A New Administration, Tired Old Policies

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In Part I of his year-end analysis, money manager and market strategist Jeremy Grantham assessed the global economic crisis:

"Greed + Incompetence + A Belief in Market Efficiency = Disaster. Greed and reckless overconfidence on the part of almost everyone caused (risk avoidance) to a degree that is probably unparalleled in breath and depth in American history." The aftershocks hit everywhere. Tremors continue. No safe harbors exist. Buckle up. Turbulence and convulsions are ahead. Grantham is worried and angry.

The current disaster could have been avoided by moving early against asset bubbles. We didn't, so it will "be devilishly hard" to fix things. "We are deep in the pickle jar, and it seems likely that, in terms of economic pain, 2009 will be the worst year (ever) in the lives" of most everyone.

Blame it on failed leadership, including under Greenspan and Bernanke at the Fed. Neither thought bubbles existed even though Bernanke is a Great Depression scholar. What did he learn?

On January 3, Michael Lewis and David Einhorn addressed "The End of the Financial World as We Know It" in the New York Times and said Americans are viewed around the world as "financial lunatics." It goes beyond greed. People who matter:

— sacrificed "long-term interests for short-term gains;"

— the "tyranny of the short-term" took over;

— players unwilling to go along risked being fired;

— credit agencies risked loosing customers;

— investors missed losing market gains and failing to keep up with their peers;

— the SEC was nowhere in sight; and

— neither was the media, but The Times writers failed to say it. Neither did they indict the Bush administration for its criminal complicity. They continued:

"….here's the most incredible thing of all: 18 months into the most spectacular man-made financial calamity in modern experience, nothing (that works) has been done (to reverse) bad incentives that (got) us here in the first place."

Here’s the record. “In the past year, there have been at least seven different bailouts, and six different strategies.” Nothing is working. Failure begot more failure. Promises were made and broken. Billions were given away and lost. “If you want banks to make prudent loans,” don’t reward them for bad ones. As it’s turned out, Wall Street took the money and ran, and the financial world as we know it is collapsing.

Grantham assesses losses so far with lots more coming ahead in his judgment:

— US equity “write-downs of 50%;”

— housing around 35%; and

— commercial real estate 35 – 40% for a total of around $20 trillion of lost wealth in a “$13 trillion” economy, given its decline from around $14 trillion through end of Q 3 2008.

The current debt level is so excessive that Grantham says that $10 – $15 trillion more “will have to disappear.” How is the question. There’s no easy cure at a time when biting the bullet may be a “grenade.” Grantham is supremely unimpressed with Obama’s economic team – the same “Rubinesque retreads, yes men, none of whom (saw) the most obvious bubbles in the history of finance; a spineless group” overall.

“There was plenty of intelligence, just not too much wisdom,” and not a whisleblower in the bunch to point out the “spiraling Ponzi scheme that our leveraged financial system had become.”

Even worse, 2008 “capped in incompetence what will be remembered as the most incompetent eight years of government in modern times, and a contender even” including ancient ones. We “tore up the social contract;” rigged the tax code for the rich; handed the nation’s wealth to the super-rich, and, in the process wrecked the economy and “took some giant steps toward ruining the planet” besides. “If you ended the year without becoming disillusioned, you were not paying attention.”

Looking ahead, few rays of light are in sight with Grantham expecting S & P values to hit 600 or below before he’s ready to signal an all-clear. And knowing how hugely markets over-correct, even that level may be high given the world’s greatest ever economic crisis and an administration so far proposing tired old policies in new wrapping.

The “Immoral Hazard” of Multiple Imploding Bubbles

In a spring 2008 analysis, Grantham spoke out about “immoral hazard.” More recently, Pimco’s managing director, Bill Gross, called America a “Bailout Nation (in) our Ponzi-style economy.” Economist Michael Hudson didn’t expect American capitalism to become a “kleptocracy” with “handouts” to fraudsters, and financial writer Ellen Brown got right to the point explaining “the collapse of a 300 year Ponzi scheme. All the king’s men cannot put the private banking system together again, for the simple reason that (it) reached its mathematical limits.”

It needs new borrowers, but doesn’t have them. The racket has gone on for 300 years “ever since the founding of the Bank of England in 1694.” The world now is “mired in debt to the bankers private money monopoly.” The dirty game is exhausted. “The parasite has finally run out of its food source.”

