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## He told us so

They called him Dr Doom. He was the economist who three years ago predicted in detail a collapse of the housing market and worldwide recession - and was roundly ridiculed for it. Emma Brockes asks Nouriel Roubini what he foresees now

**Emma Brockes**

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Nouriel Roubini: 'To say I was just lucky is nonsense. I made specific predictions that turned out to be right.' Photograph: Andrew Testa/Andrew Testa

The New York offices of Nouriel Roubini's consultancy firm are as spare as the times: a desk, a phone, some blank Post-it notes and 134 pages printed from Wikipedia listing every bank in the world, all a superhero in the new austerity needs. Three years ago, Roubini, an economist, was dismissed as a doom-monger for identifying massive vulnerability in the US banking system and predicting its collapse. Now he's a guru, attracting the interest not only of governments and bank chiefs, but of New York's premiere gossip website, which has wound him up so spectacularly and to a pitch of such fury that - along with "Where did all the money go?" and "Is now a good time to buy a house?" - the question one most wants to ask of Roubini is exactly what does happen at his loft parties in downtown Manhattan?

It was the New York Times that dryly labelled him Dr Doom, in a profile last year that identified Roubini as an unlikely hero of the financial crisis. In 2006 he made an address to the IMF in which he predicted that, among other things, the US economy was at risk of a housing bust and deep recession that would have dire consequences for the rest of the world. Today he smiles demurely and says other people predicted it, too, but no one was as specific as Roubini, nor as grave, nor as subject to what passes in the sober world of economics for ridicule. At the time, his speech was received as the endearing quirk of an incorrigible self-dramatist, and even now some say he got lucky. When asked about Roubini, the economist Anirvan Banerjee told the New York Times, "Even a stopped clock is right twice a day."

Mention of this makes Roubini rapidly jettison his modesty. He accuses economists who predicted growth in the build-up to the crisis of being as naive as Goldilocks and says, "They totally got it wrong. To say I was just lucky is nonsense. I made specific

predictions that turned out to be right. Exactly." He cites a paper he wrote in February last year called *12 Steps To Financial Disaster*, "in which every single step is exactly how the crisis unfolded during the past six months. Every single thing. I said two major broker dealers are going to go bust and there's not going to be any major independent broker dealer left in the next two years. It took seven months for Bear Stearns and Lehman to be gone. It's not a fuzzy case of me saying there would be a financial crisis. I was very specific. And I got it right. So." He shrugs and smiles tightly at the burden of being right in the face of widespread stupidity.

Why Roubini got there first had to do, perhaps, with his personal and professional backgrounds, and with what he calls his "holistic" approach to interpreting economic data. He was born in Istanbul, moved to Iran as a baby, then to Italy, where he grew up. He speaks four languages fluently (Farsi, English, Hebrew and Italian) and has worked around the world, including two years as a policy adviser to the US Treasury. What first tipped him off were similarities he noticed between developing parts of the world and the behaviour of the US economy. To his astonishment, he saw a pattern of economic movement in the US that by 2005 made it look like "an emerging market economy", with the same "irrational exuberance" that in his opinion could be followed only by a huge bust. "You look at history, you look at political data, you look at models, you look at comparisons," Roubini says. "This crisis is not a black swan event - a random outcome from a random distribution. This case is a build-up of vulnerabilities over time that will increase and provoke a crisis. There were tens of different signals that would eventually lead to a tipping point. The fact that there would be a crisis was totally obvious to me." With some sarcasm, he says, "People believed in the nonsense that home prices could rise every year by 20%. If that's not a bubble, what's a bubble? It doesn't take a genius."

The danger signs in a period of irrational exuberance look obvious in hindsight, and Roubini reels them off in a steely monotone, without pausing for breath: "People believing things they should not believe and trusting people they shouldn't trust... no market discipline, internal mismanagement, massive conflicts of interest within financial institutions, the SSC [State Securities Commission] not doing its job, entire brokerage units going bust, Bear is bust, Lehman's is bust, Morgan Stanley and Goldman Sachs are now converted into bank holding companies. What's the biggest scandal? Lehman? Madoff? They're all part of the same phenomenon."

Goldman Sachs was angry with Roubini for making public statements about its poor financial health, and fought back through press statements accusing him of working from nothing more than gut instinct. (This was before the investment bank posted losses of \$2.2bn.) Like the BBC's Robert Peston, he has been accused of making a bad situation worse by talking it up in public. Roubini finds this absurd. "If Ben Bernanke speaks, he can move markets, but this idea that the media is making a bigger fuss than there is [cause for] is silly. This is the worst financial crisis we've had since the Great

Depression. It's going to be the worst recession the global economy has had for the last 50 years. If anything, the media were ignoring what was going on for too long. The idea that it's all driven by panic and by lack of confidence, in my view, is nonsense. If you are a consumer, think about the fundamentals: negative savings for the last couple of years, debt growth, falling home prices, losing 50% of your equity values, falling employment, everything else is going wrong for you. Of course consumer confidence is going down the tube, but is it because people are irrational? No. Your income is falling, you lose your home, you lose on the stock market. Debt, income, jobs, houses, wealth, all the things that affect welfare. If that's not bad, what's bad?"

