

PREDICTIONS BY NOURIEL ROUBINI



Nouriel Roubini is best known for having predicted the Global Financial Crisis (GFC) of 2007-09.

He was indeed one of the very few who, already in the middle of 2006, predicted that the US housing bubble and subprime excesses would lead to housing and mortgage bust. He also correctly forecasted that the housing and subprime bubble bust would lead to a banking crisis and to a severe recession that, given the financial linkages between the US and the rest of the world would cause a global financial crisis and severe global recession. He also correctly pointed out that housing bubble existed not just in the US but in other parts of the world: Dubai, Iceland, UK, Spain, Portugal, Greece, etc. Thus, the

bursting of such bubbles – together with the existence of large stocks of public debt - would trigger a twin private and sovereign debt crisis in parts of Europe and the Eurozone. He correctly predicted the sovereign distress faced by a number of Eurozone economies, including the insolvency of Greece and the need to restructure its public debt.

Roubini is an expert of economic and financial crisis having studied them as an academic researcher, as a policy maker (in the two years he spent working in senior positions in the US government), as an economic consultant and a public speaker and intellectual. His nickname as “Dr. Doom” emerged after the GFC after a New York Times profile of him in 2008 was titled “Dr Doom”. But even before the GFC he had developed an expertise in economic and financial crises. In the early 1990s he wrote extensively about the stresses that the then EMS (European Monetary System) would face given divergent economic and policy trends that led in 1992 to the currency crises within the EMS.

Then, in 1997-98 he was one of the few economists who provided a theoretical and empirical understanding of the Asian Financial Crisis (AFC). He correctly analyzed how the AFC differed from the previous typical financial crises in emerging markets – like the Latin American debt crisis of the 1980s - that were driven by twin fiscal and current account deficits leading to unsustainable external public debts. In East Asia instead excesses of the private sectors – especially over-investment by private firms (in part driven by moral hazard as implicit and explicit guarantees of private debts were the source of the over-leverage excesses) as well as the over-valuation of currencies deriving from semi-fixed exchange rate

regimes were the triggers of unsustainable external private debt accumulation that led to joint currency and balance of payment crises.

While his expertise on economic and financial crises has led to the moniker of Dr Doom, Roubini has repeatedly pointed out that he is not a perma-bear and that he is rather Dr Realist as he assesses both the upsides and downsides for economies and financial markets. Indeed, on several occasions over the years he has been correctly more optimistic than the conventional wisdom and consensus on some key economic and financial matters.

First, during the Greek financial crisis there was an open debate on whether Greece would be forced to leave the Eurozone, or Grexit. At the peak of the Greek crisis the consensus even among sell side research analysis on Wall Street and among European analysts was that Grexit was the baseline scenario, ie that Greece would choose or be forced to leave the Eurozone. Roubini instead took the correct view that Grexit would not occur. His unconventional view was based on several pieces of analysis: first, he argued that in the game of chicken between Greece and the Troika (IMF, ECB and the EU Commission) Greece would have to blink as it had less leverage. Second, the Troika offered to Greece both carrots – a large financing program – and sticks (the risk of a free fall if that official financing were cut-off) that lead Greece to accept austerity, adjustment and reforms even under a leftist government rather a disorderly Grexit. Third, Grexit would have led to severe contagion within the eurozone and the risks that other fragile Eurozone members would leave leading to the near collapse of this monetary union. Fourth, wiser EU leaders – as such as German Chancellor Merkel (as opposed to her pro-Grexit Finance Minister Schauble) realized that Grexit would lead to severe geopolitical implication as those were the years of massive migration from Syria and other Middle East countries that were arriving on the Greek shores; thus, Grexit would have created further security strains for Europe. And, indeed, as Roubini correctly predicted, Grexit did not occur and the Eurozone was saved.