Michael Hudson agrees and said “The economy has reached its debt limit and is entering its insolvency phase. We are not in a cycle but (at) the end of an era. The old world of debt pyramiding to a fraudulent degree cannot be restored.” Bailouts throw good money after bad and postpone a later reckoning. Yet Obama pledges more plus loads of fiscal stimulus. The question is who’ll benefit, who won’t, and who’ll end up worse off ever than before. More on that below.

Decades of Sound Money Debasing

On January 17, James Turk addressed it in his article titled: “The Fed’s blueprint for market intervention” and began with its longest serving chairman, William McChesney Martin (April 1951 under Eisenhower – January 1970 under Nixon). Turk discovered a “1961 (previously) Top Secret Fed Reserve Gold Exchange Report” writer/researcher Elaine Supkis posted on her blog site.

It’s from Martin’s Missouri Historical Society papers with a copy at the St. Louis Federal Reserve Bank. He’s remembered for having said it’s the Fed’s job “to take away the punch bowl just as the party gets going” to prevent the kind of situation we’re in now. According to this document, other things apparently took precedence.

Under his tenure, the dollar went from being “good as gold to a perennially inflated fiat currency backed by nothing (more than) government promises.” For nearly 19 years, US gold reserves declined by nearly half – from 633.2 million ounces to 339.5 million ounces and led to Nixon’s August 15, 1971 closing of the “gold window.” It ended the last link between gold and the dollar and along with it sound money. Also under McChesney, M3 (the broadest measure of total dollar currency) soared more than three-fold – from $190 billion to $616.1 billion.

By the early 1960s, dollar debasing was policy in contravention to Bretton Woods. Martin, like later Fed chairmen, was to blame, and as a consequence, gold reserves kept declining. As Grantham observed above, bad policy = disaster, so world economies are now reeling from one hodgepodge fix after another trying to head off the inevitable.

A View from the UK

On January 24, the UK Daily Mail’s Glen Owen revealed that last October 10 British “banks were just three hours from collapse.” City Minister Paul Myners disclosed that “the country was very close to a complete banking collapse after major depositors attempted to withdraw their money en masse.”

The Treasury was preparing for the worst. “Only frantic behind-the-scenes efforts averted financial meltdown.” If it failed, the entire system would have been nationalized. Shareholders would have lost everything, but that possibility may resurface.

Arbuthnot Banking Group economic advisor Ruth Lea said “We are not out of the woods yet” given the fragility of the system, and if conditions keep weakening the government will have no choice but to intervene and “nationalise the entire financial system.”

On January 26, The Daily Telegraph’s Ambrose Evans-Pritchard headlined his article: “Bad news: we’re back to 1931. Good news: it’s not 1933 yet.” His evidence….take your pick:

— contracting world economies;

— huge job losses globally;

— “the collapse of global trade….setting off another stage of the crisis;” export-dependent Japan had a 35% drop in December; China is sinking fast;

— “Citigroup and Bank of America have more or less disintegrated; JP Morgan’s health is failing fast;”

— the big three US carmakers are on life support and in the end may go under;

— as in 1931, we may be entering the depression’s “second phase;” that’s when things get really dicey; and

— today’s “wash of money” may only buy time, not solve “the deeper problem:” the West’s addiction “to Ponzi credit (that so far) has put off the day of reckoning with ever more extreme monetary (madness) with each downturn, stealing prosperity from the future.”

Righting things from here remains hazardous. “This will be Barack Obama’s grim test of statesmanship,” but given his faith in markets and ties to Wall Street, precious little of it is in sight.

In his February 3 Financial Times column, Martin Wolf largely agrees. He slammed the Obama administration for its absence in Davos and said the “crisis had much to do with mistakes its policymakers and private institutions made….”

It’s vital, in his view, for America to lead the way to a solution, but instead “what is coming out of the US is desperately discouraging.” Instead of well-directed stimulus, what’s “emerging is too small, too wasteful, and too ill-focused.” Instead of sound practice, “the US may be returning to the immoral and ineffective policy of bailing out those who now hold the ‘toxic assets.’ Instead of acting as a global leader, there is resort to protectionism and a ‘blame game.’ This way lies a catastrophe.”

Martin Weiss Warning

In his January 26 commentary, financial expert and investor safety advocate Martin Weiss warns that Bank of America and Citigroup “are on life support,” and JP Morgan Chase is close behind – in spite of billions in cash infusions to save them.

