

A number of people subsequently told me that they thought that such screw-ups were less uncommon in academe than generally supposed and that they suspected many people just cover up their mistakes and bury them with their data. I urge any reader who might be looking for some career guidance on this never to do anything other than get the truth out, whatever the consequences. This was a mistake, not a calamity.

Second, and this is a lesson common to all three regrets, is to accept accountability for your words and actions. Clarify others' mistakes about things you've said or written (note: this does not include legitimate criticism) and realize that, unfortunately, any serious piece of research, let alone an op-ed, pertaining to any aspect of economic policy, is now highly politicized in the mosh pit of instant Internet communications and social media.

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My Biggest Regret

Tyler Cowen⁶

I define regret as not necessarily implied by error. Regret is the sentiment that, ex ante, I should have been more careful, given what I either knew or should have known at the time. Not thinking Donald Trump would be elected president

6. George Mason University, Fairfax, VA 22030.

clearly was an error of mine, but I still think at the time it was a pretty reasonable thing to believe, so it is an example of error without regret.

My biggest intellectual regret is not having assigned a greater likelihood to the financial crisis circa 2007.

Here is part of a *Marginal Revolution* blog post I wrote on November 19, 2007:

Paul Samuelson, pessimist: “Today, Federal Reserve Chairman Ben Bernanke admits that nobody, including him, is able to guess how near to bankruptcy the biggest banks in New York, London, Frankfurt and Tokyo might be as a result of the real estate crisis.”

Taken literally, Samuelson is correct. No one can say how near to bankruptcy those banks are but that is because they are not very near to bankruptcy. Subprime crisis or not, most people are still paying off their mortgages quite comfortably. Many [bank share prices are down](#) but the major banks are not hovering close to $p = 0$.

I’m not sure what Samuelson counts as “today,” but using Google News I cannot find any such statement by Bernanke and if it had been made it would be a) grossly irresponsible, b) headlines, and c) the market would have plunged dramatically. The most likely possibility is that this passage is a simple untruth, not representing what Bernanke said.

Samuelson draws an analogy between today’s subprime crisis and Herbert Hoover claiming the Great Depression would end soon. It’s worth noting that Hoover faced high unemployment, radical deflation, incompetent monetary policy, bank runs, and a lack of automatic stabilizers, none of which are the case today.

It is amazing how pessimism and the desire to blame will cloud men’s minds. (Cowen 2007)

The post’s closer was a bit of a saving grace for me:

It can be said, however, that if further bad things were to happen, “the crisis so far” would mean we have much less room to maneuver. So I’m not telling you that everything is fine, I am simply putting this piece in perspective.

Now, to be sure, most of my claims in the blog post were literally accurate. Bank share prices, at the time, were not close to zero. And Samuelson (2007) was deeply irresponsible to fabricate this sentiment and attribute it to Bernanke—consider that an early example of ‘fake news.’

Still, at the time I badly underestimated the chance that something systemic had gone wrong in the American economy. I remember thinking there was a very real chance of a real-estate bubble, but I thought it would be like the real-estate bubble of the late 1980s, in which case it would lead to a slight recession but not an event to be remembered in the broader scheme of history.

One mistake I made was to think too little about the fragility of America's shadow banking system, but unfortunately my mistakes ran deeper than that. The more general mistakes I made took a few forms. First, I had too much confidence in observed market prices. Second, I had too much confidence in the quality of corporate governance within banks. At the time, I thought, "Those are sophisticated managers and CEOs with a lot of their own money on the line. There is no reason to think they will let things get out of control." I just didn't think that a real-estate bubble could be so far along and so extended as to endanger bank solvency. Third, I just had too much confidence in my judgments.

On all counts I was wrong! And so when 2008 came along, I felt rather silly. I had to perform a major revision of my views on quite a few matters. My underlying ignorance was not just a lack of understanding of some details about shadow banking.

That all said, I think we (and I) need to be very careful. We should not overreact and now assume that all precarious situations will blow up financially. Most of them still will not, and to presume otherwise would be to show that no real lesson had been learned from the history of our own errors. We shouldn't assume that the most recent events are always the best predictors of what lies around the corner.

I also think, in retrospect, that too much reliance on the notion of a real-estate bubble is misleading. In so many of the affected areas, real estate prices are now higher than they were in 2006! There was a real-estate bubble, and a huge one, near Las Vegas, near Orlando, and in much of Arizona. But was there a real-estate bubble in America's high-productivity cities such as New York and San Francisco? Probably not, even though for a while prices took quite a tumble. The high prices in fact seem to have proven themselves sustainable. And so, looking back, we have to question just how general the real-estate bubble was. Arguably the financial system had some fragility issues that intersected with some regional real-estate bubbles but were not merely reducible to real-estate problems. To put it in other words, the real mystery is the 'negative price-movement bubble,' in many regions, starting in 2008–2009 but lasting only a few years.

Overall, there is still quite a bit we don't understand about the crash of 2008. But in 2007, I thought I knew pretty well what was going on. I didn't. I regret that. I regret that I was wrong, and I regret that I was overconfident in my belief that I was right.

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My Most Regretted Statements

Jon Elster⁷

[Editor's note: Upon receiving the invitation to contribute to the present symposium, Jon Elster responded by noting that in his published work he had illustrated defective belief formation by sharing some of his own regrets about his own past statements. He kindly authorized us to reproduce the following passages, as part of the symposium.⁸]

Because it is often easy to detect the operation of motivated belief formation in others, we tend to disbelieve the conclusions reached in this way, without pausing to see whether the evidence might in fact justify them. Until around 1990 I believed, with most of my friends, that on a scale of evil from 0 to 10 (the worst), Communism scored around 7 or 8. Since the recent revelations I believe that 10 is the appropriate number. The reason for my misperception of the evidence was not an idealistic belief that Communism was a worthy ideal that had been betrayed by actual Communists. In that case, I would simply have been victim of wishful thinking or self-deception. Rather, I was misled by the hysterical character of those who claimed all along that Communism scored 10. My ignorance of their claims was not entirely irrational. On average, it makes sense to discount the claims of the manifestly hysterical. Yet even hysterics can be right, albeit for the wrong reasons. Because I sensed and still believe that many of these fierce anti-Communists would

7. Columbia University, New York, NY 10027.

8. The sources for the three passages are Elster 2015, 125 n.11; Elster 2015, 475; and Elster 2000, ix.