Second, in the summer of 2015 and again in early 2016 a sharp correction of Chinese equities led to the concern that China – at a peak of a housing and investment bubble that had led to excessive debt and leverage – would face a hard landing with a recession and a financial crisis. US and global equity markets corrected sharply following the fall of Chinese equities as concerns about a Chinese hard landing dragging the global economy into a recession and crisis like the GFC mounted. While the consensus among analysts and market was that a hard landing of China was becoming the baseline scenario Roubini took a more balanced and correct view. He argued that China had enough policy tools as well as the low debt balance sheet of the central government to backstop the private (highly levered real estate and investment firms) and public actors (local governments and their financing vehicles) that were under financial stress. Thus, he argued that China would not face neither

a hard landing or a soft landing: rather China will experience a bumpy landing. Indeed, a China that had been growing close to 10% for three decades faced in the last decade a bumpy landing: growth slowed down from 10% to 7% right before the Covid crisis and 4-5% since the end of the Covid crisis. The deflation of the real estate bubble as well as the burden of high debt (over 300% of GDP between the private and public sector) have led to a slowdown of growth and financial stresses; but a bumpy rather than hard landing. Again, Roubini proved right at the time when the conventional wisdom and consensus was shifting towards a view of a Chinese hard landing.

Third, more recently Roubini has correctly assessed both the downside risks and threats to the global economy as well as the upsides deriving from the ongoing technological innovations. Indeed, in his 2022 book “Megathreats: Ten Dangerous Trends That Imperil Our Future And How To Survive Them” he correctly predicted that the long regime of Great Moderation followed by the post-GFC Secular Stagnation was over. Instead, powerful forces would lead to a return to stagflation (inflation above target and growth below potential) or what he referred to a Secular Stagflation. Even before the return to power of Donald Trump in 2025 Roubini identified forces that would cause higher inflation and lower growth: deglobalization, protectionism and sharp restrictions to labor migration, a geopolitical depression and the rise of new forms of warfare – such as cyber warfare - leading to global fragmentation, high levels of private and public debt leading to debt crises and monetization of deficits that would be inflationary, the corrosive stagflationary effects of global climate change and serious pandemics, the backlash against liberal democracy and democratic capitalism and the rise to power of populist regimes driven by both economic insecurity and income/wealth inequality. Those predictions of Megathreats have clearly materialized since the Covid crisis and its aftermath.

However, in the Megathreats book Roubini also considered the possibility of more positive trends that over the medium-longer term could lead to a Secular Boom driven by the new technologies of the future, starting with AI, Machine Learning and related new tech innovations. In the book – published before the launch of OpenAI’s ChatGPT – Roubini predicted that Gen AI will come soon and revolutionize computing and the economy; he also predicted the rise of new sources of clean energy – such as fusion – that could together with other forms of clean tech address the serious issue of global climate change.

Since the publication of Megathreats Roubini emphasized that if humanity can address these threats via sound policies and the new technologies of the future a new regime of Secular Boom may follow the Secular Stagflation that emerged in the 2020s.

Indeed, Roubini has again recently challenged the new pessimistic conventional wisdom about the US and the global economy that followed the re-election of Donald Trump and his

protectionist policies in 2025. Indeed, since Donald Trump's "Liberation Day" on April 2, when he announced sweeping trade tariffs on friend and foe alike, the conventional wisdom about the US economy's short-term and the medium term prospects has turned pessimistic. According to the new consensus: higher tariffs will cause a US and global recession; US exceptionalism is over; America's fiscal and current-account deficits will become unsustainable; the US dollar's status as the main global reserve currency will soon end; and the dollar will sharply weaken over time.

Certainly, Roubini argued and pointed out that some of the policies that Trump announced warrant such pessimism. Tariffs, protectionism, and trade wars are likely to be stagflationary (causing higher inflation and lower growth), as are draconian restrictions on migration, mass deportations of undocumented workers, large unfunded fiscal deficits, and efforts to interfere with the US Federal Reserve's independence. Equally, the US economy would not be well served by a Mar-a-Lago Accord to weaken the dollar, further damage to the rule of law at home and abroad, or tighter restrictions on foreign talent – scientists and students – coming to the United States.

Nonetheless, Roubini [maintained](#) (since right after Trump's election) that the US economy will do fine – not because of Trump's policies, but [in spite of them](#). For starters, Roubini argued that a combination of [market discipline](#), Trump's more sensible advisers, and Fed independence to prevail, and that is what has happened. Trump has consistently chickened out and pursued trade deals, rather than following through with his very high Liberation Day tariffs.

Trump's default may be "TALO" (Trump Always Lashes Out), but bond vigilantes and financial markets have pushed him into TACO (Trump Always Chickens Out) mode. As his most damaging economic policies have taken a milder form, Roubini argued that the US economy will still endure some pain, but the likely 2025 end-of-year scenario is a growth recession (meaning below-potential growth), but not the outright recession (typically defined as two consecutive quarters of negative growth) that the consensus predicted after the Liberation Day tariffs.

