

Conference on “Understanding the Housing Collapse: What is to Blame and What Can Be Done?”

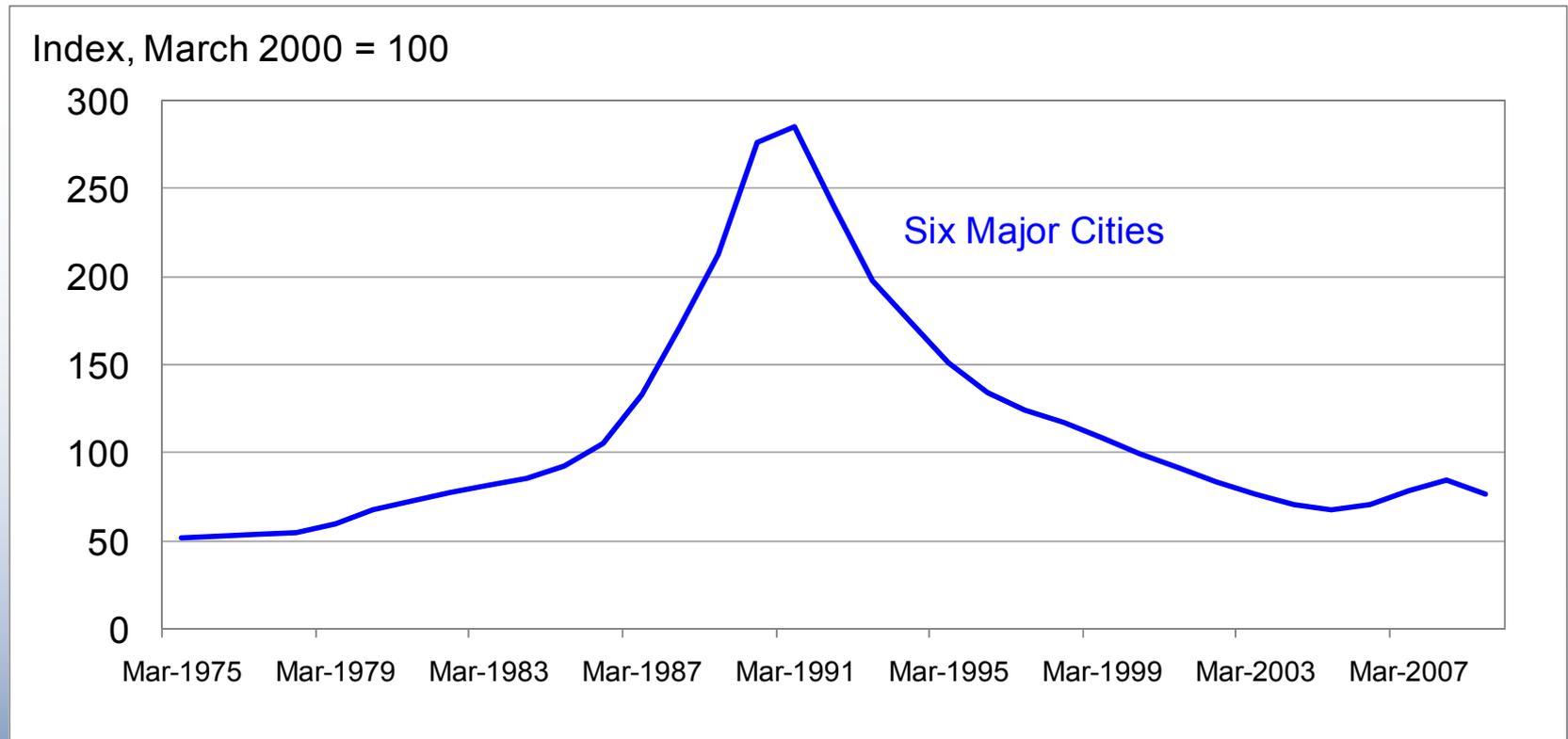
Eric S. Rosengren
President & CEO
Federal Reserve Bank of Boston

