

A portrait of Elena Panaritis, a woman with dark hair, smiling. The background is a textured, light-colored wall.

A CONVERSATION WITH ELENA PANARITIS

(BC90/DC9 I, Greece)

SOCIAL ENTREPRENEUR,
ECONOMIST
AND POLITICIAN

Elena Panaritis is an inspiring individual. An expert on property rights, illiquid real estate assets, and public sector management, she heads the Panel Group LLC, a specialized investment advisory group that invests in undervalued property and provides counsel on transforming illiquid real estate and related public policy. She is a Member of Greece's parliament and a Special Adviser to the Greek government on public sector reform and economic policy.

Panaritis teaches economic development, housing finance and property markets reform at the Wharton School, University of Pennsylvania and INSEAD and holds seminars at various universities including Stanford and the University of Southern California. In more than a decade as an economist at the World Bank, she led several institutional reforms including property rights reform in Peru that has improved the life of more than 10 million people in less than ten years.

You describe yourself as a social entrepreneur. What drives you?

I think the simple answer is "I cannot help it." But if I think hard I can say that what drives me is little four year old Joshua from Georgetown, Guyana, barefoot in an old pair of shorts begging me to help his sick mother who gave birth alone in a shack around the corner; Marc from Burkina Faso, father of a three month old, who provides for his family of five on an income of only 25 US cents

a day; eleven year old Carlitos from Peru who works with his mother in a rudimentary T-shirt cottage factory trying to make ends meet never having attended school. Add to this the inability to enjoy a nice stroll in the middle of Athens, because of unruly driving and parking on pedestrian pathways; wild bush fires in Greece that destroy the ecosystem and lead to further uncontrollable urbanization; corruption; lack of rules and fairness; the present housing bubble and bad

asset pricing that have led millions of people to foreclosures of their first home in the U.S. These are issues that worry me and keep me alert in constantly trying to figure out how to create an impact.

I was working as a social entrepreneur before there was a formal title for it. Originally, I am an economist with a focus on institutional economics. Since my time at the World Bank I have been doing a combination of field work and research.



Panaritis in a village close to Ouagadougou, Burkina Faso where she worked on defining policies to improve land and housing markets

I have seen first-hand what makes a difference to improve economic growth, reduce poverty, and create positive social and environmental impacts. My conclusion has been that private entrepreneurs can achieve positive impacts in all those areas by simply “doing good and doing well” at the same time. One can be a private investor and entrepreneur and reach both market competitive financial returns and positive social impacts.

You are known for your expertise on property markets, the financial crisis and real estate market bubbles. What is the outlook?

Most of my work is focused on how to establish appropriate rules (specifically property rights) that reduce market frictions and increase security and liquidity. I study how to secure assets values and asset transactions. I apply much of this on real property.

Regarding the international financial crisis and specifically the housing market in the U.S., I believe that we have not focused much on the supply side of the problem which I believe is at the heart of the crisis. Although there is general agreement that the financial crisis results from a variety of factors, such as a considerably low household saving rate in the U.S.; excessive liquidity and a wave of cheap and easy credit; proliferation of “sub-prime” mortgage loans to high-risk borrowers; interest rates kept too low for too long; and the failure of financial supervision and regulation. Yet, what is missing in the analysis is a much less obvious issue that of a poorly defined weak underlying asset of real estate.

Housing prices in the U.S. and mortgages are defined by local parameters that vary from county to county and state to state. We cannot

achieve secure derivative trading if the information on the underpinning asset is not standardized but oblique and difficult to find – because markets run on information. In the same way we understand the need to standardize derivatives, we must understand the need to do the same for the underlying real estate assets. The reason is very much based on the fact that property rights information is

asymmetric, creating a supply side inefficiency regarding housing and property and leads to false valuations.

The incorrect valuation of land, properties, and thus mortgages is at the center of our current crisis and we need to fix this! My outlook is that we will not be coming out vibrantly from this situation if we do not address the root cause so that mortgages are valued correctly once and for all.

What is the mission of Panel Group LLC and does SAIS play a role?

Panel Group aims to create value for the communities where it’s involved and for the recipients of its services—investors and governments. Its vision is to assist citizens and governments in achieving important social and economic benefits and be profitable at the same time. Panel Group is interested in both improving city governance and strengthening communities’ asset management systems. According to the philosophy adopted, value is primarily a function of better tradability and not the look of an asset. As a result our work as part of Panel Group is not bounded by geographic limitations, but we prefer working in dynamic environments such as those found in emerging markets or transitional economies.

This is where SAIS plays a major role. The solid international economics program with a focus on studying how economics and policy affect politics government and market behavior is one thing. The incomparable international student body, the caliber of the teaching community, and the ability of the school to attract speakers from important government agencies, international organizations, and numerous firms and institutions contribute

significantly to help prepare graduates to face real world scenarios. And then, after graduation the network of alumni is so wide that at crucial moments there is always a “SAISer” to look up for advice, because either he/she has been involved in a similar project in the past, or because he/she has spent time in the country in question, or finally because he/she works or worked for the organization on the opposite side of the negotiation table.

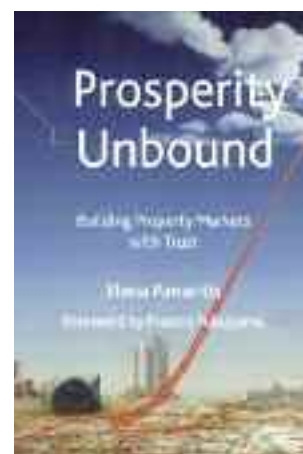
You were recently appointed to parliament in Greece. Describe that experience.

Being asked to return to my country of origin and participate in the political life is a great honor. Being appointed as a member of parliament however, is a great responsibility. Throughout my whole career (beginning after graduation from SAIS in 1991) I have been involved in policy making and the politics of more than thirty countries, either as a reform adviser, or through my private work, or through the World Bank. The responsibility is large and so is the challenge especially now that the country is facing a major economic crisis.

The Bologna Center Class of 1990, of which you are a member, is celebrating its 20th anniversary this year. Are you planning to return to Bologna the last weekend in April?

I’m planning to be in Bologna in April and really looking forward to it. See you there!

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Elena Panaritis’ methodology of transforming informal to formal markets is considered one of the best practical applications of institutional economics. Her book *Prosperity Unbound: Building Property Markets with Trust*, with a foreword by Francis Fukuyama, explores her methodology. She currently blogs at: www.prosperityunbound.com/blog.