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Assessing Obama’s Stimulus Plan

Ten days ago, Obama introduced the $447 billion American Jobs Act, and the critics are in. According to Yale’s own Robert J. Shiller (the economics professor recently named one of the world’s most influential thinkers by Bloomberg Markets), President Obama’s planned public spending stimulus does not go far enough: “I think it was a little weak in terms of the crisis we’re going through... it’s not really up to the magnitude of the problem.” Other commentators are criticizing the theory behind the proposal, arguing that the public expenditures will crowd out private investment and as result have little economic impact.

Rogue Trader at UBS Loses Over $2 Billion

A rogue trader based out of UBS London lost $2.3 billion on authorized positions this week. The trader reportedly fabricated trades and accounting entries in order to reduce the risk profile associated with his trades. He is now charged with one offense of fraud by abuse of position and two offenses of false accounting. At an initial hearing, he did not enter any pleas. His next hearing will be this Thurs. 9/22.

Should Greece drop the Euro?

Growing concerns about the Greek government’s ability to pay off its debts have led some economists to argue that the country should abandon the European currency so that it can devalue its currency and meet its present obligations.

The alternative option is a bailout from the European Union. In order to disburse additional funds, the EU has demanded that Greece comply with strict budgetary terms, which Greece is rushing to satisfy. A successful agreement would allow the release of a sixth tranche of loans and prevent the country’s default. Greek Prime Minister George Papandreou has promised a “decisive battle” for budget cuts to persuade European governments and the IMF to release an 8 billion-euro loan tranche. Greece is now looking to the next meeting of Euro-area finance ministers on Oct. 3rd for a decision on the release of the installment, which would enable the government to pay its bills through the end of the year. Greece currently has the cash reserves to cover its needs for only October.

The continued political wrangling within Greece has caused some European Union members to withdraw support for a bailout and to instead call for allowing Greece to default on its debt.