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

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Figure 1
Japanese Land Price Index for Six Major Cities

March 1975 - March 2009

Index, March 2000 = 100

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

Index, March 2000 = 100

Source: S&P/Case-Shiller / Haver Analytics
Figure 4
U.S. Unemployment Rate

January 1959 - March 2010

Percent, Seasonally Adjusted

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.