

# Today

# Economies and cultures can't be separated

There is an old saying that “money runs the world.” And whether we like it or not, finances – our own and that of our government – impacts the very way that we live. Someone who studies the world of finance and its relation to our everyday lives is Ayse Evrensel, an associate professor and chair of the department of economics and finance at Southern Illinois University Edwardsville.

A native of Istanbul, Turkey, Evrensel obtained her bachelor's degree in economics and social geography from the University of Ankara in Turkey, a doctorate in economic and social geography from the University of Zurich in Switzerland and a master's and a doctorate in economics from Clemson University in South Carolina. While her initial interest was in geography, she soon discovered a strong link between that world and the one of economics.

“In Switzerland, where I studied, and in other German speaking countries, every economics student has to have some hours in economic geography,” she explained. “So I was put in charge of the economic geography seminars for economics students. After that I decided to make the change. Economics was mesmerizing to me. And I have to say, understandably, neither my family nor my colleagues in Switzerland understood.” She decided to come to this country to study after realizing that most of the literature on that subject was written by American scholars.

One of subjects she has studied is corruption in the world of finance, a much talked about topic, particularly after the financial crisis of 2007-2008. “We always think about governments being corrupt,” she said. “In certain areas of our society, such as the financial sector, it is becoming more apparent that decisions being made are not being based on ethics, just to say the least.”

“However, I am very careful about this,” Evrensel added. “When talking about corruption in the financial sector,



Dr. Ayse Evrensel

Courtesy of Dr. Ayse Evrensel

we forget that in some cases governments enable the financial sector to make bad decisions. If you look just at the mortgage market, why did we have this crisis? It happened in late 2007, and we are still feeling the implications of the problem. Why? Because there is an implicit guarantee in mortgage markets that if the mortgage market goes down, the government is going to put money into it.”

She has also studied the role played by major international financial institutions, such as the International Monetary Fund, for example. “Since the 1970s, the IMF has started helping developing countries with their currency crises, with their balance of payments crises. In all my research I have always presented my views, based on data of course, that this is an organization that may create a moral hazard,” Evrensel said. “I would not want such a multilateral organization to oversee financial crises in developing countries because I believe that the reason we are in this crisis in the first place is because there was a security net, so the government in the United States always provided a security net in the mortgage market.” She said that she does not think that there should be another organization providing another security net. “People should make decisions and then face the implications of their decisions.”

Until a few months ago the euro, the general currency for the European Union, was in real trouble because countries like Greece, Spain, Portugal and Italy had created a situation that really put the whole system in jeopardy. Some people have pointed out that although it was a very nice romantic idea to have a single currency for Europe, it wasn't a great economic idea because it eliminated the ability of each country to deal with its own currency issues. Evrensel agrees.

“I generally have that perspective,” she said. “I think it was European romanticism. Going back to Charlemagne, whatever they couldn't do with war, they

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did it with common currency. There is something in international finance called optimal currency area. So for certain areas, such as the United States, we go to Missouri and we don't use a different currency, and that's a good thing. So we look at the United States just naturally as an optimal currency area.”

But the situation in Europe is quite different. “When we go to Missouri there is not a totally different culture, or history, or language,” she said. “It is very different to bring all these countries with very different fiscal policies, even though they now have a fairly credible Central European Bank.” She added that she thinks that monetary union without fiscal union cannot work.

“That is why when there is a problem amongst themselves they try to hush the problem at the cost of some of the countries' citizens, such as Germans. They are paying for other people's mistakes,” she said. “The Germans retire at the age of 70 while the Greeks retire at 50.”

Evrensel is now working on the relationship between culture and corruption. “Some people think that the general public may have high moral standards, but that only their governments are corrupt,” she said. “I don't believe that. That is why I have been more involved in cultural bases for corruption, people's perceptions of right and wrong because I believe that strong institutions and high quality institutions are based on certain norms and cultures and beliefs.”

*Aldemaro Romero Jr. is the Dean of the College of Arts and Sciences at Southern Illinois University Edwardsville. His show, “Segue,” can be heard every Sunday morning at 9 a.m. on WSIE, 88.7 FM. He can be reached at College\_Arts\_Sciences@siue.edu.*