



## Planet Money Tells the Story of Sovereign Debt

### [Carnegie New Leaders Program \(CNL\)](#)

[Zoe Chace](#), [Caitlin Kenney](#), [Joseph Amann](#), [Julia Taylor Kennedy](#)

*The sections set off in block quotes are the transcriptions of recordings that Planet Money made outside of this event.*

*For the Planet Money program discussed here, go to [The Economic Catastrophe That Germany Can't Forget](#).*

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### Introduction

**JULIA KENNEDY:** Hi, everyone. I'm Julia Taylor Kennedy. I'm program officer here for the Carnegie New Leaders Program [CNL]. Welcome to everyone here in the room and those who are tuning in with us on the webcast. We are doing program themes this year. This is our first event on the theme of sovereign debt. We thought who better to set the groundwork to explain this theme than the [Planet Money](#) team, who does it so well on the radio.

Our Carnegie New Leader Joe Amann will take it over from here. Let me tell you a little bit about him before he gets started. He is an integral member of the Carnegie New Leaders Steering Committee and just attended our board of trustees meeting last week as the delegate from CNL. A grand majority of his time, though, is spent at Morgan Stanley, where he specializes in derivatives risk management.

**JOSEPH AMANN:** Thank you, Julia.

I would like to introduce Zoe Chace, a reporter for NPR's Planet Money. She attended the Salt Institute for Documentary Studies in 2007 and used to work as an arts producer for NPR.

I would also like to introduce Caitlin Kenney, who is a producer for NPR's Planet Money and a graduate of Emerson College. She previously worked as a producer for WNYC, WBUR, and NPR's [Bryant Park Project](#).

### Remarks

**CAITLIN KENNEY:** That's us. In case you guys have never heard of our show, it's called Planet Money. It was a project started at NPR to cover the global economy. But the idea was to start a show for people who don't read *The Wall Street Journal*, who don't read the *Financial Times*. They are awesome publications. They do great reporting.

**ZOE CHACE:** We read them.

**CAITLIN KENNEY:** We read them a lot. But the fact of the matter is a lot of people can't understand them. They tend to use a lot of jargon, they use terms people aren't familiar with, concepts you've never heard of before. So our job at Planet Money is to try to explain the economy to you in a way that is accessible, that is easy to understand, and that makes you care about it.

**ZOE CHACE:** I'm a radio reporter. Caitlin is a radio reporter and producer. Radio is a story, it's storytelling, and that's what we have to do about the global economy. So we have to somehow take issues about sovereign debt and tell it as much as possible in a way as though you were just talking to your friends at the bar or at a cocktail party or on a bus. That's how far down we have to scale it.

**CAITLIN KENNEY:** I have to say the [European debt crisis](#) is a hard story to tell. Even when Julia said "sovereign debt" earlier, a little part of me kind of shuddered inside. It's just not a very—we don't say that. We try not to. It's not a very friendly or exciting term.

I hate to say it, but to be honest, a lot of Americans don't really care about Europe unless they're planning a vacation there, unless the exchange rate is going to be really good for their trip to Greece. So that's one of the first challenges about telling the story, it's to make people actually care about the countries that are involved and what is taking place in them.

**ZOE CHACE:** We're economics reporters. That means we have to cover the European debt crisis. That's a very big economic story. The problem is, this crisis has been going on for three years. That's a very slow-moving crisis. When you think about a crisis, like an earthquake, it's like covering the earthquake crack by crack. It's very hard to give it urgency if you have been saying it's about to break for six months.

That's another challenge that we have.

**CAITLIN KENNEY:** We always have meetings where "this week it's going to explode, it's going to go crazy." Then we get really excited—"Did you see Italian bond rates today?" Anybody outside of our team just sort of looks at us like, "I don't understand why that matters and I really don't care."

The way that we have to get people involved and make them care is to tell them the stories of the people. That's what we're going to do for you guys today, is tell you the story of a trip we took to Germany and how we tried to find the people in the country there, to make you understand who they are, what they care about, what matters to them, to help you be able to put context and feeling behind this huge debt crisis situation.

**ZOE CHACE:** Our colleague [Chana Joffe-Walt](#) had gone to Greece and she had gone to Spain. She brought us a lot of great stories about people in Greece and Spain. But we got curious last summer, as I think a lot of people were, about how it felt actually to be the hero. Everyone's eyes started to turn to Germany and said, "Okay, so you're the only one at the table that can pick up the check. Are you going to pick up the check? How does that feel to be the only person with money in the room?" That is Germany's situation in Europe.

So that's what we decided to do. We decided to go to Germany and bring you that story.

We fly in, we get there, and the first thing most reporters do when they fly in somewhere is they find a local journalist to bring them up to speed and catch them up. Our very first question was, "What do Germans care about? What do they really, really care about?"

**CAITLIN KENNEY:** This is the answer that we got:

**KLAUS FRANKENBERGER:** There are two things in Germany, in the German psyche, that are important: monetary stability and soccer.

**CAITLIN KENNEY:** This is [Klaus Frankenberger](#). He is an editor at *FAZ*, which is a big paper in Germany.

Obviously, we were not there to do a story about soccer, sadly. But monetary stability, that's something we can talk about, that's something that we can cover.

