Home | About Us | Advertise | Archives | Forum | Classifieds | ePaper | Live TV | Contact us

Search

Search Criteria

Go

Daily Star Sections
Middle East
Lebanon
Middle East News
Politics
Business
Editorial
Opinion
Law NEW
Arts & Culture
Forbes Features
SCI & TECH
Health
Odd News
Lebanon Examiner
Spotlight NEW
Special Reports
Interviews
Readers' Letters
Today's Cartoons
Today in Brief
Site Services
Registration
PDF version
ePaper
Archives
Research Tool
News in Video
Live TV
Movie Guide
Job Finder
Fun & Games
Sudoku online
Horoscope
Weather
Food Recipes
Fitness Videos
Soccer Stats
Currencies
Forex Trader

BUSINESS

Experts: World debt crisis looms behind Greek mess

By Agence France Presse (AFP)

Monday, May 10, 2010

Listen to the Article - *Powered by* dixerit

Dario Thuburn

Agence France Presse

PARIS: With Europe locked in Greece-linked market mayhem, influential economists are now warning that a wider crisis of rising debts and ageing populations in advanced economies could be in store.

And it is not just Greece and some other vulnerable eurozone economies that are in trouble. Countries such as Britain and the United States are at risk too unless urgent action is taken to avert a major public finances crunch.

A recent working paper published by the Switzerland-based Bank for International Settlements, an organisation that groups together the world's top central banks, said the developed world has seen "an explosion of public debt."

"Drastic measures" are needed to slash this debt, said the authors of the report, including Stephen Cecchetti, chief economic adviser to the BIS, which often helps shape government economic policy years into the future.

It is a refrain frequently heard at economic policy conferences but is rarely heard on the lips of politicians, who are only too conscious of the growing problem and the painful ways of cutting public deficit.

The main solution put forward by the BIS experts as an alternative to raising taxes or cutting social welfare is to raise the retirement age as a way of reducing future costs linked to ageing populations in advanced economies. "A decision to raise the retirement age appears a better measure," they said.

Finland, Greece, the Netherlands, Portugal and Spain are among the advanced economies that have recently announced plans to raise the retirement age.

The BIS experts warned that without action there could be dire consequences from "unsustainable" debt, including a slump in bond markets, a vicious circle of rising interest rates and more debt and even a rise in the shadow economy.

LEBANON NEWS

Politics. . . . .

» Ruler of Kuwait to visit Beirut with aim of boosting bilateral relations – Hariri

» Sleiman stresses need for unity to face Israeli threats

» Large quantities of cocaine seized at Beirut port

Business. . . . .

» ESCWA opens 26th session in Beirut

» Lebanese boat market sees wave of growth

» Lebanon real estate sales up 41 percent

-- More Lebanon News --

the daily star network

Rumblings on the world's sovereign debt problems are nothing new in recent months but there is a greater sense of urgency among many observers.

"Greece is only one case, but it's only a tip of the iceberg," People's Bank of China Deputy Governor Zhu Min said at a conference in Hong Kong in March.

Zhu said that the "main concern today obviously is Spain and Italy," far bigger European economies than Greece's that are also heavily indebted.

The International Monetary Fund in a report issued last month warned of the risk that "market concerns about sovereign liquidity and solvency in Greece could turn into a full-blown sovereign debt crisis, leading to some contagion.

"The global crisis and its ripple effects have exposed weaknesses in existing policy arrangements on various fronts that need to be corrected to ensure Europe's future financial stability and growth," it added.

Since then the eurozone and IMF have approved an unprecedented 110-billion-euro ($140-billion) bailout aimed at helping Greece avoid a default on its debts that would wreak further havoc on the markets.

Analysts are saying the European Central Bank or domestic private banks could be forced into buying government bonds as a way to avoid more bailouts of other eurozone economies like Portugal and Spain.

Economists warn the sovereign debt risk also threatens countries such as Britain, Ireland and the United States, which have previously been seen as more fiscally restrained but now increasingly mired in debt.

Britain's government debt is set to rise to 94 percent of gross domestic product (GDP) next year from 47 percent in 2007, Ireland's to 93 percent from 28 percent and the US to 100 percent from 62 percent.

Pensions and healthcare costs are adding to the fiscal troubles, with the ageing population problem particularly acute in countries such as Greece, Italy, Japan and Spain.

The ultimate danger is that a debt-mired Europe could be relegated to the second division of world economic powers, while younger and more dynamic economies in Asia and North America dart ahead.

"The risk for European economies is to be in the second league and not in the first, with the US and Asia," the IMF's managing director, Dominique Strauss-Kahn, told students in Bucharest in March.