

The New York Times

Floyd Norris

Notions on High and Low Finance

To access this blog, paste the following URL into your browser:
<http://norris.blogs.nytimes.com/2008/08/20/collapsing-banks/>

August 20, 2008, 12:48 pm

Collapsing Banks?

By Floyd Norris

Of the economists I know, Ken Rogoff is among the least inclined to sound excited or hysterical. In my experience he speaks calmly, and with well-considered sentences.

That makes this article all the more scary.

By Jan Dahinten

SINGAPORE, Aug 19 (Reuters) - The worst of the global financial crisis is yet to come and a large U.S. bank will fail in the next few months as the world's biggest economy hits further troubles, former IMF chief economist Kenneth Rogoff said on Tuesday.

"The U.S. is not out of the woods. I think the financial crisis is at the halfway point, perhaps. I would even go further to say 'the worst is to come'," he told a financial conference.

"We're not just going to see mid-sized banks go under in the next few months, we're going to see a whopper, we're going to see a big one, one of the big investment banks or big banks," said Rogoff, who is an economics professor at Harvard University and was the International Monetary Fund's chief economist from 2001 to 2004.

"We have to see more consolidation in the financial sector before this is over," he said, when asked for early signs of an end to the crisis.

"Probably Fannie Mae and Freddie Mac — despite what U.S. Treasury Secretary Hank Paulson said — these giant mortgage guarantee agencies are not going to exist in their present form in a few years."

...

Rogoff said the U.S. Federal Reserve was wrong to cut interest rates as "dramatically" as it did.

“Cutting interest rates is going to lead to a lot of inflation in the next few years in the United States.”

A footnote on the perils of computer intelligence: Reuters has a program to insert ticker symbols when companies are mentioned, which is useful when it works correctly. In this case, however, it didn't.

In the first paragraph of the above article, the phrase “a large U.S. bank will fail” was interrupted by the automatic insertion of the ticker symbol (NSE:USB). That is the symbol of U.S. Bancorp, a Minneapolis-based bank that so far has weathered the credit crisis better than most of its competitors. Mr. Rogoff was not forecasting that specific bank will fail, but some computer concluded that he was.

-
- [Copyright 2008 The New York Times Company](#)
 - [Privacy Policy](#)
 - [NYTimes.com 620 Eighth Avenue New York, NY 10018](#)