That term when he's talking about it, what that means is that people in Germany are afraid that their money is going to lose value, that they are going to wake up tomorrow and the money in their bank account is going to be worth less than it was the day before.

**ZOE CHACE:** They are really worried about this.

**CAITLIN KENNEY:** The thing that scared them about this whole euro crisis is that the euro had been so strong and so stable, and now they saw all these countries around them going into debt, they saw all these problems, and they were afraid that this stability that they valued, that they hold so dear, was going to be jeopardized.

We started off by thinking: "Where does this fear come from? Why are people afraid of inflation? Why are they afraid of their money using value?"

Basically, everyone we met on our trip, we asked them, "Is this something that you worry about?"

**GERMAN MAN:** You think this is the German angst, to worry about inflation? This is true, even in the younger generation. Money should be worth something. This is a threat.

**ZOE CHACE:** But has that ever happened to you?

**GERMAN MAN:** To me, I am very lucky that this didn't happen to me. But I think it's part of the German thinking.

**ZOE CHACE:** This was just a random 25-year-old kid who was totally dressed up like a goth, very weird-looking, standing outside Dunkin' Donuts, and he's worried that his savings, which most 25-year-olds in America don't

even have, might lose money. It's very, very different.

To tell the story of inflation in Germany, like everything in Germany, it is very, very rooted in its past. Its past is very present over there, which is something I didn't know until I had gone, and you wouldn't know unless you go.

The reason why Germans, all Germans, are so worried about inflation has to do with a very specific period in its history. After [World War I](#)—we remember who won and who lost that war—Germany had to [pay](#) a lot of money to France and to the other powers. One of the ways that it dealt with the massive amount of debt that it had was it printed tons of money to pay off these debts. The money became worthless, so people are running around with wheelbarrows full of money. This is a famous story, the story of the [Weimar Republic](#).

We had to figure out a way to bring this story to life, because this really explains a lot of what is happening in Germany right now.

The way you do it for radio, you have to create a scene. I found this historian, who was an older German gentleman. He spoke English perfectly. What we did was we met up at the Brandenburg Gate at the [Hotel Adlon](#), which was a famous hotel at the Brandenburg Gate where people in Germany had been meeting for years to do a lot of devious, terrible things. It's a very historic gate.

We walked around the Brandenburg Gate in the rain, and we talked about what it would have been like at that moment in Germany in 1923 when [hyper-inflation](#) was out of control:

**HISTORIAN:** There is this famous example that somebody sits in a pub and orders a beer. Immediately, when the waiter carries the beer to his table he orders the second one. The waiter says, "Well, you haven't finished." "Yes, but if I don't order now prices will be double before I have finished my first beer."

**ZEO CHACE:** That's one of the techniques we used.

Like I said, everyone we asked about inflation: "Is it something you worry about?" "Yes, absolutely."

We had this great translator while we were there, Joy Tia [phonetic]. Her husband actually works for the [European Central Bank](#). We kept trying to get special access, but it didn't work out.

**CAITLIN KENNEY:** We'll get to that.

**ZOE CHACE:** She said, "You should talk to my former neighbor, Mario. He's really concerned about the crisis."

I was at his house. He's a very sweet man. We're having tea. I said, "You're worried about inflation. What makes you think about it?"

He said, "I have this stamp collection." This is sort of a moment when you're a reporter that you're like, "Oh, gold! This is going to be great. He's going to show me something that I can describe to people."

So I said, "Can you take it out? Can you show me?"

He takes out this book of stamps:

**MARIO:** It's 1 million, 2 million.

**ZOE CHACE:** Basically, he's showing me as hyper-inflation was going on and things were becoming worthless every day, the stamps go up in value—20 million, 20 billion. Then they get to the point where things were changing so rapidly they couldn't print things fast enough. So they literally rubber-stamped new amounts over the old stamp.

So we're sitting here, we're looking at the book, and he's sort of emotional talking about it, looking back into history.

We get to this one section of the book where there is a new set of stamps. I asked him what was going on in his mind when he was looking at them:

**ZOE CHACE:** What do you think when you look at these?

**MARIO:** Help! [Laughter]

**ZOE CHACE:** Say that again.

**MARIO:** Help! I don't want this to happen again because it would mean *he* was coming.

**ZOE CHACE:** "He" being of course [Hitler](#).

**CAITLIN KENNEY:** Those were the next stamps in his collection.

**ZOE CHACE:** It's a contested issue among historians, among economists, whether the hyperinflation of the Weimar Republic did eventually lead to Hitler taking power. But the fact of the matter is, in most Germans' minds those two things are associated.

They not only are afraid that when they wake up tomorrow their bank account is going to be worth less, but they're worried that that type of monetary instability, political instability, could lead to someone like that taking power. That scares them. That really helps to understand why they have this perpetual fear of inflation, why it's something you can ask anyone about and they are able to say, "Yeah, I'm worried about it, it's in my mind."

**JOSEPH AMANN:** I can actually speak to that. I'm probably an unusual example, but I'm about 40 percent German. This is by coincidence. I didn't know you were speaking about Germany today.

My grandfather emigrated from Germany to the United States. His family ultimately left because his father owned a construction business. He was trying to get an anniversary gift for his wife. I think it took about two wheelbarrows full of money to buy it in the afternoon. Well, in the evening, when he went back to pick it up, it was going to cost three. So he had to have his construction team take off of work for the afternoon and get the third wheelbarrow and take it there.

