring of 2010 an initial IMF program had been put into place. But Greece was falling into this abyss. In 2010 alone, Greece's economy shrank 5.5 percent. The Greek economy was not just falling into deep recession. It was also part of a vortex that involved not only Ireland, which

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was still in some difficulty, but Portugal, Spain, and most importantly Italy. Five countries—not so affectionately called the PIIGS—were in deep trouble. The result was that the entire eurozone came under tremendous pressure, with Greece at the center of it.

Efforts began to see what could be done to stabilize the situation. At that point in the spring of 2010, at the request of Prime Minister Papandreou, I visited Greece. The IIF had played a role on and off over the previous decades, stepping up to support mainly emerging market or central European economies that had lost access to capital markets. The Institute had played a largely supportive, behind-the-scenes role to try to help knit back together policies that could rebuild confidence in markets. We at the Institute were embedded with the capital markets and we would often sit down with governments like Turkey, Hungary, and Mexico and work with them to suggest how they might strengthen their position in those markets.

I was not surprised when Papandreou called me in the spring of 2010 to see if we could help. What surprised me was the depth and severity of Greece's economic problems. It made some of the emerging market economies that I had worked with over the years look like paragons of efficiency.

The markets were giving us absolutely no breathing space. We began to work with the IMF and particularly with the Greek leadership. There was a quite capable Greek finance minister at the time, Giorgos Papakonstantinou. He worked mightily to get a handle on the depth of the problem. We sponsored a road show in the fall of 2010 which led to some rekindling of support within capital markets, but markets were still quite nervous about the whole outlook from Greece.

Speculation began to mushroom about whether Greece would be forced out of the eurozone. That came together with an unfortunate stroll on the beach by German Chancellor Angela Merkel and French President Nicolas Sarkozy, who decided that if the banks were going to stay involved, they would have to take a haircut. That added the final dose of extremely cold water to a situation that was already frigid. Many began to realize Greece was going to need a debt structuring, not just an economic reform program.

Smick: Was there any reflection on whether it was wise to allow Greek membership in the eurozone in the first place? You couldn't argue with a straight face that Greece had achieved economic convergence with the rest of Europe.

On a broader note, it amazes me that the smartest people in society are usually the ones that go into finance, yet they sometimes seem like the dumbest. We saw in 2007 and 2008 that the banks and pension funds and insurance companies didn't have a clue what was on their balance sheets. Is the membership of the statecraft today less competent than in the 1980s and 1990s?

Dallara: There are two related but separate issues here. The first is membership in the eurozone. It's hard to argue with your premise that based on an objective reading of the lack of complete structural and macro convergence, there was not a compelling economic case for Greece to join the euro early in the 2000s. The broader perspective, however, is that Greece had become a critical member of the European Union. Going back to World War II and the Greek civil war, Greece had been an important bulwark against communism in that part of the world.

Only two countries had ongoing civil wars during World War II—China and Greece. China ended up in the hands of communist leadership and Greece could very well have gone in that direction. From a geopolitical standpoint, consolidating Greece's position in the eurozone was an affirmation of its role in Europe as a democratic economy, notwithstanding obvious weaknesses in its economic structure.

We now know that some nimble presentation of numbers in the cases of both Italy and Greece were part of the process of getting them across the line and preparing for eurozone membership. In my book, I quote a conversation I had with a man you will fondly recall, Hans Tietmeyer, head of the German Bundesbank. He pounded on the table once and said, "The lira and the drachma will join the euro over my dead body!" Years later, he became reconciled to the fact that the final decisions for Italy and Greece were always going to be political decisions.

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The point you make about economic convergence has validity, but I also think that trying to strengthen the framework of democracy in that part of the world, particularly given Greece's history of flirtation with communism, was a strong element of the decision to bring them in.

