

U.S. Perspectives on the Financial Crisis

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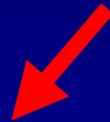
US Consulate, Chennai

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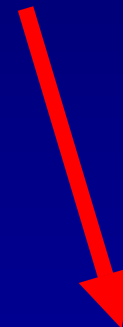
Benign economic conditions



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?