May 5, 2010

Figure 1

Japanese Land Price Index for Six Major Cities

March 1975 - March 2009

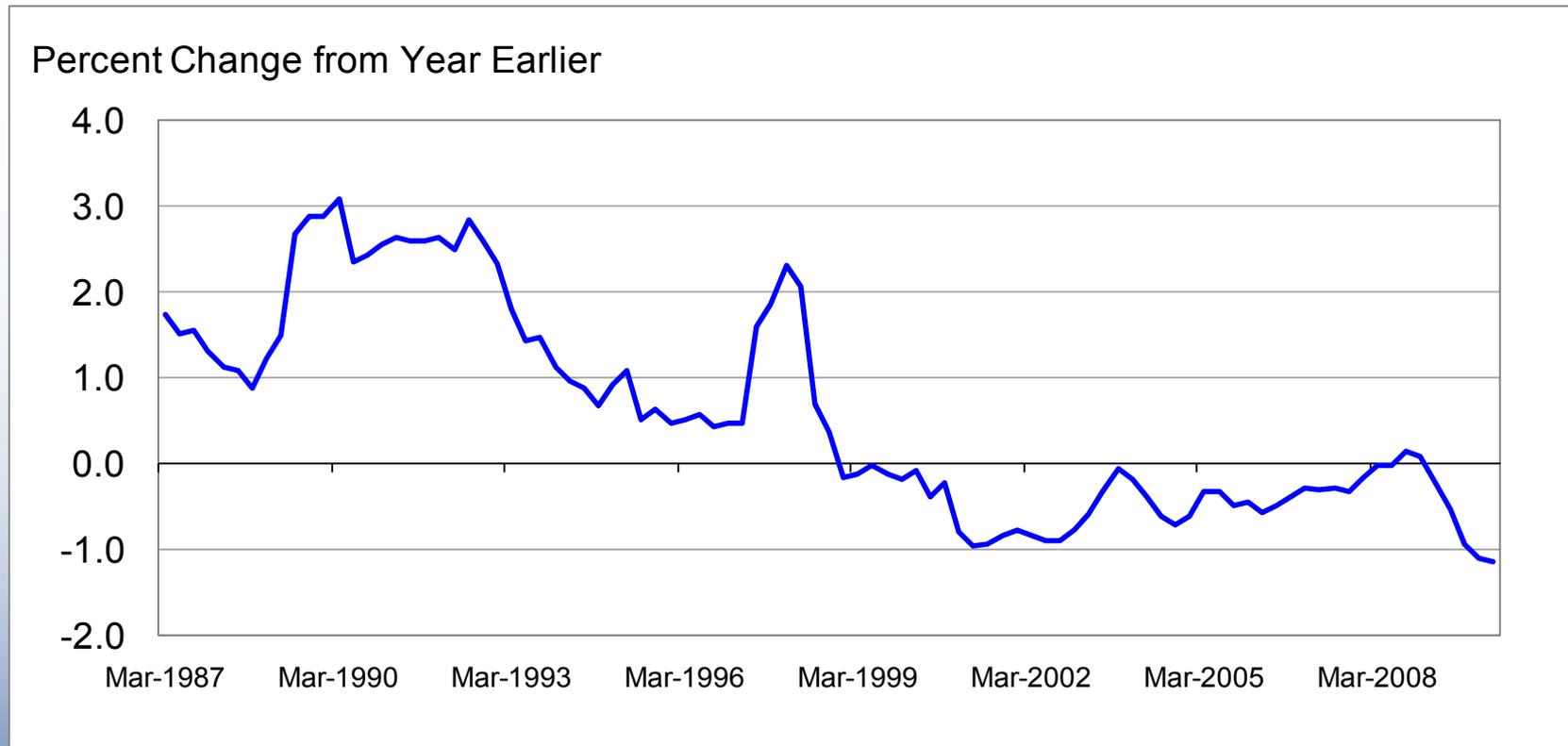


Source: Japan Real Estate Institute

Figure 2

