

JAPONICA PARTNERS 15 SEPTEMBER 2015 TELECONFERENCE RE A GLOBAL 5-STAR FINANCE MINISTER FOR GREECE

Professor Jacob Soll Transcript

*Transcript from Jacob Soll, Professor of history and accounting at University of Southern California and author of several highly regarded books including his latest and widely acclaimed book, *The Reckoning: Financial Accountability and the Rise and Fall of Nations*:*

What's remarkable to me in these financial crises is how little we hear about accounting. If one goes and looks back at the history of financial crises, one finds accounting at the base of all of them.

It's not only at the bases of financial crises, it's at the bases of reforming financial crises. If we go to Spain, the collapse of the Spanish Empire, we see the key role that accounting played, or the lack of accounting in the collapse of the Spanish Empire. If we go to the French Revolution, we see the same thing. We see the same thing also in the Great Depression in America. When people don't know accounting and when they don't talk about accounting, we often get into these terrible financial situations. And we often forget the role that accounting plays. And we forget the role that ministers and government agents who know accounting can play in actually reforming economies. And that's one of the amazing things in the history of accounting.

When we see states that actually succeed financially in reforming themselves and this is the hardest thing. This is what Spain can't do. This is what France struggles with in the Revolution. This is what American and Britain really honestly do following the Great Depression, the stock market crash in the Great Depression, is they really work on reforms. They do it with people who understand accounting, not just finance, but really understand accounting, and the principles of double-entry accounting of balanced books and of transparency. This also has to do with tax collection.

The long history of tax collection is also a history of people who really know how to do clear, balanced books, and who know how to make them more or less transparent to create trust and confidence so that there's more investment. This is what history shows. I think it's absolutely central for the Greek crisis, not just for the Greeks, but also for the Europeans. And I think if we're going to turn any of this around, not only are we going to have to talk about accounting standards both in Greece and in Europe, but we're going to need experts to take this mess and turn it around. Not even turn it around, but try and reform this situation.

Greece is not going to get out of its financial mess with just plain old policy. It's actually going to take someone putting their hands in the financial mud and that really, the financial mud is account books and history shows this again and again. Whether it be someone like Jean-Baptiste Colbert who builds the French state, Necker, Jacques Necker, the Swiss minister, who tries to rescue France and brings accounting to the fore. And accounting becomes central to the French Revolution or the state-builders, people like Ben Franklin and Alexander Hamilton, who knew that to build a state and to make a state reformable and they actually needed to reform, the early United States were already a financial mess, the very beginning the country was in terrible debt. They needed good accounts and it was central to their vision of state-building. We're going to need that in Greece. We're going to need that in Europe. We're going to need that in the press that discusses this. And we're going to need that for the public. And I think it will bring confidence to voters, investors and everybody, all the players around the table.