It was at that moment that they realized, "This isn't sustainable. We need to leave." They left. Only 10 years later, his son, my grandfather, was fighting in the [war](#).

So these two dynamic moments in my family's history, which happened to be my namesake, are basically what defined it.

**ZOE CHACE:** That's Europe. Its past is very present all the time. It's really hard to understand that unless you are there.

These stories are crazy, they seem like fairy tales, but they actually have real financial implications.

When we were in Frankfurt, when you do a trip like this, those were sort of how real people feel. We had to talk to the officials as well, the people that are going to actually take care of this whole debt crisis situation.

One of the places, actually basically the place, that is in charge of this rescue effort is the European Central Bank. The European Central Bank was designed in the German image. It was supposed to really be a lot like the German Central Bank that it was replacing. It's right there in Frankfurt.

Central bankers—I don't know if you guys have read a lot of interviews with [Ben Bernanke](#) or you see him talking that often. You probably haven't, because he doesn't. It's very hard for central bankers to give interviews, and they are not really supposed to.

So we thought we had really lucked out, because after lots and lots of calls and lots and lots of work, we sat down with the chief economist of the European Central Bank. We were like, "Are you going to rescue Europe? What's the deal?"

**ECONOMIST:** Our problem was banking liquidity. For that you don't need quantitative easing. For that you need what we call fixed-rate full allotment.

**ZOE CHACE:** Do you mean that the banks were low on cash?

**ECONOMIST:** What the banks didn't do is exchanging surpluses and deficits anymore.

**CAITLIN KENNEY:** That's what we call in radio "horrible tape." It makes no sense. I could barely understand what the guy is saying, and I've spent a lot of time reading about this. The term "fixed-rate full allotment," that's going to mean nothing to people.

We were really frustrated. We sat there. We thought we had the golden ticket. We sat with him for an hour. You could hear Zoe trying to get him to talk like a human in the tape—"Are you saying the banks don't have enough cash?" And then he goes on about exchanges and surpluses and deficits.

We sort of had this moment: "Okay, we got the official, we know what they're feeling, but it's not going to make sense to people because we can barely make sense of it."

So that tape, we didn't use anywhere. So we're looking around and we're saying, "How can we explain what the ECB's mission is, the European Central Bank? How can we explain their fear of inflation, which is so rooted in the German psyche as the Central Bank is?"

We found this gem, which was a cartoon on the ECB's [website](#):

**PEASANT MAN:** I don't believe it! He keeps on putting his prices up.

**PEASANT WOMAN:** We'll never be able to buy anything here.

**INFLATION:** Well then, you'd better have more money.

**PEASANT WOMAN:** Wait a second. I know you. You are Inflation.

**INFLATION:** Ooh, well done.

**CAITLIN KENNEY:** The best way I can describe this cartoon to you is that it sort of looks like [Beauty and the Beast](#). It's these peasants buying things at a market and then this horrible, horrible scary monster comes around—Inflation.

We found this and we said, "Okay, this is great, because the ECB has this on their website. Yes, it's supposed to teach children and younger people. But it totally works, because it really helps you understand. The fact that they would depict this economic concept in the form of a monster shows you how much it is of their mind, as opposed to what the ECB usually says about inflation, which is 'Our goal is price stability in the medium term.'" You guys laughed, which is exactly what we were hoping to get you to do.

**ZOE CHACE:** You have to listen. You'll listen to that but you won't listen to the other guy. That, bottom line, is all we care about.

The next thing was kind of a similar situation. We had to talk to the people that were going to make the decision about the bailout in Germany. So we spent a day at the Reichstag and we talked to all these people, all these politicians, whatever.

Nobody cares about European politics. It's a parliamentary system half the time. There's six different parties. I now sort of know the difference between the six parties, but there's no way that I can convey it to you guys. And why would you really want to know? It's hard enough to follow what's going on in Congress.

So what we did was we just had Germans frame the debate for us. Again, we ditched all the tape we had from the politicians and we just had people talk about what mattered to them.

**CAITLIN KENNEY:** Because it was a very real question whether the German Parliament was going to vote—"Should we go ahead, should we help out the other countries? What kind of action should we take?"

We needed to see how people on the street felt about it. So we turned to our old friend Klaus, who you heard at the beginning talking about soccer and monetary stability. He framed one side of the debate for us.

**KLAUS FRANKENBERGER:** Germany's economic revival came with a price. We look around and say, "What has Italy done?" Answer: "Nothing." "What has Spain done?" "Enjoyed a party." "What has Greece done?" "Deliberately reduced its competitiveness, deliberately inflated the public sector." "What has Portugal done?" "Ruin. And Ireland and the rest. And then we are called to show solidarity? Who showed solidarity with us?"

**CAITLIN KENNEY:** As you can see, in that tape he's pretty fired up. We actually had this great moment with him where he took out the [Maastricht Treaty](#), which created the euro, in his office and he's angrily pointing and he's saying, "See this clause right here? It says—"

**ZOE CHACE:** Article 125.

**CAITLIN KENNEY:** "—no bailouts, no bailouts. Why are we doing this?"

This was the reaction that we expected to get from Germans before we went. We had read so much—these people are so angry; they look around, they see these people with outrageous pensions, very early retirement ages, and they think, we've done these things to our economy to make us strong and secure. Why should we bail them out? Why should we help them out?

