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Paul Wallace	Welcome. My name is Paul Wallace, I'm a capital markets writer and the Africa editor at The Banker magazine, and I'm here with Jerome Booth, an independent economic analyst and founder of the new Spotter group. Jerome thanks for joining us.
Jerome Booth	It's nice to be here.
P.W	If you were the finance minister or central bank governor of a big emerging, big emerging market, what would you be hoping for at next week's IMF meetings in Washington?
J.B	Well, if I was a realist, I probably wouldn't be hoping for very much. I'd probably be a bit annoyed that, you know, after decades of the IMF being very tough on the emerging markets - and in many cases quite rightly so; I'm a big supporter of the IMF - that it now appears to have got itself, you know, entangled in a wholly inappropriate way with Greece in particular, and not really doing what it should be doing, which is giving some tough but friendly and needed advice. The problem I would like the IMF to address is the international monetary system, which is broken. We have a system today which is far too centralised on the money of one economy. And, you know, there are lots of arguments why we can't change this, and it's the most liquid - well, there's a word for a start: liquid. Liquidity, we know, can be very high and then disappear very suddenly. And what's interesting about liquidity is this can happen particularly in markets where you think it's not going to happen. And, you know, there are several, if you like, warning signals for liquidity to go down suddenly. One: a misperception of risk. So I ask you: why do we call something risk-free? There is no such thing as a risk-free investment: it's a complete nonsense. It's an abuse of the English language. So that is actually a misperception of risk: anybody calling something 'risk-free' is misperceiving the risk. Secondly, what you've got in the United States at the moment is obviously this huge series of problems with potentially reading to default very soon, but certainly not a country which looks like it's got its budget planning in order. And of course, you could argue that a lot of the, you know, the sort of good news, recent good news in the U.S. economy is largely because there hasn't been adjustment, and - oh, that's about to happen. So liquidity has the first condition I'd be looking at as a warning signal: misperception of risk. Very much the case with our major reserve currency. Secondly, the structure of investment. And the structure of investment in the U.S. treasure market is again very worrying, not least because central banks are so dominant, and by central banks, of course, I mean the emerging market of central banks, they have over 80% of global reserves; they are the massive creditors. So, as a finance minister, or a central bank governor, attending the IMF meeting, I am very, very worried about this huge collective action problem, and I want the IMF to start dealing with that. But the third, just from my list, the third sort of ingredient for disaster, in terms of liquidity drying up suddenly, is leverage. Leverage, in an instrument like the treasuries, is not that relevant, but at the economy level it is, and that's what potentially is dangerous because you could see a concerted effort by the U.S. government and in Europe, and here, by the way, to find ways to reduce the debt burden, which are not as simple as just paying it off and growing. Because we've got such a huge burden - and of course, the historical precedence are there: the two most obvious techniques for doing this, aside from outright default, which you don't have to do if you print your own money, is through a combination of inflation, which is basically the route followed in the '70s, you inflate away the debt; and secondly, of course, financial repression, which is any policy which captures domestic savings in order to fund the government, and to do so at a lower cost to the government, a lower interest rate, than would otherwise be possible. And that's exactly what's happening, primarily through regulation at the moment.
P.W	Okay, but you don't hold out much hope of these issues being addressed properly next week. *[Laughs]*
J.B	I think they're too sensitive! I really think that there's too many people so nervous about this. You know, it's like the Emperor's New Clothes. You know, I feel sometimes that Bernanke and other central bankers are a bit like the guy saying "What wonderful clothes the Emperor has," in the knowledge that they're trying to - you know - they're the ones trying to stitch them up together.
P.W	Okay. And, tapering and the prospect of a slow-down in quantitative using will no doubt be high on the agenda next week, and some people in emerging markets have called on the U.S. Fed to almost see itself as the world's central bank and not just the U.S. central bank and that when it carries out its, when it makes its decisions it should take into account the likely impact of those on not just the U.S. but the rest of the world too. Do you agree with that? And do you think there's any chance of the Fed whitening its mandate beyond the U.S.?

J.B	There is absolutely no chance whatsoever that the U.S. will subjugate domestic policy objectives to international ones. So we can ask for it, but all we're doing is pointing out that the system is not fit for purpose. And instead of asking the U.S., you know, fruitlessly, to try and do something they're never going to do, much better: start to work towards a different monetary system. And the answer, you know, the global monetary system. And the answer, quite obviously, is to rebalance it more towards where the economic activity is. You know, after the Second World War, when the U.S. was 50% of global GDP, you know, it made a lot more sense than today, when it isn't, to have, you know, everybody thinking in dollars. We need central banks across the world, starting with those with money, the central banks in emerging markets but also some of the big - you know, there are a few western ones with big reserves as well, as we know - to really, aggressively, much more aggressively - gradually, mind, but, you know - diversify their reserves. And to do so, in line with where they're trading, where the trade flows are and where the economic weights are. It is in the global economy. And that's the way to sort of get out of this problem. But to sort of complain that the U.S. is somehow going to look after their interests is not going to happen. So - and actually, a lot of this is rhetoric, anyway, by the way. I mean, I'm just amazed at the amount of uniformity of the view that tapering is a terrible thing for emerging markets. It's not really that relevant. It's a - you know, it's like going out on a day when the weather's, you know, not particularly good. You can blame the weather if you like, if that's the way you want to do it; but the point is, the emerging markets have every policy tool to be able to withstand this. You know, if Brazil or India or Indonesia or some of these other countries that have been buffeted a bit actually chose to have different policies, used their reserves a little bit more actively, they wouldn't have a problem. It's just politically convenient to blame the U.S.
P.W	Jerome, thank you very much.
J.B	My pleasure.