BERGEN, Norway — If only Americans were more like Norwegians.

As President Bush was urging Americans to calm down and take a “deep breath” and the former Senator Phil Gramm was saying that Americans were a “nation of whiners” about the economy, a Norwegian newspaper was featuring the opinions of Bard Tronvoll, a lecturer at the College of Hedmark, who complained that Norwegians don’t complain enough.

Mr. Tronvoll figures Norwegians would be treated better in stores and restaurants if only they would speak up when they were not satisfied.

Perhaps Americans would be in a better mood if their country were a major oil exporter, as Norway is. As it is, Americans visiting here get a sharp reminder of how far the dollar has fallen whenever they see a familiar item.

Thanks in part to high value-added taxes, Scandinavia was never cheap, but now prices are amazing. You can get a half-liter bottle of Coke for the equivalent of $4.74. A Big Mac costs $7.90, or double that if you want fries and a soda with it. The cheapest postcard I saw cost 99 cents, plus $2.17 for postage back to the United States.

Many Americans have bigger economic worries than the cost of a Coke in Scandinavia, of course. They see property values falling and unemployment rising. And things keep getting worse for the financial system, making a severe recession more likely.

It was only a year ago that American banks and brokerage firms were reporting huge profits and exuding confidence that their penchant for financial innovation had made them the best in the world. Now they are taking multibillion dollar write-offs, and the president feels called upon to reassure Americans that the financial system is “basically sound,” a half-hearted endorsement at best.

Over at the Securities and Exchange Commission, whose regulation of the big brokerage firms was totally inadequate, the best idea they can come up with is to bolster the share prices of big financial firms by making it harder for speculators to bet against them. That may help stock prices, but it is not a way to persuade anyone that the banks are really healthy.

Until a couple of weeks ago, a principal element in the government’s strategy was to encourage Fannie Mae and Freddie Mac, the government-sponsored enterprises, to purchase or guarantee more and more mortgage loans, and thus keep credit available as bankers became less willing to lend.
That was an unlikely strategy for a Republican administration, especially one that had previously wanted to rein in Fannie and Freddie. But perhaps it was no more unorthodox than the decision by Richard Nixon to impose wage and price controls.

Now markets are not sure what to think. Financial stocks alternately collapsed and soared this week. Investors hope the stocks are cheap, but they fear that Fannie and Freddie cannot survive without a government bailout. Certainly, it will be extremely costly for them to raise new equity capital, if they can do it at all.

The government’s short-term solution is to promise to lend $300 billion to Fannie and Freddie, if necessary, and hope that things don’t get worse. Anyone who has a long-term solution should contact the Treasury and the Federal Reserve immediately.

In the meantime, Fannie and Freddie seem likely to be less willing to guarantee mortgages, and to charge more if they do. That will make loans even harder to get.

What we have here is a downward spiral, in which every institution wants more liquidity and less leverage. So banks sell assets and demand higher margins from those they have lent to. “This lowers the price, and forces more sales, increasing margins and creating a vicious cycle,” Markus K. Brunnermeier, a Princeton economist, said in a recent paper, “Deciphering the 2007-08 Liquidity and Credit Crunch,” which provides what may be the best analysis yet of how we got into this mess.

Mr. Brunnermeier concludes that this is, in many ways, a classic liquidity crisis, worsened by the extent of securitization, which made it hard to determine underlying values and difficult even to figure out which institution was at risk.

Many of the securitization strategies used by banks and brokers were aimed at reducing the amount of capital they had to maintain while at the same time allowing them to take on more risks. Regulators knew that, but they had no idea of how severe a problem was being created. It is clear to everyone that, as Mr. Brunnermeier wrote, “we need to rethink our current regulatory framework to reflect recent financial innovation.”

But the regulators are in no mood to blame themselves. Instead, the S.E.C. is trying to make it harder to sell short shares in Fannie, Freddie and major banks. Starting Monday, you will have to borrow the shares before making the short sale, rather than simply determine that you can borrow them. The S.E.C. vows to watch carefully to make sure the rule is followed. That will probably raise the cost of borrowing such shares, and it could provide a temporary boost to the share prices.

But such moves do nothing to either strengthen the underlying balance sheets of the firms involved, or to make them more willing to lend to each other. We know that mortgages were not the only loans made with reckless abandon of credit standards. But we have yet to see how much damage will be caused in such areas as commercial real estate, corporate loans and consumer credit cards if the economy continues to weaken. Nor do we know whether those losses will cause more firms to fail and make their own guarantees, through credit default swaps, worthless.

Eventually, it is likely that the federal government will find new ways to guarantee hundreds of billions or
even trillions in dubious debts, averting the collapse of any big banks at the cost of putting more
government money at risk.

A worldwide economic slowdown is likely to bring inflation down in the near future, despite the bad
inflation figures reported this week. But over the longer term, the new government guarantees could cost
the government so much that confidence in its credit is damaged, forcing interest rates up in the United
States while the dollar falls even lower.

If that happens, a $5 Coke may seem like a happy memory to the next generation of American tourists in
Norway, even if there are not very many of them.

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