

BARRON'S

SATURDAY, DECEMBER 10, 2011

They Said What?

Economists and other observers assess the possible impact of Europe's debt crisis on the U.S.

As the European Union struggles for a solution to its debt crisis, economists and other observers are tussling over the extent of possible contagion.

Will Europe's problems throw the U.S. into a recession?

Gerald O'Driscoll Jr.

Senior fellow, the Cato Institute

"It's 50-50. The U.S. is slowly picking up momentum but also being dragged down by the problems in Europe. Some expect a Lehman kind of liquidity event before Christmas or in the beginning of the year."

Allan Meltzer

Professor, Carnegie Mellon University

"Probably not. It will hurt our exports, but Europe is only 20% of the total. If Asian exports continue to grow, the U.S. will continue its transition from a consumption-led to an export-led economy."

Andrew Milligan

Global strategist, Standard Life Investments

"It would take a major error of judgment by Merkel, Monti, Sarkozy and Draghi to create a financial crisis as large as, say, Lehman—and now, only an event that big would push the U.S. back into recession."

Walker Todd

Economic consultant

"The recession would happen only if we try to refinance the whole European banking system through the U.S. Federal Reserve, which is what we appear to be doing."