But we kept asking people this question.

**ZOE CHACE:** And, like in America, that's sort of what you expect. There's a lot of debate in America about whether the government should be paying for health care. We didn't expect that Germans would want to bail out a whole other European country. Why would we even think that? It just didn't make common sense to us.

**CAITLIN KENNEY:** So pretty much everywhere we went, we asked people, "How do you feel about what's going

on? How do you feel about Germany having to be the hero?"

**ZOE CHACE:** At that time [Greece](#) was the big issue. "Do you guys want to bail out Greece?" We should have said we were there in September.

**CAITLIN KENNEY:** One night we were walking around Frankfurt. We were actually on our way to go talk to some other people. But we saw these two guys sitting outside a theater smoking cigarettes and we thought, you know, what the heck? We'll ask them what they think.

**ZOE CHACE:** We were asking everybody.

**THEATER GUY:** There is the birth of the theater, of the theater we are doing here. So of course I feel very near to Greece and their culture, all the democracy, and [Pericles](#), and we've got to help them out. Yeah, why not?

**CAITLIN KENNEY:** That was one guy we talked to. We asked our cab drivers.

**CAB DRIVER:** It's the ending of war and it's the beginning of a new future of Europe. It's a dream for Europe people, for Germans, for Spain, for French, since more than a hundred years it's a dream.

**ZOE CHACE:** We went of course to the train station.

**TRAIN STATION WOMAN:** We had a war behind us and now we are friends, and also with France. It is so wonderful. You can go without passport and you have the same money. It is like we are sisters and brothers. It is wonderful.

**CAITLIN KENNEY:** I have to say this was a really big breakthrough moment for Zoe and me, because the more we asked people this question, the more we got responses like this: "We are Europeans. We're one big family now. It's our duty to help each other out." That was something that, going over there, we didn't expect at all.

**ZOE CHACE:** We thought Germans would want to leave the euro completely—"Actually, we got our economy in shape and we're doing really well and we don't need you losers." That's not what we heard.

**CAITLIN KENNEY:** Yes, there are people there who are very angry, like you heard Klaus. But so many people had this reaction. So many people said, "It's our responsibility." It's because, as we said before, in Germany there is such a sense of history and such a sense of the past, and such shame, to be honest, about what happened in their country and what they did to the countries around them, that going into the euro for them was sort of a way of saying, "Hey. . ."

**ZOE CHACE:** It was redemptive.

**CAITLIN KENNEY:** Yeah, it was redemptive. It was a way of saying, "Hey, we're in this together. We're with you guys."

Now they saw it almost as their moment to shine, as that time for them to stand up and really embrace these other countries and do something good for them.

**ZOE CHACE:** There is an economic reason. Germany is an export-oriented economy. They have a built-in market with the euro, and there is that. But if you are asking regular Germans how they feel about it, that's not how they are framing the question. This was a very emotional question for a lot of Germans, and we reported on that.

**CAITLIN KENNEY:** This is the end of one of our stories about whether or not Germany would vote to help out Greece.

**CAITLIN KENNEY:** You can see what a tough spot the Germans are in right now. This is what the Parliament has to deal with. No matter what they do, they break a promise. If they bail out Greece, they put their own taxpayers at risk and they break the promises they made when they signed the Maastricht Treaty, which created the European Union. Remember Article 125: No bailouts.

**ZOE CHASE:** On the other hand, if they don't bail out Greece they break another promise. It's the promise that Germany made to the rest of Europe: "We won't act alone; we are with you; we are all in this together."

**CAITLIN KENNEY:** Next week the German Parliament will have to make their choice. In a recent poll, 65 percent of Germans were against bailing out Greece. But for Germany, especially, with all that history, it is hard to act purely in your own self-interest.



(Music: [Rihanna's "Umbrella"](#))

**CAITLIN KENNEY:** You guys know how the rest of that song goes.

**ZOE CHACE:** Honestly, that's the best radio. When we really hit it out of the park with a radio story, it is that universal, it is that evocative, it is that easy to understand. It's a pop song, which as you know the rest of the radio is made up of.

Actually, we felt like the story we were telling about Germany was exactly the same story that Rihanna is telling in "Umbrella." So we should put them together and you'll really be able to feel it. That's the idea.

You are telling a story, you want people to feel the emotion.

**CAITLIN KENNEY:** Yes.

**JOSEPH AMANN:** I'll never think of that song the same way. [Laughter]

**ZOE CHACE:** That was Germany's attitude. Germany voted for the bailout.

**CAITLIN KENNEY:** As we were thinking about this idea and this feeling that these Germans have of being Europeans, of being together, it started to make us wonder about the history of the euro and how this all came together in the first place. It's kind of an amazing thing to think about all these countries, who have had years and years of war and fighting and have done horrible things together, suddenly get together and they're like, "Hey, let's share a currency. That is going to be a great idea."

Obviously, really good economic reasons to do it, to make them much stronger. But they had to get over so much history to get to that point, to get together.

Once again, though, it took so long for this to come together. It's a hard story to tell. There's step by step by step. We talked to all these brilliant people, and they said, "Don't forget to say what happened in this year and this year . . ."

