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Lunch with the FT: Kenneth Rogoff

By Gideon Rachman

The Harvard professor, whose advice on how to counter the financial crisis world leaders seek after, talks about his old addiction – chess



Ken Rogoff has been coming to the [World Economic Forum in Davos](#) for a decade but he has never yet had a decent lunch. Sitting down at a small table in Gentiana, a bistro about 10 minutes' walk from the Congress Centre, Rogoff says this is the first occasion he has ever had the time to venture out to a restaurant. His normal schedule is so hectic he just has to grab the sandwiches that occasionally appear in the centre.

These days Rogoff, a 58-year-old Harvard economics professor, is more in demand than ever. With his co-author, Carmen Reinhart, he has written the definitive history of financial crises over the centuries. *This Time is Different* would have been a major contribution to economics and history whenever it appeared, but its publication in

2009, in the immediate aftermath of the financial crisis caused by the collapse of Lehman Brothers, meant that it became an unlikely publishing sensation – rising to fourth on the Amazon bestseller list.

Rogoff's advice is much sought-after by western leaders trying to navigate their way out of the crisis. Unlike some high-profile academics who relish flaunting their influence, Rogoff is reticent about his meetings with leading politicians. But he has been consulted by President Barack Obama and is known to have spent many hours with George Osborne, Britain's chancellor. Rogoff's advice – that heavily indebted governments had to get serious about cutting their deficits – strongly influenced the British government's decision to make controlling spending its priority.

The financial crises in the US, the UK and the eurozone have caused the Swiss franc to soar in value – and we both do a double-take as we look at the prices on the menu. “It's just incredible,” says Rogoff, shaking his head sorrowfully. Gentiana is a comfortable but modest one-room restaurant, with the tables packed tightly together. None the less, the Wiener schnitzel and chips I intend to order will cost the equivalent of £30. Rogoff, dressed in a blue blazer and red tie, has issues other than price on his mind. “I better get something I'm not going to spill down my front,” he says, mindful of the sessions he will appear at later in the day. His choice of spaghetti rucola, which has a tomato-based sauce, seems to me a bold call if spills are a concern.

At Davos, everybody is talking about [Europe's debt crisis](#). Many think the worst is over. Rogoff is more cautious: “There will be more drama ahead,” he predicts. The historical studies that he has done with Reinhart, his long-time collaborator, who is now a fellow at the Peterson Institute in Washington, DC, suggest that the debt levels of several European countries are simply unsustainable without some sort of “restructuring”. So the tortured negotiations that are being conducted in [Greece](#) will be repeated in other countries such as [Portugal](#) and [Ireland](#). “Portugal only looks good in comparison with Greece,” he says drily. “We're not in the endgame, we're in the middle-game.”

Talk of endgames and middle-games is a reminder of Rogoff's first love – chess. He achieved grandmaster status in his mid-twenties and was the highest ranked player of his age in the world before retiring to concentrate on economics. Improbably, for a future Harvard professor, he was also a high school dropout. “A lot of my last years of high school, I essentially missed,” he says. “I just played chess, I did nothing else.”

His search for chess excellence led him to leave the US. “I moved to Sarajevo because Yugoslavia was the number two chess-playing country after the USSR – and going to the

Soviet Union just wasn't possible in those days. I was living kind of a bohemian lifestyle. I would be playing chess in top tournaments in five-star hotels and then sometimes sleeping in railway stations, because I wasn't making much money. Or maybe just because I was stupid."

Yet it was encountering some of the world's greatest players that persuaded Rogoff ultimately to give up chess – on the grounds that he was unlikely ever to be number one. When he was 16, Rogoff met and played Anatoly Karpov, who was 18 at the time and later became world champion. "He was meant to be an English major, so I went up to speak to him, and it was quite clear he didn't speak any English." So how did they communicate? "I had taught myself some Russian, so I could read chess books. "Karpov," he recalls admiringly, "just understood chess, so well." Rogoff concluded that although he could certainly beat Karpov in individual games, he was unlikely to best him consistently.

Rogoff's real hero, however, was Bobby Fischer, the American chess champion of the 1970s. He remembers following the games from the famous Fischer-Spassky world chess championship in 1972, and being awed by Fischer's play – "It was like seeing the hand of God at work; the originality, the simplicity." He shakes his head in delight and amazement. Fischer even paid the teenaged Rogoff the compliment of analysing and praising one of his games in an article. But Rogoff did not let that go to his head. "I took that to mean that he knew I could never beat him. Because I knew he was hyper-competitive. I completely understood the message," he chuckles.