They’re in such bad shape that their stock prices are collapsing, and it’s impossible for them to raise capital from investors. “In light of these facts, how can the government save (them). Wall Street is hoping that the Obama administration will create a separate, government-run “bad bank” (a so-called “aggregator bank”) to take bad assets off their hands.” Others think nationalization is the answer. “Neither approach addresses” the underlying problem: “excess debts and risk-taking” so whatever solution is proposed it most likely will “pile on more of the same (by) spread(ing) and transform(ing) the contagion from a Wall Street debt crisis” to a Washington one given that public debt is already exploding.

Weiss’ forecast: “Washington will ultimately lose this epic battle.” No matter what it does, it can’t “patch back together the busted market for mortgages, derivatives and especially credit default swaps. It cannot stop a pandemic of loan losses among large AND small banks as the economy sinks and traditional bank lending goes bad. It cannot stop the contagion of falling confidence, fear and panic. It cannot outlaw gravity, stop investors from selling," or reverse decades of financial excess. That's Obama's dilemma, but so far he's failing to address it.

On February 1, Weiss added more warnings:

— Washington faces a "day of reckoning;" its plans to stop economic collapse won't work;

— ahead will be "a tidal wave of bankruptcies, despair, and even homelessness;" and

— America's resources are limited; its "credit lines will be severed;" its borrowing needs are exploding; the currency is being debased; buyers are increasingly worried; sovereign ones are slowing their purchases; last year, China dumped $26.1 billion in Fannie and Freddie bonds and ended all new investments in some US companies; "Japan, Russia, Western Europe, the Middle East, and Latin America (are) slowing down, stepping back, or even (selling) US investments."

Bottom line on what's ahead:

— America's enormous borrowing needs come down to two choices – either pay future interest rates that will "kill the economy" or abandon bailout plans altogether;

— as a result, the economy, companies, perhaps whole industries, and markets will collapse; "the carnage will be traumatic and terrifying….if you thought 2008 was a nightmare, brace yourself" for what's coming – months "likely to be far more brutal than anything we've seen so far."

Unemployment will top 10%. Including discouraged and part-time workers "at least 16%." The 2009 federal deficit will balloon to "at least $2 trillion." Companies like the auto giants will go bankrupt or be downsized to a shadow of their former selves. Job losses will be enormous. The Dow is headed for 5500. A new, "more advanced" real estate collapse is coming. Home price declines and foreclosures are continuing. Personal bankruptcies will surge. Commercial real estate will plunge, and overall, "2009 will be the year of the Great Financial Dustbowl." It will be remembered as "the year in which America suffered a great money famine of epic proportions." In addition, spending and income will "take a massive hit."

Mike Larson writes often on personal finance, investing, housing, and the mortgage industry. On January 16, he wrote that "the more black holes DC fills, the more open up" and named three:

(1) "Federal Home Loan Banks (FHLBs in 12 cities) following Fannie, Freddie, (and) private banks over a cliff?" FHLBs are burdened with mortgage backed securities (MBSs) worth far less than their purchase price. Compounding the problem are the derivatives they own.

Moody's recently warned that eight of the twelve banks took tens of billions in losses and face capital problems as a result. Collectively, they hold $1.25 trillion in debt and are the country's biggest borrower after the government.

Larson: "If you thought (bailing out Fannie and Freddie was expensive), just you wait; (if) the FHLBs need a bailout, there's no telling how much it will cost;" he calls it "yet another gigantic black hole!"

(2) “Insurance industry’s capital and surplus cushions are eroding fast” thanks to their residential mortgage securities, commercial real estate, and other losses. They’re also burdened by minimum variable annuity return guarantees. Growing numbers need bailouts of up to $50 billion collectively, and capital markets can’t help them.

(3) “Pension funding picture deteriorates dramatically” and affects corporations, states and municipalities. Given current conditions, their promised returns “are being blown to smithereens, causing funding shortfalls of epic proportions” – as high as $409 billion by one estimate. It means issuers must either make up the difference or renege on their obligations to retirees.

Larson explains that the government-backed Pension Benefit Guaranty Corporation (PBGC) “insures basic benefits for more than 29,000 plans. But with so many companies (failing), it’s increasingly likely the insurance premiums the PBGC receives won’t be enough to cover its obligations.” It’s already over $11 billion in the red, and that total “is poised to rocket higher.”

