

Introductory notes for the Housing/Mortgage Bubbles and Economies: 1997-2009 and 1922-1934

Prague, February 26, 2010

This talk is based on research with my co-author, Steven Gjerstad, into the origins, and process of development of the current economic crisis. We are not experts in macroeconomics, or monetary policy. If you see that as bad news, the good news is that there are not any experts; if you see it as good news, the bad news is that there are not any experts. There are of course self-proclaimed experts everywhere, who spring up like weeds after a heavy rain storm. But economists and policy makers have been learning in real time, as unusual events have unfolded; they did not predict, or prepare us, for the severity of the crisis, nor have they been in agreement about what to do.

What we bring to the task is the perspective of experimental economists. We believe our perspective has enabled us to ask somewhat different questions and to interpret events in ways that we think have helped us to understand the crisis. My talk will try to convey some of that understanding, but only you will be able to judge whether it helps you to obtain a fresh understanding of this economic tragedy.

Much of the public discussion has focused on whom or what to blame, which I think is not helpful: there is more than enough blame to go around. When I was young, I read a popular US cartoon character, called *Pogo*, who, in a philosophical mood, once said: "We have met the enemy and he is us."

I appreciate the opportunity to be here and to talk with you about economic events that the world has not seen for over 80 years.

Vernon Smith