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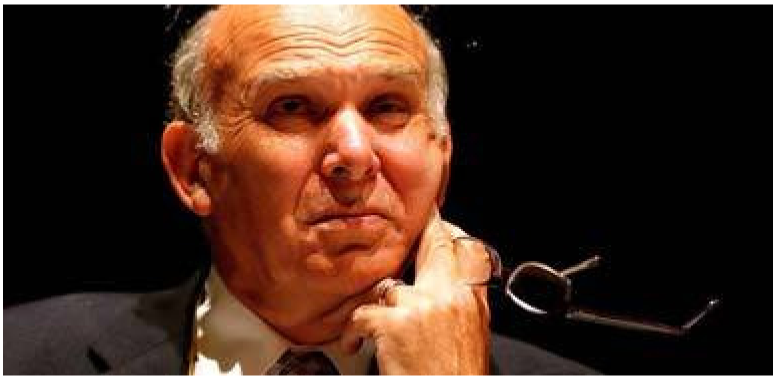
Money Central

October 12, 2008

Ten people who predicted the financial meltdown



The financial events of recent weeks have filled many of us with shock and panic. Surely no one could have predicted that we would be in this mess? Well, actually, they did. Here are ten people who saw the financial meltdown coming...

1. Vince Cable - deputy leader of the Liberal Democrats

Here is a question Mr Cable's posed to Gordon Brown, then Chancellor, during Treasury Questions back in November 2003: "The growth of the British economy is sustained by consumer spending pinned against record levels of personal debt, which is secured, if at all, against house prices that the Bank of England describes as well above equilibrium level. What action will the Chancellor take on the problem of consumer debt?"

Mr Brown did not answer how he would solve the problem, merely replying that: "We have been right about the prospects for growth in the British economy, and the hon. Gentleman (Mr. Cable) has been wrong."

2. Christopher Wood – chief strategist of CLSA, a broking firm in the Asia-Pacific Market.

In October 2005 Mr Wood wisely declared: "Investors should sell all exposure to the American mortgage securities market." In an interview in 2007, he said: "Some institutions have been behaving like leveraged speculators rather than banks… The UK economy is heading for a sharp shock. It just remains to be seen how bad."

3. Founders of www.stock-market-crash.net – website aimed at investors

The writers of this site claim that predicting crashes is, in fact, easy: “One of the greatest myths of all time is that market crashes are random, unpredictable events. The lead up to a market crash is often years in the making. Certain warning signs exist, which characterize the end of a bull market and the start of a bear market. By learning these common warning signs, you can liquidate your investments and prosper by shorting the market.”

4. Henry Weingarten - astrologer

Mr Weingarten is head of the Astrologers Fund, a New York firm that advises businesses on the basis of planetary movements. He forecast a major economic downturn in March 2007 – so hopefully his clients took note.

His website claims he has in fact made numerous successful predictions about worldwide financial affairs, including “both Mexican 1995 crises, the first 1995 dollar crisis, the 1998 oil collapse and 1999 recovery, and the decline of the Euro after its 1999 birth.”

5. Nouriel Roubini - economics professor

Aka Dr Doom, Dr Roubini is an economics professor at New York University. On September 7, 2006, at an International Monetary Fund meeting, he announced that a crisis was brewing. He said that the United States was likely to face a once-in-a-lifetime housing bust, an oil shock, sharply declining consumer confidence and, ultimately, a deep recession.

Homeowners would default on mortgages, trillions of dollars of mortgage-backed securities would unravel worldwide and the global financial system would shudder to a halt. These developments, he said, would cripple major financial institutions like Fannie Mae and Freddie Mac.

As Mr Roubini stepped down, his host said: “I think perhaps we will need a stiff drink after that.” They do now.

6. Nikolai Kondratiev - Russian Marxist economist

In the early 1920s, Mr Kondratiev proposed a theory that Western capitalist economies have long term (50 to 60 years) cycles of boom followed by depression. These business cycles are now called "Kondratiev waves", or grand supercycles. He predicted an imminent dip, and he was proved right with the Wall Street Crash in 1929.

The current crisis may mean he is about 10 years out – but, still, not a bad prediction for a man who died in 1938.

7. Founders of Housepricecrash.co.uk – property website

HousePriceCrash.co.uk was established in October 2003 after its founders predicted "one of the potentially biggest economic boom bust events in living memory" was coming. Its aim, apparently, is to provide a "counterbalance to the huge amounts of positive spin the housing market receives in the main media".

Whist there is not currently a lot of positive news about the housing market to counter, the site does provide a plethora of information, statistics and forums for those interested in the great house price crash.

Jonathan Davis, Managing Director of Financial Advisers Armstrong Davis Ltd, was the spokesman for this site from 2007 to January 2009.

8. Lord Oakeshott - Liberal Democrat Treasury spokesman

He may not have predicted the entire financial meltdown, but he did warn the Government of the possible collapse of Icelandic banks back in July. He said last week: ""Alarm bells were ringing all over about the Icelandic banks and the Treasury must have been blind and deaf not to hear them."

In a written question to the government in July, he asked: "What steps [have] the United Kingdom financial authorities taken to satisfy themselves, independently of the Icelandic financial authorities, of the solvency and stability of Icelandic banks taking deposits in the United Kingdom?"

Lord Davies, for the Government, replied that there was no concern about the liquidity or capital base of Icelandic banks operating in the UK.

9. Stephen Roach - senior executive at Morgan Stanley

In November 2004, Mr Roach predicted an "economic Armageddon", in part due to the record US current account, trade and government deficits. His outlook was largely dismissed at the time.

Having being proved right, he recently went on to accuse central banks of being "asleep at the switch" in failing to stop the escalating crisis. "The lack of monetary discipline has become a hallmark of unfettered globalization," he said.

10. Ron Paul - Republican Congressman

Back in September 2003, Mr Paul told a House Financial Services Committee that: "Ironically, by transferring the risk of a widespread mortgage default, the government increases the likelihood of a painful crash in the housing market.

"This is because the special privileges granted to Fannie and Freddie have distorted the housing market by allowing them to attract capital they could not attract under pure market conditions." Of course, if we are going to give Mr Paul credit, than we should also highlight the efforts of Peter Schiff, his economic advisor and long-time economic hawk.