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Letters

### Dr. Doom

Nouriel Roubini is correct when he says the United States has “a subprime financial system, not a subprime mortgage market.” But he undercuts this key insight when he reverts to standard economic orthodoxy: “Once you run current-account deficits, you depend on the kindness of strangers.”

The United States has been running overall balance-of-payments deficits since the 1950s, and there haven't been any structural problems of the sort we have now. These are due to what Stephen Mihm correctly calls “an already gargantuan federal debt,” soon to be increased by massive bailouts of private banks. Given the complicity of Congress and the elites in creating this situation, Roubini is, if anything, too optimistic about the likely results.

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<http://www.nytimes.com/2008/08/31/magazine/31letters-t-2.html?ref=magazine>

Stephen Mihm writes (Aug. 17) that Nouriel Roubini predicted the current economic crisis two years ago. I predicted it 30 years ago in my book “The Seventh Year” (Norton, 1979), and a Shell oil engineer, M. King Hubbert, predicted it more than two decades earlier, before Roubini was born.

The consequences of peak oil production, which I believe is occurring now, include a constantly rising baseline for oil pricing. All other economic indicators — inflation, financial-institution meltdowns, housing crises, etc. — are affected by this cause. Roubini has speculated on mechanisms, but Hubbert originally identified the cause, and I (and many others) elaborated the effects we are now experiencing. Solutions include switching to renewable energy sources and transforming all industrial economies (not just the United States).

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