Japan's Core Consumer Price Index

March 1987 - March 2010

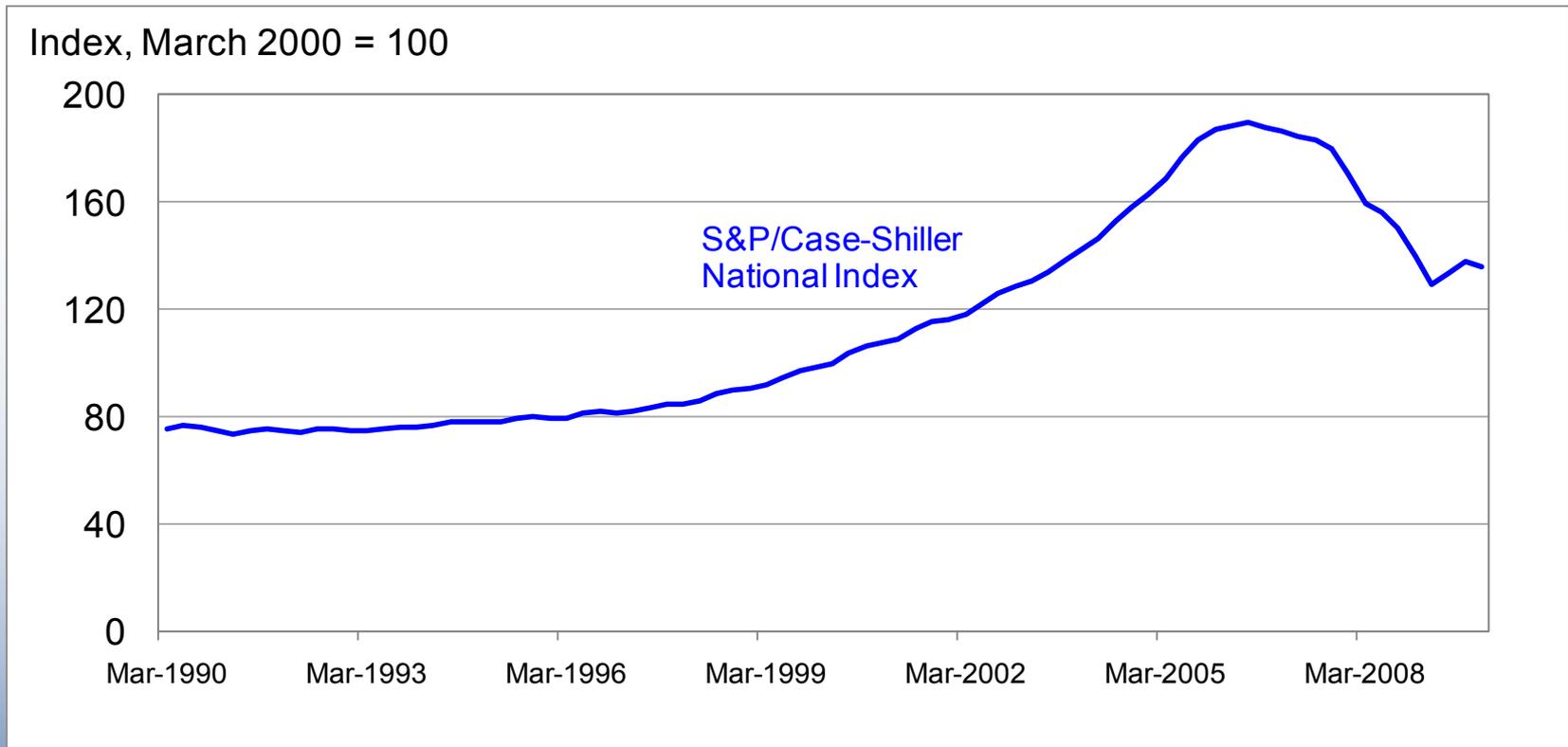


Source: Japan's Ministry of Internal Affairs and Communications / Haver Analytics