Bottom line: can Washington bail out everyone? Can the Fed and Treasury fill every black hole? “At what point (will) policy makers (give it up) and let more banks (and companies) fail, and more asset markets trade down” to where they’re heading anyway instead of wasting hundreds of billions more dollars trying to stop the inevitable?

Using the “Groundhog Day” analogy, Larson also weighs in on “Another banking ‘solution’ or yet another failure?” One bad plan begets another, then another. Now we’re “shoveling (more) hundreds of billions into (insolvent banks) via TARP (and) guaranteeing (that amount more) of crummy assets (with) taxpayers on the hook for billions in future losses from bad mortgages, bad commercial loans, bad securities,” and bad judgment.

Global financial institutions have already written off over $3 trillion, and trillions more may follow. Yet, Wall Street is euphoric about a “bad bank” to buy toxic junk at inflated prices. The idea is to improve bank balance sheets and get credit again flowing. Larson is justifiably skeptical in saying:

“The latest scheme to save the world will fail just like all the others. That is because nothing….NOTHING….can prevent a painful adjustment process” that must run its course for the economy to regain its health. No amount of bad plans or “Washington happy talk” will do it.

“Aggregator Bank” Solution on the Minds of Independent Strategy President David Roche and Paul Krugman.

Both want a “bad” bank but not an “aggregator” one. Krugman raises the specter of “voodoo economics.” First Roche.

In a January 22 Wall Street Journal online op-ed, he believes we’ve “entered the next stage of the financial crisis – most likely the last chapter in this horror story.” For America and Britain nationalizing major financial institutions are likely coming, and Roche asks: “How has it come to this?” He cites “both ultimate and proximate causes:”

— the ultimate one is decades of “ingrained social behavior” in America, the UK and other major economies “that put instant gratification of consumption over the ability to pay for it;” consumerism trumped thrift, and the result is “global imbalances and distortions;”

— the proximate cause is how “excesses were financed through liquidity creation in innovative” excessive ways.

The party was great while it lasted. Now the bill is due, but measures to restore equilibrium fall way short of the mark. “Policy makers have avoided the painful solution” by misguided bailouts, fiscal stimulus, and the like to keep asset prices inflated, when what’s needed is to let them “fall to market levels so they can be cleared. (Instead), “policy makers have just prolonged the crisis.”

Workable solutions aren’t “rocket science. (They were) successfully carried out by the Scandinavian authorities in 1991.” Banks must disclose their bad assets, write them down to market prices, and let equity and fixed income holders take the pain, not taxpayers. “If that means most banks become insolvent, then so be it.” The clear fact is they are already so don’t hide it. Don’t throw good money after bad, buy nothing for the effort, and wind up with a greater problem in the end.

Follow the Swedes example in the early 1990s by setting up a “bad bank.” It cleared toxic assets off the books by buying them at market prices and forcing good banks to write them down and take losses. What’s worrisome is that an “aggregator bank” may buy them at inflated prices and “become a bad bad bank.”

US, UK and EU policy makers so far “have rejected the good bad-bank approach (so we’re now into) the third year of credit crunch.” Most banks remain on their knees. Some big ones may likely go under, and governments “are still in denial.” As a result, “the system remains as corrupted as before.” The Obama administration offers more of the same. Bad assets “will continue to suck resources out of the economic system,” things will go from bad to worse, so nationalizations will be inevitable.

Even if bad policy for a time works, the result will be new bubbles for old, “with the same ultimate consequences of collapse, though on an even grander scale (making) today’s look like kids stuff.” As the old saying goes, you can pay me now or a hellova lot more later.

For his part, Krugman worries that Obama policy makers “have become devotees of a new kind of voodoo: the belief that by performing elaborate financial rituals (of throwing good money after bad) we can keep dead banks walking.” Major banks in the country are zombies, yet bailouts and more promises keep them afloat.

Krugman prefers the Savings and Loan crisis solution – seizing defunct banks, letting shareholders take the pain, transferring their bad assets to a “special institution,” the Resolution Trust Corporation, paying off the bad debt (with taxpayer dollars), and selling “fixed-up banks to new owners.”

An “aggregator bank” would buy assets at “fair value,” but “what does (that) mean?” Should government decide, save shareholders, socialize the costs, and get no solution anyway? Krugman calls it “bait and switch: a policy that (resembles the S & L) cleanup, but in practice amounts to making huge gifts to shareholders at taxpayer expense, disguised as ‘fair value’ purchases of toxic assets. Why go through these contortions?”

