

Macro Roundup Article

Headline: [How Big a Deal Is the Banking Mess?](#)

Article Link: <https://www.nytimes.com/2023/03/21/opinion/svb-banks-fed-inflation.html>

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Tweet: [@paulkrugman](#) argues the Fed should pause its rate hikes, citing estimates from Goldman Sachs and Apollo Global Management that banking turmoil is equivalent to a hike of .25 to 1.5pp.

Summary: In effect, banking turmoil will act a lot like a rate hike by the Fed. But how big an effective rate hike? I'm seeing smart, well-informed people produce numbers that are all over the place. Goldman Sachs says we'll see the equivalent of a rate hike of 0.25 to 0.5 percentage points; Torsten Slok of Apollo Global Management says 1.5 percentage points. I have no idea who's right. What this probably means in practice is that the Fed should pause its rate hikes until there's more clarity about both the inflation picture and the effects of the banking mess — and it should be clear that that's what it is doing.

Primary Topic: Banking

Topics: Banking, Business Cycle, Inflation, Op-Ed/Blog Post

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