Figure 3

U.S. Home Price Index: S&P/Case-Shiller National Index

March 1990 - December 2009

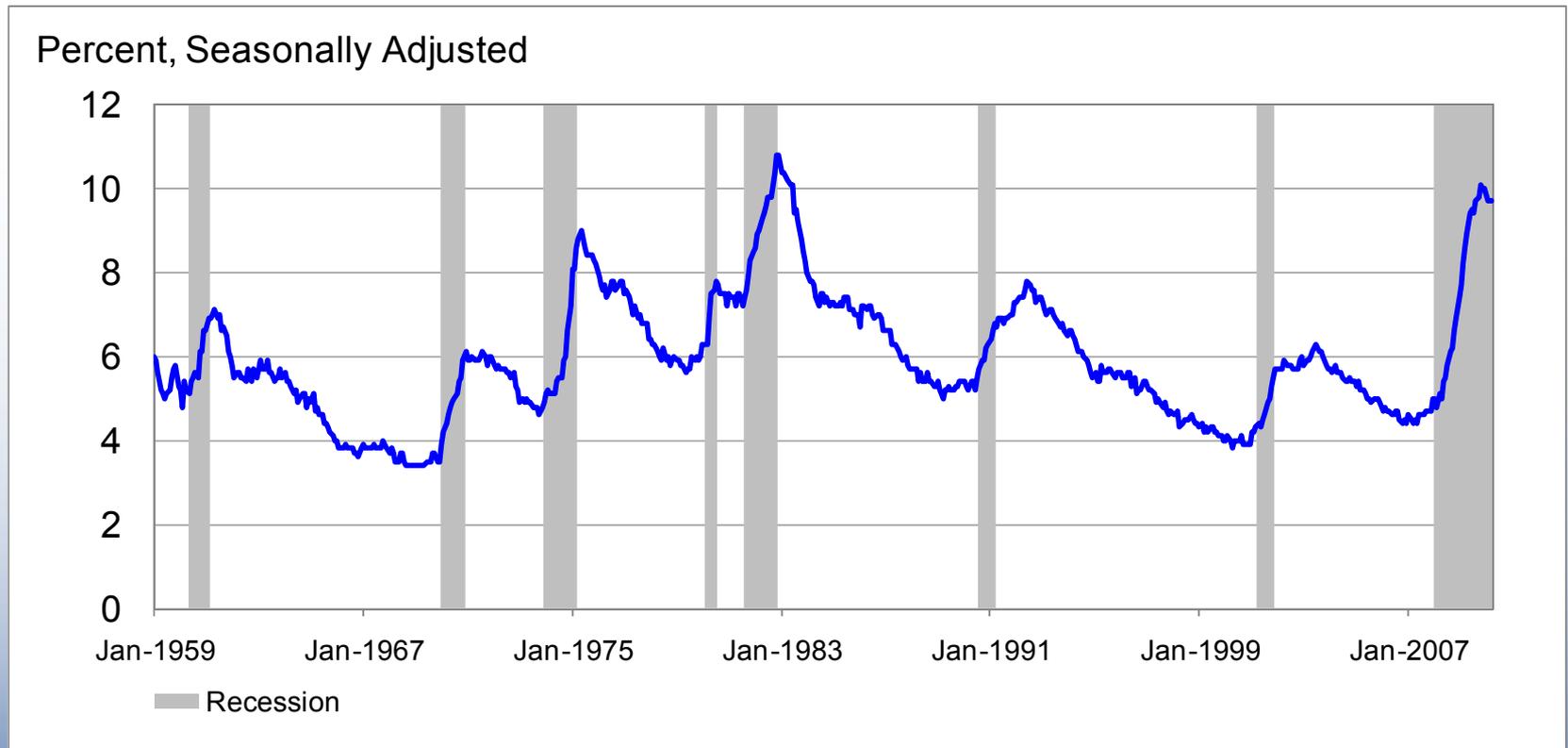


Source: S&P/Case-Shiller / Haver Analytics

Figure 4

U.S. Unemployment Rate

January 1959 - March 2010



Source: BLS, NBER / Haver Analytics

Policy Questions

- How important are short-term interest rates set by monetary policy for starting or stopping real estate bubbles?
- How important is financial innovation (e.g., subprime loans, securitization) in creating real estate bubbles?
- Would different supervisory or tax policies have been effective in preventing a boom/bust cycle in real estate?

More Questions

- How do we better quantify the indirect effects of falling real estate prices?
 - How do falling real estate values influence consumers?
 - What is the broader impact of leveraged institutions taking real estate losses?
- How can macroeconomic models capture the full effect of falling real estate prices?

More Questions

- Tighter underwriting standards may reduce foreclosures but limit availability of financing for low- and moderate-income buyers. How should policy make the trade-offs?
- How important were nonstandard fiscal policies (e.g., home buyer credits) and monetary policies (e.g., purchases of MBS) in stabilizing home prices?

More Questions

- What are the appropriate roles for Freddie and Fannie in housing policies?
- What is the appropriate role for FHA?
- What have we learned about foreclosure mitigation that can help prevent future problems?
- How did some countries, such as Canada, avoid housing problems?

Important Role of Research

- Policymakers have many questions; hopefully, this conference will lead to some answers.
- Disseminating and implementing research findings are as important as doing the basic research.