Second, because the positive effects of technology will always trump the negative effects of tariffs, Roubini argued that the era of US economic exceptionalism is not over. Roubini pointed out that the US is ahead of everyone – including China – in most of the revolutionary innovations that will define the future. The key technologies and industries of the future are : AI/Gen AI, ML, Digital Twins, Agentic AI, semi-sentient machines, Causal ML leading to AGI by 2030 or earlier; robotics and automation including massive emergence of humanoid robots; bio-med research and synthetic biology increasing human health and longevity; quantum computing and its eventual merger with AI; space exploration and exploitation; AI-led semi-autonomous weapon systems for a new era of warfare and related defense tech; Ag-tech; fusion energy than more than renewable may help to resolve climate change; green tech and new frontiers of geo-engineering; mobility revolution with semi or fully autonomous

vehicles; fin-tech with most of it not based on DLT; new material science leading to new materials and types of manufacturing; cybersecurity and new forms of cryptography.

Accordingly, US's potential annual growth is likely to increase from 2% to 4% by the end of the decade, before rising much higher in the 2030s. Suppose that new technologies increase its potential growth by 200 basis points while trade and other bad policies reduce it by 50 bps; America would remain exceptional. It is America's uniquely dynamic private sector, not Trump's policies, that will determine the future growth outlook.

Third, if potential growth does accelerate toward 4% over time, US public and external debts as a share of GDP will prove sustainable, stabilizing and then falling over time (unless there is even greater fiscal recklessness). While the Congressional Budget Office projects a rising public debt-to-GDP ratio, that is because it assumes that US potential growth will peak at 1.8%. Thus, Roubini has argued that the conventional wisdom that the US public and external debts are unsustainable is partly misguided if one takes a medium-long term view.

Fourth, Roubini argued that as long as American economic exceptionalism remains, the "exorbitant privilege" conferred by the dollar's global primacy is unlikely to erode. Despite higher tariffs, US external deficits will probably remain high, since investment as a share of GDP will rise on the back of a secular tech-driven boom, while the savings rate remains relatively stable. The resulting increase in the current-account deficit will be financed by equity inflows (both portfolio investment and foreign direct investment).

Therefore, according to Roubini the dollar's role as global reserve currency is unlikely to be significantly challenged, even if there is some modest diversification out of dollar-denominated assets. Likewise, these structural equity inflows will limit downside exchange-rate risks, and they could even strengthen the dollar over the medium term.

In short, Roubini has an out-of-consensus view that the US is likely to do well over the rest of this decade, not thanks to Trump but in spite of him. There is no question that many of his policies are potentially stagflationary. But the US happens to be at the center of some of the most important technological innovations in human history. These will deliver a large positive aggregate supply shock that will increase growth and reduce inflation over time. This effect should be an order of magnitude larger than the damage that stagflationary policies can induce.

Of course, one should not be complacent about damaging policies; their negative impact could be serious. But Roubini argued that as long as markets and bond vigilantes do their job, Trump's worst impulses will be constrained.

Roubini's recent out-of-consensus optimism about the US economy is again proving to be correct. After most of Wall Street started to predict a US recession because of Trump's trade protectionist policies the trade deals achieved with trading partners have now reduced the risk of an outright recession and most forecasters are now in the Roubini camp of a growth

recession. Moreover, the initial market concerns about the end of American exceptionalism have proven wrong: after major equity indices showed a sharp correction and a near bear markets US equities have recovered their losses as trade deals have been achieved, corporate profits remain strong and the tailwinds of AI driven investments have sustained markets. Moreover, the muted bond market reaction to the One Big Beautiful Bill shows that markets for now remain only moderately concerned about the US fiscal deficits. Also, there is no sign yet of significant de-dollarization and the fall of the US dollar has been modest and orderly.

In summary, Roubini is not Dr Doom or a perma-bear. Most of his predictions of economic and financial stresses have proven correct. And on a number of key issues – Grexit, China hard landing, the recent outlook of the US economy and markets – Roubini has been more optimistic than consensus and his challenges to the pessimist conventional wisdom have been proven right. He carefully assesses upside and downside risks and provides a realistic assessment of the economic, policy and market outlook.