**ZOE CHACE:** Right, the 1960s, the [Common Market](#), and [De Gaulle](#), who did this.

**CAITLIN KENNEY:** So many different steps to get there that we had to find a different way to tell the story. And the two central figures of the coming-together of the euro are France and Germany.

**ZOE CHACE:** Those two powers have always been at the heart of Europe. You know this, I'm sure. You see now today that it's "Merkozy" [[Nicolas Sarkozy](#) and [Angela Merkel](#)]. It's the two of them together talking about what's going to happen with the rest of Europe.

I have to say, before we went to Germany, I watched [Cabaret](#) a bunch of times. I was thinking about it. That's sort of what we wanted to do in our reporting. We wanted to put on a show. We wanted to entertain you with this very, very important, very complex history.

**CAITLIN KENNEY:** And the thing about their story that we realized is that it is sort of a very complicated love story. It takes a long time for them to get together. Then Germany is more into France than France is into Germany, but they need to be together—

**ZOE CHACE:** I mean, way into France.

**CAITLIN KENNEY:** Right. So we thought, how can we get that across to people? And this is how we did it.

(Music: "European Union Wiz Me")

**CAITLIN KENNEY:** Of course, those are not the voices of Zoe and me. Those are trained professionals. We have a great guy in our office, [Jeff Lunden](#), who does a lot of arts reporting. He's also a composer and has a partner who is a lyricist. We sat down and we told him the story, we told him this idea we had about a love story, and he wrote us this beautiful piece of music that worked really well.

**ZOE CHACE:** At the end it gets really hectic. It's like everyone's waking up with this hangover. Germany's trying to leave, and they can't go.

**CAITLIN KENNEY:** So there is obviously a lot of humor and levity in this. But before we can get to this point, we have to talk to a ton of people, read a bunch of really, really boring economic papers. To be able to tell the story in song, you have to really understand what the story is, before you can have some fun with it.

**ZOE CHACE:** So that's all we do.

**CAITLIN KENNEY:** That's us.

## Discussion

**JOSEPH AMANN:** My first question will be, who was the most interesting character you met in your journey?

**ZOE CHACE:** By the time we got there, we were sort of really nerded-out. We were real nerds about it. For me, it was a huge thrill. We sat down with this 93-year-old. He was the former head of the German central bank, the Bundesbank, and he helped navigate the transition from the Bundesbank to the European Central Bank. We used him in *This American Life* and we used him in our reporting.

He had memories of the Weimar Republic. He had memories of the second round where their money all lost value, which was right after World War II. He was this old man. He had been really against the euro, as a lot of German economists were. But he was so worked up about the Second World War, as a lot of old men are, and he was, like, "This was something that we had to do. We had to come together."

For me, after all the work that we had done, somebody who was a witness at all of these key moments—it was thrilling. It was awesome.

**CAITLIN KENNEY:** I agree.

**ZOE CHACE:** He was the most exciting. There were other more fun people, but it was very moving to talk to him.

**QUESTION:** You guys mentioned a fear of totalitarianism, a fear of the right. Considering the political machinations that are going on now, with strong candidates on the right in France and in the U.S., I'm wondering if you have any perspective on that fear being valid, about a connection between monetary instability and strong-man-style government.

**ZOE CHACE:** What's funny is that the problem with the euro is that the countries don't have control over their own monetary policy. Each individual country doesn't. In a way, I think that's part of the problem. The countries feel a little bit strangled. They can't devalue their currency. They don't have control, basically, over their own thing. It's coming out of Brussels and it's coming out of the European Central Bank.

I think that lack of control is leading to this increased nationalism, and the increased nationalism in Europe is often closely followed by anti-Semitism. It's very scary. I think that has to do with a feeling that people in those countries are having that they don't have that much control over their own destiny.

It's funny. In a way, if they weren't in the euro, if they weren't in this really binding treaty, it actually might help assuage some of this extremism that is coming.

That is my opinion. I am not a scholar.

**CAITLIN KENNEY:** Another thing, too, is, as Zoe mentioned, I think people in a lot of these countries are looking for a strong leader that represents the interests of their country. They do feel, especially in the case of Germany, and Germany being tied so closely with the ECB, that the Germans are kind of pushing them around a little bit, that they're coming in and saying, "You have to do austerity. You have to cut back. There's no other choice."

Obviously that's a very, very painful reality if you live in one of these countries. So someone standing up for you and saying, "Oh, no, we're not going to do that. We're not going to let them push you around. I'm going to preserve everything you have, and you're going to get to keep all your benefits," that's what you want to hear.

When you see the horrible problems that are happening in Greece and the things those people are going through, if someone says that to you at a time like this, it's obviously a very appealing message. So you can see why support has grown for these candidates.

**QUESTION:** Mine relates very well to his question. It's interesting that you have this fear that's kind of linked to far-right party growth and fascism, but at the same time, you have this very emotional feeling of coming together. It's very interesting. It's like the opposite side of the same coin. I was wondering if the people that you talked to ever made the same connection, that their fear is related to their hopes?

**CAITLIN KENNEY:** I think the average people we talked to wouldn't consider Germany to be this sort of bully figure that's coming in and pushing for cuts. They just consider, "Oh, we've done these things, and they have worked." People wouldn't say that they want to force austerity on the other countries. They would say, "We really want to help them out. This is our chance to do the right thing, when we've done all these terrible things in the past."