From an academic point of view, the question of what will happen next is fascinating because, says Roubini, it is "uncharted territory. Totally unorthodox monetary policy." He sees the size of the bank bail-outs as a necessary evil, but thinks they were pushed through without sufficient conditions or transparency, "with no real voting rights or board membership or other forms of control. I think the terms of some of those rescues have been excessively generous." When it comes to it, he says, "Who is getting all this money?"

It is tempting to turn to Roubini for answers as to a fortune-teller and with the same credulity that got us into this mess in the first place. But his track record makes it irresistible and he isn't shy of offering more predictions. The first is that, in his opinion, we might as well write off 2009 completely. Financially speaking it is, he says, "lost". In the game of Worst-Case Scenario, Roubini looks at the world's advanced economies and considers those most at risk of going bankrupt - of becoming the next Iceland - to be small western European nations. "If a big institution in Switzerland or the Netherlands or Belgium or Ireland were in trouble, the country doesn't have the resources to bail them out."

Britain is in as bad a state as the US and is further hampered, says Roubini, by "fiscal constraints" and the need for a European consensus that makes aggressive bail-outs more difficult to implement. In terms of the housing market, he sees it falling in both America and Britain this coming year by a minimum of 15% and possibly by as much as 25%. "Just to get back to where housing prices were before this bubble started, they'd have to fall in real terms by 50%. So we're half of the way there."

More hedge funds will go bust, but the trickle-down effect hasn't even begun to be felt yet. "The losses now are mostly in mortgages; wait until it hits commercial real estate, the credit card companies, the auto loans, the student loans, the corporate bonds. There's a whole pile of stuff. The financial system is insolvent. It's technically bankrupt."

We need some light relief. This seems a good time to bring up Roubini's spat with Gawker, the New York gossip website that, in what its founder Nick Denton describes to me as a "delicious episode", reprinted a leaked email Roubini sent to friends inviting them to one of his glamorous soirees, boasting that Scarlett Johansson had moved into

the loft upstairs from him, having paid two and a half times more for it than he paid for his, and coyly referring to himself in the third person. Details also emerged of an artwork on Roubini's wall depicting some aspect of female genitalia. Given the wealth of this material, it was inevitable that Roubini should thenceforth be referred to on Gawker as the "playboy professor" who inhabited a "vulva" and "vagina-encrusted Tribeca loft", but the episode went from mildly bathetic to jaw-dropping when, instead of laughing it off, Roubini posted an extraordinary late-night rant on Denton's Facebook page in which he called him "a little loser antisemitic jerk", a "Nazi" and a "McCarthyist bigot", and portentously defended what he called his "loft cultural events" - all of which, of course, Denton immediately posted on Gawker. I ask Roubini if he regretted that course of action, and he gives me a look of such angry disappointment that I want to hide under my chair.

No, he says, he didn't regret it. He then reprises the rant, embellishing it with references to the KGB, Denton's sexual orientation and a swearsy suggestion of what the man might do with himself, which he belatedly asks me not to quote. For the sake of the record, I feel obliged to clarify that the piece of art in question is described by Roubini as the work of a highly regarded feminist artist whom he won't name and which doesn't, he assures me, look anything like a vulva.

There is a short, weird silence after which all I can think to ask, tremulously, is whether he has ever met Gordon Brown. Roubini switches back into his professorial mode without a ripple. No, he says, he hasn't met him - he was out of town that day - but thinks he is "a very thoughtful person" with "a very sophisticated understanding of economic issues". He has high hopes for the Obama administration and the economic team he has chosen. "It's an excellent team, they're very serious. But the recession train has left the station; even if they do everything right, perfectly, the benefits may only be seen in 2010."

As I get ready to leave, Roubini returns, compulsively, to the Gawker episode. He has every right to feel aggrieved about the spiteful forwarding of a private email, but he really can't see that laughing it off is the only effective response, nor that the tone was one chiefly of mischief, not malice. After the interview, Denton remarks, "How can such a brilliant economist, at the height of his reputation, be quite so clueless?"

Stubbornness is, of course, what got Roubini to where he is today. As we wait for the lift, he muses on the other side of his reputation. "This Dr Doom thing," he says. "You know, when it happens, I'll be the first person to say we're at the bottom and things can only get better. But we're not there yet." The doors close on him smiling with an air of grace under fire and he turns, with a chivalrous nod, to retreat to his office and more serious matters.

- Nouriel Roubini is taking part in the first debate of the Guardian's event series: Capitalism in crisis. For more info and to book tickets for the event go to

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