As to your second issue, what happened after Greece joined the euro was a classic case of moral hazard. Not just banks, but insurance firms and pension firms made a seriously flawed assumption that Greece was now protected

by the umbrella of the eurozone and they did not need to monitor, evaluate, and manage Greek country risk. I was stunned when we had our first meeting at the Institute under my and Jean Lemierre's leadership. We met in his offices in Paris in the spring of 2011 when we had decided that we had to initiate the debt restructuring. We went around the table and basically polled each of the twenty-odd financial institutions represented. Hardly any of them had been engaged in any serious risk assessment of exposure to Greece in that run-up to the crisis because they had made this false assumption that it was protected.

Sometimes markets can be very hard-nosed in evaluating macroeconomic and financial risks, but at other times they just ignore whatever is staring them in the face. In this case, questions were being raised about the legitimacy of Greece's numbers as early as 2004. Huge spending on the Olympics around the same time also bloated the budget. Numerous other problems began to emerge in both the political and economic arenas in Greece over those years which should have been warning signs. We at the Institute should have been more awake and we were not. So should have been both the IMF and the European Commission. But the tendency of both institutions in those days was to round the edges of their critiques, and at times really downplay underlying risk, particularly in the case of eurozone members.

Smick: Regarding Hans Tietmeyer, he was an unusually multi-talented public servant. I used to love dealing with Germans in general. On a topic like money supply, they were like the vegetarians who tell you about the benefits of a strict vegetarian diet, but then take you to dinner and order a steak. But they knew what they were communicating to markets—a needed message of stability and predictability, even though their policy prescriptions were not always consistent.

Dallara: Hans and I really bonded during the negotiations over the Plaza Accord and then the Louvre Accord. He was a man who spoke his mind and pulled no punches. When he said that Greece and Italy would only become part of the euro over his dead body, that was just weeks before both countries were voted into the eurozone.

When I look back, this underscores for me the need for some strengthening of the whole framework by which sovereign risk is managed by financial institutions and by the borrowers themselves. What I find shocking is that notwithstanding the severe cost paid by Greece and by many other troubled debtors—Mexico, Brazil, Argentina, Venezuela, the Philippines, Côte d'Ivoire—over the years, the severe impacts of those mistakes of excess borrowing are never fully appreciated by newly elected officials.

There needs to be a new code of conduct for the senior civil servants in all sovereign countries about really understanding the downside risks of excess borrowing. The markets can lose confidence in a flick of the wrist. We know just how abruptly market sentiment can change. One never knows exactly when it's going to happen. One of the lessons learned is the need for a much more demanding set of requirements to qualify the debt management officials in finance ministries all around the world. We also need to develop real and deep expertise in sovereign risk management inside financial institutions. Some of the rating agencies today don't have the depth of sovereign risk analysis equal to what they have on the corporate side. In the end, the cost of mistakes is borne more heavily by the debtor than by the creditor. That's simply a fact of the way in which our capital markets operate. Even in the case of the largest restructuring in history—Greece—the pain for the financial institutions was real and in some cases it wiped out a quarter's worth of earnings, but it was nothing compared to the pain experienced by a country whose unemployment rate went to 28 percent by 2013. It should surprise no one that democracy was stretched to the limit.

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Smick: I worry about China's lack of transparency. You used to be able to get a sense for how strong their economy was based on changes in shipping, but they turned their ship transponders off to block that information. I look at China and something doesn't smell right. Are we going through another Japan-like debt crisis, this time with a far larger economy? China's real estate debt problem is four times what Japan experienced, which led to several lost decades.

Dallara: You raise pertinent questions. Although I don't see it as comparable to the circumstances of Japan in the 1980s, it is clear that the residential real estate challenge China faces is very substantial. In addition, there is also

evidence that the shift away from a more market-driven economy to a more controlled economy has raised questions in the minds of some investors around the world.

Then there is a consumer confidence issue. China's covid experience was painful. Rather than engaging in free spending like Americans tend to do—shopping and eating out and traveling—the Chinese reverted to their historic pattern of boosting their savings, and this has led to weakness in consumption. Despite these and other challenges, China is still a highly competitive and strong player in the global system and will not likely face anything like the serious crisis that we saw in Europe during the euro crisis.