**ZOE CHACE:** A lot of them just don't want the euro to fall apart, because nobody knows what happens if the euro falls apart. And that's what Germans don't like. They do not like anything unpredictable or chaotic or hectic in any



way. So that's part of it. They just are totally risk-averse.

**QUESTION:** I have a cosmetic question. What is the reaction of the people you interview when you explain to them the description of your program, how it has to be a plain vanilla explanation, America's, perhaps, disinterest in European affairs?

**CAITLIN KENNEY:** It's a tough thing. I think a lot of times when you say to someone, "You need to explain this to me as though I were just an average person who doesn't have a degree in economics," and they start talking, they think that they are being very simple. I think the man that we spoke to at the ECB felt that he was being very clear. He definitely was doing his best to be.

I think the thing that we have to do on our part is try to do what Zoe did in the question, to say, "Are you trying to say this one thing?" Then if you get a yes, you're like, "Perfect, good. That will work. I'll take that."

But I think it is hard for them. I don't think that people that we talked to—we would never go up to them and say, "Americans don't give a crap about Germany, but we're trying to explain this to them. Just work with me." But you do have to sort of amp up your reactions to things. When people say things and you say, "Oh, my God, I can't believe that! Really?" then people sort of will go with you on this journey.

But they were grateful that we were trying to tell the story of Germany, that we were trying to say—especially when we stumbled upon this narrative that they felt like they were Europeans, they wanted people to get that message out into the world. They know that we're their best chance of getting it out there. In that way, they are willing to sort of play with us.

**ZOE CHACE:** They think Americans are stupid. That's fine. We had that to work with. That works to our advantage. It's more helpful if they think that you're dumb. That's why you have to ask really stupid questions all the time. That's our job.

I feel like it's actually less challenging to pose that to a German monetary policy thinker: "In America we don't understand this." They get that.

**QUESTION:** I spent a lot of time in Europe, in Germany, in Spain, and a lot of places. When I wake up each morning and read *The New York Times* or listen to some programs on NPR, not necessarily yours—I think yours is one of the better ones—I got a sense, during the Greek bailout and during some of the wrangling that was going on, there is in the American press this huge sense of hysteria and crisis that I didn't necessarily feel on the ground.

I felt that governments and people were struggling with real issues and there was a certain level of fear. But in the American press I would read about the potential collapse of the euro, people leaving the European Union, that countries would pull out.

I would check the currency rate. I was getting excited because I get paid in dollars. I would see the euro trading higher than it was three years ago or four years ago. It's sort of in the middle range of its variation.

As you guys are reporters, when you guys were trying to frame this story, how tough was it for you to try to blend what's actually going on, people's actual reaction, versus what perhaps your editors or other people were expecting you to put out there?

**ZOE CHACE:** That's great. That's really great. We went over there and we thought that, too. We thought there might be this breakup of the euro. Nobody in Germany felt that way, not a single person.

That's not how the German press was covering it at all. The euro project is practically 100 years old. That ship has sailed. This euro project is not going away.

That was hard to convey to our editors. I think that's why we got so attracted to these history stories. We tried to show what a long project this has been. I think, to Americans—certainly to me—the euro is 10 years old. That's not true in Europe at all. The euro is at least as old as 1989. It's way older than that. It has been going on forever.

So that was a struggle. But at the same time, your editor is always very happy when you have a surprise. You're, like, "This is not the story that you would expect." That's what your editor wants to hear, so they'll go with that.

**CAITLIN KENNEY:** It is, as you mentioned, though, a delicate balance between trying to say, "Oh, there's mass hysteria. People are running around the streets." We talked for a while about, "Oh, we should do a story about how everyone's pulling their money out of the banks because they're afraid the euro's going to collapse."

**ZOE CHACE:** Right. We keep trying to do that story.

**CAITLIN KENNEY:** Then we call people and they're, like, "That's not happening." Okay, well, we won't do that

story then.

But at the same time, you do have to talk about the implications of things really going wrong. You do have to discuss the possibility, as remote as it is, of these really scary things happening to get people to understand why they should care. Eventually, how it's going to come down and affect Americans is only really if everything falls apart.

So you have to talk about those possibilities. I think you have to be really careful, as you said, to frame it as, "This is a remote possibility. It probably won't happen. But this is one of the things people are afraid about, and this is why there's so much fear regarding this crisis."

**JOSEPH AMANN:** To follow up on that question, too, it's really two parts. If you approach it from the standpoint of Europe—and I was just there two months ago—that is how they feel, and there's a lack of appreciation for how long this has been developing. Conversely, there's sort of a lack of appreciation for the timeline in which Americans work.

I overheard a very good analogy from a very senior banker. He was asking a government official the timeline for which they would resolve Greece. This was in August of 2011. He was expecting a response somewhere in the range of, I would say, weeks.

The official said, "Well, hopefully the holidays."

He said, "Do you mean Labor Day?"

The official said, "No, the holidays, Christmas."

He said, "Well, that wasn't really the timeframe we were predicting."

I think Americans, especially in the context of either default or resolution—and this is especially true within banking—frame it within the context of "[the weekend](#)," which was the weekend when one investment bank failed, another was purchased, and an insurance agency was bailed out.

So they kind of say to themselves, "Well, we basically determined what to do with three massive institutions, costing hundreds of billions of dollars, in about 70 hours. So what in the world is taking so long?"

