'Perfect storm' for world economy

Factors: US, EU trials; slow growth; Mideast

By Dan Perry
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CERNOBBIO, Italy — Experts and leaders gathered in Italy may disagree on the cure, but the malady seems clear: the world economy faces a "perfect storm" of risks that include prolonged crisis in a structurally flawed Europe, political paralysis pushing the U.S. off a "fiscal cliff," a slowdown in emerging economies drying up the last of global growth, and the hugely destabilizing prospect of war over Iran's nuclear program.

A world of such unpredictable peril is also one in which jitters suppress the appetite for private and corporate risk, yielding meager investment and low consumption and prolonging the woes that snuck up on a booming world in the summer of 2007 as a "credit crunch," mushrooming a year later into the Great Recession.

Many attendees at the annual Ambrosetti Forum at Lake Como on Friday fretted about mounting U.S. debt and the Europe's inability to balance electorates' apparent insistence on national sovereignty with the need for regional coherence to salvage the teetering euro.

But economist Nouriel Roubini has predicted years of gloom almost regardless of what is decided.

That analysis is rooted in the specific nature of this crisis, a downward spiral in which a financial meltdown caused by excess credit was defused by a blast of public spending; that 2009 stimulus, widely credited with avoiding a global depression, pushed some governments too far into the red for the markets' liking — a "sovereign debt crisis"; and this in turn was attacked with severe austerity measures which then suppressed spending to the point that countries cannot grow their way back to prosperity.