

U.S. Perspectives on the Financial Crisis

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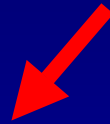
US Consulate, Chennai

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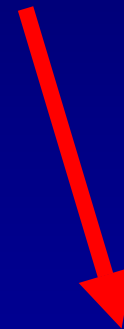
Benign economic conditions



Risk? What risk? I want returns!



New financial products



Looser lending practices

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Housing prices stop appreciating



Mortgage defaults increase



Financial products fail, unexpectedly



Banks stop trusting and lending

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Initial USG responses:

- Domestic stimulus package (earlier this year)
- Help for homeowners
- Discrete interventions in financial institutions

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Additional USG action:

- 1. The Emergency Economic Stabilization Act**
- 2. Commercial paper funding facility**
- 3. Guaranteeing interbank lending**

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International Cooperation:

- **October 8: joint interest rate cut**
- **October 10: G-7 Action Plan**
- **November 15: Summit on Financial Markets**

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The G-7's October 10 Action Plan:

1. Take decisive action; use all available tools
2. Unfreeze credit and money markets
3. Ensure banks can raise capital and lend
4. Ensure robust national deposit insurance
5. Restart the secondary market for mortgages

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Don't write us off just yet . . .

- **Productivity is, and will continue to be, the key**
- **Q2 2008 productivity?**

 **4.3%**

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The US will continue to promote open markets and open investment

- **“An extraordinary response to an extraordinary crisis”**

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Closing thoughts:

- No quick fixes
- Don't throw out the baby with the bathwater
- Perceptions will lag behind reality

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Thanks!

Questions?