The big banks are “already wards of the state, utterly dependent on taxpayer support, but nobody (suggests) the obvious solution: an explicit, though temporary, government takeover.” Voodoo indeed with officials thinking “financial rituals can reanimate dead banks." It looks like another rescue scheme is coming that will throw more good money after bad and make things even worse in the end. So much for "change to believe in."

On February 1, Krugman continued in his New York Times "Bailout for Bunglers" column saying that the Obama administration should nationalize bad banks in trouble, not bail them out with "other people's money. If taxpayers are footing the bill for rescuing the bank, why shouldn't they get ownership, at least until private buyers can be found? But the Obama administration appears to be tying itself in knots to avoid this outcome."

In return for "a huge subsidy to stockholders, taxpayers will get, well, nothing," but the bill. "There's more at stake than fairness." Saving the economy will be very expensive with "$800 billion....just a down payment. We can't afford to squander money giving huge windfalls to banks and their executives, merely to preserve the illusion of private ownership."

On February 1, Bloomberg reported Joseph Stiglitz's views on an "aggregator bank." From Davos he said it swaps "cash for trash" and throws good money after bad at a time the national debt is exploding. Taxpayers will be stuck for years and Washington will be deprived of vital funds for domestic priorities.

On January 26, Stiglitz told CNN that "financial alchemy" caused this mess in the first place. Now "there is a notion that by moving (bad) assets around, putting (them) in an aggregator bank run by the government, things will get better. Is the rationale that government is better of disposing of garbage, while the private sector is better at making loans? The record....provides little convincing evidence."

"But even if we do this, there is still no assurance" that banks will resume lending. "We are moving in uncharted waters." No one knows what will work. What's being proposed won't square the circle. We need an alternative. Stiglitz proposed the Swedish solution explained above by David Roche, but Obama apparently isn't listening.

On January 29, Bloomberg.com reported that Oppenheimer & Co. banking analyst Meredith Whitney said creating a "bad bank" to buy toxic assets won't get banks to start lending. They won't participate if the Obama administration offers fair market value as their "capital hits would be too dear." Whitney's proposal: have banks sell "crown jewels" to cover losses or as much of them as possible. Further, if banks sell "bad assets to a bad bank, it would still be left with lower earnings power from higher losses on good loans and the requirements to build reserves, lower earnings power from lower assets, and a higher legacy expense structure or both."

Whitney was one of the first to be bearish on banks, and last November said Citigroup was "such a mess Stephen Hawking couldn't turn this company around." Much the same is true for most major banks, deep in red ink and insolvent. Only government largese keeps them going, and Michael Hudson's latest article is instructive: "Obama's New Bank Giveaway."

Plans emerging are for new giveaways to follow old ones. A trillion here, a trillion there, pretty soon we'll stop counting as the currency is relentlessly debased. Hudson asks:

"How many families would like a 'give-back' on every bad investment they've ever made?....No do-over for anyone but the hundred or so billionaires who have just been endowed with enough free money to become America's ruling elite for the rest of the 21st century."

It's a dirty game – privatizing profits, socializing losses. Taxpayers foot the tab, and the super-rich get super-richer. Hudson explains the details of "the new, larger but definitely not improved bank giveaway of between $2 and $4 trillion more" so Mafia dons in Davos can celebrate.

He says that since the 1980s "the financial sector has made a sustained money grab at the expense of labor and 'taxpayers.' More accurately, it has been a debt grab….(with) 'taxpayers' (paying) interest."

"Saving the economy" Obama-style won't work. It'll hurt. Unfreezing credit is the idea to free up lending. Maxed out households (borrowers) are asked to assume more debt instead of reducing their overload.

"But this neglects the fact that today's looming depression is caused by debt deflation. Families, businesses and government (have) to spend more wage income, profits, and tax revenues on debt service instead of buying goods and services." How can assuming more debt solve a "debt overhead? Is there not something more crazy here?"

About $1 trillion can let "the market" cure the debt problem "in the context of renewed debtor-oriented bankruptcy laws." But that's not the scheme being advanced. "The financial sector….has replaced the government as economic planner….today's looming economic depression is manmade." Looting the Treasury will continue. Taxpayers are on the hook for the pain. Obama is exploiting Main Street to benefit Wall Street.