**CAITLIN KENNEY:** They have to vote on everything. Every country has to vote, then another vote.

**QUESTION:** I'm just curious about how far you have taken the story and if you are going to visit other countries or how you are going to play out some things. I know you touched briefly on the fact that Germany needs the euro because it's an export economy.

How do you tackle people that would counter the emotional story that you're telling by saying—I've heard this phrase thrown around—that "we're trying to save the cancer by killing the patient." How far are you guys going to take your investigation and communicate it further?

**CAITLIN KENNEY:** It's something that our team has been covering for a long time. Our colleagues have been to Greece and been to Spain and to different countries. It's something that we all personally—I think especially Zoe and I—got really attached to, and we have really been following the daily motions.

Things are a little quiet at the moment, not to curse anything. But it's definitely something that we're going to continue to follow and definitely a story we're interested in telling. It increasingly affects their market interactions with our country and inter-country relations and all of those types of things, and just how much power a huge central bank has. The ECB—we haven't really gotten too much into them, but the ECB really is sort of the superhero here, above even Germany. They are really the ones who have the power. They started to use it a little bit, but they have kind of stepped back a little bit.

It's something that I think we're going to continue to follow, as long as it continues to be an issue.

**ZOE CHACE:** We did this big [This American Life hour](#) on the euro that was basically hosted by our colleague Chana Joffe-Walt. That was pretty major in terms of tying together all of our reporting. Just the way that we work, a lot of times at Planet Money we do stories for NPR and they lead up to a big *This American Life* hour. We have to figure out a little bit what our big frame for the euro story is going to be, how we push it next. People are really desperate in, say, Spain.

I've been talking to this one bartender a lot, trying to figure out how to spin that out into a story. That's just the way that we work. We have to figure out how it's going to work for us.

**QUESTION:** This sort of angst on the German side is something that actually I have run into with the Germans

that I know, which I think is hilarious, considering that the EU was created to keep Germany divided and weak, and now they're in charge of saving it. Is there any understanding on the German side that they are being asked now to save Europe and, by doing so, they could find themselves in a much stronger position?

**CAITLIN KENNEY:** Oh, certainly. We didn't play it in the tape, but some of the major people we talked to over there were exporters, who said, "Hey, you know who our customers are? Spain, Portugal, Ireland—all these countries around us. If they can't afford to buy our goods anymore, we're going to go down."

Germany is such a powerhouse, and increasingly they are exporting outside the European market, but still the bulk of their business comes from these other countries. They know how closely they are intertwined.

**ZOE CHACE:** Germany's unemployment rate is very low. Germany is doing extremely well. And Germany is getting everything it wants. I don't know if you have noticed, but Italy is not run by a madman; it's run by a [German-like person](#). So is Greece. Germany is really getting its way in Europe in a lot of respects. Even though the public can feel real angry about it, Merkel seems to have been very deliberate in her—she's getting everything she wants.

**CAITLIN KENNEY:** Maybe not from Spain.

**QUESTION:** You frame the story kind of as one country bailing out another. But another way to frame it—and I listen to you guys all the time, so I apologize if I'm stealing this from you—is that Germany and France are bailing out their own banks, which had lent much of the money to Greece and these other countries.

If that's the case, then you could compare it much more to the United States bailing out our own banks. The result there tended to be a lot of anger and all sorts of feelings here. Did you find any of those similar domestic feelings in Germany against their own government and their own banks?

**ZOE CHACE:** Yes. People felt like Germany had made a lot of bad bets, that they made a lot of really bad loans. Some people were cynical about that: "We have to pay for these bad loans." That's a big feeling over there.

But it's a really interconnected situation. If you look at the holdings, for instance, France holds so much Italian debt. It would probably be in the best interests of the French bankers if the French people would elect Sarkozy instead of [Hollande](#). But that's probably not going to happen. It's looking that way to me.

I don't know. I think it's a very rich story, the bad debt. You can only tell that story in so many ways. Who's the character in that story of the bad loans that the French banks made?

**CAITLIN KENNEY:** No one feels bad for the banks that are exposed to all this Italian debt and all this Greek debt. It's hard to make them sympathetic. But it's definitely something that we mention in all of our stories, and we always make a point to say, "Of course, remember, Germany knew this happened because their banks have this debt and all these people buy their goods."

**ZOE CHACE:** Certainly Chana really tackled this in her Greece reporting. The reason that Greece got into this crazy situation was because Germany and all these other countries poured money there. They had really cheap credit. That is not all the fault of the Greeks. Chana definitely explored that a lot from the Greece side. We haven't explored it as much from the side of the lenders, I don't think.

**QUESTION:** This just continues that thought about how difficult it is or what the challenges are of telling that whole story of how this mess started. Planet Money has done a great job doing that with the American economy, which is a huge challenge, but, I guess, just explaining how our economy and the collapse affected the rest of the world and how all these problems started. I guess another part of that would be what keeps it from happening again.

**ZOE CHACE:** You're talking about the American economy now?

**QUESTIONER:** No, just the explanation of Greece's collapse, how five years ago, everyone was doing great, but then things changed—explaining that story, how that happened.