Smick: What I find interesting about China is you start to look at where revenues come from. They're not coming from domestic consumption, nor from returns from developing world lending as they expected. Exports seem to be their main revenue source for now. China seems to have backed away from developing AI with the same intensity as the United States and Europe because it brings too much transparency. Instead, they seem to want to compete with Germany in the advanced manufacturing sector. Do you think when all is said and done, China will devalue its currency? Will Germany's industrial base collapse?

Dallara: I am quite concerned. On the one hand, U.S. technological restrictions are beginning to impact China's ability to advance in technology. At the same time, China is providing money through the state banks and the state-owned enterprises into a whole range of manufacturing which has the potential to flood global markets.

I've just come back from Europe. The European economy is struggling again. Germany in particular is having a tough time adjusting to a new world without Russian gas and oil. The move toward electric vehicles is providing a growing market for Chinese products. But it's not just in the EV area where China poses a real challenge to Germany and others in Europe—there's a whole range of other manufactured products from China as well.

We're in a tough period now both for China and Europe. We just have to see how this plays out. I've been impressed with the resilience I've seen in Europe, even as the United States seems to be wavering in our commitment to help Europe cope with some of the challenges it faces, especially the invasion of Ukraine.

Smick: Looking at the U.S. Federal Reserve and Chair Jay Powell, I wonder if they would be surprised and maybe unprepared in the event of an international crisis. If there were a problem in China or Europe, do we have a SWAT team of Charles Dallaras who are prepared to move into action?

The most impressive heads of state I worked with were Ronald Reagan and U.K. Prime Minister Margaret Thatcher.

Dallara: I see a broad trend that may have begun really with the departure of Volcker—a Federal Reserve and Fed chair who are increasingly focused on the U.S. economy and arguably somewhat less focused on the global economy. That's probably a somewhat simplistic observation, but Powell is not unique in focusing more heavily on the domestic economy. I think he's done an impressive though still unfinished job here of reining in inflation.

But you're right to raise a question as to the degree of global perspective today. I'm sure the Fed would argue that they are very integrated into the Bank for International Settlements framework and that there is a lot of dialogue underway among the central banks, but at the same time it does raise an interesting concern. Would there be a similar degree of preparedness as in the Volcker era for working together across the global landscape dynamically to cope with a new global financial crisis?

The pressures in the marketplace are such that we may have Fed chairs who focus more on the U.S. economy, but they cannot afford to ignore the global framework, particularly given the record of crises erupting from time to time in the global system. The European crisis threatened to break apart the eurozone, and if it had, I'm convinced Greece would have been forced out. Italy would have likely followed. Then the eurozone would have been fractured, probably for at least a decade. We have to recognize how serious these issues can become on a global scale.

Smick: You've dealt with a lot of top government officials over your career. You've seen how they handle stress and pressure, and how they reason their way through policy challenges. When I look back on my career, I find Jim Baker the most impressive. Baker served as White House Chief of Staff and Secretary of the Treasury under Reagan and Secretary of State and White House Chief of Staff for George H. W. Bush. Given that you've been in the room with so many leaders, who particularly impressed you?

Dallara: Based on my own experience, the most impressive heads of state I worked with were Ronald Reagan and U.K.

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Prime Minister Margaret Thatcher. They were both inspiring leaders who changed their countries for the better, and in Reagan's case made the world a much safer place. Two leaders from the Greek crisis impressed me during my intense collaboration with them. One was a very short-lived technocratic head of state during one of the critical phases of the Greek crisis: Lucas Papademos, who served from November 2011 to May 2012. He was a taciturn central banker by career and ill-prepared for politics. He never wanted to be a politician, and resisted it at every turn. But Papademos provided a crucial element of leadership during the critical period when Greece could have spun completely out of control in the fall of 2011 and the early part of 2012.

Papademos never sought the limelight. He's seen as a somewhat technocratic economist, but he stood strong when he needed to, coping with the parliamentary pressures and violent demonstrations in the streets, pressure from the IMF, pressure from Germany, as well as negotiations with the bankers. He was personally involved in the final stages of the debt negotiations and also negotiated a strong reform package that allowed us to finally implement the largest debt restructuring in history.