Updating the Global Europe Anticipation Bulletin (GEAB), LEAP/E2020's View of a "Systemic Economic Crisis"

In 2007, LEAP/E2020 believed "US banks and consumers were both insolvent. (Now it) estimates that a new sequence of the fourth ('decanting') phase….has begun: the sequence of global insolvency" in a convulsive 2009.

"Historic interest rate drops and unlimited money creation is not a cause but a consequence of the current crisis….insolvency….is digging black holes where liquidities disappear" in bank balance sheets, households, corporations, and governments.

LEAP/E2020 believes "the world is now facing a situation of general insolvency" with heavily indebted countries, public and private organizations, and those over-dependent on financial services most affected. It believes that "the entire financial sphere is suspected of being a giant black hole:"

— household debt is over-extended;

— corporate bankruptcies are increasing;

— profit eroding;

— public debt has exploded;

— corporate outlooks are unreliable because customers stop buying and cancel orders;

— states and municipalities are in trouble; and

— America's solvency is in question; the same is true for Britain, Russia, other countries, and "large capital-based pension funds."

As a result, LEAP/E2020 concludes that a process of "global insolvency" has begun, and policy measures aren't stopping it. It's why Michael Hudson calls "handouts" to fraudsters a "con game....unprecedented giveaway of financial wealth." Congress, the Treasury and Fed are wrecking the economy, not stabilizing it. Newly issued debt is eating into the domestic market for goods and services, shrinking sales and profits, and heading the nation for "the very bankruptcy that the bailout (is) supposed to prevent."

As for Obama's economic stimulus, it looks like more of the same – handouts to the rich and precious little for distressed households. Federal funds will go for state infrastructure projects, and those Washington controls will be for private financial, real estate, and other corporate interests as Michael Hudson explains:

Federal, state and local infrastructure spending creates a "vast windfall" for real estate interests and their backers. "To a mortgage banker, a commercial developer or real estate company is a prime customer, the bulk of (its) balance sheet. It's hard to imagine a new American infrastructure program (federal, state, or local) not turning into a new well of real estate gains for the FIRE sector (finance, insurance and real estate). Real estate owners on favorably situated sites will sell out to buyers-on-credit, creating a vast new profitable loan market for banks. The debt spiral will continue upward," public tax dollars will finance it, and an out-of-control problem will get greater.

Obama's idea of change is keep looting the Treasury, direct more wealth to the rich, pay lip service to millions of distressed households, do little to bail them out, nothing to prevent home foreclosures, and not a lot for tens of thousands daily losing jobs. Given the dire state of things, Obama wants "markets" to fix things, unmindful that "markets" created the problem in the first place, and his "economic dream team" bears much of the responsibility.

Nouriel Roubini: "Expect the World Economy to Suffer Through 2009" with Financial System Losses Hitting $3.6 Trillion

He believes that optimists thinking the worst is over are in for a rude awakening. "We enter the new year grappling with the most serious global economic and financial crisis since the Great Depression." At best, we're halfway through it, but the worst is still ahead. Around $3 trillion in credit losses leaves the US financial system insolvent along with all advanced and most emerging economies in recession "facing severe financial pressure."

"Policy remedies will have limited effect as insolvency problems constrain the effectiveness of monetary stimulus, and the risk of rising interest rates (because of burgeoning public debt) erodes the growth effects of fiscal stimulus. Only when insolvent banks are shut down, others cleaned up, and the debt level of insolvent households is reduced will conditions ease." Achieving that is a long way off with plenty of pain still to come.

"Politics will make matters worse" because governments are "intervening in their economies more broadly and deeply than at any time" since WW II. Stimulus packages contain subsidies, protections, and new rules and regulations that pose dangers for global markets ahead. Coordinated policy isn't happening, and local politics pose "the biggest risk" going forward. It's as true in America and the EU as in China, Russia, India, Brazil, and emerging economies. Add militancy to the mix and instability increases. Sum it up: "The world's first global recession is just getting started," and who can know where it ends or how hard its impact before it does.

Six months ago, Roubini rated "depression" chances at 10%. Given policy blunders to date, he now says it's one-third. "The time to stop dithering is well past; and the time to implement a program of forceful, coherent, credible, globally-coordinated monetary, fiscal, financial clean-up and debt-resolution is now. The US and global economy are truly risking a near-depression if the policy reaction is not bold, aggressive, sustainable and credible." Barely a whiff of it in sight so far. Buckle up. The year ahead will be convulsive.

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