**CAITLIN KENNEY:** I think that people are surprised—I know I was when I first started digging into the economics—how interconnected we all are. In the reporting that Zoe mentioned by our colleague Chana Joffe-Walt, she literally put a Greek on the phone with a man who works at Pimco, which is one of the largest bondholders that had bought Greek debt, and they were having a back-and-forth: "Why won't you lend us money anymore? What did we do?"

It was a really powerful conversation, because you don't think that the fact that a lot of these European countries are now in trouble is because some large U.S. firms and U.S. investment banks no longer want to hold their debt, and that's making life difficult for the people on the street.

We try as much as we can to explain how interconnected things are and how, if one piece falls, it can bring everything along with it. But I think it's difficult. I think it's a difficult thing to really wrap your mind around.

**QUESTION:** How much political room does the Merkel government have to maneuver? How is it affecting domestic politics? I know there was an election not so long ago, a state election, where her party didn't do well. But there are elections next year. How is this domestic political timing affecting the outcome?

It's a complicated question, but whether you have any insights and whether you have any sense about that.

**ZOE CHACE:** I have no idea. I don't know what's going on with German domestic politics right now, but I know that however successful Merkel and Sarkozy are at managing this crisis, it's not playing very well with their own domestic voters. I think that's why Sarkozy is finding himself in so much trouble—also because he has done a lot of crazy things before he started doing this euro situation.

I don't know. I think it's sort of unfortunate, in a way, for Sarkozy that the election is coming at this particular moment. I have no idea, if Merkel's election was at the same moment as Sarkozy's. My feeling is that it might have a similar result, but I have no idea.

**CAITLIN KENNEY:** I think the other thing is that there's definitely frustration at the level of the ECB that these individual countries have so much power that they get to vote on whether they should do these things or not. As much as the ECB is trying to hold control over it all, you have to remember that they have monetary union, but not a fiscal union. It gets very complicated.

**ZOE CHACE:** It's very tense.

**CAITLIN KENNEY:** There's a lot they can't do in these countries. I think that makes them insane. You look at why everyone freaked out about Spain. It's because all these countries agreed that they were going to have this one amount of debt, and then Spain came out and said, "Actually, ours is going to be a lot higher than that." And everyone went crazy.

It's amazing how much politics in each of these individual countries is going to play out into what happens in the crisis, as much as the ECB comes in and tries to take control.

**ZOE CHACE:** I think that if the ECB had its way, politics—they are trying to make it irrelevant. When Italy now passes a budget, it has to run through technocrats in Brussels first. They are really trying to get control. But the way it's set up is still with these elections. I feel like if the ECB had its way, they wouldn't have any of these elections going on. They would just appoint people with good financial backgrounds and sound fiscal training, and just have them running everything on their behalf.

If you remember the U.S. [debt ceiling](#) situation that happened over the summer, that was a purely political issue that made no economic sense. That is like the European Central Bank's worst nightmare. That's a really, really crazy situation. Those kinds of situations can come up, and they don't like it.

**QUESTION:** What I'm really reflecting a lot on, listening to you talk about the situation here, is how incapable the politicians seem to be of actually describing this in a way that even the people within Europe who are living with this day in and day out are able to understand and process. It almost seems like you can create an ethical issue there where government is not being transparent—or perhaps doesn't know how to be transparent—about these very important decisions that have a very real impact on people's lives.

**ZOE CHACE:** It's at odds. It's politically not expedient for the politicians to explain what's economically necessary to do. That's the problem. They have different incentives.

**CAITLIN KENNEY:** They are faced with the fact that they have the ECB or whoever it is breathing down their necks saying, "You have to cut back. You have to cut back." They may know that the debt that they have in their country is unsustainable. At the same time, they're up for reelection next month, next year, whenever it is, and if they cut all these programs and all these things people love so dearly, they're going to be in trouble.

We're seeing similar conversations here in the United States over our entitlement programs, over Social Security and over Medicare. Constantly we are seeing numbers come out that we can't continue to support these programs. But no one is going to stand up and say, "Let's end them." It's political suicide. So it's a very delicate balance that they have to walk.

**ZOE CHACE:** We have this project that we're working on. Our colleague [Robert Smith](#) is spearheading it. It's this robo-candidate that Planet Money is going to run for the summer, during the presidential election. It's basically the candidate that is taking all these economically smart positions that economists both on the left and the right would totally agree on, that voters would just never, ever vote for; it would be crazy for voters. I think Robert is going to show with this robo-candidate how often economists and politicians are at odds. It will be interesting.

**QUESTIONER:** Can you give an example of that?

**CAITLIN KENNEY:** This is going to sound boring, but I'll give it: mortgage interest tax deduction, the fact that you get money off your taxes if you have a mortgage. Most economists, on the right and the left, generally agree that's a horrible idea. The amount of money that you save on your taxes gets priced in, so it inflates home prices. People consider it a regressive tax on the poor because if you can't afford to buy and you're forced to rent, you are missing out on this huge tax shelter.

**ZOE CHACE:** And it encourages homeownership, which, as we know, has led to some problems.

**CAITLIN KENNEY:** But if you stood up in a room full of people who have mortgages—I don't know if anyone here does—and you said, "I'm going to get rid of this," people would go insane. That's the one that is very commonly cited.

**JULIA TAYLOR KENNEDY:** Great. Thank you all. This has been wonderful.

[Caitlin Kenney](#), [Zoe Chace](#)

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