One other unsung hero from the Greek crisis was Jean-Claude Juncker, then president of the Eurogroup of finance ministers. In the final days of the negotiations, it was Juncker and Papademos who put it over the goal line. Juncker was a paragon of Europeanness. He understood exactly how the French, the Germans, the Dutch, the Belgians, and everyone else in Europe behaved and how they viewed economic and political matters. He was really quite masterful in the very end in helping pull things together.

I want to mention also the current Greek prime minister, Kyriakos Mitsotakis. He has provided the kind of strong, stable center-right political leadership that his country needs. He's done it now approaching five years, and it has made a huge difference. It was no surprise to me that Greece was named 2023 Country of the Year by *The Economist,* and it's not just because of the economic recovery that's underway there, but also because of the strength of his political leadership. We don't have many highly effective center-right democratic governments in this world that can carve a path that has boosted economic and political credibility. I have a lot of admiration for him.

I've met so many highly capable finance ministers over the years, from the United Kingdom's Gordon Brown who I thought was an outstanding chancellor of the exchequer, to Ángel Gurría, a very impressive finance minister for Mexico.

I was at the U.S. Treasury Department through seven different Treasury secretaries, so I have some observations to make. Treasury Secretaries James Baker and Nicholas Brady were both in very different ways outstanding leaders and extremely effective. Baker had a highly refined sense of global strategy, and you could see that in his approach to problems he faced, especially the overvalued dollar. The Plaza Accord and Louvre Accord represented a major advance in global economic policy coordination. His approach to dealing with complicated domestic fiscal issues was also impressive. Brady was determined to be a problem-solver, and he succeeded at that remarkably well. He conceived and implemented the Brady Plan to cut through the Latin American debt problem and at the same time solved the savings and loan problems in the United States which had festered for some time. Very few Treasury secretaries ever faced simultaneous challenges on the domestic and international financial fronts like he did.

Smick: The economic part of your book was terrific, but I was also intrigued by the story of your personal journey. You were an average guy in the Navy, then suddenly you're advising admirals. You were based in Greece, and clearly you developed a real love of the country. Greece may have provided the foundation for our western civilization, but was also totally politically chaotic. You could have written a book about other aspects of your job, but you chose to write about the Greek bailout. What about Greece really captured your heart?

Dallara: As a young naval officer, all of us were exposed in our education to some degree of awareness of the tremendous influence of classical Greece on the lives we lead today. It's stunning to realize that even though the height of classical Greece only lasted a century, its influence still permeates our society from the theater, to philosophy, to history, to politics, to economics. I remember studying in European history the crucial role of Greece in the way in which our societies, particularly our democratic societies, operate today. I suspect that I took a little bit of that admiration and laced it with the real world when I lived in Greece. I could go up to the top

of my small apartment building and look at the Acropolis at night and marvel at the Parthenon still standing there. I took some inspiration then that I never quite lost.

But no matter how impressive classical Greece was, during the crisis I had to come to grips with the reality that modern Greece was full of difficulties and inefficiencies, laced with bloated bureaucracy and a socialist economic structure that drained the economy and the society. That reckoning was a bit painful. It does not extinguish one's admiration for the Greek people and the Greek culture, but it does mean that one has to balance things out.

I talked this over with a gentleman who has become a good friend, Nicholas Gage. He wrote a beautiful but painful book about his mother's assassination at the end of the Greek civil war—*Eleni*—and he and I talked about how Greece can get into your blood. When you see a country show such resilience under pressure, you wonder whether this is some residual effect of their DNA over the centuries. How could these people stand up to 28 percent unemployment and not crack completely politically? They did flirt with socialism for four years, and I characterize it as the four lost years in my book. But they came back to their senses and elected a capable competent government now two consecutive times. I have some real respect for the resilience and the wisdom that has positioned them where they are today.

Fed Chair Jay Powell is not unique in focusing more heavily on the domestic economy.

Smick: Thank you very much. ◆