All this talk of the late Bobby Fischer excites some interest at a neighbouring table. An American scientist gets up, walks over and joins in the conversation. He is, he says, working on the human genome, and is keen to get hold of some of Bobby Fischer's DNA. Does Rogoff know how this might be done? Rogoff gives a polite but evasive reply. Our new friend then asks whether either of us intend to go to the Friday night dinner organised for Jews attending Davos? I say that I am going to a wine tasting instead. Rogoff is committed to an event with the celebrity sitar-player Ravi Shankar.

I have munched my way through my schnitzel in record time, but Rogoff is making slow progress with the spaghetti. He tells me that he had eaten something before meeting me. If he is going to a meal where he needs to talk, he confides, he often eats beforehand so that he can concentrate on the conversation. "I did that before going to the White House. I didn't want to meet Obama and just be thinking about the salad."

I ask whether it was hard to switch from chess to economics? Rogoff confirms that it was. He says chess people find it difficult to move on, because the game is so addictive. But at graduate school he became convinced that dividing his attention meant that both his chess and his economics were suffering. He had to make a decision. Once he had chosen economics, he had to deal with his chess compulsion. “Being very good at anything involves being somewhat addicted – so part of my strategy of moving on was to give it up completely. I don’t play chess casually ... Not unless it’s incredibly rude to decline playing.”

But chess is still part of his mental make-up. “I think about chess all the time. In boring meetings. Or at night. Sometimes I think about chess to calm myself down, almost like meditation.” Still, he has to be careful not to let the addiction return. “I can’t have chess on my computer. But I think I have it under control most of the time.”

The talents that had helped Rogoff to excel at chess also helped in economics. “I’m not a great mathematician,” he says modestly, “but game theory really clicked for me. I used it in my work on why you need an independent central bank.” Game theory is also helpful in understanding how governments are likely to behave during a debt crisis. The key, Rogoff argues, is to ignore everything that governments say and instead to concentrate on the incentives that drive their behaviour. “One of the reasons that Carmen Reinhart and I hit it off, is that we are both incredibly cynical about governments.”

Unlike many of the big-name economists, such as Paul Krugman and Joseph Stiglitz, who are dominating the debate about the financial crisis, Rogoff is not a man of the left, nor is he regarded as a Keynesian. In 2001-2003, when he was chief economist at the International Monetary Fund, Rogoff clashed publicly with Stiglitz – who had become a major critic of the fund – and in July 2002 wrote a devastating public letter in which he essentially accused Stiglitz of massive arrogance and disregard for the consequences of his actions. I ask Rogoff about this incident. Rather to my surprise, I am told that he and “Joe” get on just fine these days.

Rogoff, whose wife Natasha is a film-maker, began work on the project that became *This Time is Different* while he was at the IMF with Reinhart. Their research took seven years and involved a lot of sleuthing to pull together elusive sets of data. He recalls, with enormous pleasure, the day that a retiring researcher at the Bank for International Settlements, an intergovernmental organisation of central banks, sent him a hitherto secret collection of data on the history of house prices. Working for so long on a single

project was difficult, he says: “There is an incredible social and professional pressure to publish something every year. That’s why people prefer to write articles, not books.”

The financial crisis has made many of Rogoff and Reinhart’s observations a central part of the debate about sovereign debt. Their finding that recoveries from debt-driven recessions are slower than recoveries from business cycle recessions is regularly cited. The two authors are also associated with the idea that when a state’s debts exceed 90 per cent of gross domestic product, they will reduce the economic potential of the country.

I suggest that the US is still comfortably short of this level – but am swiftly corrected. If you count federal and state debts and, crucially, add in unfunded debts in the social security system, then Rogoff thinks that America’s debt levels are well over 120 per cent of GDP.

So how long will it take for the US and Europe to “deleverage” and get their debt crises under control, I ask. “The US still has a few years to go – and the EU could have a decade,” he replies.

After this cheering observation, I feel in need of a jolt and something sweet – and suggest that we might have a dessert. Rather to my surprise, Rogoff agrees. The proprietor is summoned and brings over the menu. Rogoff’s eye scans the tempting list of tiramisus and strudels, and he laughs softly – “That’s like another \$20. This is just unbelievable. Maybe I’ll pass. I’ll just have a double decaf.” After a series of late nights, I am feeling rather sleepy, so I order a double espresso. Saddened to see my own prospects of dessert disappearing, I urge my guest to indulge himself. “Go on,” I say, “the FT can afford it.”

Rogoff shakes his head. Still, at least he is consistent. Austerity and the control of unnecessary spending is not just something to be urged on governments. It is a policy that extends all the way to the lunch table.

Gideon Rachman is the FT’s chief international affairs commentator

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Bistro Gentiana

Promenade 53, 7270 Davos Platz

Sparkling water **SFr8.90**

Green salad **9.80**

Spaghetti rucola **24.80**

Wiener schnitzel with chips and salad **42.80**

Double espresso **6.80**

Espresso Hag **4.40**

Total SFr97.50 (£67)